IMPORTANT NOTICE

IMPORTANT: You must read this electronic transmission and the below disclaimer carefully before continuing on to access, read or make use of the document following this page (the **Prospectus**). In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Banco Santander, S.A., Citigroup Global Markets Limited, Merrill Lynch International or Morgan Stanley & Co. International plc (together, the **Joint Global Coordinators**), or Barclays Bank PLC, BNP Paribas, First Abu Dhabi Bank PJSC, Société Générale or UBS Limited (together with the Joint Global Coordinators, the **Joint Bookrunners**), or Banco Bilbao Vizcaya Argentaria, S.A. or CaixaBank, S.A. (in collaboration with Banco Português de Investimento, S.A., which itself is not a manager) (the **Co-lead Managers**, and together with the Joint Bookrunners, the **Managers**), Rothschild, S.A. (the **Financial Advisor**), Compañía Española de Petróleos, S.A.U. (the **Company**) or CEPSA Holding LLC (the **Selling Shareholder**), as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is confidential and intended for you only and agree that you will not forward, reproduce or publish this electronic transmission or the Prospectus to any other person.

In making an investment decision regarding the **Offered Shares** (as defined in the Prospectus), an investor must rely on its own examination, analysis and enquiry of the Company and the terms of the **Offering** (as defined in the Prospectus), including the merits and risks involved. Investors should rely only on the information contained in this Prospectus. None of the Company, the Selling Shareholder, the Financial Advisor or the Managers has authorized any other person to provide investors with different information. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. The information appearing in this Prospectus is accurate only as of its date.

YOU ARE NOT AUTHORISED TO AND MAY NOT FORWARD OR DISTRIBUTE THE PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION, INCLUDING THE ENCLOSED PROSPECTUS, CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE OFFERED SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (A **QIB**) WITHIN THE MEANING OF RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE PROSPECTUS AND THE OFFERING, WHEN MADE, ARE ONLY ADDRESSED TO AND DIRECTED AT PERSONS OUTSIDE THE EUROPEAN ECONOMIC AREA (THE **EEA**), OR THOSE WHO, IF LOCATED IN MEMBER STATES OF THE EEA, ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC AND AMENDMENTS THERETO, INCLUDING DIRECTIVE 2010/73/EU, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE) (**QUALIFIED INVESTORS**). AS REGARDS PERSONS LOCATED IN THE UNITED KINGDOM, THE PROSPECTUS IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, QUALIFIED INVESTORS (I) WHO ARE INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE **ORDER**) OR (II) WHO ARE HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER AND (III) OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). THE PROSPECTUS MUST NOT BE ACTED ON OR RELIED UPON (I) IN THE UNITED

KINGDOM, BY PERSONS WHO ARE NOT RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EEA OTHER THAN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE PROSPECTUS RELATES IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EEA OTHER THAN THE UNITED KINGDOM, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS.

THE PROSPECTUS MAY NOT BE USED FOR ANY INVITATION OR SOLICITATION PURPOSES FOR OR IN CONNECTION WITH THE SALE, MARKETING, OFFERING OR ACQUISITION OF THE OFFER SECURITIES IN CIRCUMSTANCES UNDER WHICH IT IS UNLAWFUL TO MAKE SUCH AN INVITATION OR SOLICITATION.

The Prospectus may only be provided to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Company.

The materials relating to the Offering and this electronic transmission do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by any of the Company, the Selling Shareholder or the Managers that would, or is intended to, permit a public offering of the Offered Shares, or possession or distribution of the Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Shares, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any of the Managers or any of their affiliates is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Managers or such affiliate on behalf of the Company in such jurisdiction.

Restrictions: Nothing in this electronic transmission and the Prospectus constitutes an offer of securities for sale to persons other than specified QIBs or Qualified Investors or other institutional investors to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you gain access to the Prospectus contrary to the foregoing restrictions, you will be unable to subscribe for or purchase any of the securities described therein.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver the Prospectus, electronically or otherwise, to any other person. If you receive the Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive the Prospectus via electronic transmission, your use of such Prospectus in electronic format and email is at your own risk and it is your responsibility to take precautions to ensure that each is free from viruses and other items of a destructive nature. By accessing the linked document, you consent to receiving it in electronic form.

The Prospectus has been sent to you in an electronic format and you are reminded that documents transmitted via this media may be altered or changed during the process of transmission and, consequently, none of the Company, the Selling Shareholder, the Managers, the Financial Advisor, their respective affiliates and their respective directors, officers, employees, representatives and agents accepts responsibility in respect of any discrepancies between the Prospectus distributed to you in electronic format and any hard-copy version available to you on request from the Company.

None of the Managers or the Financial Advisor or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Offering. The Managers, the Financial Advisor and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Managers, the Financial Advisor or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Prospectus.

The Managers and the Financial Advisor are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

Confirmation of your representation: This Prospectus is delivered to you on the basis that you are deemed to have represented to the Company, the Selling Shareholder, the Managers and the Financial Advisor that you: (i) are (a) in the United States and a QIB, or acting on behalf of a QIB or (b) outside the United States; (ii) if you are in the United Kingdom, are a relevant person, and/or a relevant person who is acting on behalf of relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom and/or the EEA; (iii) if you are in any member state of the EEA other than the United Kingdom, are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors or relevant persons, to the extent that you are acting on behalf of persons or entities in the EEA and/or the United Kingdom; (iv) are an institutional investor that is eligible to receive the Prospectus; (v) the securities acquired by you in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors; (vi) if you are outside the US, UK and EEA (and the electronic mail addresses that you gave us and to which this Prospectus has been delivered are not located in such jurisdictions) you are a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located; and (vii) consent to delivery by electronic transmission.

Compañía Española de Petróleos, S.A.U.

PROSPECTUS
2 October 2018

Compañía Española de Petróleos, S.A.U.

Offering of up to 133,787,471 shares
Offering Price Range: €13.10 to €15.10 per share

This prospectus (the **Prospectus**) relates to the initial offering (the **Offering**) and listing of shares with a nominal value of €0.50 each in the capital of Compañía Española de Petróleos, S.A.U., a *sociedad anónima unipersonal* incorporated under the laws of Spain (the **Company**). CEPSA Holding LLC (the **Selling Shareholder**) is offering up to 133,787,471 existing shares in the share capital of the Company (the **Initial Offered Shares**). The Initial Offered Shares and, unless the context indicates otherwise, the Additional Shares (as defined below), are referred to herein as the **Offered Shares**. Assuming no exercise of the Over-Allotment Option (as defined below), the Offered Shares will constitute not more than 25.00% of the issued shares in the share capital of the Company with a nominal value of €0.50 each (the **Shares**). Assuming the Over-Allotment Option is fully exercised, the Offered Shares will constitute not more than 28.75% of the issued Shares.

The Offering consists of a private placement to qualified investors inside and outside of Spain. The Offered Shares are being offered: (i) within the United States, to persons reasonably believed to be qualified institutional buyers (**QIBs**) as defined in, and in reliance on, Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S under the Securities Act (**Regulation S**).

As an exception, the Selling Shareholder is offering certain Initial Offered Shares, initially up to 535,149 (the **Employees Tranche Shares**), to employees of the Company and the Spanish subsidiaries of the Company with tax residence in Spain (the **Relevant Employees**) on the terms and conditions set out in the section headed "*Employees Tranche*" of this Prospectus (the **Employees Tranche**). All Initial Offered Shares not allocated to the Employees Tranche shall be considered and referred to in this Prospectus as **Initial Institutional Tranche Shares**. The Initial Institutional Tranche Shares and the Additional Shares shall be referred to in this Prospectus as the **Institutional Tranche Shares**.

The Selling Shareholder has granted the Joint Global Coordinators (as defined below) an option (the **Over-Allotment Option**), exercisable within 29 calendar days from the date on which the Shares commence trading on the Spanish Stock Exchanges (as defined below), pursuant to which Merrill Lynch International, as the stabilization manager (the **Stabilization Manager**), may require the Selling Shareholder to sell at the Offering Price up to 15.00% of the total number of Initial Offered Shares sold in the Offering (the **Additional Shares**), to cover over-allotments or short positions, if any, in connection with the Offering.

AN INVESTMENT IN THE OFFERED SHARES INVOLVES A HIGH DEGREE OF RISK. SEE THE SECTION HEADED "*RISK FACTORS*" BEGINNING ON PAGE 21 FOR A DISCUSSION OF CERTAIN MATTERS THAT INVESTORS SHOULD CONSIDER PRIOR TO MAKING AN INVESTMENT IN THE OFFERED SHARES.

This Prospectus constitutes a prospectus for the purposes of Article 3(3) of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, the **Prospectus Directive**), its implementing regulations in Spain and Commission Regulation (EC) No. 809/2004 (as amended, the **Prospectus Regulation**, together with the Prospectus Directive, the **Prospectus Rules**). This Prospectus has been prepared in connection with the admission to listing of the Shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the **Spanish Stock Exchanges**) to be quoted on the Automated Quotation System (the **AQS**) or *Sistema de Interconexión Bursátil Español* (**SIBE**) or "*mercado continuo*" of the Spanish Stock Exchanges and includes the information required by Annexes I, III and XXII of the Prospectus Regulation. This Prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (**CNMV**) in its capacity as competent authority under Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (**LMV**) and relevant implementing measures in Spain.

Prior to the Offering, there has been no public market for the Shares. The indicative non-binding offering price range at which the Institutional Tranche Shares will be sold in the Offering is €13.10 to €15.10 per Institutional Tranche Share (the **Offering Price Range**). The Offering Price Range which is indicative and not binding has been determined by the Company (which has received financial advice from the Financial Advisor (as defined below)) and the Selling Shareholder after consultation with the Joint Global Coordinators (as defined below), and no independent experts have been consulted in determining the Offering Price Range. The price of the Institutional Tranche Shares (the **Offering Price**) will be determined upon finalization of the book-building period (expected to occur on or about 16 October 2018) and will be announced by the Company through the publication of a relevant fact notice (*hecho relevante*).

The Employees Tranche Shares will be sold to the Relevant Employees at the lower of: (i) €13.59 (high-point of the Offering Price Range with a 10% discount) (the **Employees Maximum Offering Price**); or (ii) the final Offering Price, after application of a 10% discount.

The Shares are expected to be admitted to listing on the Spanish Stock Exchanges for trading through the AQS on or about 18 October 2018 (**Admission**) under the symbol "CEP". The Offered Shares are expected to be delivered through the book-entry facilities of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* and its participating entities (**Iberclear**) on or about 19 October 2018.

The Offered Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States, and may be offered and sold in the United States only to persons who are reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and offered or sold outside the United States in compliance with Regulation S. There will be no public offer of the Offered Shares in the United States. Prospective purchasers are hereby notified that the sellers of the Offered Shares may be relying on the exemption from the requirement of Section 5 of the Securities Act provided by Rule 144A. Each purchaser of Offered Shares, in making a purchase, will be deemed to have made certain acknowledgments, representations and agreements as set out in "*Selling and Transfer Restrictions*". Prospective investors in the Offered Shares should carefully read "*Selling and Transfer Restrictions*".

Joint Global Coordinators and Joint Bookrunners

Banco Santander **BofA Merrill Lynch** **Citigroup** **Morgan Stanley**

Joint Bookrunners

Barclays **BNP PARIBAS** **First Abu Dhabi Bank** **Société Générale** **UBS Investment Bank**

Co-lead Managers

BBVA **CaixaBank**
(in collaboration with Banco Português de Investimento)

Agent Bank

Banco Santander

Financial Advisor

Rothschild

Prospectus dated 2 October 2018

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

YOU SHOULD READ THE ENTIRE PROSPECTUS AND, IN PARTICULAR, THE SECTION HEADED "*RISK FACTORS*" BEGINNING ON PAGE 21 OF THIS PROSPECTUS WHEN CONSIDERING AN INVESTMENT IN THE SHARES.

None of Banco Santander, S.A. (**Banco Santander**), Citigroup Global Markets Limited (**Citigroup**), Merrill Lynch International (**BofA Merrill Lynch**) or Morgan Stanley & Co. International plc (**Morgan Stanley**) (together, the **Joint Global Coordinators**), or Barclays Bank PLC (**Barclays**), BNP Paribas, First Abu Dhabi Bank PJSC (**FAB**), Société Générale and UBS Limited (**UBS**) (together with the Joint Global Coordinators, the **Joint Bookrunners**), or Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA**) and CaixaBank, S.A. (in collaboration with Banco Português de Investimento, S.A., which itself is not a manager) (**CaixaBank**) (the **Co-lead Managers**, and together with the Joint Bookrunners, the **Managers**), Rothschild, S.A. (the **Financial Advisor**) or any of their respective affiliates (or any entity through which the Managers may offer and sell the Offered Shares) makes any representation or warranty, express or implied, nor accepts any responsibility whatsoever, with respect to the content of this Prospectus, including the accuracy, completeness or verification of any of the information in it, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Managers and the Financial Advisor accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any information contained herein. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholder, the Managers or the Financial Advisor (or any of their respective affiliates or any entity through which the Managers may offer and sell the Offered Shares) that any recipient of this Prospectus should purchase the Offered Shares. The contents of the website of the Company do not form any part of this Prospectus.

Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, as of the date of this Prospectus and to the best of the Company's knowledge, in accordance with the facts and contains no material omission likely to affect its import. Every significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the securities and which arises or is noted between the time when this Prospectus is approved and the time when trading on the Spanish Stock Exchanges of the Shares begins, shall be mentioned in a supplement to this Prospectus to be approved and published in the same manner as this Prospectus but no obligation is assumed to publish additional information other than as required by the general rules for issuance of supplements to this Prospectus or relevant fact notices (*hechos relevantes*). The information contained in this Prospectus must be considered taking into account the risks described under "*Risk Factors*", which forms an essential and integral part hereof. A potential update or adjustment in the information or statements contained in this Prospectus as a result of the occurrence of any of the described risk factors shall not be considered as a mistake or an inaccuracy thereof or make such information misleading.

Investors should rely only on the information contained in this Prospectus. Investors acknowledge that: (i) they have not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus, and (iii) that no person has been authorized to give any information or to make any representations concerning the Company or its subsidiaries or the Shares other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorized by the Company, the Selling Shareholder, the Managers or the Financial Advisor and none of them or the Company accept liability with respect to such information or representation. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. Neither the delivery of this Prospectus nor any sale made pursuant thereto shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth in this Prospectus is correct as of any date subsequent to the date hereof. For the avoidance of doubt, the Company and Banco Santander S.A., acting as processor bank for the Employees Tranche, have and may provide marketing materials and presentations to the addressees of the Employees Tranche.

None of the Company, the Selling Shareholder, the Managers or the Financial Advisor, or any of their respective representatives, is making any representation to any offeree or purchaser in the Offered Shares regarding the legality of an investment in the Offered Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Investors should not consider any information in this Prospectus to be investment, legal, tax, financial or any other advice. An investor should consult its own legal counsel, financial advisor, accountant and other advisors for legal, tax, business, financial and related advice regarding subscribing for or purchasing the Offered Shares. Therefore, this Prospectus is not intended to provide the basis

of any credit or other valuation and shall not be considered as a recommendation by any of the Company, the Selling Shareholder, the Managers, the Financial Advisor, or their advisors, that any recipient of this Prospectus should purchase the Offered Shares. In making an investment decision, each investor or purchaser of the Offered Shares must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. Each investor or purchaser of the Offered Shares should analyze for itself the information contained in this document and base its investment or purchase of the Offered Shares upon such investigation, as it deems necessary, including the assessment of risk involved and its own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the Offered Shares.

The distribution of this Prospectus and the offer or sale of the Offered Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those set out in "*Selling and Transfer Restrictions*". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been or will be taken in any jurisdiction by the Company, the Selling Shareholder, the Managers or the Financial Advisor that would permit a public offering of the Offered Shares or possession or distribution of a Prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus may come are required by the Company, the Selling Shareholder, the Managers and the Financial Advisor to inform themselves about and to observe these restrictions. Neither the Company, nor the Selling Shareholder or any of the Managers or the Financial Advisor accepts any responsibility for any violation by any person, whether or not such a person is a prospective purchaser of the Offered Shares, of any of these restrictions.

In connection with the Offering, each of the Managers and any of their respective affiliates may take up a portion of the Offered Shares in the Offering as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) such Offered Shares and any securities of the Company or related investments and may offer or sell such Offered Shares, securities or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Shares being offered, acquired, placed or otherwise dealt with should be read as including any offer, acquisition, placing or dealing by any of the Managers or any of their respective affiliates acting in such capacity. In addition, certain of the Managers or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Managers or their respective affiliates may from time to time acquire, hold or dispose of Shares. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers and the Financial Advisor are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

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SUMMARY

*Summaries are made up of disclosure requirements known as **Elements**. These Elements are numbered in Sections A–E (A.1–E.7).*

This summary contains all the Elements to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

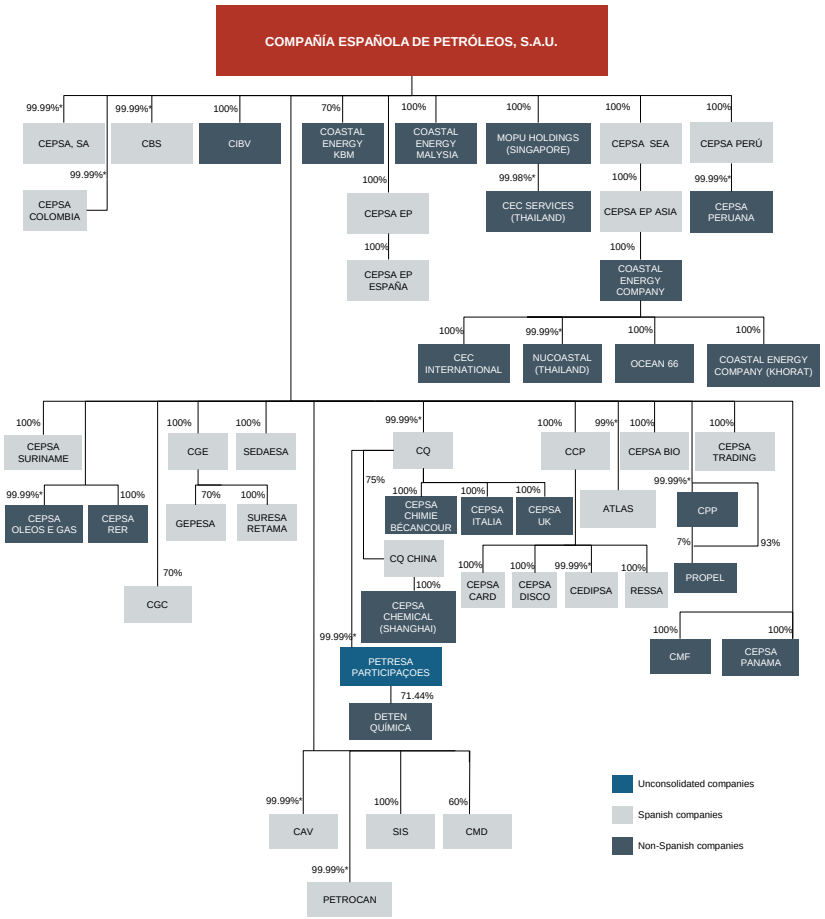
Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the notation of "not applicable".

Section A—Introduction and warnings		
A.1	Introduction:	This summary should be read as an introduction to the prospectus (the **Prospectus**) relating to the initial offering (the **Offering**) and listing on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (the **Spanish Stock Exchanges**) (to be quoted on the Automated Quotation System (the **AQS**) or *Sistema de Interconexión Bursátil Español* (**SIBE**) or "*mercado continuo*" of the Spanish Stock Exchanges) of shares with a nominal value of €0.50 each in the capital of Compañía Española de Petróleos, S.A.U., a *sociedad anónima unipersonal* incorporated under the laws of Spain (the **Company**). CEPSA Holding LLC (the **Selling Shareholder**) is offering up to 133,787,471 existing shares in the share capital of the Company (the **Initial Offered Shares**). The Initial Offered Shares and, unless the context indicates otherwise, the Additional Shares (as defined in E.3 below), are referred to herein as the **Offered Shares**. Assuming no exercise of the Over-Allotment Option (as defined below), the Offered Shares will constitute not more than 25.00% of the issued shares in the share capital of the Company with a nominal value of €0.50 each (the **Shares**). Assuming the Over-Allotment Option is fully exercised, the Offered Shares will constitute not more than 28.75% of the issued Shares. Any decision to invest in the Offered Shares should be based on consideration of the Prospectus as a whole by the investor. **Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.** Under Spanish law, civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries:	Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document and has not given its consent for any such resale or replacement.

Section B—Issuer		
B.1	Legal and commercial name:	The legal name of the issuer is Compañía Española de Petróleos, S.A.U. (the **Company**). The commercial name of the issuer is "CEPSA".

Section B—Issuer		
B.2	Domicile and legal form:	The Company is a public limited company (a *sociedad anónima unipersonal* or S.A.U.) incorporated in Spain and subject to the laws of the Kingdom of Spain. It has its registered office at CEPSA Tower, Paseo de la Castellana, 259 A, 28046 Madrid, Spain. The Company is incorporated for an unlimited term. The Company's LEI Code is 549300E1NH9FOTLIFI22.
B.3	Key factors relating to the nature of the issuer's current operations and its principal activities:	We are an integrated Iberian energy leader with global reach and we believe we are the largest privately-held integrated oil and gas company in Europe (Company estimate in terms of revenue in 2017). With operations in 20 countries across five continents, our activities cover exploration and production, refining, marketing and petrochemicals. In 2018, we reorganized our segmental division for reporting purposes to bring our reporting in line with current reporting practices of other oil and gas companies within the oil and gas industry, and to better align with our organizational structure. Prior to 2018, we reported our results for the following six segments: exploration and production (**E&P**), Refining, Marketing, Petrochemicals, Gas and Power (**G&P**) and Trading and Bunker (in addition to Corporation which we continue to report separately). As from 2018, we report our results for the following four segments: ***Exploration and Production***—Our E&P segment engages in the exploration and development of oil and gas fields and the production of crude oil and natural gas. Our E&P assets are located in the Middle East, North Africa, Latin America, South East Asia and Spain. ***Refining***—Our Refining segment distils crude oil and transforms it into refined products for sale to market. Our Refining segment also includes a trading unit and a G&P unit. The trading unit is responsible for securing the requisite externally-sourced crude oil and feedstocks for the day-to-day requirements of the refining complexes, the sale of the portion of crude production we are entitled to retain under our concession agreements (**equity crude**) and the sale of surplus refinery products to external customers. Our G&P unit is responsible for the production of electricity, and for the supply of natural gas, steam and electricity, to large customers in the industrial and commercial sectors, including our own refining and petrochemical sites located in Spain. ***Marketing***—Our Marketing segment commercializes and offers petroleum products and non-fuel services through our network of service stations in Spain, Portugal, Andorra and Gibraltar, and our domestic and international network of agents and distributors. The Marketing segment is organized around seven business lines: retail network, liquefied petroleum gas (**LPG**), aviation, bunker, lubricants, asphalts and wholesale. ***Petrochemicals***—Our Petrochemicals segment manufactures and markets basic petrochemical products and their derivatives. Our petrochemical operations span seven different countries (excluding commercial offices) and are organized as follows: our surfactants business line (consisting of linear alkylbenzene (**LAB**), linear alkylbenzene sulfonic acid (**LABSA**), n-paraffin as well as fatty-alcohol products, including fatty alcohols, fatty acids, glycerin and fatty alcohol derivatives), our phenol business line (consisting of phenol, cumene, acetone and derivatives) and our solvents business line.

Section B—Issuer		
B.4a	A description of the most significant recent trends affecting the issuer and the industries in which it operates:	*The information presented in this Element B.4 is based on services provided by IHS Markit Ltd and its subsidiaries to us in connection with the Offering (the **IHS Report**).* We believe that the following key trends are expected to have a significant impact on the oil and gas industry at large, as well as on our position within the oil and gas industry. ***Macroeconomic trends***: Several macroeconomic trends are expected to impact E&P, refined product demand and petrochemical product demand over the medium-term, including, among others, oil prices, growth of GDP, population, middle class population growth as well as the total number of vehicles. Between 2018 and 2022, GDP growth in Europe is expected to remain at approximately 2% (*source: IHS Report*). ***Oil supply/demand balance***: Reflecting the broad expansion of the global economy, oil demand is expected to expand by nearly 2 MMbbl/d in 2018, with some deceleration in 2019. It is forecasted that there are enough sources of supply for the market to remain generally balanced for the next several years especially as demand growth continues to decelerate. Reflecting tighter global balances as well as certain geopolitical changes, the dated Brent crude oil price is forecast to average approximately U.S.$70/bbl over the medium-term (*source: IHS Report*). ***IMO 2020***: More restrictive requirements in respect of lower sulfur content in bunker fuel after 2020, as a result of announced regulatory changes by the International Maritime Organization (**IMO**) for the prevention of air pollution from ships, are expected to result in an initial switch to gasoil (with lower sulfur content) and low sulfur fuels in the maritime sector. After 2020, it is forecast that more ship owners will start to install scrubbers, which will allow the use of higher sulfur bunker fuel again (*source: IHS Report*). ***Electrification and fuel efficiency***: Road transportation fuel demand in Europe is forecast to increase until 2022, supported by the continued impact of macroeconomic trends. The base case demand forecast is for demand to grow from 7.1 MMbbl/d in 2017 to 7.4 MMbbl/d in 2022. In the long-term, improving and increasing fuel efficiency and penetration of electric vehicles are expected to reduce the growth in transportation fuel demand, with a combined negative impact of up to approximately 5% on road transportation fuel demand growth by 2030 (*source: IHS Report*). ***Refined product demand in Spain***: Refined product demand is expected to be driven by transportation fuels with diesel expected to remain the dominant road fuel in Spain. Gasoline demand has recently increased as a result of a strong increase in gasoline-powered vehicle sales since 2013, low fuel prices in 2015 and 2016 and rising tourism. Diesel and gasoil demand is largely driven by the transportation sector, accounting for approximately 85% of demand currently, and is expected to grow by a compound annual growth rate of 4.1% between 2018 and 2020, when including the expected increased use of gasoil for bunker fuel in 2020 (*source: IHS Report*).

Section B—Issuer		
		Refined product demand in Portugal: Economic recovery is expected to drive demand growth for refined products in the short-term. However, overall demand is expected to decline in the medium to long-term, mainly as a result of efficiency gains, changes in consumer driving habits and substitution with alternative fuels. Despite strong growth of gasoline and alternative powertrain light duty vehicles, diesel vehicles are expected to continue to dominate. Gasoline demand has been in structural decline since 2000. Diesel and gasoil demand is predominantly driven by the transportation section, accounting for approximately 80% of total demand in 2017 (*source: IHS Report*).
B.5	Group description:	The Company is the parent company of a group of operating, holding and project companies. The following chart shows the Company's principal subsidiaries:  * Indicates subsidiaries in which another company within the Group owns the remaining stake.
B.6	Major shareholders:	As of the date of this Prospectus, CEPSA Holding LLC is the sole shareholder of the Company. CEPSA Holding LLC is a limited liability company duly incorporated on 11 January 2018 and existing under the laws of the United Arab Emirates, holder of commercial license number CN-2479044, having its registered office at P.O. Box 45005, Al Mamoura Building A, Abu Dhabi, United Arab Emirates. Mubadala Investment Company PJSC, a public joint stock company duly incorporated on 21 March 2017 and existing under the laws of the United Arab Emirates, holder of commercial license number CN-2302788, is the ultimate indirect parent company of CEPSA Holding LLC.

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B.7	Historical key financial information:	We incorporate by reference in this Prospectus an English translation of our audited consolidated financial statements and related notes thereto as of and for each of the years ended 31 December 2017, 2016 and 2015 (the **Annual Financial Statements**) published on our website at www.cepsa.com/en/investors. This Prospectus contains the English translation of our unaudited interim consolidated financial statements and related notes thereto as of and for the six months ended 30 June 2018 (including the financial information for the six months ended 30 June 2017 included for comparative purposes) included in Annex I of this Prospectus (the **Interim Financial Statements** and, together with the Annual Financial Statements, the **Financial Statements**). This section contains selected financial information, which has been derived from the Financial Statements. Our Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS-EU**). Our Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of complete interim financial statements, and other provisions of the financial reporting framework applicable in Spain. In this Prospectus, references to a particular "**Fiscal Year**" or "**FY**" refer to the year ended on 31 December of that year, and references to a particular "**Half Year**" or "**HY**" refer to the six months ended on 30 June of that year.

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Consolidated Statement of Profit or Loss Data

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited)		(€ million)		
Sales of goods and rendering of services	11,111	8,891	18,212	15,455	17,452
Excise tax on oil and gas charged on sales	1,279	1,260	2,605	2,493	2,440
Revenue	**12,391**	**10,151**	**20,817**	**17,949**	**19,892**
Changes in inventories of finished goods and work in progress	111	15	128	(151)	(281)
In-house work on non-current assets	9	14	36	39	42
Procurements	(9,102)	(6,741)	(13,840)	(11,566)	(13,234)
Other operating income	37	60	55	76	72
Staff costs	(296)	(290)	(611)	(613)	(586)
Changes in operating allowances	8	(3)	(10)	334	161
Other operating costs					
Excise tax on oil and gas	(1,282)	(1,262)	(2,609)	(2,496)	(2,444)
Other costs	(1,006)	(986)	(2,011)	(1,891)	(2,331)
Amortization charge	(283)	(320)	(680)	(700)	(1,004)
Allocation to profit or loss of grants related to non-finance assets and other grants	16	14	30	41	33
Impairment and gains or losses on disposals of non-current assets	18	(108)	(275)	(82)	(3,384)
Operating profit (loss)	**621**	**544**	**1,030**	**938**	**(3,065)**
Share in profit of companies accounted for using the equity method	15	7	48	(59)	(77)
Finance income	25	16	144	85	88
Finance costs	(77)	(19)	(176)	(144)	(184)
Impairment and gains or losses on disposals of finance instruments	—	14	8	(1)	304
Consolidated profit (loss) before tax	**583**	**561**	**1,054**	**819**	**(2,934)**
Income tax	(137)	(143)	(295)	(203)	1,883
Consolidated profit (loss) for the period from continuing operations	**446**	**418**	**759**	**617**	**(1,052)**
Consolidated profit (loss) for the period from discontinued operations	—	—	—	—	4
Consolidated profit (loss) for the period	**446**	**418**	**759**	**617**	**(1,047)**
Attributable to:					
Equity holder of the parent (or **NIAT**)	441	412	743	602	(1,040)
Non-controlling interests	5	6	16	15	(7)
Earnings (loss) per share:					
Basic	1.65	1.54	2.78	2.25	(3.90)
Diluted	1.65	1.54	2.78	2.25	(3.90)

Section B—Issuer

Consolidated Balance Sheet Data

	As at 30 June 2018	As at 31 December 2017	2016*	2015
	(unaudited)	(€ million)		
Assets				
Non-current assets				
Intangible assets				
Intangible assets and rights	4,224	4,217	4,455	883
Amortization charge and impairment losses	(3,560)	(3,610)	(3,830)	(455)
Total intangible assets	*664*	*606*	*626*	*428*
Consolidated goodwill	120	123	249	305
Property, plant and equipment				
Tangible assets and rights	15,173	13,632	13,838	16,685
Amortization charge and impairment losses	(9,539)	(9,288)	(9,386)	(11,882)
Total property, plant and equipment	*5,634*	*4,345*	*4,452*	*4,803*
Investments in associates and joint ventures	454	447	428	525
Non-current finance assets	202	122	297	117
Deferred tax assets	845	762	895	922
Total non-current assets	**7,919**	**6,404**	**6,946**	**7,099**
Current assets				
Inventories	2,132	1,926	1,603	1,273
Trade and other receivables	2,372	2,180	1,561	1,666
Current income tax assets	76	75	155	95
Other current financial assets	136	205	128	217
Other current assets	32	10	15	10
Cash and cash equivalents	740	546	1,300	1,234
Assets held for sale and discontinued operations	—	—	—	253
Total current assets	**5,488**	**4,942**	**4,762**	**4,748**
Total assets	**13,406**	**11,346**	**11,708**	**11,847**
Shareholder's Equity and Liabilities				
Equity				
Shareholder's equity				
Share capital	268	268	268	268
Share premium	339	339	339	339
Revaluation reserve	91	91	91	91
Retained earnings	3,883	3,486	3,216	4,398
Profit attributable to equity holder of the parent	441	743	602	(1,040)
Interim dividend	—	(190)	(190)	—
Total Shareholder's equity	**5,021**	**4,736**	**4,325**	**4,055**
Adjustments for changes in value				
Translation reserve	736	614	828	763
Adjustments for changes in value in hedge operations	(525)	(434)	(581)	(511)
Total adjustments for changes in value	*211*	*180*	*247*	*252*
Total equity attributable to shareholders of the parent	*5,232*	*4,916*	*4,572*	*4,306*
Non-controlling interest				
Equity attributed to non-controlling interests	111	94	96	95
Profit/loss attributed to non-controlling interests	5	16	15	(7)
Total non-controlling interests	**116**	**110**	**111**	**88**
Total equity	**5,348**	**5,026**	**4,683**	**4,394**

Section B—Issuer

	As at 30 June 2018	As at 31 December 2017	2016*	2015
	(unaudited)	(€ million)		
Non-current liabilities				
Bank borrowings	3,441	1,628	2,415	2,989
Deferred tax liabilities	334	296	283	304
Capital grants	41	31	37	47
Employee defined benefit liabilities	10	10	10	8
Provisions	529	515	565	514
Other non-current liabilities	151	200	23	21
Total non-current liabilities	**4,506**	**2,680**	**3,333**	**3,884**
Current liabilities				
Bank borrowings	299	639	993	1,168
Trade and other payables	3,168	2,974	2,684	2,255
Current income tax liabilities	72	15	4	42
Other current liabilities	14	12	11	36
Liabilities held for sale and discontinued operations	—	—	—	68
Total current liabilities	**3,552**	**3,640**	**3,692**	**3,569**
Total equity and liabilities	**13,406**	**11,346**	**11,708**	**11,847**

* The consolidated balance sheet data for FY 2016 has been presented on the basis of the presentation included in the FY 2017 Financial Statements due to certain reclassifications between property, plant and equipment, and intangible assets.

Consolidated Statement of Cash Flows Data

	Half Year 2018	Half Year 2017	Fiscal Year 2017	2016	2015
	(unaudited)		(€ million)		
Cash flows from operating activities					
Profit (loss) before tax from continuing operations	583	561	1,054	819	(2,934)
Depreciation and amortization charge and impairment losses	265	427	955	782	4,394
Changes in provisions for contingencies and costs	21	8	7	56	74
Grants related to assets and other deferred income	(16)	(14)	(30)	(38)	(34)
Impairment and gains or losses on disposals of finance instruments	—	(14)	(8)	2	(317)
Change in operating allowances	(8)	3	9	(330)	(159)
Finance result	46	(2)	19	47	67
Share of profit of an associate and a joint venture	(15)	(7)	(48)	59	77
Other changes	19	(6)	(39)	(32)	17
Cash flows from operating activities before change in operating working capital	*895*	*957*	*1,920*	*1,366*	*1,185*
Change in operating working capital	*(240)*	*(635)*	*(651)*	*212*	*783*
Interest paid	(46)	(39)	(73)	(82)	(82)
Interest received	6	16	38	36	8
Dividends received	24	21	50	42	27
Income tax paid/received	—	(22)	(192)	(219)	(262)
Other cash flows from operating activities	*(16)*	*(23)*	*(178)*	*(223)*	*(309)*
Total cash flows from operating activities	**639**	**299**	**1,092**	**1,355**	**1,659**

Section B—Issuer		

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited)		(€ million)		
Cash flows from investing activities					
Payments					
Intangible assets	(16)	(7)	(108)	(29)	(41)
Property, plant and equipment	(1,589)	(318)	(496)	(549)	(1,031)
Finance assets					
Associates and other investments	(2)	(23)	(23)	(5)	(62)
Other finance assets	(16)	(36)	(69)	(111)	(2)
Acquisition of subsidiary, net of cash acquired	(42)	(19)	(19)	(1)	(15)
Grants received	—	—	—	1	—
Total payments	*(1,665)*	*(404)*	*(715)*	*(694)*	*(1,151)*
Collections					
Intangible assets	2	1	—	3	3
Property, plant and equipment	30	1	4	19	24
Finance assets	6	6	102	520	228
Total collections	*37*	*8*	*107*	*542*	*255*
Total cash flows from investing activities	**(1,627)**	**(396)**	**(608)**	**(153)**	**(896)**
Cash flows from financing activities					
Dividends paid					
To equity holders of the Parent	(161)	(142)	(332)	(332)	(327)
To non-controlling interests	—	(3)	(8)	(12)	(11)
Total dividends paid	*(161)*	*(145)*	*(340)*	*(343)*	*(339)*
Proceeds from borrowings	1,652	75	113	475	1,131
Repayment of borrowings	(310)	(496)	(1,000)	(1,272)	(1,721)
Total cash flows from bank borrowings	*1,342*	*(420)*	*(887)*	*(797)*	*(590)*
Total cash flows from financing activities	**1,181**	**(565)**	**(1,226)**	**(1,141)**	**(929)**
Net increase in cash and cash equivalents	*193*	*(662)*	*(743)*	*62*	*(165)*
Effect of changes in foreign exchange rates	1	(7)	(11)	4	17
Cash and cash equivalents at 1 January	*546*	*1,300*	*1,300*	*1,234*	*1,383*
Cash and cash equivalents at the end of the period	*740*	*630*	*546*	*1,300*	*1,234*

B.8	Selected key pro forma financial information:	Not applicable. This Prospectus does not contain pro forma financial information.
B.9	Profit forecast:	Not applicable. This Prospectus does not contain profit forecasts or estimates.
B.10	A description of the nature of any qualifications in the audit report on the historical financial information:	Not applicable. There are no qualifications in the audit reports.
B.11	Qualified working capital:	In the opinion of the Company, the working capital available to the Company is sufficient for the Company's present requirements and is sufficient for at least the next 12 months from the date of this Prospectus.

Section C—Securities		
C.1	Type and class of security:	The Shares have a nominal value of €0.50 each. The Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV has assigned the ISIN Code ES0132580004 to the Shares. It is expected that the Shares will be traded on the Spanish Stock Exchanges and quoted on the AQS or SIBE or "*mercado continuo*" of the Spanish Stock Exchanges under the ticker symbol "CEP".
C.2	Currency of the securities offered:	The Shares are denominated in euro.
C.3	The number of shares offered:	As at the date of this Prospectus, the Company's issued share capital consists of €267,574,941 divided into a single class of 535,149,882 Shares, with a nominal value of €0.50 each. Each Share gives the right to one vote. The Company does not intend to issue any Shares between the date of this Prospectus and Admission. The final number of Initial Offered Shares and, as applicable, Additional Shares, to be sold in the Offering is expected to be determined and announced through the publication of a relevant fact notice (*hecho relevante*) once the book-building period has concluded (expected to occur on or about 16 October 2018). All issued Shares are fully paid-up.
C.4	A description of the rights attached to the securities:	The Shares rank *pari passu* in all respects with each other, including for voting purposes and in full for all dividends and distributions on shares declared, made or paid after their issue and for any distributions made on a winding-up of the Company. The Shares grant their owners the rights set forth in the Company's Articles of Association and in the *Real Decreto Legislativo 1/2010, de 2 de julio, que aprueba el Texto Refundido de la Ley de Sociedades de Capital* (as amended, the **Spanish Companies Act**), such as, among others: (i) the right to attend General Shareholders' Meetings of the Company with the right to speak and vote; (ii) the right to dividends proportional to their paid-up shareholding in the Company; (iii) the pre-emptive right to subscribe for newly issued Shares in capital increases with cash contributions; and (iv) the right to any remaining assets in proportion to their respective shareholdings upon liquidation of the Company.
C.5	Restrictions on the free transferability of the securities:	There are no restrictions on the free transferability of the Shares.
C.6	Admission:	Application will be made for the Shares to be admitted to trading on the Spanish Stock Exchanges and quoted on the SIBE or AQS, which is expected to occur on or about 18 October 2018. No application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any other exchange.
C.7	Dividend policy:	Holders of Shares will be entitled to receive future dividends which are declared on the basis set out in the Company's Articles of Association. Our expectations in relation to dividends, distributable reserves, business performance and market conditions are subject to numerous assumptions, risks and uncertainties, which may be beyond our control. As a sole shareholder company, we have had no specific dividend distribution policy during the most recent financial years. Following Admission, and subject to approval by the General Shareholders' Meeting

Section C—Securities		
		and compliance with the relevant legal requirements, we intend to apply a new dividend policy, based on semi-annual payments of targeted figures. This will not constitute a target pay-out ratio dividend policy because dividends will not be determined as a proportion of our net income or profits. The new dividend policy has been approved by the Board of Directors and supported by the Selling Shareholder. Past distributions, dividends or factual pay-out ratios (including those that may be derived from the Financial Statements included in or incorporated by reference in this Prospectus) shall therefore not be regarded as guidance for, or taken as a basis to estimate, future distributions, dividends or pay-out ratios, or relied on in any manner by prospective investors. Under the new dividend distribution policy, we intend to establish a policy of consistent and progressive shareholder distributions. We intend to adopt a semi-annual dividend distribution policy, with 50% of the declared dividend for the financial year paid in December of that year and the remaining 50% paid in June of the following year, subject to General Shareholders' Meeting approval. • For FY 2019, we intend to declare a dividend of €450 million (50% paid in December 2019, and 50% paid in June 2020) subject to General Shareholders' Meeting approval. In addition, we intend to pay a final 2018 dividend of €160 million in June 2019, such that the total shareholder distribution to shareholders in 2019 is €385 million.[1] • For FY 2020, we intend to declare a dividend of €475 million (50% paid in December 2020, and 50% paid in June 2021) subject to General Shareholders' Meeting approval. • We will target growth in the declared dividend by at least 5% in FY 2021, with a progressive dividend policy thereafter. We will also evaluate additional forms of shareholder distribution, such as share buybacks and special dividends as the Board of Directors deems appropriate. These amounts have been set as global distribution targets, not necessarily related to our actual performance, profitability or results and not related, as a proportion or ratio, to our net income or profit. Dividends may be distributed against or with charge to profits or any type of distributable reserves. In no event, therefore, should these targets be considered to be a profit forecast or estimate, or an indication of our expected performance, profitability or results.

Section D—Risks		
D.1	Key information on the key risks that are specific to the issuer or its industry:	Prior to investing in the Shares, prospective investors should consider the risks associated therewith. Any of the following risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, cash flows and prospects. In addition, the sequence or extension in which the risk factors are presented below is not indicative of their likelihood of occurrence or the scope of the potential consequences on our business, financial condition or results of operations. The market price of our Shares could decline due to any of these risks and uncertainties, and you could lose all or part of your investment.

[1] On 17 September 2018, the Company declared an interim dividend of €189,978,208.11, which will be paid to the Selling Shareholder prior to Admission.

Section D—Risks		
		IMPORTANT NOTICE **We wish to highlight to the investors in the Offering and to any future shareholders of the Company the following matters:** Risks relating to our business • We are exposed to fluctuating prices of crude oil, natural gas, oil products, petrochemicals and other commodities. • A decline in oil refining margins or the product margins of our other segments would negatively affect our business, financial condition, results of operations and prospects. • The nature of our business exposes us to a wide range of health, safety and environmental risks. • Changes to the legal and regulatory framework responding to environmental as well as climate change concerns, and the physical and environmental effects of climate change, could have a material adverse effect on our business, financial condition, results of operations and prospects. • We are subject to risks relating to project execution. • Any significant deterioration in the economic, financial and political conditions in the regions and countries in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects. • We have investments and assets located in, and we source part of our crude oil supply from, countries with emerging or transitioning economies that are generally subject to political and economic instability, legal uncertainty and security threats. • We face competition in all our businesses. • The emergence of new technologies that disrupt the oil and gas sector, or a gradual shift towards alternative fuels, could have a material adverse effect on our business, financial condition, results of operations and prospects. • We are exposed to potentially adverse changes in taxes and royalties imposed on our operations. • Changes to, or our failure to comply with, the legal and regulatory framework in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects. • Non-compliance with anti-bribery, anti-corruption and other similar laws could expose us to legal liability and negatively affect our reputation and business, financial condition, results of operations and prospects. • Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions. • We are subject to risks associated with failures in information systems and cyber-security. • We may be unable to successfully develop, replace and grow our current oil and gas reserves.

Section D—Risks		
		• The oil and gas reserves data presented in this Prospectus are estimates that may vary significantly from the actual quantities of oil and gas reserves that may be recovered, which could result in an impairment of these assets. • The terms of our host-government contracts have a significant impact on our business, financial condition, results of operations and prospects. • Our current and past investments with partners and in joint ventures may expose us to financial, performance and reputational/regulatory risks. • The success of our strategy depends in part on our ability to grow through acquisitions, investments and joint ventures. • We are subject to certain financial risks, including currency, liquidity, interest rate, credit risk and default risk, and related operational risks. • As a result of our integrated business model, a disruption within one or more of our segments could adversely affect our other segments and thus have a material adverse effect on our business, financial condition, results of operations and prospects. • Our Petrochemicals segment is substantially dependent on a limited number of customers for a significant proportion of its revenue. • Our success and future growth depends on our senior management and other key technical personnel. • We may not be able to finance our planned capital expenditures. • Our Marketing segment relies on the positive recognition of our brand and those of our non-fuel partners as well as our relationships with independent distributors and key non-fuel partners. • We cannot predict our future decommissioning and abandonment liabilities with complete accuracy. • We are exposed to litigation and arbitration. • Our insurance coverage could prove inadequate. • If we fail to maintain good relations with the interest groups in the communities in which we operate, we may be exposed to negative public opinion. • We may face labor disruptions that could interfere with our operations.
D.3	Key information on the key risks that are specific to the securities:	Prior to investing in the Shares, prospective investors should consider the risks associated therewith. <u>Risks relating to the Shares and the Offering</u> • After the Offering, the Selling Shareholder may continue to be able to exercise significant influence over us, our management and our affairs and our ownership structure may generate conflicts of interest. • We cannot assure you that the Offering Price will match the future price of the Shares following the Offering. • There is not currently a public trading market for the Shares, and we cannot assure you that an active trading market for the Shares will develop.

Section D—Risks		
		• The trading price of the Shares may fluctuate in response to various factors, many of which are outside our control. • There can be no assurance that we will pay dividends or the level of any such dividends. • Investors in this Offering may experience dilution of their ownership interest due to the future issuance of additional Shares or convertible securities. • Substantial future sales of the Shares could impact the trading price of the Shares. • Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares. • Overseas shareholders may have only limited ability to bring actions or enforce judgments against us or our Directors. • A suspension of trading in the Shares could adversely affect the share price. • Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings. • If securities or industry analysts do not publish or cease to publish research or reports about us, our business or our markets, or if they change their recommendations regarding the Shares adversely, the price and trading volume of the Shares could decline. • The Offering may be revoked or withdrawn under certain circumstances. • The Offered Shares will not be freely transferable in the United States.

Section E—Offer		
E.1	The total net proceeds and an estimate of the total expenses of the offering:	The Company will not receive any proceeds from the Offering. The Selling Shareholder expects to receive gross proceeds from the Offering: (i) of approximately €2,019,382,737 (based on an Offering Price (as defined below) at the high-point of the Offering Price Range (as defined below) and assuming a sale of the maximum number of Initial Offered Shares), in case of no exercise of the Over-Allotment Option, and (ii) of approximately €2,322,411,349 (based on the same assumptions), in case of exercise of the Over-Allotment Option. Assuming an Offering Price at the high-point of the Offering Price Range and the sale of the maximum number of Initial Offered Shares, the maximum commissions payable by the Selling Shareholder in relation to the Offering (assuming full payment of discretionary fees but excluding value added tax, to be added when applicable) amount to (i) approximately €40,242,201, in case of no exercise of the Over-Allotment Option, and (ii) approximately €46,302,773, in case of full exercise of the Over-Allotment Option. For the avoidance of doubt, the aforementioned calculations assume that the number of Employees Tranche Shares is 535,149, which represent 0.4% of the Initial Offered Shares and take into account the applicable 10% discount in relation to the Employees Tranche Shares.

Section E—Offer		
		The maximum estimated expenses (other than commissions) payable by the Selling Shareholder and the Company in relation to the Offering (excluding value added tax, to be added when applicable) amount to approximately €6,500,000 and approximately €3,000,000, respectively.
E.2.a	Reasons for the offering, use of proceeds:	The Offering will provide an opportunity for the Selling Shareholder to partially realize its investment in the Company. The Offering is also expected to widen our shareholder base, introducing long-term institutional investors and diversified international shareholders, thus improving our access to public capital markets (including for debt instruments), which supports our future growth whilst allowing investors to access our success story. Finally, the Offering is expected to provide us with better brand recognition, increasing our overall corporate profile and enhancing our transparency and prestige globally as a result of the Company becoming a listed company.
E.3	A description of the terms and conditions of the offering:	The Selling Shareholder is offering up to 133,787,471 Initial Offered Shares in the share capital of the Company, representing up to 25.00% of the total issued ordinary share capital of the Company. The final number of Initial Offered shares will be announced by publication of a relevant fact notice (*hecho relevante*) upon conclusion of the book-building process (expected to occur on or about 16 October 2018). The Selling Shareholder will grant Banco Santander, S.A., Citigroup Global Markets Limited, Merrill Lynch International and Morgan Stanley & Co. International plc (together, the **Joint Global Coordinators**) an option on behalf of the Managers (as defined below) (the **Over-Allotment Option**), exercisable on one occasion in whole or in part within 29 calendar days from the date on which the Company's Shares commence trading on the Spanish Stock Exchanges, pursuant to which Merrill Lynch International, as the stabilization manager (the **Stabilization Manager**), may require the Selling Shareholder to sell at the Offering Price up to 15% of the total number of Initial Offered Shares (the **Additional Shares**), for the purpose of covering over-allotments (if any) and to cover any short positions resulting from stabilization transactions (if any) in connection with the Offering. The Offering consists of a private placement to qualified investors inside and outside of Spain. The Offered Shares are being offered: (i) within the United States, to persons reasonably believed to be qualified institutional buyers (**QIBs**) as defined in and in reliance on Rule 144A (**Rule 144A**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S under the Securities Act (**Regulation S**). As an exception, the Selling Shareholder is initially offering up to 535,149 Initial Offered Shares (the **Employees Tranche Shares**), to employees of the Company and its Spanish subsidiaries that comply with certain requirements, including having their tax residence in Spain (the **Relevant Employees**) (the **Employees Tranche**). The initially offered Employees Tranche Shares represent approximately 0.40% of the total Initial Offered Shares. The final number of Employees Tranche Shares will be determined upon conclusion of the Employees Offering Period (as defined below). All Initial Offered Shares

not finally allocated to the Employees Tranche shall be considered and referred to as **Initial Institutional Tranche Shares**. The Initial Institutional Tranche Shares and the Additional Shares (if any) shall be referred to as the **Institutional Tranche Shares**.

The Offering is made only in those jurisdictions in which, and only to those persons to whom, the Offering may be lawfully made.

The indicative non-binding offering price range at which the Institutional Tranche Shares will be sold in the Offering is €13.10 to €15.10 per Institutional Tranche Share (the **Offering Price Range**). The price of the Institutional Tranche Shares (the **Offering Price**) will be determined upon finalization of the book-building period and will be announced by the Company through the publication of a relevant fact notice (*hecho relevante*).

The Employees Tranche Shares will be sold to the Relevant Employees at the lower of: (i) €13.59 (high-point of the Offering Price Range with a 10% discount) (the **Employees Maximum Offering Price**); or (ii) the final Offering Price, after application of a 10% discount.

The Offering, except for the Employees Tranche, will be conducted through a book-building process. During the book-building period, which is expected to start on 2 October 2018 after the registration of this Prospectus with the CNMV, and end on 16 October 2018 (both inclusive) (the **Offering Period**), the Managers will market the Institutional Tranche Shares among institutional investors in accordance with, and subject to, the selling and transfer restrictions set forth in this Prospectus. Investors may make their purchase proposals during this period, indicating the number of Institutional Tranche Shares they would be interested to acquire and the potential purchase price at which they would be interested in acquiring them.

The book-building period may be reduced or extended by agreement by us, the Selling Shareholder and the Joint Global Coordinators if, in the first case, the book of demand is sufficiently covered in their view before the end of the book-building period or, in the second case, if they understand that an extension of the book-building period for up to one additional week is convenient to ensure the success of the Offering. In the event there is such a reduction or extension of the book-building period, the Company will inform the market through the publication of a relevant fact notice (*hecho relevante*).

Purchase proposals by institutional investors during the bookbuilding period for the Institutional Tranche Shares will constitute only an indication of their interest in the Institutional Tranche Shares and shall not be binding on any institutional investors or the Selling Shareholder. The confirmation of such purchase proposals shall be irrevocable.

In relation to the Employees Tranche, Relevant Employees complying with the conditions set out for the Employees Tranche will be entitled to place orders (each an **Employee Order**) from the date of registration of this Prospectus and up to (and including) 11 October 2018 (three business days prior to the finalization of the book-building process, which is expected to occur on 16 October 2018) (the **Employee Orders Period**). Employee Orders will be irrevocable, except in the exceptional case where a supplement to the Prospectus is published (in accordance with section 40.1.f) of Royal Decree 1310/2005), and they will be accepted in their entirety, subject to compliance with applicable terms and conditions by the particular Relevant Employee. If, after conclusion of the Employee Orders

Period, there is oversubscription of the Employees Tranche, the Selling Shareholder will increase the number of Employees Tranche Shares to cover all Shares ordered by the Relevant Employees. If, on the contrary, the total Employee Orders fail to cover the initially offered number of Employees Tranche Shares, the remainder will be considered Institutional Tranche Shares for all purposes in the Offering. Allocation of Employees Tranche Shares will be subject to rounding to the extent required to avoid allocation of fractional shares.

The Offering Price may be set within, above or below the Offering Price Range. The Offering Price Range is an indicative price range. The Offering Price and the exact number of Institutional Tranche Shares offered will be determined by the Company and the Selling Shareholder, after consultation with the Joint Global Coordinators and the Financial Advisor after the end of the Offering Period, including any acceleration or extension, on the basis of the book-building process and taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Initial Offered Shares, and other factors deemed appropriate.

The Offering Price, the Employees Offering Price, the exact number of Initial Offered Shares to be sold, the final number of the Initial Offered Shares allocated to the Employees Tranche and the maximum number of Additional Shares will be announced by the Company through the publication of a relevant fact notice (*hecho relevante*) reported to the CNMV.

Upon finalization of the book-building period and setting of the Offering Price, the Company, the Selling Shareholder and the Managers expect to enter into an underwriting agreement (the **Underwriting Agreement**) with respect to the Institutional Tranche Shares. Subject to the satisfaction of certain conditions set out in the Underwriting Agreement and the Underwriting Agreement not having terminated in accordance with its terms, each Manager below will agree, severally and not jointly, to procure purchasers for, or failing which to purchase, the percentage of Initial Institutional Tranche Shares set forth opposite its name in the following table:

Managers	Underwriting Commitment of Initial Institutional Tranche Shares[1]
Banco Santander, S.A.	12.00%
Citigroup Global Markets Limited	20.00%
Merrill Lynch International	20.00%
Morgan Stanley & Co. International plc	20.00%
Barclays Bank PLC	6.50%
BNP Paribas	6.50%
First Abu Dhabi Bank PJSC	2.75%
Société Générale	2.75%
UBS Limited	6.50%
Banco Bilbao Vizcaya Argentaria, S.A.	1.50%
CaixaBank, S.A.[2]	1.50%

(1) The percentages in this column refer to the Initial Institutional Tranche Shares only. Additional Shares, if any, would be distributed among the Managers following the same proportion.

(2) It is expected that Banco Português de Investimento, S.A., through an agreement with CaixaBank, S.A. will take part in the marketing activities of the Offering, although it will not be a party to the Underwriting Agreement and it will not receive any commission from the Company or the Selling Shareholder.

Section E—Offer		
		The Company will publish the Offering Price and the Employees Offering Price through a relevant fact notice (*hecho relevante*). The transaction date of the Offering (*fecha de operación bursátil especial*) (the **Transaction Date**) is expected to be on or about 17 October 2018. On the Transaction Date, investors' payment orders will be processed via the Spanish Stock Exchanges and Iberclear and, assuming the Managers have not exercised the termination rights contained in the Underwriting Agreement, investors will become unconditionally bound to pay for, and shall be entitled to receive, the relevant Shares purchased by them in the Offering. Payment by the institutional investors for the Initial Institutional Tranche Shares will be made no later than the second business day after the Transaction Date against delivery of the Initial Institutional Tranche Shares through the facilities of Iberclear to final institutional investors, which is expected to take place on or about 19 October 2018 (the **Settlement Date**). Relevant Employees acquiring Employees Tranche Shares on their own account will be required to fund their accounts with Banco Santander S.A., who is acting as exclusive placing entity and processing bank of the Employees Tranche (the **Processor Bank**), by no later than 15 October 2018. All other Employees Tranche Shares will be paid for by the Company on behalf of applicable Relevant Employees to be delivered to such employees as a remuneration in kind (*retribución en especie*) in accordance with our existing flexible remuneration program. The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS or SIBE or "*mercado continuo*" of the Spanish Stock Exchanges on or about 18 October 2018, under the symbol "CEP". Investors are urged to contact their agent or custodian in Spain as soon as possible to make the arrangements necessary for registering the Shares in their name on the Transaction Date.
E.4	A description of any interest that is material to the offering including conflicting interests:	Each of the Managers is a full service financial institution engaged in various activities, which may include the provision of investment banking, commercial banking and financial advisory services. The Managers and their respective affiliates may have engaged or performed from time to time in the past, and may from time to time in the future, engage in or perform ordinary course of business transactions or services, including investment banking and/or commercial banking transactions with us, the Selling Shareholder and their respective affiliates for which they have received or will receive customary fees and reimbursement of expenses. It is expected that Banco Português de Investimento, S.A. through an agreement with CaixaBank, S.A. will take part in the marketing activities of the Offering, although it will not be a party to the Underwriting Agreement and it will not receive any commission from the Company or the Selling Shareholder. In the ordinary course of their various business activities, the Managers and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company, the Selling Shareholder and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. In addition, certain of the Managers or their affiliates are, or may in the future be, lenders, and in some cases agents or managers for the lenders, under certain of our credit facilities and other credit arrangements, the

Section E—Offer		
		Selling Shareholder or its affiliates. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company, the Selling Shareholder or its affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, certain of the Managers or their affiliates that have a lending relationship with the Company and/or the Selling Shareholder may routinely hedge their credit exposure to the Company and/or the Selling Shareholder consistent with their customary risk management policies; a typical hedging strategy would include these Managers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Shares and/or the Selling Shareholder's securities. We are not aware of any person intending to acquire Shares representing more than 5.00% of the Initial Offered Shares. Likewise, the Company is not privy to whether any of its Directors or senior managers intend to acquire Initial Offered Shares in the Offering, except for the Chief Executive Officer, who has announced his intention to acquire Employees Tranche Shares for a total amount of €50,000 on his own account and at the Offering Price.
E.5	Name of the person or entity offering to sell the securities and details of any lock-up agreements:	CEPSA Holding LLC (i.e., the Selling Shareholder) is the entity offering the Initial Offered Shares and the Additional Shares, if any. The Company, pursuant to the Underwriting Agreement, will agree that during a period from the date on which the Underwriting Agreement is signed to and including 180 days from the Settlement Date, neither the Company nor any of its affiliates nor any person acting on its or their behalf (other than the Managers and the Selling Shareholder) will, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed, and except as required to acquire and deliver the relevant Employees Tranche Shares to the addressees of the Employees Tranche, (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company or its subsidiaries, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or its subsidiaries, or publicly file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any of the Shares or other shares of the Company or its subsidiaries held by the Company or its affiliates, whether any such transaction described in (A) above or this (B) is to be settled by delivery of Shares or other securities, in cash or otherwise or (C) publicly announce such an intention to effect any such transaction described in (A) or (B) above. The foregoing sentence shall not apply to: (i) issuances or transfers of Shares in connection with the implementation by the Company of the Offering or any employee benefit or incentive plan to the extent described in this Prospectus or the relevant fact notice (*hecho relevante*) published with the final size of the Offering and the Offering Price; (ii) any inter-company transfers of Shares by any affiliate of the Company (a **Transferring Affiliate**) in favor of any affiliate, controlled companies of, or entities under common control (direct or indirectly) with, that Transferring Affiliate, including for the avoidance of doubt any person

Section E—Offer		
		who directly or indirectly is managed or advised by the same manager or advisor as that Transferring Affiliate; and (iii) the transfer of the Shares to the offeror in the context of a tender offer for the acquisition of the Company, provided that in the case of (ii) above (A) the recipients of the Shares shall enter into a letter agreement in favor of the Joint Global Coordinators prior to any such transfer or disposal agreeing to be bound, *mutatis mutandis*, by the restrictions contained in the Underwriting Agreement for the then remaining duration of the lock-up period and (B) such transfers of Shares shall be performed on terms and conditions that do not conflict with the Offering. The Selling Shareholder, pursuant to the Underwriting Agreement, will agree to similar restrictions, applicable for the period commencing on the date of the signing of the Underwriting Agreement until 180 days after the Settlement Date. Additionally, with respect to the Employees Tranche, each Relevant Employee acquiring Employees Tranche Shares will commit to a six-month lock-up period, starting on the Settlement Date.
E.6	Dilution:	As all of the Offering is secondary, it will have no dilutive effect. The voting interest of the Selling Shareholder will be reduced as a consequence of the sale of the Offered Shares, to a minimum of 71.25% (assuming that the Over-Allotment Option is exercised in full and that all Initial Offered Shares are sold in full).
E.7	Estimated expenses charged to the investor by the issuer:	Purchasers of Institutional Tranche Shares may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the Offering Price. In addition, purchasers will have to bear the commissions payable to the participating entities through which they will hold the Shares, in accordance with their respective practice. The Company and the Selling Shareholder will not charge investors any expenses or charges in addition to the Offering Price or the Employees Tranche Offering Price, as applicable. The cash accounts opened by the Relevant Employees with the Processor Bank will be free of opening, closing and maintenance fees. The securities accounts opened by Relevant Employees will be free of opening and closing fees.

Investing in and holding the Shares involves significant financial risk. If any of the following risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that case, the trading price of our Shares may decline and you might lose all or part of your investment. The risks set out below may not be exhaustive and do not necessarily include all of the risks associated with an investment in us and the Shares. Additional risks and uncertainties not currently known to us or which we currently deem immaterial may arise or become material in the future. You should consider carefully whether an investment in the Shares is suitable for you in light of the information in this Prospectus and your personal circumstances. If you are in any doubt about any action you should take, you should consult a competent independent professional adviser who specializes in advising on the acquisition of listed securities.

This document also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks we face. Save as required by applicable law, we are not obliged to, and make no commitment to, release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus.

Risks relating to our business

1. We are exposed to fluctuating prices of crude oil, natural gas, oil products, petrochemicals and other commodities.

We are an integrated oil and gas company with activities across the value chain, including exploration and production, refining, marketing and petrochemicals. The prices of crude oil, natural gas, oil products and petrochemicals are affected by supply and demand, both globally and regionally, and depend on a variety of factors over which we have no control. These factors include:

- global and regional economic and financial market conditions;
- political stability across oil-rich regions (such as the Middle East, West Africa and South America);
- actions taken by oil-producing nations to influence production levels and prices;
- actions taken by governments (such as the imposition of trade sanctions on an oil-producing nation);
- changes in the energy consumption mix;
- terrorism and military conflicts;
- changes in population growth or distribution;
- changes in consumer preferences;
- the competitiveness and levels of adoption of new technologies;
- natural disasters and climate change; and
- regional dynamics of oil and gas supply and demand and global levels of inventory.

Historically, the prices of crude oil have fluctuated widely, often evidencing high levels of volatility. Between 1 January 2015 and 31 December 2017, according to Bloomberg, the Dated Brent crude oil benchmark fluctuated between a high of U.S.$67.77 per barrel (on 6 May 2015) and a low of U.S.$27.88 per barrel (on 20 January 2016), with an average price per barrel of U.S.$53.60, U.S.$45.13 and U.S.$54.75 in 2015, 2016 and 2017, respectively. This volatility has continued in the first six months of 2018, during which time the Dated Brent crude oil benchmark increased by 19%, with an average price per barrel over the period of U.S.$71.16. The price of crude oil affects the prices of our derivative products, including petrochemicals.

Price fluctuations for crude oil and natural gas could have a material adverse effect on our business, financial condition, results of operations and prospects. In a low oil price environment, revenue in our E&P segment may be negatively affected and, as a result, certain of our E&P assets might become less profitable or incur losses. For example, the significant drop in crude oil prices in 2016, from an average of U.S.$52.5/bbl in 2015 to an average of U.S.$43.7/bbl in 2016, was the main driver of a decrease in revenue of approximately 21% in 2016 compared to 2015 in our E&P segment. A sustained period of low oil prices could also affect our reserves estimates, and may require us to reduce the volumes of oil and natural gas that we are able to extract on a commercially-viable basis and to write down the value of certain of those assets. For example, in 2015, we recorded impairment charges in the amount of €1.3 billion (net of tax effect) in relation to our E&P assets in Thailand, predominantly as a result of a sustained low oil and gas price environment. Moreover, a sustained

low price environment could reduce the feasibility of projects planned or in development and/or prevent us from achieving earnings and cash flows at a level sufficient to meet our targets and fund our planned capital expenditure. Conversely, in a high oil price environment we may be unable to pass on the total amount of the increase in the cost of the crude oil feedstock for our Refining and Petrochemicals segments to our customers and, in such circumstances, the profit margins for those businesses could be significantly reduced.

In addition, we also produce and market petrochemical products, such as LAB and phenol. Prices of petrochemical products have been cyclical as a result of shifts in European and worldwide production capacity and demand patterns. The petrochemical industry historically has experienced alternating periods of tight supply, causing prices and margins to increase, followed by periods of substantial additions to capacity, resulting in excess supply and declining prices and margins. There can be no assurance that future demand for the petrochemical products we produce will be sustained or that we will not be affected by overcapacity for such products. Future developments of petrochemical product prices are unpredictable and may have a material adverse effect on our business, financial condition, results of operations and prospects.

It is impossible to predict future price movements for crude oil, natural gas, petrochemical and refined oil products. Although we hedge against certain commodity price movements, our margins and results of operations could be adversely affected by significant movements in commodity prices. In addition, our long-term strategy is based on core assumptions relating to the future price environment for such products among other market conditions, which may prove to be incorrect. Whereas we periodically review our core assumptions, a material deviation from such assumptions could require us to reshape, abandon or reverse certain aspects of our long-term strategy or investment program, which could, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

2. A decline in oil refining margins or the product margins of our other segments would negatively affect our business, financial condition, results of operations and prospects.

The operating results of our Refining segment depend largely on the spread, or refining margin, between the prices that we can obtain in the market for our refined petroleum products and the prices we pay for crude oil and other feedstock. We purchase a substantial majority of the crude oil that we process in our Refining segment under term and spot contracts with third parties, which subjects us to price volatility. The cost of acquiring crude oil and feedstock, and the prices at which we can ultimately sell refined products, may fluctuate independently of each other due to a variety of factors that are beyond our control, including regional and global supply of, and demand for, crude oil, gasoline, diesel, and other feedstocks and refined products. Supply and demand for such products is impacted by the availability and quantity of imports, the production levels of suppliers, levels of refined product inventories, productivity rates and growth (or lack thereof) of regional and global economies, political affairs, and the extent of government regulation.

Our refining margins have fluctuated, and will continue to fluctuate, due to numerous factors, including:

- variations in global demand for crude oil and refined products and, to a lesser extent, variations in demand for crude oil and refined products in our domestic market;
- changes in environmental or other regulations, which could require us to make substantial expenditures without necessarily increasing the capacity or operating efficiency of our refineries;
- changes in operating capacity of refineries in our key marketing areas, predominantly in the Iberian market and the rest of Europe;
- changes in the differentials between heavy and light crude oil prices on international markets; and
- changes in the supply of refined products, including imports.

We purchase refinery feedstocks before refining and selling the refined products. In addition, under applicable Spanish law, we are required to maintain significant inventories of crude oil and certain refined products that form part of Spain's national strategic reserve. Volatility in the prices of crude oil and these refined products can have a significant positive or negative effect on the value of our inventories, which, due to their size, can have a substantial impact on our results of operations and financial condition. Although an increase or decrease in the price of crude oil generally results in a corresponding increase or decrease in the price of the majority of our refined products, changes in the prices of refined products generally lag behind upward and downward changes in crude oil prices. As a result, a rapid and significant increase in the market price for crude oil could have an adverse impact on our refining margins in the short-term. Furthermore, movements in the price of crude oil and refining margins may not correlate at any given time.

Such lag effects also affect the product margins we are able to achieve within our Marketing segment. Fluctuations in the prices of fuel products and the volatility of these prices create a constant need to adjust our retail fuel prices to reflect changes in fuel cost. For our company-operated service stations, we set the pump prices at each of our sites on a daily basis, and our fuel prices to our customers may therefore lag behind rising costs. This lag effect may be more pronounced if our competitors do not respond to cost increases or volatility with the same speed or in the same way as we do, whether due to differences in pricing strategy or otherwise. Volatility in the cost of fuel and our ability to successfully pass through changes in our cost of fuel to our customers due to lag and competitive conditions generally, make it difficult to predict the impact that future volatility may have on our retail fuel gross margins.

Any material or sustained decline in our refining margins or other product margins would have a material adverse effect on our business, financial condition, results of operations and prospects.

3. The nature of our business exposes us to a wide range of health, safety and environmental risks.

The technical complexity of our operations exposes us to a wide range of health, safety and environmental (**HSE**) risks. Our operations that are vulnerable to such risks include oil and gas exploration and production (**E&P**), transport and shipping of hydrocarbons, oil refining, distribution of petroleum products, operation of electricity generation facilities and the processing of petrochemicals, particularly where such facilities are located in environmentally-sensitive regions or protected areas (such as maritime environments or remote areas with dense vegetation) or in the proximity of densely populated areas.

The HSE risks related to our operations include equipment failures, explosions, fire, gaseous leaks, uncontrolled migration of harmful substances and hydrocarbon spills, which could represent a significant risk to people and the environment. In addition, our E&P operations are subject to the risks incidental to crude oil and natural gas drilling activities, such as those arising from drilling wells, flaring of waste gas, laying pipelines and transporting and storing oil and gas, which exposes us to invasion of water into producing formations, uncontrollable flows of oil, gas or well fluids, adverse weather or seismic conditions, chemical reactions in reservoirs and pollution. Additionally, our shallow water and offshore production facilities are subject to the hazards inherent to offshore drilling (including loss of integrity as a result of the age of the facilities and their exposure to an extreme marine environment), crude oil spills, capsizing, sinking, grounding, vessel collision and damage from severe weather conditions. In addition, operating refineries and fuel distribution terminals is hazardous and involves inherent risks including fires, collision and other catastrophic disasters, spills and other environmental mishaps, natural disasters, equipment failure, work accidents and operational catastrophes, severe damage to and destruction of property and equipment and loss of product and business interruption. Our marketing operations are also exposed to risks relating to the storage, handling, use and sale of petroleum products, the emission and discharge of such substances into the environment, the content and characteristics of fuel products and the safety of our service stations. Our petrochemical operations are subject to hazards associated with chemical manufacturing and the related use, storage, transportation and disposal of raw materials, products and wastes, including explosions, fires, severe weather and natural disasters, accidents, mechanical failures, discharges or releases of toxic or hazardous substances or gases, transportation interruptions, pipeline leaks and ruptures. In addition, we have incurred costs, and may in the future incur costs, which may be substantial, for investigation or remediation of contamination at our industrial plants and current, former and future service stations and other locations that store and handle petroleum products, and may be subject to significant liability for environmental contamination, without regard to fault or legality of our conduct, including through contractual indemnification obligations given to previous or successive owners or operators of service stations acquired or sold.

If a significant HSE risk were to materialize, such as an explosion, fire, hydrocarbon spill or other exposure to hazardous materials, this could result in injuries and loss of life, including among our personnel and local communities, environmental harm, damage to, or the destruction of, oil and gas wells or formations, production, refining or petrochemical facilities and other property and equipment, disruption to our business activities and, depending on its cause and severity, could significantly damage our reputation and expose us to regulatory fines. A significant HSE event could also negatively affect our ability to satisfy the requirements to bid for, or enter into, new E&P contracts or renew such contracts or our ability to obtain or retain the licenses we require for our operations. In addition, if the incident were determined to have resulted from our negligence, we could be forced to transfer a portion or all of our participating interests in oil and gas concessions, or it could otherwise result in the termination of the relevant host-government contracts (**HGCs**), all of which are material to our ability to conduct our business.

Although we are required to have contingency plans in place to continue or recover operations following a disruption or incident, any inability to restore or replace critical capacity to an agreed level within an agreed

timeframe would prolong the impact of any disruption. Similarly, crisis management plans and capability are essential to deal with emergencies at every level of our operations to respond in an appropriate manner to either an external or internal crisis. However, inadequacies in this regard could severely affect our ability to respond in a satisfactory and timely manner to any major HSE event.

The occurrence of any HSE risk could, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations and prospects.

4. Changes to the legal and regulatory framework responding to environmental as well as climate change concerns, and the physical and environmental effects of climate change, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to changes in the legal and regulatory framework related to the environment and climate change concerns in the countries in which we operate. Given the continued and increased attention to climate change and the global drive towards low-carbon economies and energy-sources, we expect, and are preparing for, additional policy and regulatory changes designed to reduce greenhouse gas (**GHG**) emissions, which we believe will primarily impact our Refining and Petrochemicals segments. In addition, while our E&P and Marketing segments have not been materially impacted by GHG-reduction regulations as of the date of this Prospectus, these segments could be impacted in the future by the implementation of measures driven by the market on a voluntary basis or the imposition of new GHG regulations.

We expect GHG emission costs to increase from current levels beyond 2020 and for regulation targeting reduced GHG emissions to have a wider geographical application than today. There is continuing uncertainty over the detail of anticipated regulatory and policy developments, including the targets, mechanisms and penalties to be employed, the timeline for legislative change, the degree of global cooperation among nations and the homogeneity of the measures to be adopted across different regions. This ambiguity, in turn, creates uncertainty over the long-term implications for our projects and operating costs and the constraints we may face in order to comply with any such new regulations. For example, to meet existing targets imposed at an EU level or targets imposed in the future, we may be required to adopt new technological solutions at our refineries within a limited timeframe to reduce GHG emissions or to alter the range of products we produce, and there can be no assurance that we would be successful in adapting timely or at all. For example, the EU Renewable Energy Directive requires EU Member States to set up national renewable energy action plans to increase each state's transport fuels that are derived from renewable sources up to a target of 10%. The Directive is currently under review, and the applicable targets are expected to be increased to 14%. If adopted, the revised target would require a greater expansion of renewable fuel blending capacity. These regulations impact, and are expected to continue to impact, our results of operations.

Future policy decisions related to climate change, pollution or the environment in general could force us to reduce production levels at, or even shut down, one or more of our facilities, significantly increase our capital expenditure and operating costs, reduce or eliminate the commercial appeal of prospective areas for geographical expansion and/or materially affect our investment decisions and long-term strategy. For example, as from 1 January 2020, bunker fuel used for shipping must have a sulfur content no greater than 0.5% (**low sulfur fuel**) (or, alternatively, ships must install a scrubbing technology to clean exhaust fumes) pursuant to the International Maritime Organization sulfur regulations (**IMO 2020**). In response to these regulations as well as market developments, we have increased capital expenditures for our San Roque (Cádiz) refinery in order to increase our production of low sulfur bunker fuel which is compliant with IMO 2020. In addition, both our E&P and Refining operations use flaring to dispose of waste gas generated in these activities. Recently, certain countries have taken the position that the flaring of waste gas poses environmental and health risks and have required companies to obtain permits to continue the flaring of waste gas or otherwise regulate or monitor the use of flaring. For example, we have obtained permits for flaring in connection with our E&P operations in Peru and Colombia. If we are unable to obtain such permits or renew our existing permits, we could be forced to limit production within our E&P and Refining segments or incur significant costs. Any material change in climate change regulation could have a material adverse effect on our business, financial condition, results of operations and prospects.

Under the European Union Emission Trading Scheme (**EU-ETS**) launched in January 2005 (and made more stringent in 2013, through ETS phase III), producers of GHG emissions are granted limited amounts of emission allowances for free. If such producer exceeds such amount of emissions, the producer is obliged to reduce its emissions or acquire additional allowances. We require emission allowances for some of our business activities, particularly within our Refining segment. If our emissions exceed the amount of allowances allocated to us, we would be required to reduce our emissions and/or acquire additional emission allowances (which may be scarce and consequently only obtainable at high cost). The availability and price of allowances may

therefore prove to be a factor that limits the expansion of some of our facilities. We expect that purchases of emission allowances during the period from 2018 through 2020 should amount to approximately €25 million per year. Any shortage of emission allowances or an increase in our production costs to achieve compliance with EU-ETS could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we may be impacted by the physical and environmental effects of climate change, which are difficult to predict. Possible outcomes include less stable or predictable weather patterns, which could result in more frequent or severe storms and other weather conditions (such as flooding, drought and hurricanes) that could increase our operating costs and interfere with our business operations, particularly when located in areas that typically experience more severe weather conditions. In addition, significant climatic changes, including a gradual, steady increase in global temperatures, could affect consumer behavior and global or regional demand for energy products such as propane, butane and natural gas used for residential heating or increase demand for electrical power from air-conditioning units. There can be no assurance that we will be able to adapt our business model and strategy successfully, and on a continual basis, to the evolving physical and environmental effects of climate change. Any failure to do so could have a material adverse effect on our business, financial condition, results of operations and prospects.

5. We are subject to risks relating to project execution.

The future growth of our businesses, whether through the acquisition of new assets or the implementation of infrastructure improvements, will, to a substantial extent, depend on our ability to successfully identify, plan and execute projects in a timely and cost-effective manner. We face numerous challenges in developing these capital-intensive projects, particularly those that are more complex as such projects may involve multi-party partnerships or countries, markets or businesses where we have limited or no experience. For example, in 2018, we entered into two major projects that will involve a significant amount of investment and complexity: the development of the Satah al Razboot (**SARB**), Umm Lulu, Bin Nasher and Al Bateel concession in the territorial waters of Abu Dhabi (**SARB and Umm Lulu Concessions**) and the installation of a residue hydrocracking unit at our San Roque (Cádiz) refinery. In 2016, we signed a global agreement with the Algerian government to grant CEPSA a new contract that enables the redevelopment of the Rhourde el Krouf oil field (**RKF**), another challenging project that requires significant investment. The terms of the new RKF contract were agreed in January 2018 and will come into force after publication in the Official Gazette. We anticipate that these formalities will be completed in the near-term. In addition, since 2012, we have undertaken a significant optimization plan within our Refining segment to continually increase the efficiency of our refineries and optimize our product portfolio. Challenges that we may face in executing these and future projects include geological difficulties during the exploration and development phase, the deployment of resources and human capital in a new territory, the availability of engineering resources and skilled labor, the adoption of new technologies, the existence of reliable transportation and support infrastructure, the management of project delays, potential cost overruns and multi-national consortium arrangements, and/or the renegotiation of expired or revoked licenses and permits, as well as other technical, environmental, fiscal, regulatory and political challenges.

In addition, to operate our business or build new facilities, we are required to obtain certain licenses, permits and authorizations, including from local authorities, with respect to land allotments, approvals of designs and feasibility studies, environmental impact studies, pilot projects and development plans. If we experience any material delays in the receipt of such licenses, permits or authorizations, or if such licenses, permits or authorizations are suspended, we may have to delay our investment or development programs, or both. Any failure to obtain or maintain our licenses, permits or any type of authorization in a timely manner or at all, could expose us to delays, fines, penalties or other regulatory action.

If we are unable to successfully address such challenges to deliver each project within its designated budget and time frame, and in accordance with all pre-defined technical and other specifications, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

6. Any significant deterioration in the economic, financial and political conditions in the regions and countries in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

Many economies around the world, including many of those in which we operate, have suffered slowdowns and/or recessionary conditions over the last decade. These conditions were amplified by volatile credit and equity market conditions. While certain of these conditions had been reversed by 2017, there can be no assurance that such conditions will not recur, even in the near-term. Consequently, our financial performance

could be adversely affected by any deterioration of general economic and financial conditions in the markets in which we operate, particularly if such conditions result in a constricted supply of the commodities we require or reduced demand for the products we produce. Moreover, even in times of economic recovery, there can be no assurance that our financial performance will recover to the pre-economic crisis levels in a short period of time, if at all. Further, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible to obtain funding for existing or proposed projects on acceptable conditions, or at all. In addition, our operations could be affected by political conditions in the countries in which we operate. Political instability and unrest, over which we have no control, may result in decreased consumer confidence, negatively affect GDP growth and may expose us to regulatory uncertainty, any of which could negatively affect our business.

In addition, a large portion of our Marketing segment, including our retail fuel network, and addressable market is located in the Iberian Peninsula, with a particular concentration in Spain. As at 30 June 2018, our retail fuel network (including distributor owned and operated service stations) consisted of 1,824 service stations, of which approximately 85% and 14% were in Spain and Portugal, respectively, with the remainder in Andorra and Gibraltar. The performance of our Marketing segment therefore may be affected by macroeconomic factors and economic and political conditions in Spain that are outside of our control and which may impact consumer confidence and commercial spending. Such factors and conditions include, among other things, consumer and business confidence, fuel and utility prices, inflation rates, cost of living, unemployment rates, the availability and cost of credit, interest rates, taxation, regulatory changes and global security concerns. In addition, the Spanish economy faces challenges due to internal factors, such as the recent unexpected change in government as the former Spanish prime minister was forced to resign after failing to secure a confidence vote from the Spanish parliament. Negative developments in any these factors or the macroeconomic or political environment generally could result in reduced demand for, or reduced gross profit from, sales of our retail fuels and non-fuel products and services. Any such developments would also negatively impact our Refining segment as a result of our vertical integration model.

Any significant deterioration in the economic, financial or political conditions in the regions and countries in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

7. We have investments and assets located in, and we source part of our crude oil supply from, countries with emerging or transitioning economies that are generally subject to political and economic instability, legal uncertainty and security threats.

We have certain investments and assets located in, and we source a significant part of our crude oil supply from, countries with emerging or transitioning economies that are generally subject to greater political and economic instability and can lack a reliable legal system that guarantees the enforcement of legitimate contractual rights. Further, our agreements to source crude oil from such countries are typically entered into with the relevant national oil company and are therefore subject to a significant degree of state control. As at the date of this Prospectus, we have HGCs in place with the governmental authorities of nine countries in emerging or transitioning economies. In recent years, governments and national oil companies in some regions have begun to exercise greater authority and impose more stringent conditions on their contractual counterparties. Investments in these countries, and dealings with their respective state-owned national oil companies, are, in general terms, subject to substantially greater risks than those encountered in more developed markets, such as Europe.

These risks can include:

- political, social and economic instability, including civil strife and insurrection;
- border disputes, warfare, civil conflict and guerrilla activities;
- acts of terrorism and piracy;
- forced divestment, nationalization or expropriation of assets;
- unilateral cancellation or forced renegotiation of contractual rights;
- difficulties and delays in obtaining or renewing permits, licenses and consents;
- additional taxes or royalties, including retroactive claims, and restrictions on deductions;
- other changes in regulation and law (including with retroactive effect);
- pricing and trade controls;

- local content requirements;
- foreign exchange controls or currency devaluation;
- other acts of governmental interventionism, such as favoritism, subsidies and protectionism;
- payment delays or non-payment;
- opposition from local communities and special-interest groups;
- challenges to title to real property; and
- inability to repatriate profits or dividends.

We have properties, assets and material land, mineral and other rights in a number of these jurisdictions, and there can be no assurance that an unforeseen defect in title, political event, change in law or change in the interpretation of an existing law, among other events, will not arise that could allow a third party or governmental authority to challenge our claim to any or all of our properties, assets and rights in that country and significantly limit our ability to manage and protect our business interests.

Our operations in these countries are also exposed to heightened security threats (such as staged demonstrations by local and indigenous communities) or criminal action (such as murders, kidnappings and other violent crimes) that could affect our employees and contractors. There can be no assurance that we will be able to anticipate the occurrence of such events, prevent their occurrence or mitigate their consequences, despite the security measures we have in place.

By their very nature, it is difficult to predict the likelihood of any of the above events occurring or to anticipate their possible long-term impact on our business. If any such risks were to occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

8. We face competition in all our businesses.

We face and expect to continue to face strong competition across all of our business areas. Competition impacts the conditions for market access, our pursuit of new business opportunities, the costs of licenses and the pricing and marketing of products. Our principal competitors include other large oil and gas companies, which compete with us in the Marketing segment in Spain and Portugal (such as Repsol, Galp, BP and Shell) and across our other segments internationally (such as Exxon-Mobil, Equinor and ENI). We also face competition from:

- state-owned oil companies that may be motivated by political and other factors in their business decisions;
- specialized chemicals companies (such as Ineos and Farabi Chemicals); and
- multi-national trading groups (such as Glencore and Vitol).

These and other competitors may benefit from a number of advantages, including control of significantly greater quantities of oil and gas resources, wider diversification of risk, larger financial capacity, improved economies of scale, enhanced specialization and technological innovation and/or broader or deeper technical and operational expertise. Such advantages may enable our competitors to dedicate greater resources to the evaluation and implementation of growth opportunities and make competitive proposals that smaller or less-specialized market players are unable to match. We also face, and expect to continue to face, competition from new market entrants, such as in our Refining segment, where there is new production capacity in the Middle East, and where increased imports have begun to arrive in the European market from the U.S., India and the Middle East.

In addition, many of our products compete in commodity-type markets where product differentiation poses a significant challenge. Where competitiveness is principally driven by price, the importance of cost efficiency is critical to maintaining and growing our market share. If we fail to adapt our strategy and improve our cost-control measures, we may be unable to compete effectively in certain markets.

The implementation of our strategy requires a significant ability to anticipate and adapt to market developments and continuous investment in technological innovation. Any decline in our overall competitive position would have a material adverse effect on our business, financial condition, results of operations and prospects.

9. The emergence of new technologies that disrupt the oil and gas sector, or a gradual shift towards alternative fuels, could have a material adverse effect on our business, financial condition, results of operations and prospects.

The oil and gas sector is dominated by large national and independent oil and gas companies, including Exxon-Mobil, Shell and Total, which possess significant cash and financial resources and class-leading technological expertise. These and other competitors are continuously investing substantial amounts in research, development and innovation. In addition, world-leading technology and automotive companies, such as Apple, Google and Tesla, are also conducting extensive research into new, potentially disruptive, technologies, such as the electrification and automation of motor vehicles and ground-breaking battery technologies, which could have a significant impact on demand for oil-based products worldwide if they were to be widely adopted.

This global research effort is, in part, in response to a trend in demand towards greater fuel efficiency and a shift to alternative fuels, prompted by heightened environmental-awareness among governments and consumers. There is a risk that greater-than-expected improvements in fuel efficiency over the near-term, whether due to technological advancements or more stringent regulation, could lower demand for diesel and gasoline. For example, automakers globally have, over recent years, significantly improved the efficiency of conventional internal combustion engines through technological innovation, and have developed increasingly competitive hybrid and fully-electric motor vehicles. While the effect of fuel efficiency on regional and global refined product demand is uncertain and difficult to quantify, it is expected to, at least partially, offset the anticipated increase in demand for vehicle fuels driven by population growth and improving living standards in certain parts of the world, particularly in China, India and other emerging markets.

In the future, regulators may impose stricter fuel efficiency standards which could lead to further decreases in demand for the conventional petroleum-based fuels that we currently produce, distil, sell and distribute. For example, several cities have begun the implementation of programs that seek to incentivize the use of more environmentally-friendly vehicles by offering subsidies or tax breaks or by directly banning the use of vehicles using conventional petroleum-based fuels beyond a certain year. The roll-out of these and similar schemes across our key markets would steadily reduce demand for vehicles with diesel and gasoline engines, which would, in turn, lower demand for the products sold by our Marketing segment and potentially require us to make significant capital investments at our refineries to configure them for an alternative product slate. Legislative changes could also be accompanied by, or serve to accelerate, a shift in consumer preference towards alternative fuels due to increased environmental awareness and the improved competitiveness of "green" technologies.

Moreover, the emergence of one or more disruptive technologies that rapidly accelerate the pace of change, or suddenly alter the direction of change, could have a negative impact on our long-term strategy. There can be no assurance that we would be successful in adjusting our business model in a timely manner to anticipate, or react to, changes in demand resulting from changes in legislation, technologies, consumer preference or other market trends, and our failure to do so could have a material adverse effect on our strategy, financial condition, results of operations and prospects.

10. We are exposed to potentially adverse changes in taxes and royalties imposed on our operations.

We operate in various countries around the world and any of these countries could modify its tax laws in ways that would adversely affect our business. We are subject to corporate taxes, energy taxes, petroleum revenue taxes, customs surtaxes and excise duties, each of which may affect our revenue and earnings. In addition, we are exposed to changes in fiscal regimes relating to royalties and taxes imposed on crude oil and gas production.

For example, as from FY 2015, we recognized an impairment relating to our investment in certain assets in Thailand held by a subsidiary that is tax-resident in Spain (with a branch in Thailand). As at 30 June 2018, we recognized a deferred tax asset (**DTA**) in the amount of €367.3 million equal to 25% (the nominal corporate tax rate in Spain) reflecting the difference between the accounting value and tax value of our investment in this subsidiary on the basis that the current Spanish regulations allow such impairment to become deductible upon the liquidation of a subsidiary. While we intend to liquidate this subsidiary and its branch in the medium-term, any change in applicable tax regulations could impact our ability to realize the DTA in part or in full, which would have a negative impact on our financial condition and results of operations.

Significant changes in the tax laws of countries in which we operate (or in the interpretation of such laws) or in the level of production royalties we are required to pay could have a material adverse effect on our business, financial condition, results of operations and prospects.

11. Changes to, or our failure to comply with, the legal and regulatory framework in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have operations in 20 countries and our products are marketed and traded worldwide. Our business activities are subject to laws and regulations in all of the jurisdictions in which we operate, including laws relating to the environment, climate change, health and safety, finance and trade, consumer protection, competition and anti-trust, employment, tax, data protection, hydrocarbon extraction, petrochemical products, public concessions and procurement.

We incur, and expect to continue to incur, substantial costs to ensure compliance with an increasingly complex and multi-layered legal regime at a regional, national and supra-national level, including costs to:

- comply with ever-stricter climate change and GHG emissions regulations;
- prevent, control, reduce or eliminate certain other types of emissions to the atmosphere, the subsurface or the sea;
- remediate environmental contamination and other adverse impacts from business activities;
- modify or extend property or business licenses and permits;
- handle and dispose of waste materials and perform site clean-ups;
- compensate persons and entities claiming damages as a result of business activities;
- comply with applicable decommissioning regimes;
- comply with wholesale changes to applicable privacy and data protection regimes (such as the EU General Data Protection Regulation); and
- maintain strict compliance with applicable HSE regulations.

The laws and regulations to which we are subject may change over time, sometimes frequently and unexpectedly. Certain jurisdictions may seek to implement changes with total or partial retroactive effect and we and our peers may be unsuccessful in challenging the fairness of any retroactive application in the courts of that jurisdiction. In addition, laws and regulations can, on occasion, be subject to inconsistent or arbitrary application, interpretation or enforcement, which can present additional challenges to companies that do business, or seek to do business, in those countries. This is particularly the case in areas of law where there is limited established practice, such as decommissioning. Such regulatory uncertainty can limit our ability to ensure full compliance, undermine our rights under contracts and licenses subject to the laws of that jurisdiction, limit our willingness to make further inward investment and, in general terms, diminish our capacity to undertake adequate business planning for our operations in that country.

Any changes to the legal and regulatory framework in which we operate could, for example, result in the modification, suspension or termination of certain business operations, the incurrence of significant capital expenditure to comply with new targets or requirements, the implementation of additional safety measures, the performance of site clean-ups, compliance with stringent technical requirements, and a requirement to increase monitoring, training, record-keeping and contingency planning. Any material legal or regulatory change could have a material adverse effect on our business, results of operations, cash flows, financial condition, strategy and prospects.

We may also be the subject of investigations conducted by governmental, international or other regulatory authorities (such as the Spanish National Competition Commission (the **CNMC**)). For example, we have been subject to a number of competition law infringement proceedings initiated by the CNMC which have resulted in the imposition of fines on us. See "*Business—Legal Proceedings*". In addition, we may be exposed to private claims for damages further to Spanish legislation implementing Directive 2014/104/EU of 26 November 2014 on Antitrust Damages Actions. We are also frequently subject to tax inquiries and investigations in the ordinary course of business. For example, the tax authority in Colombia, the National Directorate of Taxes and Customs (**DIAN**), is performing a review of the 2015 tax filings for our subsidiary, CEPSA Colombia S.A. and the tax authority in Spain, Agencia Estatal de Administración Tributaria (**AEAT**), is performing a tax review of the Spanish tax consolidated group for the period of 2013 to 2016. While neither DIAN nor AEAT have issued a written statement in respect of these matters, there can be no assurance we will not incur additional material tax liabilities in Colombia, Spain or any other jurisdiction.

Any violation by us of applicable law and regulation could lead to the imposition of substantial fines, sanctions or other measures, based on the findings of any supervisory or administrative investigation or proceeding,

plaintiffs could seek compensation for any alleged damages that arose as a result of any sanctioned conduct. Any of the foregoing could have, individually or in the aggregate, a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

12. Non-compliance with anti-bribery, anti-corruption and other similar laws could expose us to legal liability and negatively affect our reputation and business, financial condition, results of operations and prospects.

We have activities in countries that present corruption risks and may have weak legal institutions, lack of control and transparency or a business culture that does not reflect, in all respects, the norms that prevail in Western Europe. In addition, governments play a significant role in the oil and gas sector, through ownership of resources, participation, licensing and local content, which leads to a high level of interaction with public officials. Through our international activities, we are subject to anti-corruption and bribery laws in multiple jurisdictions. While we have anti-corruption policies in place, there can be no assurance that such policies will be effective or prevent us from being exposed to violations of anti-corruption or bribery laws.

Our Code of Ethics and Conduct (the **Code**) sets out the fundamental principles, standards and conduct that, when complied with, enable us to successfully pursue our mission, accomplish our goals and promote our values, by outlining legal and ethical standards that are applicable to our Directors, managers and employees, as well as third parties who work for or on our behalf. However, there can be no assurance that incidents of ethical misconduct or non-compliance with applicable laws and regulations or the Code will not arise, any of which could result in damage to our reputation and repeated compliance failures could call into question the integrity of our operations.

Any violation of or non-compliance with applicable anti-corruption and bribery laws could expose us to investigations, criminal and/or civil liability, substantial fines, the occurrence of any of which would have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

13. Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions.

The United States, the EU and other countries have in the past imposed international trade and economic sanctions on designated countries, companies and individuals. As of the date of this Prospectus, sanctions are in place, for example, with respect to Iran, North Korea and Cuba. The terms of legislation and other rules and regulations that establish sanctions regimes are often broad in scope, particularly in the U.S., and given the importance of the U.S. to the international financial markets, the imposition of U.S. sanctions on a country, company or individual can result in companies, as in our case, that do not operate directly in the U.S., being effectively required to cease dealings with such sanctioned country, company or individual to ensure access to the U.S. or international capital or bank debt markets. Non-compliance with U.S. sanctions would constitute a default under our existing financing and other contractual arrangements with banks that are based or operate in the United States.

In FY 2017 and HY 2018, we purchased approximately 13% of our externally sourced crude oil supply from Iran. Since the 1970s, Iran has been intermittently the subject of international trade and economic sanctions, particularly U.S. sanctions. In 2016, the Joint Comprehensive Plan of Action (**JCPOA**) granted a partial repeal to U.S. and European sanctions which enabled us, in 2016, to enter into a crude oil supply contract with the National Iranian Oil Company (**NIOC**) for the supply of a significant volume of crude oil. However, in May 2018, the executive branch of the U.S. government announced its withdrawal from the JCPOA and the re-imposition of a new and more stringent sanctions regime on Iran to be phased in by 4 November 2018. There can be no assurance that the U.S. sanctions regime imposed on Iran will be repealed or relaxed or that we will be granted a full and effective exemption from all relevant parts of the regime. In contrast thereto, the EU is committed to the JCPOA and to maintaining the growth of trade and economic relations between the EU and Iran. To mitigate the impact of the re-imposed US sanctions, in August 2018, the European Commission amended Council Regulation (EC) No 2271/1996 of 22 November 1996 (the **Blocking Regulation**) to prohibit EU companies from complying with the re-imposed US sanctions. Violations of E.U., U.S. or other international sanctions and anti-boycott laws could subject us to penalties, affect our ability to obtain goods and services in the international markets or access the U.S. or international capital or bank debt markets, or cause reputational damage, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, our ability to comply with these sanctions and other laws could be adversely impacted by new sanctions or laws, changes to existing sanctions or laws or conflicting legal requirements under such sanctions and laws.

14. We are subject to risks associated with failures in information systems and cyber-security.

The operation of many of our business processes depends on the uninterrupted availability of our information technology (**IT**) systems and, to maintain competitiveness, we are increasingly reliant on automation, centralized operation and new technologies to manage and monitor our complex production and processing activities. As a consequence, any localized or widespread system failure, whether deliberate (such as an outage resulting from a cyber-attack) or unintentional (such as network, hardware or software failure), could have adverse effects at various levels. Threats to our industrial control systems are not limited by geography as our digital infrastructure is inter-connected and accessible globally.

In recent years, incidents in the oil sector and other industries have shown that parties who are able to circumvent barriers aimed at securing industrial control systems are capable and willing to perform attacks that destroy, disrupt or otherwise compromise operations. Our San Roque (Cádiz) and Palos (Huelva) refineries in Spain have been characterized by the central government as 'critical infrastructure assets', potentially increasing their attractiveness as a target for cyber-attacks. In addition, we are required by law to assess and monitor the resilience of the local and shared IT systems used at those facilities to cyber-attack on a continuous basis. Although we have security barriers, policies and risk management processes in place that are designed to protect our information systems and digital infrastructure against a range of security threats, there can be no assurance that such attacks will not occur, which would have an adverse impact our operations.

Any failure to protect our information systems and digital infrastructure from any of the foregoing or other IT risks could affect the confidentiality, integrity or availability of such systems, including those critical to our operations. In addition, we could face regulatory action, legal liability, damage to our reputation, a significant reduction in revenue or increase in costs, a shutdown of our operations and losses on our investment in affected areas, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

15. We may be unable to successfully develop, replace and grow our current oil and gas reserves.

A material part of our reserves comprises oil fields in the United Arab Emirates (**UAE**), Algeria and Latin America. As of 30 June 2018, our average reserve/production ratio was 22 years, an increase from 8.6 years as of 31 December 2017, mainly due to our acquisition of a 20% interest in the SARB and Umm Lulu Concessions in March 2018 as well as our agreement with the Algerian government to extend our production rights over the RKF and Ourhoud oil fields in January 2018. In the coming years, once SARB and Umm Lulu begin production, we estimate our average reserve/production ratio to be approximately 15 years. Given the concentration of our reserves in the UAE and Algeria, our average reserve production ratio could be adversely affected in the event of early termination of one or more HGCs or upon the occurrence of one or more force majeure events.

The successful implementation of our strategy requires us to sustain and grow our long-term oil and natural gas reserves. This, in turn, depends on our ability to find and develop (or acquire) additional proved oil and natural gas reserves and to progress our upstream resources to "proved" reserves in a timely and commercially viable manner.

New oil and gas exploration blocks or acreage are typically auctioned by governmental authorities or state-owned oil companies and we face intense competition in bidding for such production blocks, particularly for blocks with more attractive oil and gas reserves. Due to the reduced risk profile for blocks that are already in production, the unit cost for production assets is significantly higher than the unit cost for exploration assets, potentially making any investment in production assets more vulnerable to a decline in the price of crude oil.

There can be no assurance that exploration of our assets will result in the discovery of any commercially productive reservoirs of crude oil or natural gas, or hydrocarbons suitable for commercially-viable extraction. We and the joint ventures in which we invest are currently undertaking exploration activities in Brazil, Colombia, Mexico, Peru and Suriname, where environmental conditions, access and transportation may be challenging and costs may be significant. The cost of drilling, completing and operating wells is often uncertain. As a result, we may incur cost overruns or may be required to limit, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, irregularities in geological formations, equipment failures or accidents, adverse weather conditions, difficult access to the concession areas, compliance with government requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Our drilling activity may be unsuccessful if we do not find commercial productive reservoirs.

There can be no assurance that we will be able to renew our existing concessions or obtain desirable exploration or production blocks on acceptable terms, if at all, or that we will be successful in discovering commercially viable reservoirs as a result of our exploration activities. If we are not able to replace or grow our oil and gas reserves, we may be unable to meet our production targets in line with our strategy and our total proved reserves would decline, any of which would have a material adverse effect on our business, financial condition, results of operations and prospects.

16. The oil and gas reserves data presented in this Prospectus are estimates that may vary significantly from the actual quantities of oil and gas reserves that may be recovered, which could result in an impairment of these assets.

The reserves data set forth in this Prospectus represents only estimates and should not be construed as exact quantities. The estimation of quantities of proved, probable and possible reserves, future rates of production and the timing of development expenditures is subject to numerous inherent uncertainties and involves subjective judgment and determinations based on available geological, technical, contractual and economic information. Even though our reserves have been certified by Ryder Scott Company, LP (**Ryder Scott**), a third party independent oil and gas consultant, there can be no assurance that such estimates will be accurate. The reliability of proved reserve estimates depends on a number of factors, assumptions and variables, many of which are beyond our control. Some of these include:

- the quality and quantity of available geological, technical and economic data;
- assumptions with respect to tax rules and other government regulations, contractual conditions, oil, gas and other prices;
- the punctual production performance of our reservoirs; and
- extensive engineering interpretation and judgment.

Estimates may change as a result of operation developments from production or drilling activities, changes in economic factors (including changes in the price of oil or gas), delays or suspensions in production, changes in the tax laws, royalty or regulatory regime applied by the host government, technological developments or other events or factors. Estimates may also be affected by acquisitions and divestments, new discoveries, extensions of existing fields, as well as the application of improved recovery methods. Published proved oil and gas reserves estimates may also be subject to correction due to errors in the application of published rules and changes in guidance.

As a result of these and other factors, we may be required to revise our reserve data, which could indicate lower future production volumes, and result in our reserves being depleted sooner than expected. This could require us to incur a significant impairment of certain of our E&P assets under IFRS-EU. For example, our acquisition of a 20% stake in the SARB and Umm Lulu Concessions in March 2018 resulted in a 129% increase in our estimated oil and gas 2P net reserves from 31 December 2017 to 1 July 2018. If we were required, in the future, to effect a significant write down to our estimates for that or any other block, due to results from drilling operations, a prolonged low oil price environment or for any other reason, it would have a material adverse effect on our business, financial condition, results of operations and prospects.

17. The terms of our host-government contracts have a significant impact on our business, financial condition, results of operations and prospects.

In our E&P segment, we carry out our business through HGCs. While each government follows its own template and each contract is tailored to the transaction, our HGCs generally fall into one of the following models:

- *License/Concession Contracts* account for approximately 88% of our 2P reserves (as defined below) as at 1 July 2018. The competent governmental authority grants exclusive exploration and development rights to an international oil company (**IOC**) for a specific area of land or water (the **contract area**). The IOC will typically obtain certain control over the development of the contract area and the right to receive all of the production should commercially viable crude oil be discovered. In return, the IOC will finance the exploration and development and pays certain taxes and royalties to the host government. In certain jurisdictions, the national oil company is also required to be a party to the contract and participate in the exploration and development phase. In the case of unsuccessful exploration, the IOC assumes all the incurred costs and has no right to recover project expenses.

- *Production-Sharing Contracts* account for approximately 12% of our 2P reserves as at 1 July 2018. The competent governmental authority enters into a production-sharing contract (**PSC**) with an IOC, in which the IOC acts as a contractor for the competent authority and is responsible for the exploration, development and exploitation of the contract area. If the project is successful, the IOC will recover costs and earn a profit by receiving a proportion of the production; any production that is not used for cost recovery or payment of royalties is referred to as "profit oil" and is typically shared between host government and the IOC on a fixed ratio or a variable ratio based on production volumes. In the case of unsuccessful exploration, the IOC assumes all the incurred costs and has no right to recover project expenses.
- *Risk Service Contracts* account for approximately 0.2% of our 2P reserves as at 1 July 2018. The competent governmental authority enters into a risk service contract with an IOC, in which the IOC provides technical, financial, managerial or commercial services to the competent authority to explore and develop oil and gas resources. Remuneration to the IOC is typically by way of a service fee or payments based on the value of oil produced and cost adherence to the agreed development plan.

The economic terms of these agreements are critical to the results of operations of our E&P segment and given that our counterparties are governmental authorities or state-owned national oil companies, there can be a heightened risk of a forced renegotiation of those terms due to macroeconomic, political or other considerations. Moreover, under certain HGCs, our counterparty expressly reserves the right to modify the economic terms in certain prescribed circumstances (for example, specified oil price scenarios). Any material change to the terms of existing or future HGCs, including with respect to termination rights and penalties, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We conduct our oil and gas operations under numerous exploration, development and production licenses and leases. Most of these licenses and leases may be suspended, terminated or revoked by the awarding authority if we or the relevant licensee fails to comply with the license or lease requirements, does not make timely payments of levies and taxes, does not comply with emissions and other environmental requirements, systematically fails to provide information, becomes insolvent, fails to fulfill any capital expenditure or production obligations, does not develop the area to which the license or lease relates or fails to share the production with the awarding authority in the manner prescribed, among other defaults. In addition, deficiencies in the renewal or updating of facilities licenses might expose us to third-party claims. If we fail to fulfill the specific terms of any of our licenses or leases or if we operate in a manner that violates applicable law, government regulators might impose fines or suspend or terminate our licenses or leases, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

18. Our current and past investments with partners and in joint ventures may expose us to financial, performance and reputational/regulatory risks.

Certain of our major projects and operations are conducted through partnerships, joint ventures and similar arrangements, such as our phenol, acetone and cumene plant in Shanghai (China) and our recent investment in the SARB and Umm Lulu Concessions. Our investments in joint ventures may expose us to additional risks over which we have limited or no control. Such risks can include:

- *Conflicts of interest*: Many of our joint venture projects are long-term arrangements and the interests of the different consortium members may diverge over the life of project resulting in competing business strategies and priorities. In addition, our joint venture partners may take actions diverging from agreed instructions or requests or contrary to our policies and objectives.
- *Financial*: We are exposed to the credit risk of our joint venture partners. Many of these projects are capital intensive and require significant investments from the partners to fund initial project costs and any cost overruns. If one of our partners is unable or refuses to fund its proportion of such investments, we may be unable to complete the project on time and on budget, if at all. In addition, if one of our partners in a joint venture were to suffer an insolvency event, it could lead to the liquidation of that partner's investment in the project, which could, in turn, adversely affect the joint venture operations. In addition, with respect to our E&P concessions, we are occasionally required to accept joint and several liability with our joint venture partners towards the awarding governmental authority.
- *Operational*: We may be exposed to operational risks, including HSE risks, attributable to failures of our partners' operations and activities, and which we are not able to control. This is generally the case where one of our partners is the sole operator of the facilities owned by the joint venture. In the case of our E&P projects, liability for the management and operation of such projects is typically shared on a joint and

several basis by all of the project partners, except for gross negligence or willful misconduct of the operator.

- *Other*: We may be affected by any material damage to the business reputation of one of our joint venture partners, which could, in turn, adversely affect our own reputation and/or lead to legal proceedings and/or regulatory risks. This may arise, for example, where a current or historic joint venture partner is the subject of allegations of bribery or corruption or money laundering, is designated for the purposes of international sanctions or receives negative press coverage for purported environmental infringements. See also "*Business—Coastal Transaction*".

In addition, the contractual provisions relating to the governance of our joint venture arrangements may require us to seek the consent of one or more partners to approve certain key decisions and/or may limit our ability to block or veto key decisions where we are in disagreement. For example, the consent of our joint venture partners may be required for the payment of distributions or for the sale of our investment. This could prevent us from managing our investment in the manner that we would prefer and may hinder or prevent us from realizing the benefits of our investment. These governance arrangements can ultimately cause the joint venture to become deadlocked if the shareholders have a fundamental disagreement over a key matter, and any such deadlock could act to the overall detriment of the joint venture and, by extension, our operations. These governance risks are amplified in those joint ventures where we have partnered with several companies given that there is greater potential for differences of opinion to arise, increasing the likelihood of dispute and deadlock.

There can be no assurance that we will be successful in the management of our joint venture interests or that we will be able to maximize the value of investments made through our joint ventures. The occurrence of any of the foregoing or other risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

19. The success of our strategy depends in part on our ability to grow through acquisitions, investments and joint ventures.

Historically, we have achieved growth in part through acquisitions and our strategy assumes that some future growth will occur inorganically, through further acquisitions, investments and joint ventures. Generally, acquisitions raise significant management and financial challenges, including:

- the need to assess and evaluate accurately the operations, assets and liabilities of the company or business or assets to be acquired;
- the need to integrate the acquired company's infrastructure, such as risk, asset and liability information management systems;
- the resolution of outstanding legal, regulatory, contractual or labor issues arising from the acquisition;
- the need to obtain third-party consents and/or the agreement of other parties affected by the transaction (e.g., the other parties to a joint operating agreement);
- the integration of marketing, customer service and product offerings; and
- the integration of different company and management cultures.

There can be no assurance that our past and future acquisitions will be successful, that we will be able to identify and finance attractive future acquisition targets, that acquired businesses will be successfully integrated into our Group, or that expected synergies, cost savings and revenue-generation opportunities will be realized. Likewise, there can be no assurance that existing or future joint ventures will be successful or that the strategic goals pursued will be obtained. Moreover, integrating and consolidating acquired operations, personnel and information systems requires the dedication of management resources that may divert attention from our day-to-day business and disrupt key operating activities. These difficulties may be increased by the need to coordinate geographically-separated organizations. In addition, there can be no assurance that we will be able to dispose of our interests in acquired companies, investments or joint ventures without incurring significant losses, if at all.

Although we undertake customary legal, financial, tax, environmental and technical due diligence prior to any material acquisition, in a manner that we believe to be in line with industry practice, such processes may not necessarily reveal all relevant existing or potential liabilities or issues. Nor do such processes enable us to become sufficiently familiar with the facilities and infrastructure to exhaustively assess their capabilities and deficiencies. It is not always possible for us to conduct on-site due diligence for every potential acquisition and,

even where a site visit is permitted, we may not have sufficient time or access to discover all structural, subsurface or environmental problems that may exist or arise, and which could have an adverse impact on the value of the asset. Moreover, some structural, subsurface or environmental problems, such as ground-water contamination, are not necessarily observable even when an inspection is undertaken, and others are only observable from an inspection of the interior of the units at an industrial site, which would require a complete shut-down of the unit and, possibly, the plant.

If we are not successful in implementing our acquisition strategy, integrating such acquisitions or some or all of our existing or future acquisitions, investments or joint ventures prove ultimately to be unsuccessful, our business, financial condition, results of operations and prospects could be materially adversely affected.

20. We are subject to certain financial risks, including currency, liquidity, interest rate, credit risk and default risk, and related operational risks.

The oil, gas and petrochemical sectors are capital-intensive and significant investments are required to:

- obtain hydrocarbons from oil and gas reserves from challenging geologies and environments;
- maintain and modernize refinery and petrochemical installations to remain competitive in the face of rapidly-changing demand;
- ensure compliance with evolving and increasingly stringent environmental laws and regulations; and
- fund acquisitions and investments in research, development, technological innovation and digitalization.

To meet these requirements, we utilize funding through a combination of our operating cash flow and bank financing and we may, in the future, seek additional liquidity from the capital markets. The availability and pricing of such funding is subject to market conditions and other factors that are beyond our control, particularly with respect to bank financing and liquidity from the capital markets. In addition, between FY 2017 and HY 2018, our net financial debt increased from €1,722 million to €3,001 million, as a result of debt incurred to acquire our interest in the SARB and Umm Lulu Concessions in HY 2018.

As a result of such funding requirements as well as the nature of our operations, we are exposed to numerous financial risks, many of which are beyond our control, including:

- *Currency risk*: Our activities expose us to fluctuations in currency exchanges rates, in particular the U.S. dollar against the euro. Trading prices of crude oil, natural gas and most refined petroleum products, and thereby a significant portion of our costs and revenue, are generally denominated in, or tied to, the U.S. dollar while our financial statements are prepared in euro. Accordingly, a depreciation of the U.S. dollar against the euro can have an adverse effect on our results of operations as it decreases the value of our profits generated in U.S. dollar or tied to the U.S. dollar. In addition to these translation risks, we face currency transaction risks when our revenue, typically earned in, or linked to, the U.S. dollar and operating costs are denominated in different currencies. Specifically, portions of our operating costs in our E&P and Refining segments and, to a certain extent, our Petrochemicals segment, are incurred in euro or other currencies. As a result, depreciation of the U.S. dollar against the euro or other currencies can be expected to decrease our EBITDA margins, as a declining U.S. dollar decreases our sales to a greater extent than it decreases our operating costs. Although we seek to manage our foreign exchange risks to minimize the negative impact of exchange rate volatility by matching the value of our non-euro investments with debt denominated in the same currency, there can be no assurance that we will always be successful in doing so. For example, with respect to the financial instruments held by the Group, we undertake a sensitivity analysis to determine the impact on our profit or loss after taxes of a positive or negative 0.05 movement in the USD/EUR exchange rate. In FY 2017, assuming a positive 0.05 movement in the USD/EUR exchange rate, our profit after taxes would have decreased by €9.1 million. For further information, see "*Operating and Financial Review—Qualitative and Quantitative Disclosures about Market Risk*".
- *Liquidity risk*: While we seek to maintain sufficient liquidity through a combination of cash and cash equivalents and available credit lines and facilities, the occurrence of unforeseen events, such as deteriorating conditions in global or regional economies and/or the financial markets, could result in insufficient liquidity to cover our financial obligations and deliver on our planned capital expenditure program. Likewise, if we are unable to refinance our maturing loan facilities, or are only able to do so at significantly higher cost, we may have to postpone or reduce our planned capital expenditure.
- *Interest rate risk*: As at 30 June 2018, approximately 71% of our gross financial debt was indexed at a spread to benchmark rates of the Europe Interbank Offered Rate (**Euribor**), the London Interbank Offered

Rate (**Libor**) and the official rate of the People's Bank of China (**PBOC**), whereas our remaining financial debt accrued interest at a fixed rate (including as a result of hedging). Variable interest rates expose us to the risk of increasing interest rates, while fixed interest rates expose us to the risk of declining interest rate levels. To reduce our exposure, we use fixed interest rate loans, as well as interest rate swaps to convert fixed rate debt into floating rate debt, or conversely to convert floating rates into fixed rates. As of 30 June 2018, we had a notional amount of €738.9 million of interest rate swaps outstanding. Movements in interest rates can have a material impact on the finance expense related to our indebtedness. For example, with respect to the financial instruments held by the Group, we undertake a sensitivity analysis to determine the impact on our profit or loss after taxes of a positive or negative 50 basis point variation of in interest rates. In FY 2017, assuming a 50 basis point increase in interest rates, our profit after taxes would have decreased by €6.7 million. For further information, see "*Operating and Financial Review—Qualitative and Quantitative Disclosures about Market Risk*".

- *Credit risk*: We face the risk that certain of our customers, counterparties or business partners fail to pay amounts due under their contractual obligations. Credit risk arises from credit exposures with customer accounts receivables, as well as from financial investments, derivative financial instruments and deposits with financial institutions. If a counterparty fails to honor a payment obligation, such a loss will negatively impact our results of operations and cash flows. Whereas we have adopted policies to manage our credit risk exposure, including the use of credit insurance policies, there can be no assurance that such tools will prove effective against the risk of default by, or the insolvency of, one or more of counterparties.
- *Default risk*: Our financing arrangements contain covenants that could limit our ability to finance or refinance our future operations and capital needs and our ability to pursue certain business activities that may be in our interest. As at the date of this Prospectus, our financial covenants require us to maintain a consolidated total net debt to Adjusted EBITDA ratio of less than 3.50x and a consolidated earnings before interest and taxes to interest expense ratio of more than 4.5x. As at the date of the Prospectus, we are in compliance with both covenants. If such covenant or any future covenant of any financing arrangement is breached and we are unable to cure the breach or obtain a waiver from the lenders, we could be in default under the terms of such arrangement. A default under any single financing arrangement could result in a default under other financing arrangements and could cause our lenders under such other arrangements to accelerate all amounts due under such financing arrangements. In addition, in an event of default scenario, the lenders under our credit lines could terminate their commitments to extend credit, cease making loans, or institute foreclosure proceedings, and we could be forced into bankruptcy or liquidation.

For further information on these financial risks, see "*Operating and Financial Review—Qualitative and Quantitative Disclosures about Market Risk*".

In addition, in the normal course of business, we are also subject to operational risk around our treasury and trading activities. Effective controls over these activities are dependent on our ability to process, manage and monitor a large number of complex transactions across many markets and currencies. Shortcomings or failures in our systems, risk management, internal controls processes or personnel could lead to disruption of our business, financial loss, regulatory intervention or damage to our reputation.

We engage in both physical trading of crude oil and products produced by third parties, as well as trading in financial instruments for arbitrage and hedging (including through derivatives, swaps, futures and other instruments) as part of our global hedging system. Through our Trading unit in our Refining segment, we also engage in asset-backed proprietary trading, through which we seek to manage price risks in the futures and derivatives markets and maximize opportunities in the volatile commodities market. While we currently limit trading for our own account to matched principal and hedging trades, and have a risk framework with clearly defined limits as to the physical volume of trading and derivatives as well as specific and global stop loss limits for derivatives, we intend to adopt further enhanced policies which would change the limits structure to contain explicit basis exposure and value-at-risk limits in support of our aim to grow our proprietary trading activities in the medium-term. Nevertheless, there can be no assurance that our policies, systems, risk management and internal control processes will prove effective or that we may fail to establish further effective enhancements in the future as our proprietary trading activities grow or that we will not be exposed to other risks relating to our trading activities, including the risk of employee misconduct. Among other things, our employees could execute unauthorized transactions, use assets improperly or without authorization, carry out improper activities, as well as misrecord or otherwise try to hide improper activities from us. Employee misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. We have an active program for monitoring and verifying that our employees and introducing brokers comply with specified procedures; however, it is not always possible to deter or detect employee or introducing broker misconduct, and the

precautions we take to prevent and detect this activity may not be effective in all cases. Our employees or introducing brokers may also commit good faith errors that could subject us to financial claims for negligence or otherwise, as well as regulatory actions.

While we have implemented procedures that seek to manage and mitigate these risks, there can be no assurance that our hedging and financial strategy will prove effective. Likewise, purchases of hedges or other financial instruments to fix the prices at which we purchase oil and other commodities could increase our costs and reduce our profit margins. If any of the above risks were to materialize, whether short-term or prolonged, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

21. As a result of our integrated business model, a disruption within one or more of our segments could adversely affect our other segments and thus have a material adverse effect on our business, financial condition, results of operations and prospects.

We have an integrated business model with activities across the oil and gas value chain. As a result, many of our segments depend on other segments for the supply of a significant portion of their feedstock or for the sale of a significant portion of their products. For example, in FY 2017, our Refining segment supplied approximately 78% of the fuel and other refined products sold through the Marketing segment and approximately 72% of the feedstock for the Petrochemicals segment. In turn, our Refining segment is dependent on our two wholly-owned refineries in Palos (Huelva) and San Roque (Cádiz). As a result, our Refining, Petrochemicals and Marketing activities would be subject to a significant interruption if either or both of these refineries were to experience a major accident or otherwise be forced to shut down or materially curtail production due to unforeseen events, such as extended power outages, industrial accidents, sabotage or IT problems. Likewise, we may be required to curtail or cease production at one or both of our refineries due to limited pipeline capacity or other problems related to the transportation of feedstock or products at these sites. In particular, we are heavily reliant on the availability of the extensive pipeline and storage network owned and operated by the Spanish company, Compañía Logística de Hidrocarburos CLH, S.A. (**CLH**), for the offtake of a significant proportion of the products from our refineries. Any problems relating to the availability, safety and reliability of that pipeline and storage network could have a negative impact on our refining operations. If the Refining segment were to experience any such disruption, our Petrochemicals and Marketing segments could be forced to pay higher prices to obtain the required feedstocks and products from the market, and we may not be able to increase prices for the products sold through our Marketing and Petrochemicals segments, which could have a negative impact on their margins. Given such interdependencies, any delay or disruption within any of our segments could have a negative impact on our other operations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, certain of our business segments are concentrated geographically. Both of our refineries are located near the south coast of Spain, and many of the operations for our other segments are located in close proximity to the refineries. For example, in San Roque (Cádiz), we have a refinery as well as a petrochemical plant that receives feedstocks from the refinery and power generation facilities that provide power and steam for our operations. In addition, in recent years, a significant portion of our new projects have been located in the UAE, including the SARB and Umm Lulu Concessions and the construction of an integrated LAB complex in East Ruwais, Abu Dhabi. As a result, any weather or catastrophic event or other interruption affecting these regions or any of our plants could have a material adverse effect on our business, financial condition, results of operations and prospects.

22. Our Petrochemicals segment is substantially dependent on a limited number of customers for a significant proportion of its revenue.

Our Petrochemicals segment is dependent on a limited number of customers for a significant proportion of its revenue, with approximately 50% of revenue derived from contracts with its top ten customers and approximately 10% of revenue from the top customer. This dependency on certain key customers could prevent us in the future from competitively pricing our petrochemical products and increase our customers' bargaining power to the detriment of the profitability of our Petrochemicals segment. If one or more of these top customers were to terminate our business relationship, fail to purchase the agreed quantities of our products, or seek to renegotiate key commercial terms, it could have a negative impact on the results of operations of our Petrochemicals segment, which could, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

23. Our success and future growth depends on our senior management and other key technical personnel.

The successful delivery of our business strategy depends on the skills, efforts and technical expertise of our management team and our employees. In the energy sector, particularly in oil and gas, competition for experienced and qualified managers and employees is very strong, and we face the risk of not being able to retain our senior management or other key personnel. As we are dependent on the expertise and efforts of our senior management to execute our strategy, we have a succession plan in place that is updated annually as needed. There can be no assurance, however, that we will, through our succession planning or otherwise, be able to find a suitable replacement in a timely manner should one or more key individuals cease to be employed by our Group. Also, the global economic recovery has increased demand for skilled labor and employees with technical knowledge, which increases the risk of a talent drain for our employees, which could lead to a loss of know-how and increase our training costs.

Given the rapidly changing and uncertain future of the upstream and downstream oil industry and the gas and petrochemicals industries, particularly in light of oil and natural gas price volatility, evolving legal and regulatory requirements, including with respect to climate policy, and the increasing role of technology in the industry, we are increasingly reliant on the availability of a suitably-qualified and experienced workforce. These industries are long-term businesses, where a long-term perspective on the capacity and competence of the workforce is essential. To remain competitive we must retain at all times a flexible and skilled workforce with consolidated expertise. Given the current extensive change agenda, there is a heightened risk that we will not be able to ensure a competitive level of competence, experience and capabilities among our workforce to adapt to a rapidly-evolving business environment.

If we fail to attract, retain and motivate highly-skilled personnel, to retain our senior management and other key personnel or to implement our succession plan effectively, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

24. We may not be able to finance our planned capital expenditures.

Our business activities require significant capital expenditures. We expect to finance a substantial part of these capital expenditures out of cash flows from our operating activities. If our operations do not generate sufficient cash flows, however, we may have to finance more of our planned capital expenditures from outside sources, including bank borrowings and offerings of debt or equity securities in the capital markets. There can be no assurance that we will be able to raise the financing required for our planned capital expenditures on acceptable terms or at all. In addition, the terms of our existing debt may restrict or prevent us from incurring additional debt without obtaining consent from our lenders. As of the date of this Prospectus, our financial covenants require us to maintain a total net debt to Adjusted EBITDA ratio of less than 3.50x and a consolidated earnings before interest and taxes to interest expense ratio of more than 4.5x. As at the date of the Prospectus, we are in compliance with both covenants. If we are unable to raise the necessary financing, we may have to reduce our planned capital expenditures. Any such reduction could adversely affect our ability to pursue our strategy and expand our business and could adversely affect our business, financial condition, results of operations and prospects.

25. Our Marketing segment relies on the positive recognition of our brand and those of our non-fuel partners as well as our relationships with independent distributors and key non-fuel partners.

The success of our Marketing segment depends in part on our ability to maintain and enhance the image and reputation of our brand, particularly with respect to our CEPSA-branded service stations in the Iberian Peninsula, and also on the continuing favorable reputation, market value, and name recognition associated with our non-fuel partners, particularly Carrefour.

Negative publicity involving CEPSA, any of our partners or the energy sector in general, whether or not accurate, or an event or series of events that materially damages the reputation of our brand, or the brands of one of our key partners, could have a negative impact on the value of these brands. Such events, whether in Spain or abroad, have included in the past and may in the future include financial, compliance, strategic or operational risks (such as fuel contamination, health, safety or environmental accidents or leaks at service stations, flooding, fire, criminal activities affecting our service stations, allegations of anti-competitive behavior or food safety or quality concerns, among others). Negative publicity could result in a decrease in customer demand for our products and services or a decrease in customer traffic to our service stations, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

As at 30 June 2018, we had 1,824 service stations in the Iberian Peninsula, of which 58% were operated by independent distributors. Company-owned, distributor-operated (**CoDo**) stations comprised approximately 28%

of our portfolio, which are operated pursuant to industry lease agreements with a typical duration of five years, and distributor-owned, distributor-operated (**DoDo**) stations comprised approximately 30%, which are operated pursuant to exclusive supply agreements with a typical duration of three years, although distributors may terminate the agreement each year. While we centrally manage the fuel supply for each of these service stations, each independent distributor is responsible for managing its respective service station at the operational level. Accordingly, the failure of an independent distributor to operate its service station in accordance with our brand standards or the standards of our non-fuel partners could have a negative impact on customer perception of our service stations and therefore customer demand for our services. Furthermore, we must enter into, renegotiate or replace our agreements with independent distributors and non-fuel partners as those agreements expire; however, our independent distributors and non-fuel partners have no obligation to renew their contracts on similar terms or at all, and the terms of any renegotiated contracts may not be as favorable as the terms of the contracts they replace. If a significant number of independent distributors or a key non-fuel partner elects not to renew its relationship with us, or defaults on its contract because of insolvency or otherwise, we may be unable find suitable replacement distributors or non-fuel partners in a timely manner on favorable terms or at all. Furthermore, transitioning to new distributors or non-fuel partners may be time consuming and expensive and may result in disruption to our Marketing operations, which could have a negative effect on the value of our brand and our CEPSA-branded service stations, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

26. We cannot predict our future decommissioning and abandonment liabilities with complete accuracy.

Through our E&P interests, we have assumed certain obligations in respect of the decommissioning and abandonment of our wells, fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require us to make provisions for and/or underwrite the liabilities relating to such decommissioning. It is difficult to accurately forecast the costs we will incur in satisfying our decommissioning obligations. When such decommissioning costs crystalize, we will be jointly and severally liable for them with other former or current partners in the field. If such partners default on their obligations, we could remain liable and our decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that we incur could have a material adverse effect on our business, financial condition, results of operations and prospects.

27. We are exposed to litigation and arbitration.

We are currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed either as a defendant or a plaintiff in the ordinary course of business. These claims involve a wide range of issues and in certain instances substantial amounts have been or can be claimed. Several disputes account for a significant part of the total amount of claims against us. See "*Business—Legal Proceedings*".

As at 30 June 2018, we recorded provisions totaling €253.5 million in respect of third-party liability (including €140 million to cover possible tax contingencies arising from assessments signed on a contested basis). In the event that a number of claims that we currently consider to represent a remote or reasonably improbable risk of loss were to be decided against us, the aggregate cost of such unfavorable decisions could have a material adverse effect on our business, financial condition, results of operations and prospects.

28. Our insurance coverage could prove inadequate.

Our insurance policies are subject to limits, deductibles and specific terms and conditions and, as is consistent with general industry practice, cover only certain aspects of our business. While we maintain insurance policies that include coverage for physical damage to our facilities, third-party liability, workers' compensation and employer's liability and environmental and general liability, such insurance is subject to deductibles that must be met prior to recovery and to certain caps, exclusions and limitations. In the event of a material environmental incident, we may face liability without regard to fault and there can be no assurance that our insurance coverage would adequately protect against all potential liability, or at all. In addition, limits, deductibles and other commercial terms may, in the future, become less favorable due to market conditions or other factors and there can be no assurance that we will, at all times, be able to obtain or maintain insurance with the coverage that we desire on reasonable terms and at reasonable rates. Certain insurance coverage could become entirely unavailable or available only for significantly reduced amounts of coverage. If we were to incur a significant liability for which we were not, or could not be, fully insured, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

29. If we fail to maintain good relations with the interest groups in the communities in which we operate, we may be exposed to negative public opinion.

Certain of our key installations and E&P assets are located in, or in proximity to, residential areas (such as our refinery in San Roque (Cádiz) and our logistical site in Tenerife (Spain)) or otherwise affect the livelihood of local communities that live and/or work in the vicinity of our facilities. It is critical that we and our subcontractors maintain good relations with these and other interest groups, including, local and national civil, political, labor, and consumer organizations. This is particularly relevant for the activities of oil and gas companies in general, which can be viewed by local communities as having a direct impact on the immediate environment and economic growth in the area. In addition, with respect to certain of our operations impacting local communities, we may be required to obtain a "social license", which requires us to analyze the context of the relevant community and map their needs. Should the interests of any of these stakeholders run contrary to our own business interests, and our attempts to reach agreement with them prove unsuccessful, we could be affected by litigation, adverse publicity or reputational damage, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

30. We may face labor disruptions that could interfere with our operations.

We are subject to the risk of labor disputes and adverse employee relations, which could disrupt our business operations and adversely affect our business, cash flows, results of operations and financial condition. We have close to 10,000 employees worldwide and a significant proportion is represented by labor unions in Spain and elsewhere and subject to several collective bargaining agreements. We, or organizations collectively representing us and other employers in our industry, may not be able to negotiate satisfactory collective labor agreements when they expire. Moreover, our existing labor agreements may not prevent a strike or work stoppage at any of our facilities in the future. Any such work stoppage, particularly if it is prolonged, could have a material adverse effect on our business, financial condition results of operations and prospects. While we have not had any material problems since 2012 with the labor unions or our collective bargaining agreements, there can be no assurance that we will avoid labor disputes and/or adverse employee relations in the future.

Risks relating to the Shares and the Offering

31. After the Offering, the Selling Shareholder may continue to be able to exercise significant influence over us, our management and our affairs, and our ownership structure may generate conflicts of interest.

As of the date of this Prospectus, CEPSA Holding LLC, the Selling Shareholder, holds 100.0% of the Company's issued share capital. The ultimate indirect parent company of the Selling Shareholder is Mubadala Investment Company PJSC (**MIC**). Immediately following the Offering, the Selling Shareholder will continue to hold at least 71.25% of the Company's share capital. As a result, the Selling Shareholder may be able to exercise significant control over our management and affairs and over matters requiring the consent of our shareholders, such as in relation to the payment of dividends and the election of the members of the Company's board of directors (the **Board of Directors**) and other matters. There can be no assurance that the interests of the Selling Shareholder or its ultimate indirect parent company will coincide with the interests of purchasers of the Shares.

Furthermore, this concentration of ownership in a single shareholder may have a material adverse effect on the market price of the Shares by, among other things, delaying or deterring a change of control (including deterring a third party from making a takeover offer), depriving shareholders of an opportunity to receive a premium for their Shares as part of our sale, and affecting the liquidity of the Shares.

In addition, there may be circumstances where our businesses compete directly or indirectly with other businesses in the MIC portfolio, including without limitation the businesses in other oil and gas companies controlled by MIC such as Mubadala Petroleum (an upstream and exploration company incorporated in Abu Dhabi and with activities in Oman, Egypt, Thailand, Indonesia, Malaysia and Vietnam) or Nova Chemicals (a corporation incorporated in Alberta, Canada, the main activity of which is the production of petrochemical products, some of which may, or may in the future, compete with our current or future petrochemical products), and MIC may take decisions with respect to those businesses that could be adverse to the interests of our other shareholders. Notwithstanding the foregoing, and considering all applicable circumstances, the Company considers that proprietary Directors appointed by the Selling Shareholder shall not be deemed to be affected by a permanent or structural conflict of interest that would make articles 224.2 or 230.3 of the Spanish Companies Act applicable to them. Any conflicts of interest that may arise in the future will be conflicts of a transactional

nature and shall be dealt with in accordance with the Framework Relationship Principles (as defined below) and with strict compliance of the Company's governance documentation and applicable Spanish corporate law.

On 17 October 2018, the Selling Shareholder signed a declaration to reaffirm and strengthen the principles (the **Framework Relationship Principles**) that have traditionally governed, and will, we expect, continue to govern, the relationships between the Group and controlled subsidiaries of MIC (the **Mubadala Group**). One of the principles sets out that no sensitive information received from us will be shared with companies within the Mubadala Group whose activities may be considered concurrent with those of the Group. For a more detailed description of the Framework Relationship Principles, see "*Management, Board of Directors and Employees—Framework Relationship Principles*".

The only material agreement entered into between MIC or its controlled subsidiaries and us, on the date of this Prospectus, is an agreement for the sale of 42% of the share capital of Medgaz. For additional information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

There have been no financial transactions or arrangements between the Group and entities within the Mubadala Group during HY 2018, FY 2017, FY 2016 and FY 2015. During HY 2018, FY 2017, FY 2016 and FY 2015, we had no significant revenue derived from commercial related-party transactions with entities within the Mubadala Group (or expenses incurred in connection therewith).

32. We cannot assure you that the Offering Price will match the future price of the Shares following the Offering.

The Offering Price has not been established in public trading markets. The Offering Price Range (which is indicative and is not binding) has been determined by us (after receiving financial advice from the Financial Advisor) and the Selling Shareholder after consultation with the Joint Global Coordinators, without reliance on any third-party expert to assess the value of the Shares. We cannot assure you that, following the Offering, the Shares will trade at a price equal or higher than the Offering Price and, as a result, you may lose all or a portion of your investment.

33. There is not currently a public trading market for the Shares, and we cannot assure you that an active trading market for the Shares will develop.

Although the Company has applied to list the Shares on the Spanish Stock Exchanges and the Company expects the Shares to be quoted on the SIBE on or around 18 October 2018, subject to completion of customary procedures in Spain (**Admission**), a liquid market for the Shares may fail to develop. There is currently no public trading market for the Shares prior to the Offering, and Admission should not be taken as implying that there will be a liquid market for the Shares. Furthermore, there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. The failure of an active trading market to develop may affect the liquidity and trading of the Shares. The Shares may therefore be difficult to sell compared to the shares of companies with more liquid trading markets and the share price may be subject to greater fluctuation than might otherwise be the case. Following the Offering, the value of the Shares could fluctuate significantly and may result in investors being unable to sell Shares at or above the Offering Price or at all.

34. The trading price of the Shares may fluctuate in response to various factors, many of which are outside our control.

There is no assurance that the Offering Price will be indicative of the future price of the Shares. Following the Offering, the price of the Shares may not always accurately reflect the underlying value of our business. The price and value of the Shares may decrease as well as increase, and investors may realize less than the original sum invested. The value of the Shares may, in addition to being affected by our actual or forecasted operating results, fluctuate significantly as a result of a large number of factors, some specific to us and our operations and some which may affect the oil and gas sector generally, which are outside of our control, including, among others:

- changes in our financial performance, or of our peers or the industry;
- changes in law, rules and regulations applicable to us and our operations in Spain and other regions where we operate;
- the general economic, social and political environment in Spain and other regions where we operate; and
- fluctuations in the capital markets.

35. There can be no assurance that we will pay dividends or the level of any such dividends.

While we intend to pay dividends in respect of the Shares, there can be no assurance that we will do so. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and must be authorized (post-distribution, in the case of interim dividends) by our shareholders at a General Shareholders' Meeting and will depend on, among other things, applicable law and regulations, our results of operations, financial condition, cash requirements, contractual restrictions (including, in particular, those contained in our financing arrangements), our future projects and plans and other factors that the Board of Directors may deem relevant. As a result, you may not receive any return on an investment in the Shares unless you sell your Shares for a price greater than that which you paid for them. See "*Dividends and Dividend Policy*".

36. Investors in this Offering may experience dilution of their ownership interest due to the future issuance of additional Shares or convertible securities.

In the event that we choose to raise funds from further equity or debt financings, including sales of convertible securities, to finance further acquisitions or otherwise, the Board of Directors may issue previously authorized and unissued securities, resulting in the dilution of the ownership interests of purchasers of the Shares. Such issuances may also have an impact on the market price of the Shares. We may, following the expiry of a lock-up period (starting on the date of the Underwriting Agreement and ending 180 days from the Settlement Date) issue additional shares to the market. See "*Plan of Distribution—Underwriting Agreement*". The potential issuance of additional shares or convertible securities may create downward pressure on the trading price of the Shares. In addition, the perception that we may in the future sell additional Shares, whether or not accurate, could have a similar effect. We may also issue additional Shares or other securities that are convertible into or exercisable for Shares in future public offerings or private placements for capital-raising purposes or for other business purposes, potentially at an offering price, conversion price or exercise price that is below the Offering Price.

37. Substantial future sales of the Shares could impact the trading price of the Shares.

On completion of the Offering, CEPSA Holding LLC is expected to own approximately 75.00% of the Shares (assuming no exercise of the Over-Allotment Option) or approximately 71.25% of the Shares (assuming that the Over-Allotment Option is fully exercised). Shares retained by the Selling Shareholder will be subject to lock-up arrangements of 180 days, described in further detail in "*Plan of Distribution—Lock-up*".

Following the expiry of the applicable lock-up period, or the waiver of the lock-up restrictions by the Joint Global Coordinators, the Selling Shareholder may sell the Shares it holds in the open market or otherwise, subject to applicable securities laws restrictions. There can be no assurance that the Selling Shareholder will not sell Shares or effect other transactions upon the expiry of the applicable lock-up period or the waiver of the lock-up restrictions and the Company cannot predict the effect, if any, that future sales of Shares, or the availability of the Shares for future sale, will have on the market price of the Shares. During the periods immediately prior to and following the end of the periods of sales restriction provided for by these lock-up arrangements, the market price of the Shares may fall in anticipation of a sale of Shares. Any sales of substantial amounts of Shares in the public market, or the perception or any announcement that such sales might occur, could result in a material adverse effect on the market price of the Shares making it more difficult for holders to sell their Shares at a time and price that they deem appropriate and impairing the Company's ability to raise capital through the sale of additional equity securities.

38. Shareholders in countries with currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of Shares.

The Shares will be quoted only in euros and any future payments of dividends, if any, on the Shares will be denominated in euros. The U.S. dollar or other currency equivalent of any dividends paid on the Shares or any distributions made would be adversely affected by the depreciation of the euro against the U.S. dollar or such other currencies. Accordingly, any investment in the Shares by a shareholder whose main currency is not the euro will be exposed to exchange rate risk; therefore, any depreciation of the euro *vis-a-vis* such shareholder's main currency will reduce the value of its equity investment and the value of any dividends it may receive from us.

39. Overseas shareholders may have only limited ability to bring actions or enforce judgments against us or our Directors.

The ability of an overseas shareholder to bring an action against the Company or its Directors may be limited under law. The Company is a *sociedad anónima* incorporated in Spain and a substantial portion of its assets are located in Spain. The rights of holders of Shares are governed by Spanish law and by the Company's Articles of Association. These rights differ in certain respects from the rights of shareholders in comparable US corporations and some other non-Spanish corporations. Many of the Company's Directors and executive officers are residents of Spain or the UAE and most of their assets are located in Spain or the UAE. Consequently, it may not be possible for an overseas shareholder to effect service of process upon the Company or its Directors and executive officers within the overseas shareholder's country of residence or to enforce against the Company or its Directors or executive officers' judgments of courts of the overseas shareholder's country of residence based on civil liabilities under that country's securities laws. An overseas shareholder may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Spain against those Directors or executive officers who are residents of Spain, the UAE or countries other than those in which judgment is made. In addition, Spanish or other courts may not impose civil liability on Directors or executive officers in any original action based solely on foreign securities laws brought against the Company or its Directors or executive officers in a court of competent jurisdiction in Spain or other countries.

40. A suspension of trading in the Shares could adversely affect the share price.

With respect to securities publicly traded in Spain, the CNMV is authorized to suspend, or request the relevant regulated market on which securities are admitted to trading to suspend, such securities from trading, if, in its opinion, the relevant issuer's situation is such that continued trading would be detrimental to the interests of its investors. The CNMV is further authorized to instruct the Spanish Stock Exchanges to suspend trading in an issuer's securities in connection with measures taken against market manipulation and insider dealing. The Spanish Stock Exchanges must suspend trading in securities that no longer comply with the rules of the regulated market unless such a step would likely cause significant damage to the interests of investors or the orderly functioning of the market. In addition, if the Spanish Stock Exchanges do not do so, the CNMV could demand the suspension of trading in securities if it is in the interest of the orderly functioning of the market and does not impair investors' interests. Existing orders are deemed void if trading is suspended. Any suspension of trading in the Shares (other than for protecting investors' interests) could adversely affect the price and the liquidity of the Shares and, consequently, could have a negative effect on investors' ability to sell our Shares at a satisfactory price should the suspension be lifted.

41. Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings.

Spanish corporate law provides for pre-emption rights to be granted to shareholders in the event of a share capital increase in the Company under certain circumstances. However, securities laws of certain jurisdictions may restrict our ability to allow participation by shareholders in future equity offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Shares and any other securities that are offered and sold are registered under the Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable shareholders in the United States or other jurisdictions to exercise their pre-emption rights or, if available, that we will utilize any such exemption.

42. If securities or industry analysts do not publish or cease to publish research or reports about us, our business or our markets, or if they change their recommendations regarding the Shares adversely, the price and trading volume of the Shares could decline.

The trading market for the Shares may be influenced by the research and reports that industry or securities analysts may publish about us, our business, our markets or our competitors. If any of the analysts who may cover us change their recommendations regarding the Shares adversely, or provide more favorable relative recommendations about our competitors, the price of the Shares would likely decline. If any analyst who may cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the price or trading volume of the Shares to decline.

43. The Offering may be revoked or withdrawn under certain circumstances.

We will apply to have the Shares listed on the Spanish Stock Exchanges and to have the Shares quoted on the AQS. If we are unable to list the Shares prior to 11:59 p.m. (Madrid time) on 31 October 2018, the Offering will be automatically revoked, and all sales will be terminated. In addition, the Offering will be revoked: (i) if the Underwriting Agreement is not signed on or before the date the Offering Price is set (expected to be on 16 October 2018) or any postponement therefore duly notified to the CNMV; (ii) if the Offering is suspended or withdrawn by any judicial or administrative authority; or (iii) if the Underwriting Agreement is terminated at any time prior to the time that a special stock exchange transaction (*operación bursátil especial*), pursuant to which institutional investors will become unconditionally bound to pay for and shall be entitled to receive the Institutional Tranche Shares purchased by them in the Offering takes place on the Transaction Date upon the occurrence of certain customary termination provisions set out therein.

In addition, the Company and the Selling Shareholder reserve the right to withdraw, postpone, defer or suspend the Offering temporarily or indefinitely for any reason at any time before the setting of the Offering Price.

In the event of revocation of the Offering, if payment for the Initial Offered Shares has been made in any manner, the Selling Shareholder will be obliged to reimburse investors for any amounts paid in exchange for the Initial Offered Shares, in addition to any interest (at the legal interest rate currently in effect in Spain, which is, as of the date of this Prospectus, 3.0%) from the date investors paid for the Initial Offered Shares until and including the date investors are reimbursed.

44. The Offered Shares will not be freely transferable in the United States.

Any Offered Shares offered and sold to investors located in the United States will be "restricted securities" (as defined in Rule 144 under the Securities Act), and the Offered Shares may not be reoffered, resold, pledged or otherwise transferred, except (i) outside the United States in accordance with Rule 903 or Rule 904 under Regulation S, (ii) to persons reasonably believed to be QIBs in a transaction that is exempt from registration under the Securities Act and that meets the requirements of Rule 144A, (iii) pursuant to an effective registration statement under the Securities Act, (iv) in accordance with Rule 144 under the Securities Act or (v) in another transaction not requiring registration under the Securities Act, and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. See "*Selling and Transfer Restrictions*".

CERTAIN TERMS AND CONVENTIONS

The following defined terms and glossary of technical terms are not intended to be exhaustive, but provides a list of certain of the defined terms and technical terms used in this Prospectus. All dates indicated below in connection with the Offering are indicative and subject to change.

Defined Terms

2010 PD Amending Directive	Directive 2010/73/EU of 24 November 2010, amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended
ACE Board Committee	the audit, compliance and ethics committee of the Board of Directors of the Company
active cards	loyalty program cards with at least one transaction in the last 12 months
Additional Shares	the additional shares of the Company up to 15.00% of the Initial Offered Shares in connection with the Over-Allotment Option
Admission	the effective listing of the Shares on the Spanish Stock Exchanges, which is expected to occur on or about 18 October 2018
ADNOC	Abu Dhabi National Oil Company
ADOC	the Abu Dhabi Offshore Company
Agent Bank	Banco Santander
ALNAFT	the National Resources Development Agency of Algeria
Annual Financial Statements	the audited consolidated financial statements and related notes thereto as of and for the years ended 31 December 2017, 2016 and 2015
AOP	Asociación Española de Operadores de Productos Petrolíferos
APICO	APICO LLC
APMs	Alternative Performance Measures
AQS or mercado continuo	the Automated Quotation System or "*mercado continuo*" of the Spanish Stock Exchanges
ASIC	the Australian Securities and Investments Commission
Banco Santander	Banco Santander, S.A.
Barclays	Barclays Bank PLC
BBVA	Banco Bilbao Vizcaya Argentaria, S.A.
Bilateral Overdraft Facilities	the 17 bilateral overdraft facilities between the Company and leading Spanish banks
Bilateral Term Loans	the 16 bilateral term loan agreements between the Company and leading Spanish banks and EU official institutions
BME Clearing	BME Clearing, S.A. as central counterparty
Board of Directors	the board of directors of the Company
Board of Directors Regulations	the regulations that govern the Company's Board of Directors, approved at its meeting held on 17 September 2018
BoB	the Bottom of the Barrel fuel conversion project at the San Roque (Cádiz) refinery
BofA Merrill Lynch	Merrill Lynch International

BRL Facilities	the three term loans and three export finance facilities of Detén Química S.A.
CAGR	compound annual growth rate
CAHA	Colin A. Houston & Associates
CaixaBank	CaixaBank, S.A.
CCGT	combined cycle gas turbine
CCP	Cepsa Comercial Petróleo, S.A.U.
CCS	current cost-of-supply
CEPAD	Cosmo Exploration and Production Abu Dhabi
CEPSA CS	CEPSA Chemical Shanghai Co. Ltd
CEPSA or the Company	Compañía Española de Petróleos, S.A.U.
CEPSA Trading	Cepsa Trading, S.A.U.
CGC	CEPSA Gas Comercializadora
CGE	CEPSA Gas y Electricidad
CGU	cash generating unit
CISA	the Swiss Federal Act on Collective Investment Schemes
CIT	Corporate Income Tax
Citigroup	Citigroup Global Markets Limited
Clearstream	Clearstream Banking, Société Anonyme
CLH	Compañía Logística de Hidrocarburos CLH, S.A.
CNMC	the Spanish National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia*)
CNMV	the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*)
Coastal Energy	Coastal Energy Company
CoCo	Company-owned, Company-operated service stations
Code	the Company's Code of Ethics and Conduct
CoDo	Company-owned, Distributor-operated service stations
Co-lead Managers	BBVA and CaixaBank
Commission Delegated Directive (EU) 2017/593	Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits, as amended
Competent Person	Ryder Scott Company, L.P.
Competent Person's Report	the report of Ryder Scott dated as of 1 July 2018 and set out in Annex III of this Prospectus, including the detailed cash flow tables referenced therein which are incorporated by reference into this Prospectus
contract area	exploration and development rights granted by a competent governmental authority for a specific area of land or water
Corporate Governance Code	the Corporate Governance Code (*Código de Buen Gobierno*), approved by the CNMV in February 2015

Corporations Act	Corporations Act 2001 (Cth), as amended
Cosmo Oil	Cosmo Oil Co., Ltd
CROP	continuous refining optimization program, the second phase of our optimization plan
DETAL	a detergent alkylate process we developed in conjunction with UOP
DFSA	Dubai Financial Services Authority
DoCo	Distributor-owned, Company-operated service stations
DoDo	Distributor-owned, Distributor-operated service stations
Dollar Club Deal	the U.S.$1,600 million multicurrency term and revolving facilities agreement among the Company and several international financial institutions
DTA	a deferred tax asset
dynamic range	the range within which the trading price of a security may fluctuate, during the open session, within a certain predetermined percentage above and below the "dynamic" price (which is the trading price of the immediately preceding trade of the same security)
E&P	exploration and production
E&Y	Ernst & Young, S.L.
EEA	the European Economic Area
EIB	European Investment Bank
Elements	the disclosure requirements set out in the Prospectus Regulation for summaries
Employee Order	an order to acquire Employees Tranche Shares made by a Relevant Employee in the Employees Tranche
Employee Orders Period	the period from which Relevant Employees will be entitled to place Employee Orders, from the date of registration of the Prospectus and up to (and including) 11 October 2018
Employees Discount	the 10% up-front discount applied to the Offering Price for Relevant Employees acquiring Employees Tranche Shares
Employees Lock-Up Period	the lock-up period of six months that each Relevant Employee acquiring Employees Tranche Shares will agree in the relevant contractual documentation
Employees Maximum Offering Price	€13.59, equivalent to the high-point of the Offering Price Range with a 10% discount, and being the maximum price to be paid by a Relevant Employee for an Employees Tranche Share under the terms of the Employees Tranche
Employees Offering Price	the lower of (i) the Employees Maximum Offering Price; or (ii) the Offering Price, after application of the Employees Discount
Employees Tranche	the offering of the Employees Tranche Shares exclusively to the Relevant Employees
Employees Tranche Shares	the Initial Offered Shares allocated to the Employees Tranche
EMS	Environmental Management System
EPD	Environmental Product Declaration
ESMA	the European Securities and Markets Authority
EU-ETS	European Union Emission Trading Scheme
Euribor	the Europe Interbank Offered Rate

Euro Club Deal	the €1,500 million revolving credit facility agreement among the Company and several financial institutions
euro, € or EUR	the lawful currency of the participating Member States, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time
Euro/U.S. Dollar Bilateral Facilities	various bilateral euro/U.S. dollar denominated term loans, revolving credit facilities and overdraft facilities
Euroclear	Euroclear System
Exchange Act	the U.S. Securities Exchange Act of 1934, as amended
FAB	First Abu Dhabi Bank PJSC
FIEA	the Financial Instruments and Exchange Act of Japan (Act No 25 of 1948, as amended)
Financial Advisor	Rothschild, S.A.
Financial Promotion Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
Financial Statements	the Annual Financial Statements, together with the Interim Financial Statements
FINMA	the Swiss Financial Market Supervisory Authority
FSMA	Financial Services and Markets Act 2000, as amended
FY 2015	the financial year ended 31 December 2015
FY 2016	the financial year ended 31 December 2016
FY 2017	the financial year ended 31 December 2017
G&P	gas and power
GAR	Golden Agri-Resources Ltd
General Shareholders' Meeting Regulations	the regulations that govern the General Shareholders' Meeting, approved by the Company's sole shareholder on 17 September 2018
GHG	Greenhouse gas
Group	the Company and its subsidiaries
HGCs	Host government contracts
HSE	Health, safety and environment
HSSEQ	health, safety, security, environmental protection and quality
HY 2017	the six months ended 30 June 2017
HY 2018	the six months ended 30 June 2018
Iberclear	Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.
IFRS-EU	International Financial Reporting Standards as adopted by the EU
IGT	Spanish Inheritance and Gift Tax
IHS Markit	IHS Markit Ltd
IHS Report	the reports, data and information produced by IHS Markit
IMO	International Maritime Organization
IMO 2020	the International Maritime Organization sulfur regulations
Initial Institutional Tranche Shares	all Initial Offered Shares less the Employees Tranche Shares

Initial Offered Shares	up to 133,787,471 existing Shares of the Company being offered by the Selling Shareholder (other than the Additional Shares)
Institutional Tranche Shares	the Initial Institutional Tranche Shares and the Additional Shares, if any
Interim Financial Statements	the unaudited interim consolidated financial statements and related notes thereto as of and for the six months ended 30 June 2018
Internal Conduct Regulations	the Internal Code of Conduct in the Stock Markets (*Reglamento Interno de Conducta en los Mercados de Valores*), adopted by the Company's Board of Directors on 17 September 2018
Internal Revenue Code	Internal Revenue Code of 1986, as amended
Investor	each person to whom Shares are sold in the Offering
Investors	means, subject to compliance with such regulations and procedures, those persons on whose behalf accounts are kept at Euroclear or Clearstream and to whom Shares will be credited
IOC	an international oil company
IPIC	International Petroleum Investment Company
IT	information technology
JCPOA	Joint Comprehensive Plan of Action
Joint Bookrunners	Barclays, BNP Paribas, FAB, Société Générale and UBS, together with the Joint Global Coordinators
Joint Global Coordinators	Banco Santander, Citigroup, BofA Merrill Lynch and Morgan Stanley
KBM	Kapal, Banang and Meranti oil field cluster
Law 19/2003	Law 19/2003 of 4 July 2003, on the establishment of a regulatory regime relating to capital flows to and from legal or individual persons abroad and the prevention of money laundering, as amended
Libor	the London Interbank Offered Rate
LMV	the Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended
Managers	the Co-lead Managers, together with the Joint Bookrunners
MAR	Regulation (EU) No 596/2014 of 16 April 2014 on market abuse, as amended
Master Plan	Corporate Responsibility Master Plan for 2017–2019
MDC	Mubadala Development Company PJSC
MIC	Mubadala Investment Company PJSC
MiFID II	EU Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended
MiFID II Product Governance Requirements	means: (i) MiFID II; (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593; (iii) and local implementing measures, in each case as amended
Morgan Stanley	Morgan Stanley & Co. International plc
NCC Board Committee	the nomination and compensation committee of the Board of Directors of the Company

NIAT	Consolidated profit (loss) for the period attributable to the equity holder of the parent
NIOC	the National Iranian Oil Company
NRIT	Spanish Non-Resident Income Tax Law
Offered Shares	the Initial Offered Shares and, unless the context indicates otherwise, the Additional Shares
Offering	the initial offering of the Offered Shares
Offering Period	period during which the book-building period will take place, and which is expected to start on 2 October 2018 after the registration of this Prospectus in the CNMV, and end on 16 October 2018 (both inclusive)
Offering Price	the final price per Institutional Tranche Share in the Offering
Offering Price Range	the indicative price range per Institutional Tranche Share in the Offering
OPEC	the Organization of the Petroleum Exporting Countries
Order	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
Over-Allotment Option	the purchase option granted by the Selling Shareholder to the Joint Global Coordinators under the Underwriting Agreement over the Additional Shares, to cover over-allotments of Shares in the Offering, if any, and short positions resulting from stabilization transactions, if any
PBOC	the official rate of the People's Bank of China
Petrobas	Petróleo Brasileiro S.A.
PFIC	passive foreign investment company
Processor Bank	Banco Santander, in its capacity as processor bank in relation to the Employees Tranche
Prospectus	this document
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended
Prospectus Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 and the amendments thereto including Commission Delegated Regulation (EU) 486/2012 and Commission Delegated Regulation (EU) 862/2012, in each case as amended
Prospectus Rules	the rules that the Prospectus has been prepared in accordance with, including Annexes I, III and XXII of the Prospectus Regulation and the Prospectus Directive and any implementing regulations
PSC	production sharing agreement
PSER	process safety event rates
PwC	PricewaterhouseCoopers Auditores, S.L.
QIB	a qualified institutional buyer as defined in Rule 144A
Qualified Investors	persons outside the European Economic Area, or those who are located in Member States of the EEA within the meaning of Article 2(1)(e) of the Prospectus Directive
Quick Refund Procedure	surplus amount credited to non-Spanish tax resident shareholders through DTT reduced rate or the exemption set out in the Order of the Ministry of Economy and Competitiveness of 13 April 2000

R&D	research and development
Regulation 2016/1052	Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 on regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures, as amended
Regulation S	Regulation S under the Securities Act
Relevant Employees	the employees of the Company and its Spanish subsidiaries to which the Employees Tranche Shares are offered in accordance with the terms of the Employees Tranche and, except where the context requires otherwise, the Chief Executive Officer of the Company and the employees of the *Fundación Cepsa*
Relevant Member State	each member state of the EEA that has implemented the Prospectus Directive
Relevant Persons	Qualified Investors: (i) who are investment professionals falling within Article 19(5) of Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended; (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; and (iii) other persons to whom it may otherwise lawfully be communicated
Resale Restriction Termination Date	a date that is prior to the date that is one year after the later of the date of the Offering and the last date on which the Shares were acquired from the Selling Shareholder
RKF	Rhourde el Krouf oilfield
RMB Facilities	the syndicated loan and five working capital facilities of CEPSA CS, of which the Company is a several guarantor
ROAC	the Official Registry of Accounting Auditors
ROACE	return on average capital employed
ROP	refining optimization program, the first phase of our optimization plan
Rothschild	Rothschild, S.A.
Royal Decree 1310/2005	Royal 1310/2005, of 4 November, partially developing the Securities Markets Act on securities admission to listing on official secondary markets, public subscription or sale offerings and the prospectus applicable in such transactions (*Reael Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*)
Rule 144A	Rule 144A under the Securities Act
Ryder Scott	Ryder Scott Company, LP
SARB	Satah al Razboot oil field
SARB and Umm Lulu Concessions	the Umm Lulu, SARB, Bin Nasher and Al Bateel concessions in the territorial waters of Abu Dhabi
SEC	the United States Securities and Exchange Commission
Securities Act	the U.S. Securities Act of 1933, as amended
Selling Shareholder	CEPSA Holding LLC
Settlement Date	19 October 2018 (expected)
Shares	the issued ordinary shares of the Company with a nominal value of €0.50 each

SIBE	the Automated Quotation System or *Sistema de Interconexión Bursátil Español* of the Spanish Stock Exchanges
SIX	the SIX Swiss Exchange
Sociedad de Bolsas	Sociedad de Bolsas, S.A.
Spanish Companies Act	Royal Legislative Decree 1/2010, of 2 July, approving the restated text of the Spanish Companies Act (*Real Decreto Legislativo 1/2010, de 2 de julio, que aprueba el Texto Refundido de la Ley de Sociedades de Capital*), as amended
Spanish Foreign Investment Law	Law 18/1992 of 1 July 1992 approving certain rules on foreign investment in Spain (*Ley 18/1992, de 1 de Julio de 1992, por la que se establecen determinadas normas en materia de inversiones extranjeras en España*), as amended
Spanish Stock Exchanges	the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges
SPE-PRMS	Society of Petroleum Engineer's Petroleum Resources Management System
Stabilization Manager	BofA Merrill Lynch, or any of its agents
Stabilization Period	the period expected to commence on 18 October 2018 and end on 16 November 2018
static range	the range within which the trading price of a security may fluctuate, during the open session, within a certain predetermined percentage above and below the "static" price (which is the price resulting from the closing auction of the previous trading day or the immediately preceding volatility auction in the current open session)
Stock Lending Agreement	the stock lending agreement to be entered into between the Selling Shareholder, the Stabilization Manager and the Agent Bank
Target Market Assessment	the product approval process which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II
Transaction Date	17 October 2018 (expected). This is the date on which institutional investors will become unconditionally bound to pay for and shall be entitled to receive the Institutional Tranche Shares purchased by them in the Offering (*fecha de operación bursátil especial*).
Treaty	income tax treaty between the United States and Spain currently in force, as amended
U.S. dollars, dollars, U.S.$, USD or $	the lawful currency of the United States of America
UAE	United Arab Emirates
UBS	UBS Limited
Underwriting Agreement	the underwriting agreement expected to be entered into between the Company, the Selling Shareholder and the Managers
UOP	Honeywell UOP

Glossary of Technical Terms

The following glossary of technical terms is not intended to be exhaustive, but provides a list of certain of the technical terms used in this Prospectus. For an explanation of certain terms relating to hydrocarbon reserves and resources estimates, see "*Presentation of Financial and Other Information—Certain Reserves Information—Presentation of Hydrocarbon Data*".

1P	proved reserves
2C	contingent resources where 50% of the possible outcomes are greater than the 2C value
2P	proved plus probable reserves
3C	contingent resources where 10% of the possible outcomes are greater than the 3C value
3P	proved plus probable plus possible reserves
API gravity	a measure of the weight of a petroleum liquid in comparison with water; used to refer to the density of crude oil
average success rate	reflects the number of successful exploration wells divided by the number of total exploration wells drilled
aviation fuel	Jet fuel and aviation gasoline; a mid-range refined product used in the aviation industry
bbl or barrel	barrel of oil; a volumetric unit of measurement in the industry equal to 42 US gallons, equivalent to approximately 158.98 liters
bbl/d	barrels per day
Bboe	billion barrels of oil equivalent
bitumen	viscous mixture of hydrocarbons obtained as a residue from petroleum distillation used for road surfacing (asphalt) and roofing; a solid product which liquefies on heating
boe, boe/d	barrels of oil equivalent, barrels of oil equivalent per day. For natural gas, 6,000 standard cubic feet equals 1 barrel of oil equivalent
BPA	bisphenol A
bunker fuel or marine fuel	any fuel used on board a ship
CH_4	methane
CO_2, CO_{2eq}	carbon dioxide, carbon dioxide equivalent
contingent resources	quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies
Cost Oil	a portion of produced oil that the operator applies on an annual basis to recover defined costs specified by a production sharing contract
diesel	a middle distillate product used for diesel engines
distillate	any petroleum product produced by distillation of crude oil
distillation	a method for separating substances, liquid or solid, through evaporation followed by condensation; distillation is usually done at atmospheric pressure (from an economic perspective) or in vacuum (which provides more effective, but more costly distillation)
DWT	deadweight tonnage

equity crude	the portion of crude production we are entitled to retain under our concession agreements
ETBE	Etylbutylether
FAME	fatty acid methyl ester
FCC	fluid catalytic cracking
feedstock	any material (raw or intermediate product) used as feed for a processing unit
fuel oil	any oil intended to be burned in boilers; normally heavy residual oil but can also include other varieties
gasoil	a middle distillate product used primarily for diesel fuel or heating oil production and as a fuel for ships
gasoline	a light distillate product used for spark-ignited internal combustion engine, e.g. in the automotive and aviation industries
GW, GWh	one thousand megawatts, one thousand megawatthours
heating oil	a liquid, middle distillate product used as a fuel oil for furnaces or boilers in buildings or houses
heavy crude	crude with an API gravity of less than 20
intermediates	a hydrocarbon that has been partially processed and can be further processed to make a finished grade product; generally without further processing it cannot be consumed
jet fuel	a refined petroleum product used in jet aircraft engines; it includes kerosene-type jet fuel and naphtha-type jet fuel
joule (j)	a unit of work, or, energy, defined as the work done, or energy required, to exert a force of one newton for a distance of one meter
Kbbl, Kbbl/d	thousands of barrels, one thousand barrels per day
kboe/d	thousand barrels of oil equivalent per day
kilowatt (KW), kilowatthour (KWh)	one thousand watts, one thousand watthours
km, km^2	kilometers, square kilometers
Kt, Kt/y	thousand metric tons, thousand metric tons per year
LAB	linear alkylbenzene
LABSA	linear alkylbenzene sulfonic acid
light crude	crude with an API gravity of more than 20
LNG	liquefied natural gas
low sulfur fuel	fuel with a sulfur content of no greater than 0.5%
LPG	Liquefied petroleum gas; specific mixtures of propane, butane and derivative gases
m^3	cubic meters
megawatt (MW), megawatt hour (MWh)	one thousand kilowatts, one thousand kilowatt-hours
middle distillates	a range of refined products situated between lighter fractions and heavier products; typically they include jet fuel, heating kerosene, gas and diesel oils
MMbbl, MMbbl/d	million barrels; million barrels per day
MMboe, MMboe/d	million barrels of oil equivalent; million barrels of oil equivalent per day

Mt	million metric tons
MTBE	Methyl ethyl terbutyl ether
N_2O_2	nitrous oxide
naphtha	a range of distillates lighter than kerosene; used as feedstock for production of gasoline and petrochemicals
NCI	Nelson Complexity Index; a cost index that provides a relative measure of the capacity and complexity of the units in a refinery (ranging from 1.0 for a refinery with only one crude distillation unit to around 15.0 for the most complex refineries in the world)
net entitlement	the production that the contractor or concession holder is entitled to physically receive. In a concession, this equates to the concessionaire's working interest production excluding any royalty payments. In a production sharing contract, this equates to the contractor's share of cost oil/gas and profit oil/gas
NO_x	nitrogen oxide
possible	possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves such that, when probabilistic methods are used, there is at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate
probable	probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves such that, when probabilistic methods are used, there is at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate
Profit Oil	the amount of production, after deducting cost oil production allocated to costs and expenses, that will be divided between the participating parties and the host government under the production sharing contract
proved	proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations
recovery factor	the recoverable amount of hydrocarbon initially in place, typically expressed as a percentage
refined products	the products derived from crude oil that have been processed in a refinery; among others, road transportation fuel products (such as diesel and gasoline), bunker fuel, heating oil and jet fuel
refining margins	the difference, for any particular quantity of crude oil, between the value of all the refined petroleum products a refinery is able to produce from such crude oil minus the cost of the crude oil, products feedstock and variable costs (including associated costs such as transport, insurance, etc.)

reserves	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
Reserves—Production Ratio	represents the remaining lifespan of hydrocarbons to be recovered given a production rate, expressed in years
RHCU	residue hydrocracking unit
Royalty	payments that are due to the host government or mineral owner (lessor) in return for depletion of the reservoirs and the producer (lessee/contractor) for having access to the petroleum resources
Scope 1 emissions	the Company's direct GHG emissions from sources that it owns or controls
Scope 2 emissions	indirect emissions resulting from the production of electricity that the Company generate upstream
Solomon Index	an index developed by Solomon Associates, an industry body; a benchmarking study that ranks the processes of participating refineries to examine their competitive position among various process categories
sour crudes	crude oil with more than 0.49% sulfur
sweet crudes	crude oil with less than 0.49% sulfur
terrawatt-hour (TWg)	one thousand gigawatt-hours
toe	tons of oil equivalents
ton	a unit of mass equal to 1,000 kilograms.
U.S.$/bbl	U.S. dollar per barrel
U.S.$/boe	U.S. dollar per barrel of oil equivalent
unit technical cost	a measure of production cost calculated as the sum of total operating expenses and total capital expenditures divided by the total barrels produced
VGO	Vacuum Gas Oil
watt (W)	a power measure. One watt equals one joule per second.
watthour (Wh)	a unit of energy, measured as 1 watt of power expended for 1 hour
working interest	a company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Prospectus, references to **we, us**, and **our** are to the Group (as defined above).

Financial Information

Financial Statements

We incorporate by reference in this Prospectus an English translation of our audited annual consolidated financial statements and related notes thereto as of and for each of the years ended 31 December 2017, 2016 and 2015 (the **Annual Financial Statements**). This Prospectus contains the English translation of our unaudited interim consolidated financial statements and related notes thereto as of and for the six months ended 30 June 2018 (including the financial information for the six months ended 30 June 2017 included for comparative purposes) included in Annex I of this Prospectus (the **Interim Financial Statements** and, together with the Annual Financial Statements, the **Financial Statements**). Our Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (**IFRS-EU**). Our Interim Financial Statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of complete interim financial statements, and other provisions of the financial reporting framework applicable in Spain. In this Prospectus, references to a particular "**Fiscal Year**" or "**FY**" refer to the year ended on 31 December of that year, and references to a particular "**Half Year**" or "**HY**" refer to the six months ended on 30 June of that year.

The audited consolidated financial statements and related notes thereto as of and for the year ended 31 December 2016 were audited by PricewaterhouseCoopers Auditores, S.L. (**PwC**), who issued an unqualified opinion. The audited consolidated financial statements and related notes thereto as of and for the years ended 31 December 2015 and 2017 were audited by Ernst & Young, S.L. (**E&Y**), who issued an unqualified opinion. The Interim Financial Statements were reviewed by E&Y, who issued an unqualified opinion. The financial information for the six months ended 30 June 2017 included in our Interim Financial Statements for comparative purposes has not been audited or reviewed.

The Financial Statements included in or incorporated by reference into this Prospectus are available on our website (www.cepsa.com/en/investors) and, following Admission, on the CNMV's website (www.cnmv.es). Other information contained on our website is not incorporated by reference into this Prospectus and should not be considered to be a part of this Prospectus, and you should not rely on any such other information in making a decision whether to purchase our Shares.

Presentation of Financial Information

In 2018, we reorganized our segmental division for reporting purposes to bring our reporting in line with current reporting practices of other companies within the oil and gas industry, and to better align it with our organizational structure. Prior to 2018, we reported our results for the following six segments: E&P, Refining, Marketing, Petrochemicals, Gas and Power (**G&P**) and Trading and Bunker (in addition to Corporation which we report separately). However, since 2018 we organize our reporting across four operational segments: E&P, Refining (including G&P and Trading), Marketing (including Bunker) and Petrochemicals, in line with our current business line reporting to senior management and the Board of Directors. In addition, our senior management committee includes representatives of the E&P, Refining, Marketing and Petrochemicals business lines. This reflects the relative size of the G&P and Trading and Bunker segments as well as their shared characteristics with the Refining and Marketing segments, respectively, as well as the high level of integration between Refining, Trading (more than 85% of trading volume relates to refining activities) and G&P activities (approximately 70% of G&P's total electricity production is equivalent to the electricity consumption of the Refining segment).

Our Annual Financial Statements incorporated by reference herein reflect the prior segmental division. In 2018, we integrated our Trading and G&P segments with our Refining segment, and our Bunker segment with our Marketing segment. As a result, the HY 2018 Interim Financial Statements reflect our new segment reporting structure. In addition, in Note 5 of the HY 2018 Interim Financial Statements, comparative historical segmental financial information for FY 2017, FY 2016 and FY 2015 has been presented to give effect to the new segmental presentation. Comparisons on a segmental level between FY 2017, FY 2016 and FY 2015 included in this Prospectus are made on the basis of the new segment reporting structure using the financial information for FY 2017, FY 2016 and FY 2015 contained in our HY 2018 Interim Financial Statements. The comparative financial information related to segments for FY 2017, FY 2016 and FY 2015 contained in the HY 2018 Interim Financial Statements has not been audited.

We incur significant inter-segment revenue as a result of our vertically integrated business model. See Note 5(a) to the Interim Financial Statements and Note 6(a) to the Annual Financial Statements. Unless indicated otherwise, we present our results of operations after inter-segment eliminations in this Prospectus as we believe this better reflects our underlying operating performance. In addition, we are required to collect excise tax charged on oil and gas sales in accordance with applicable tax laws, which we record both as revenue and as an addition to "other operating costs" in our statement of profit or loss under IFRS-EU. Unless indicated otherwise, our revenue and other operating costs discussed in this Prospectus are stated exclusive of this item to better reflect our operating performance.

In the FY 2017 Financial Statements, we adjusted our presentation of certain items in our consolidated balance sheet, as a result of which we presented the balances of property, plant and equipment, and intangible assets for the comparative information for FY 2016. In this Prospectus, we present the comparative information for FY 2016 included the FY 2017 Financial Statements. The comparative information for FY 2015 in this Prospectus has not been presented to reflect this adjustment. For further information, see Note 3.v of the FY 2017 Financial Statements.

Non-IFRS Financial Measures and APMs

This Prospectus contains certain non-IFRS financial measures, which are not liquidity or performance measures under IFRS, and which we consider to be alternative performance measures (**APMs**). These APMs are prepared in addition to the figures that are prepared in accordance with IFRS-EU. We use APMs to provide additional information to investors and to enhance their understanding of our results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS-EU. Such measures include EBITDA, Adjusted EBITDA, Adjusted NIAT, Adjusted Operating Cash Flow, Adjusted Free Cash Flow, return on average capital employed (**ROACE**), Net Financial Debt, Leverage Ratio and Gearing Ratio. Such APMs are non-IFRS financial measures and have not been audited or reviewed, and are not recognized measures of financial performance or liquidity under IFRS but are used by management to monitor the underlying performance of our business, operations and financial condition.

These non-IFRS financial measures may not be indicative of our historical results, nor are such measures meant to be predictive of our future results. We have presented these non-financial measures in this Prospectus because we consider them to be important supplemental measures of our performance or liquidity, because these and similar measures are seen to be used widely in the oil and gas sector as a means of evaluating a company's operating performance and liquidity. However, not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis. As a result, these measures may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures contained in this Prospectus and they should not be considered as a substitute for operating profit, profit for the year, cash flow from operating, investing or financing activities, expenses or financial measures computed in accordance with IFRS-EU.

Each of the non-IFRS financial measures presented as APMs is defined below:

- *EBITDA* consists of the income and expenses arising from the operations of each business unit, including net provisioning, as well as the results from assets disposals. Its determination does not include the amortization and impairment of its non-current assets, nor the transfer to income of capital grants or, of course, financial or non-operating results.
- *Adjusted EBITDA* corresponds to EBITDA adjusted for certain underlying adjustments, principally CCS and non-recurring items, as discussed below in "*—Underlying Performance*".
- *Adjusted NIAT* corresponds to consolidated profit or loss for the year attributable to the equity holder of the parent (**NIAT**) adjusted for certain underlying adjustments, principally CCS and non-recurring items, as discussed below in "*—Underlying Performance*".
- *Adjusted Operating Cash Flow* corresponds to total cash flows from operating activities before changes in working capital, adjusted for certain cash adjustments.
- *Adjusted Free Cash Flow* corresponds to Adjusted Operating Cash Flow plus total cash flows from investing activities.
- *ROACE* corresponds to net operating result divided by average adjusted capital employed (which corresponds to the sum of net financial debt and total equity, adjusted for non-yield investments and the net historically accumulated inventories valuation adjustment).

- *Net Financial Debt* corresponds to the sum of non-current finance liabilities and current finance liabilities, less cash and cash equivalents.
- *Leverage Ratio* corresponds to Net Financial Debt divided by Adjusted EBITDA.
- *Gearing Ratio* corresponds to Net Financial Debt divided by the sum of Net Financial Debt and total equity.

For reconciliations of those items to the corresponding IFRS measure in our Financial Statements, see "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

Underlying Performance

We apply certain adjustments to the EBITDA and NIAT reported in our statutory financial statements as well as ROACE reported by us to provide a view of our underlying financial performance that we believe is more comparable between periods. Such underlying adjustments relate to certain inventory holding gains and losses and certain non-recurring items, which, due to their nature or size, are disclosed separately to give a more comparable view of period-to-period underlying financial performance. See Note 5(c) to our Interim Financial Statements and Note 6(c) to our Annual Financial Statements. In addition to our reported EBITDA and reported NIAT, we present these underlying adjustments to reach Adjusted EBITDA and Adjusted NIAT to remove extraordinary effects that we believe are not indicative of our underlying operating performance.

- Current cost of supplies (**CCS**) is a non-cash adjustment to exclude the timing effects of changes in inventory valuation on the balance sheet dates that are required under IFRS-EU. The adjustments in the period are re-calculated to the cost of supply that would have been incurred in the same period (based on the replacement cost of our inventory at the time of sale), rather than the historic 12 months weighted average cost of goods sold that is reported under IFRS-EU. This is intended to reduce the distorting effect of historical inventory price volatility on business activity in the current reporting period. The historic price of inventory for IFRS-EU (12 months weighted average cost of supply) will lag behind the current market valuation, in part, due to our average inventory holding period (on average between 45 to 50 days depending on our margin optimization strategy) as well as the levels of inventories we are required to hold as part of Spain's strategic reserves. In addition, the value of the adjustment also depends on the "quality" of inventories. For example, if a significant portion of our inventories are purchases which are in transit, the adjustment will be lower as the historic price (the calculation of which is dependent on the bill of lading) will be closer to the replacement cost than if such inventories were held in tanks. The value of the adjustment and the extent of the lag will be dependent on the relative periods of price volatility and when inventory volumes have been built and/or drawn across the reporting period. For example, if inventory prices are rising over a reporting period, the gross margin as measured under IFRS-EU may be significantly higher than current blending and processing margins as it includes a benefit of purchasing and manufacturing inventory prior to the reporting period at a lower value. In this instance, the CCS will increase the charge to the income statement for inventory to the charge that would have arisen based on replacement cost. Conversely if prices are falling across a reporting period, gross margin as measured under IFRS-EU may be significantly lower than current blending and processing margins. In this instance, the CCS adjustment will decrease the charge to our income statement for inventory to the charge that would have arisen based on replacement cost.
- Non-recurring items refers to losses or profits that have been recognized in a given period which, due to their nature or size, are disclosed separately to give a more comparable view of period-to-period underlying performance. We exclude non-recurring items from our Adjusted EBITDA and Adjusted NIAT. We believe this better reflects our underlying performance and enhances our ability to compare performance across different periods and compare performance with that of our peers. For the periods under review, these items include impairment of assets, significant results of disposals of assets, restructuring costs, exceptional fiscal expenses or income, costs associated with mergers and acquisitions and results of discontinued operations. Such items have impacted in particular our Adjusted NIAT.

Currency References

Unless otherwise indicated or otherwise required by the context, all references in this Prospectus to "euro," "€" or "EUR" are to the lawful currency of the participating Member States, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time and all references to "U.S. dollars", "dollars", "U.S.$", "USD" or "$" are to the lawful currency of the United States of America.

Rounding

Certain numerical figures included herein have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding. Further, certain percentages shown in the charts in this Prospectus reflect calculations based upon the underlying information prior to rounding off and, accordingly, may not conform exactly to the percentages that would result if the relevant calculation were based upon the rounded off figures. As used in this Prospectus, the term "billion" means one thousand million (1,000,000,000).

Market and Industry Data

Certain of the market, market share, industry and certain other data contained in this Prospectus has been taken from, or based upon, industry reports and other sources named in the sections of this Prospectus entitled "*Business*" and "*Industry Overview*". In addition, certain statistics, information relating to the Company's business and markets (including market sizes, market shares and market positions) and other industry data in this Prospectus are based on services provided by IHS Markit Ltd and its subsidiaries (**IHS Markit**) to us in connection with the Offering. The IHS Markit reports, data and information referenced herein (collectively, the **IHS Report**) are the copyrighted property of IHS Markit and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Report comprises four sections: Upstream, Refining and Marketing, Gas and Power, and Chemicals. The IHS Report speaks as of 6 July 2018 (except for the Refining and Marketing section, which speaks as of 17 July 2018) and not as of the date of this document. The information and opinions expressed in the IHS Report are subject to change without notice and IHS Markit has no duty or responsibility to update the IHS Report. Moreover, while the IHS Report referenced herein is from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it.

Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. The Company believes that these industry publications, surveys and forecasts are reliable but the Company has not independently verified them and cannot guarantee their accuracy or completeness and certain of this information, including market studies, are frequently based on information and assumptions which may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

Where information contained in this Prospectus has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information in this Prospectus has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

This Prospectus also contains estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by the Company based on third-party sources and our own internal estimates. While the Company believes that these estimates of our competitive position and market share are helpful in order to give investors a better understanding of our position within the industry in which we operate, in many cases there is no publicly available information supporting these estimates. Although the Company believes that our internal market observations are reliable, our own estimates are not reviewed or verified by any external sources. Accordingly, investors are cautioned not to place undue reliance on such estimates. Whilst the Company is not aware of any misstatements regarding the industry, market share or similar data presented in this Prospectus, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Prospectus.

Certain Reserves Information

Competent Person's Report

This Prospectus contains information concerning our oil and gas reserves extracted or derived from the report of Ryder Scott dated as of 1 July 2018 and set out in Annex III of this Prospectus and the detailed cash flow tables referenced therein which are incorporated by reference into this Prospectus (the **Competent Person's Report**). Ryder Scott is an independent petroleum engineering firm, whose address is 1100 Louisiana Suite 4600, Houston, TX 77002, United States. The directors of Ryder Scott have no interest in any assets or share capital of the Company, or the Selling Shareholder or in the promotion of the Company. The Competent Person's Report was produced at the request of the Company and is included in this document, in the form and context in which it is included, with the consent of Ryder Scott.

The Competent Person's Report, including the detailed cash flow tables incorporated by reference into this Prospectus, is available on our website (www.cepsa.com/en/investors).

No material changes have occurred since the date of the Competent Person's Report the omission of which would make such report misleading.

Presentation of Hydrocarbon Data

We evaluate and categorize our hydrocarbon reserves in accordance with the Society of Petroleum Engineer's Petroleum Resources Management System, as revised in June 2018 (**SPE-PRMS**). As per the SPE-PRMS:

- **Proved reserves** (or **1P**) are quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods and government regulations. If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
- **Probable reserves** are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves (as defined below). It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves (or **2P**). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- **Possible reserves** are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves. The total quantity ultimately recovered from the project has a low probability to exceed the sum of proved plus probable plus possible (or **3P**) reserves, which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
- **Contingent resources** are quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingent resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.

  In this Prospectus, the term **2C resources** is used to indicate contingent resources for which when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2C estimate and the term **3C resources** is used to indicate Contingent resources for which when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3C estimate.

In addition to the Competent Person's Report, as our reserves and resources are audited by Ryder Scott on a biennial basis, the estimates set forth in this Prospectus of our reserves and resources as at 31 December 2017 and 2015 are based on reports prepared by Ryder Scott, and the estimates of our reserves and resources as at 31 December 2016 are based on internal estimates, in each case in accordance with the standards established by the SPE-PRMS. For further information regarding these standards, see the Competent Person's Report set out in Annex III of this Prospectus.

Operational data and other information relating to our E&P assets are typically subject to strict confidentiality obligations in favor of the awarding national oil company or other third parties. Disclosure of such information

may not be permitted or otherwise require prior written consent of such counterparties, which we have not always been able to obtain on a consistent basis. As a result, the range of operational data and other information relating to our E&P assets and interests presented in this Prospectus may differ, and, in certain instances, may be more restricted than operational data and other information disclosed by comparable companies operating in the E&P sector.

For information purposes only, we have presented estimations of natural gas volumes in terms of barrels of oil equivalent, converted by the Company at a rate of 6,000 standard cubic feet per barrel of oil equivalent.

Trademarks

We own or have rights to certain trademarks, trade names, service marks or applicable copyright notices which we use in connection with the operation of our business. We assert to the fullest extent under applicable law, our rights to our trademarks, trade names, service marks and applicable copyright notices. Solely for convenience, the trademarks, trade names, service marks or applicable copyright notices appearing in this Prospectus are listed without the applicable ®, © or ™ symbols.

Legislation

This Prospectus refers to various statutes, directives and other legislation and regulations. Unless specified to the contrary, all such references are to the laws of Spain.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Expected Timetable of Principal Events

Event	Date
Registration of this Prospectus with the CNMV	2 October 2018
Commencement of the book-building period	2 October 2018
Finalization of book-building period	16 October 2018
Setting of the Offering Price	16 October 2018
Execution of Underwriting Agreement	16 October 2018
Publication of a relevant fact notice (*hecho relevante*) with the final size of the Offering and the Offering Price	16 October 2018
Selection of offers to buy Initial Institutional Tranche Shares	16 October 2018
Confirmation of offers to buy Initial Institutional Tranche Shares	17 October 2018
Final allocation of Initial Institutional Tranche Shares	17 October 2018
Transaction date of the Offering and publication of relevant fact notice (**Transaction Date**) (on or about)	17 October 2018
Admission and commencement of Stabilization Period (on or about)	18 October 2018
Settlement Date (on or about) (Delivery of the Initial Offered Shares)	19 October 2018
Payment by the final investors for the Initial Offered Shares	19 October 2018
End of Stabilization Period	16 November 2018

Each of the dates in the above timetable is subject to change, without prior notice, in which case the Company will file a relevant fact notice (*hecho relevante*) with the CNMV.

For relevant dates in connection with the Employees Tranche, see "*Employees Tranche*".

Offering Statistics

The table below includes the Offering statistics assuming the sale of the maximum number of Initial Offered Shares in the Offering.

Indicative Offering Price Range (per Institutional Tranche Share)	€13.10 to €15.10
Initial Offered Shares	Up to 133,787,471
Initially allocated Employees Tranche Shares(1)	Up to 535,149
Maximum Number of Employees Tranche Shares(2)	6,579,470
Maximum Number of Initial Institutional Tranche Shares	133,787,471
Minimum number of Initial Institutional Tranche Shares	127,208,001
Additional Shares(3)	Up to 20,068,120
Maximum number of Shares to be sold by the Selling Shareholder in the Offering(4)	153,855,591
Estimated gross proceeds of the Initial Offered Shares received by the Selling Shareholder(5)(6)	Up to €2,019,382,737
Estimated gross proceeds of the Additional Shares receivable by the Selling Shareholder(6)	€303,028,612
Estimated total fees and expenses of the Offering(5)(7)(8)	€53,494,180
Estimated net proceeds of the Initial Offered Shares and the Additional Shares receivable by the Selling Shareholder(5)(6)(7)(8)	Up to €2,268,917,169
Expected market capitalization of the Company following the Offering(9)	€8,080,763,218

(1) Representing 0.4% of the total Initial Offered Shares.

(2) In the scenario where all Relevant Employees that had requested opening of the necessary accounts with the Processor Bank as of 28 September 2018 placed orders for the maximum amount (€50,000), and considering the high-point of the Offering Price Range to determine the number of shares.

(3) Refers to the Additional Shares under the Over-Allotment Option assuming the Over-Allotment Option is exercised in full.

(4) Includes the Additional Shares under the Over-Allotment Option assuming the Over-Allotment Option is exercised in full.

(5) Assumes that 535,149 Employees Tranche Shares are being priced at a 10% discount over the high-point of the Offering Price Range.

(6) The Company will not receive any portion of the proceeds resulting from the sale of the Initial Offered Shares or the Additional Shares, all of which will be paid to the Selling Shareholder or to such persons as the Selling Shareholder may direct.

(7) Assumes the Over-Allotment Option is exercised in full and that the Offering Price is at the high-point of the Offering Price Range.

(8) Assuming payment of the maximum amount of the Managers' discretionary commission excluding VAT (payable by the Selling Shareholder). The fees of the Company's other advisers will be payable by the Company.

(9) Assumes the Offering Price is at the high-point of the Offering Price Range.

IMPORTANT INFORMATION

Declaration of Responsibility

Mr Pedro Miró Roig, acting in the name and on behalf of the Company in his capacity as Chief Executive Officer and acting as duly empowered member of the Board of Directors of the Company pursuant to the resolutions approved in its meeting held on 17 September 2018, and Mr Musabbeh Al Kaabi, acting in the name and on behalf of the Selling Shareholder in his capacity as duly empowered representative by virtue of a special power of attorney granted on 9 September 2018, accept responsibility for and on behalf of the Company and the Selling Shareholder respectively for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is as of the date of this Prospectus, to the best of their knowledge, in accordance with the facts and contains no material omissions likely to affect its import.

Stabilization

In connection with the Offering, Merrill Lynch International, or any of its agents, as stabilization manager (the **Stabilization Manager**), acting on behalf of the Managers, may (but will be under no obligation to), to the extent permitted by applicable law, engage in transactions that stabilize, support, maintain or otherwise affect the price of the Company's Shares (including the Offered Shares), as well as over-allot Shares or effect other transactions with a view to supporting the market price of the Company's Shares at a level higher than that which might otherwise prevail in an open market. Any stabilization transactions shall be undertaken in accordance with applicable laws and regulations, in particular, Regulation (EU) No 596/2014 of 16 April 2014 on market abuse (**MAR**) and Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 on regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures (**Regulation 2016/1052**).

The stabilization transactions shall be carried out for a maximum period of 29 calendar days from the date of the commencement of trading of the Shares on the Spanish Stock Exchanges, provided that such trading is carried out in compliance with the applicable rules, including any rules concerning public disclosure and trade reporting. The stabilization period is expected to commence on 18 October 2018 and end on 16 November 2018 (the **Stabilization Period**).

For this purpose, the Stabilization Manager may carry out an over-allotment of Shares in the Offering, which may be covered by the Managers pursuant to one or several loans granted by the Selling Shareholder. The Stabilization Manager is not required to enter into such transactions and such transactions may be effected on any securities market, or otherwise and may be taken at any time during the Stabilization Period. However, there is no obligation that the Stabilization Manager or any of its agents effect stabilizing transactions and there is no assurance that the stabilizing transactions will be undertaken. Such stabilization, if commenced, may be discontinued at any time without prior notice, without prejudice to the duty to give notice to the CNMV of the details of the transactions carried out under Regulation 2016/1052. In no event will measures be taken to stabilize the market price of the Company's Shares above the Offering Price. In accordance with Article 5.5 of MAR and Article 6.2 of Regulation 2016/1052, the details of all stabilization transactions will be notified by the Stabilization Manager to the CNMV no later than closing of the seventh daily market session following the date of execution of such stabilization transactions.

Additionally, in accordance with Article 6.3 of Regulation 2016/1052, the following information will be disclosed to the CNMV by the Stabilization Manager within one week of the end of the Stabilization Period: (i) whether or not stabilization transactions were undertaken; (ii) the date at which stabilization transactions started; (iii) the date at which stabilization transactions last occurred; and (iv) the price range within which the stabilization transaction was carried out, for each of the dates during which stabilization transactions were carried out.

NOTICE TO INVESTORS IN THE UNITED STATES

THE OFFERED SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES FOR OFFER OR SALE AS PART OF THEIR DISTRIBUTION AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE

SECURITIES LAWS. THE SHARES OFFERED HEREBY ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO PERSONS REASONABLY BELIEVED TO BE QIBS IN RELIANCE ON RULE 144A OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS AS DEFINED IN, AND IN RELIANCE ON, REGULATION S. PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT ANY SELLER OF THE OFFERED SHARES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE OFFERED SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. SEE "*SELLING AND TRANSFER RESTRICTIONS*".

THE OFFERED SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE SEC), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO INVESTORS IN THE EEA

This Prospectus has been prepared on the basis that all offers of the Offered Shares (except for the Employees Tranche Shares offered by the Selling Shareholder exclusively in Spain) will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Offered Shares. Accordingly, any person making or intending to make any offer within the EEA of the Offered Shares should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder, the Managers or any other person to produce a prospectus for such offer. The Company, the Selling Shareholder and the Managers have not authorized, nor do they authorize, the making of any offer of the Offered Shares through any financial intermediary other than offers made by the Managers, which constitute the final placement of the Offered Shares contemplated in this Prospectus.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any Offered Shares which are the subject of the Offering contemplated by this Prospectus is not being made and will not be made to the public in that Relevant Member State, other than: (a) to any legal entity which is a "qualified investor" as defined in Article 2(1)(e) of the Prospectus Directive; (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Offered Shares shall require the Company or the Selling Shareholder to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. As an exception, the Selling Shareholder is offering the Employees Tranche Shares to the Relevant Employees exclusively in Spain.

For the purposes of this notice to investors, the expression an "offer of the Shares" in relation to the Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offered Shares to be offered so as to enable an investor to decide to purchase the Offered Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each purchaser of Offered Shares in the Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a qualified investor or in the case of Spain and with the only exception of the Relevant Employees acquiring Employees Tranche Shares, that it is a qualified investor or that it acquires Offered Shares under any of the remaining exceptions set forth under Article 35 of the LMV. The Company, the Selling Shareholder, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

For the purposes of this Prospectus, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each Relevant Member State), and includes any relevant implementing measure in each Relevant Member State of the EEA and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is for distribution only to, and is directed only at, qualified investors who: (i) are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Financial Promotion Order**); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iii) are other persons to whom they may otherwise lawfully be communicated (all such persons, including qualified investors, together being referred to as **Relevant Persons**).

In the United Kingdom, this Prospectus is directed only at Relevant Persons and must not be acted on or relied on by anyone who is not a Relevant Person. In the United Kingdom, any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

NOTICE TO PROSPECTIVE INVESTORS IN CERTAIN OTHER COUNTRIES

For information to investors in certain other countries, see "*Selling and Transfer Restrictions*".

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (**MiFID II**); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the **MiFID II Product Governance Requirements**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offered Shares have been subject to a product approval process, which has determined that the Offered Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the **Target Market Assessment**). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offered Shares may decline and investors could lose all or part of their investment; the Offered Shares offer no guaranteed income and no capital protection; and an investment in the Offered Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offered Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offered Shares and determining appropriate distribution channels.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. These forward-looking statements include matters that are not historical facts, including the statements under the headings "*Summary*", "*Risk Factors*", "*Business*", "*Industry Overview*", "*Operating and Financial Review*" and elsewhere regarding future events or prospects. Statements containing the words "believe", "expect", "intend", "anticipate", "will", "target", "aim", "positioned", "project", "risk", "plan", "may", "estimate" or, in each case, their negative and words of similar meaning are forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those

made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. According to article 1105 of the Spanish Civil Code, apart from those cases expressly mentioned in the law, and those in which the relevant obligation so declares it, no one shall be deemed liable for events which cannot be foreseen or which, being foreseen, are inevitable.

The various factors described under "*Risk Factors*" could impact, totally or partially, our ability to perform our obligations or to realize revenue in accordance with our expectations. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from those projected. Any forward-looking statements in this Prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. You should specifically consider the risks and other factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Additional risks that the Company may currently deem immaterial or that are not presently known could also cause the forward-looking events discussed in this Prospectus not to occur. Readers should not place undue reliance on any forward-looking statements. An investment in the Offered Shares involves the assumption of several risks (see "*Risk Factors*" for a discussion of certain matters that investors should consider prior to making an investment in the Offered Shares) and obtaining a positive financial outcome or suffering a financial loss may depend significantly on several aspects which cannot be predicted.

These forward-looking statements speak only as of the date of this Prospectus. Subject to any continuing obligations under Spanish, U.S. federal and other applicable securities laws and regulations and imposed by applicable stock exchange regulations, the Company undertakes no obligation to publicly update or review any forward-looking statement contained in this Prospectus, whether as a result of new information, future developments or otherwise.

This Prospectus does not include profit forecasts or profit estimates or future results as defined in section 13 of Annex I of the Prospectus Regulation.

AVAILABLE INFORMATION

For so long as any Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such person pursuant to Rule 144A(d)(4) under the Securities Act.

BUSINESS

You should read the following commentary together with the sections entitled "Risk Factors", "Presentation of Financial and Other Information", "Industry Overview", "Reasons for the Offering", "Selected Financial and Operating Information", "Operating and Financial Review" and the Financial Statements and the related notes thereto included in or incorporated by reference in this Prospectus.

Overview

We are an integrated Iberian energy leader with global reach and we believe we are the largest privately-held integrated oil and gas company in Europe.[2] Since our inception as Spain's first refining company in 1929, we have successfully developed a highly-integrated business model with a global footprint across the entire oil and gas value chain. Our activities cover exploration and production, refining, marketing and petrochemicals. With operations in 20 countries across five continents, we offer energy solutions to customers around the globe, while maintaining a strong commitment to our core values of safety, sustainability, leadership, continuous improvement and solidarity.

Through our vertically-integrated business model, we are able to generate synergies and efficiencies across our business segments and facilitate through-the-cycle earnings resilience in different international oil price environments. Our vision is to establish CEPSA as an environmentally-responsible provider of choice in the global energy market, strengthening our position throughout the oil and gas value chain, while maintaining a balanced portfolio to pursue on-going earnings stability.

We organize our business across four segments[3]:

- *Exploration and Production*—Our exploration and production (**E&P**) segment engages in the exploration and development of oil and gas fields and the production of crude oil and natural gas. Our E&P assets are located in the Middle East, North Africa, Latin America, South East Asia and Spain. Our E&P portfolio consists of 27 blocks in the exploration, development or production phases. Our net entitlement production in HY 2018 and FY 2017 amounted to approximately 59 thousand barrels of oil equivalent per day (**kboe/d**) and 65 kboe/d, respectively, of which approximately 96% and 97% represented crude oil, respectively, with the remainder representing natural gas. As at 1 July 2018, our total 2P reserves equaled 468 million barrels of oil equivalent (**MMboe**), with a significant upside in contingent resources. For HY 2018 and FY 2017, E&P Adjusted EBITDA amounted to €264 million and €497 million, respectively, representing 35% and 27% of our consolidated Adjusted EBITDA.

- *Refining*—Our Refining segment distils crude oil and transforms it into refined products for sale to market. Our refining facilities in Spain have a total distillation capacity of approximately 464 thousand barrels per day (**Kbbl/d**), positioning us as the second largest refiner in the Iberian Peninsula with approximately 31% of the total refining production capacity in Spain as at 31 December 2017 (*source: CORES*). Through our two wholly-owned, strategically-located refineries with direct access to the Atlantic and the Mediterranean, we supply both the domestic and international markets. In HY 2018 and FY 2017, our refineries had a total distillation production of 10.8 million metric tons (**Mt**) and 21.4 Mt, respectively. Our refineries had an average utilization rate of 92.0% and 90.6% in HY 2018 and FY 2017, respectively, and in FY 2017 we sourced our crude feedstock of more than 40 different grades from 37 different suppliers, including from our E&P segment.

  Our Refining segment also includes a trading unit and a G&P unit. The trading unit is responsible for securing the requisite externally-sourced crude oil and feedstocks for the day-to-day requirements of the refining complexes, the sale of the portion of crude production we are entitled to retain under our concession agreements (**equity crude**) and the sale of surplus refinery products to external customers. Our G&P unit is responsible for the production of electricity, and for the supply of natural gas, steam and electricity, to large customers in the industrial and commercial sectors, including our own refining and petrochemical sites located in Spain. In HY 2018 and FY 2017, our refining margins amounted to U.S.$5.5/bbl and U.S.$7.5/bbl, respectively. In HY 2018 and FY 2017, Refining Adjusted EBITDA amounted to €245 million and €874 million, respectively, representing 32% and 47% of our consolidated Adjusted EBITDA.

- *Marketing*—Our Marketing segment commercializes and offers petroleum products and non-fuel services through our network of service stations in Spain, Portugal, Andorra and Gibraltar, and our domestic and international network of agents and distributors. The Marketing segment is organized around seven

[2] Company estimate in terms of revenue in 2017.

[3] In addition to these segments, Corporation is reported separately.

business lines: retail network, liquefied petroleum gas (**LPG**), aviation, bunker, lubricants, asphalts and wholesale. As at 30 June 2018, we had 1,824 service stations (including distributor owned and operated service stations) in the Iberian Peninsula, 1,037 of which also included convenience stores or supermarket shops (excluding shops operated by distributors and not franchised by CEPSA), supporting our non-fuel offering. In HY 2018 and FY 2017, the Marketing segment's total sales of petroleum products reached approximately 10.7 Mt and 21.6 Mt, respectively. For FY 2017, our refineries supplied approximately 78% of the products sold through our Marketing segment, with the balance acquired from external sources. For HY 2018 and FY 2017, Marketing Adjusted EBITDA amounted to €144 million and €314 million, respectively, representing 19% and 17% of our consolidated Adjusted EBITDA.

- *Petrochemicals*—Our Petrochemicals segment manufactures and markets basic petrochemical products and their derivatives. Our petrochemical operations span seven different countries (excluding commercial offices) and are organized as follows: our surfactants business line (consisting of linear alkylbenzene (**LAB**), linear alkylbenzene sulfonic acid (**LABSA**), n-paraffin as well as fatty alcohol products, including fatty alcohols, fatty acids, glycerin and fatty alcohol derivatives), our phenol business line (consisting of phenol, cumene, acetone and derivatives) and our solvents business line. In HY 2018, our surfactants, phenols and solvents business lines sold 361 thousand metric tons (**Kt**), 875 Kt and 308 Kt, respectively. In FY 2017, our surfactants, phenols and solvents business lines sold 619 Kt, 1,665 Kt and 622 Kt, respectively. For FY 2017, our Refining segment supplied approximately 72% of our petrochemicals feedstock requirements, with the balance acquired from external sources. In HY 2018 and FY 2017, Petrochemicals Adjusted EBITDA amounted to €128 million and €239 million, respectively, representing 17% and 13% of our consolidated Adjusted EBITDA.

On a consolidated basis, we had Adjusted NIAT of €335 million and €884 million in HY 2018 and FY 2017, and Adjusted EBITDA of €760 million and €1,874 million. In HY 2018 and FY 2017, we had approximately 10,243 and approximately 9,840 employees, respectively, on a consolidated basis.

History of the Group

We were established in 1929 under the name Compañía Española de Petróleos, S.A, as the first private oil company in Spain. Initially operating as a refining business, we expanded into the oil and gas exploration and production, marketing and petrochemicals businesses over the following decades, entering new markets in Europe, North Africa, Latin America and South East Asia. Through a combination of organic growth and strategic acquisitions, we transformed our group into a highly-integrated oil and gas company. Today, we are present in five different continents and 20 countries.

Key events in our history and strategy include the following stages:

- **Pure Refiner (1929–1970)**:
  - In 1929, we established the first refinery in Spain. That same year, we signed our first agreements with distributors in Africa and Portugal.
  - In 1969, we established the San Roque (Cádiz) refinery in southern Spain.
- **Downstream Integration (1970–1994)**: Driven by the liberalization of the Spanish energy market, we expanded our business towards downstream integration:
  - In 1970, we launched our petrochemicals business.
  - In 1980, we started our retail operations.
  - In 1988, the Abu Dhabi sovereign wealth fund, International Petroleum Investment Company PJSC (**IPIC**), acquired 9.5% of our share capital.
  - In 1991, we acquired the Palos (Huelva) refinery in southern Spain.

The expansion of our operations into the retail business and our third refinery completed our downstream integration, through which we expanded our operations within Spain and into new markets.

- **Oil and Gas Integration and Expansion (1992–2016):**
  - In 1992, we made our first oil discovery in Algeria at the RKF oil field, which initiated our expansion into the E&P business.
  - In 1994, we made our second oil discovery in Algeria at the Ourhoud field, which was one of the largest oil discoveries of the 1990s and consolidated our position in the E&P business and in Algeria.

- In 1994 and 2000, we expanded our petrochemicals business, launching LAB operations in Canada and Brazil, respectively.
- In 2001, we expanded our E&P activities into Latin America with our first project in Colombia.
- In 2008, we expanded our E&P assets in Colombia by acquiring the Caracara block, thereby consolidating our presence in Colombia.
- In 2011, IPIC acquired, through a takeover offer, all of our issued share capital, becoming our sole shareholder, and launched an expansion project aimed at transforming our group into a fully-integrated oil and gas company with a global presence.
- In 2014, we acquired Coastal Energy Company (**Coastal Energy**), expanding our E&P activities into Thailand and Malaysia.
- In 2015, we commenced the operation of our phenol plant in Shanghai (China).

- **Global Energy Integration (2016 onwards):**
  - In March 2016, we initiated a process to put in place our long-term vision, "CEPSA 2030", a positive long-term strategy to face future energy challenges, define a roadmap to operate in a digital and more environmentally-conscious world and develop the required capabilities to reach our strategic goals.
  - In January 2017, IPIC was merged with another Abu Dhabi entity, Mubadala Development Company PJSC (**MDC**), under a common parent company, MIC.
  - In October 2017, we commenced the operation of our fatty-alcohols plant in Dumai (Indonesia).
  - In January 2018, we agreed terms with the Algerian government to extend our production rights over the RKF and Ourhoud oil fields by 25 and 10 years, respectively. The agreement relating to RKF remains subject to publication in the Official Gazette and the agreement relating to Ourhoud remains subject to final approval by the Algerian Council of Ministers and publication in the Official Gazette (as required by the global agreement).
  - In February 2018, we signed a 40-year concession contract with Abu Dhabi National Oil Company (**ADNOC**), acquiring a 20% stake in two world-class offshore blocks (SARB and Umm Lulu) in the territorial waters of Abu Dhabi (UAE).

Key Strengths

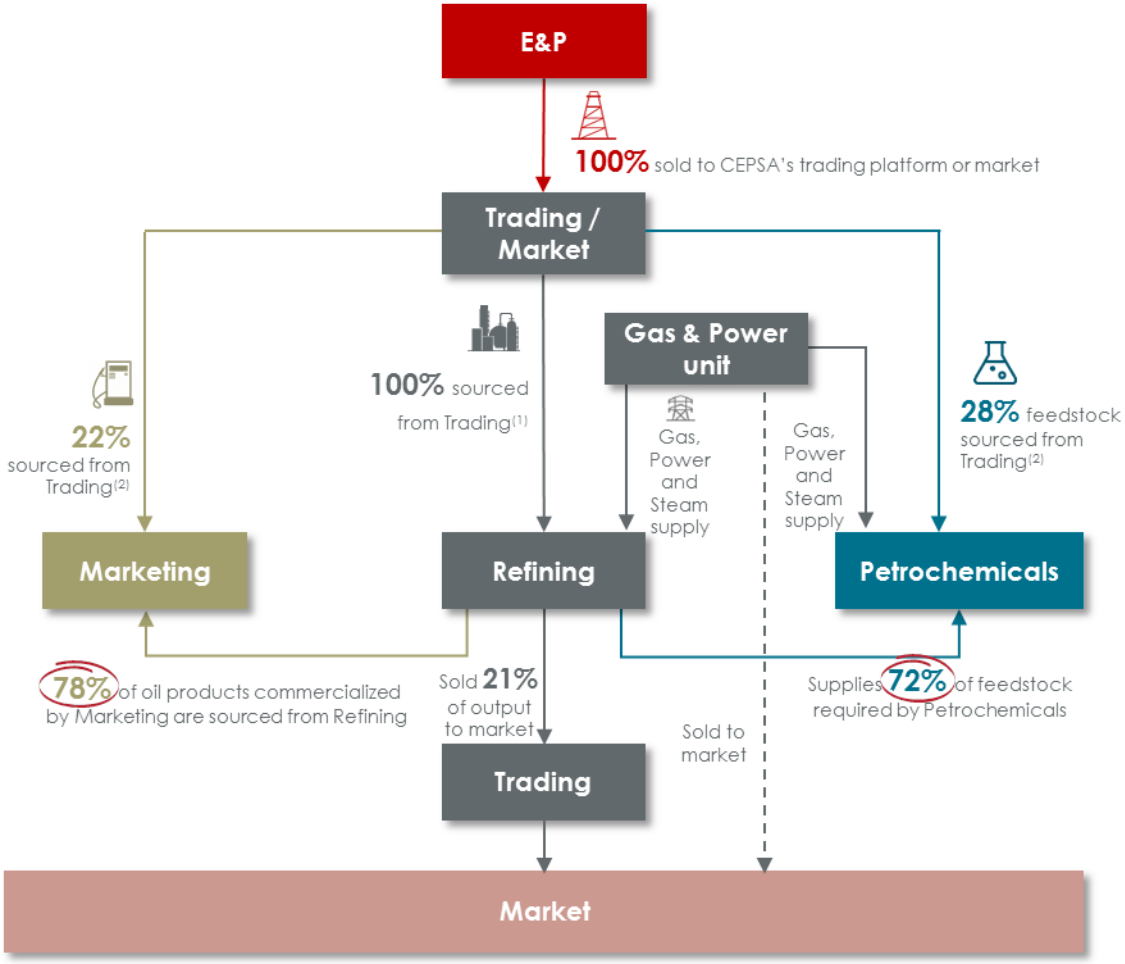
We believe that we benefit from the following competitive strengths:

Highly Integrated Value Chain Delivering Through-the-Cycle Earnings Resilience

We operate a highly integrated business with operations across key segments of the oil and gas value chain. Our platform is large scale and strategically configured, which enables us to access markets with varying supply and demand structures, providing us with additional flexibility when making production, sourcing and timing decisions. The optionality available to us as a result of these characteristics allows us to choose the most economic product type to purchase, produce or sell, taking into account (i) the sourcing of crude slates and other feedstocks (whether internally from our E&P segment or externally) and (ii) sales and export opportunities, both in terms of geographical location as well as timing.

We seek to use this optionality to optimize our production decisions with the aim of maximizing our overall margins across the entire value chain. For example, in FY 2017, our refineries provided approximately 78% of the products sold through our Marketing segment and approximately 72% of the feedstock used in our Petrochemicals segment. This level of integration is above industry average and enables us to realize supply

chain and operational efficiencies and optimize margins across the value chain. The following diagram sets forth the average integration levels of our business segments for FY 2017:

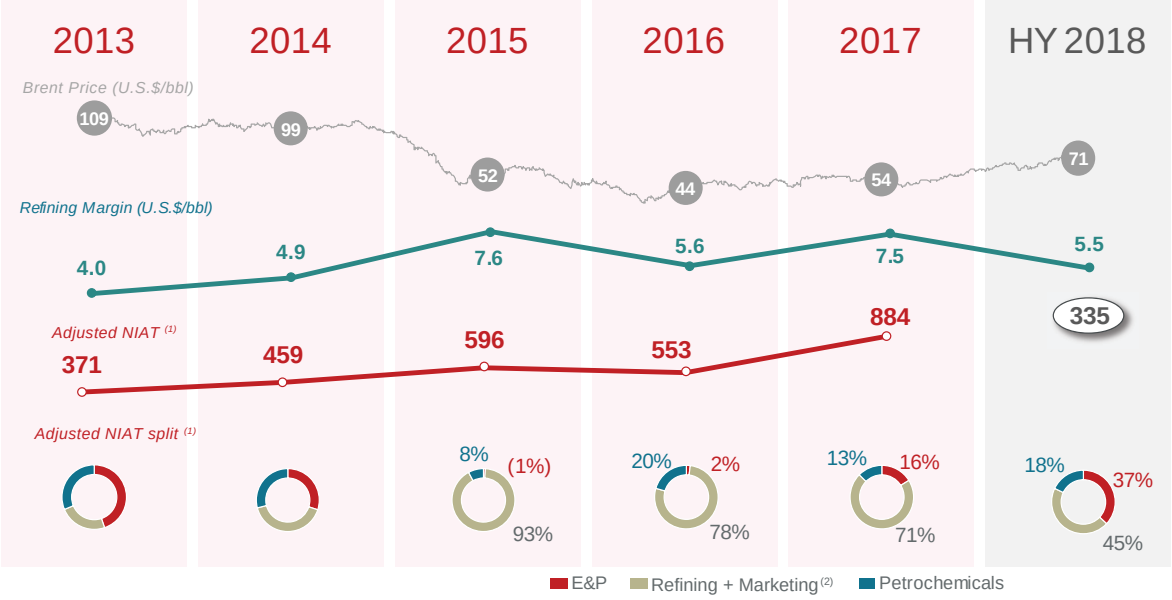


(1) Represents crude oil sourced externally from the market and internally from our E&P segment (approximately 99% and 1%, respectively).

(2) Represents the share of refined products, feedstocks and raw materials sourced externally from the market or the trading unit.

Our integrated business model has enabled us to generate strong cash flows in times of severe market downturns and positions us well to benefit from macro trends. The natural hedge provided by diversification across the energy value chain, together with our disciplined approach to investments, have enabled us to deliver strong returns and financial results, allowing for sustained dividends. For example, despite the steep decline in oil prices experienced in 2014 and the subsequent period of low oil prices, we have been able to increase our consolidated Adjusted NIAT between FY 2014 and FY 2015 as a result of strong performance in our Marketing, Refining and Petrochemicals segments. Subsequently, between FY 2015 and FY 2017, with oil prices returning to moderate levels, our E&P segment has contributed a greater portion of consolidated Adjusted NIAT. The chart below illustrates the contribution of our segments to our consolidated Adjusted NIAT

between FY 2013 and FY 2017 as well as movements of the Dated Brent crude oil benchmark and refining margins.



(1) For the definition of Adjusted NIAT, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*".

(2) Includes the Corporation segment.

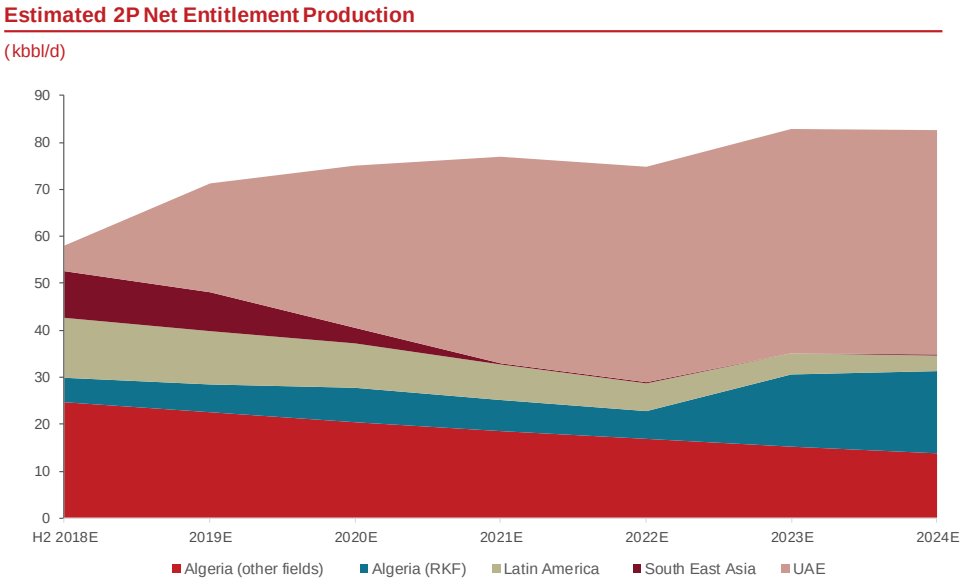
Robust Upstream Asset Base Focused on Long-term Delivery

We operate a strong, long-life portfolio of E&P assets, with an average breakeven oil price of less than U.S.$30.0/boe as at 30 June 2018. Our portfolio is comprised of 17 oil producing assets in six countries with total net 2P reserves of 468 MMboe, net entitlement production of 59 kboe/d and gross 2C resources of 484 MMboe as at 1 July 2018.

Our production portfolio is focused on four key areas (Algeria, Abu Dhabi, Latin America and South East Asia), with four fields comprising over 75% of our FY 2017 production (Ourhoud, RKF, Caracara and G5/43). In addition, we hold a total of 11 exploration licenses, including participating interests in large offshore basins in Brazil and Mexico.

In 2018, we obtained a 20% interest in the SARB and Umm Lulu Concessions in Abu Dhabi for 40 years. Additionally, in 2018, we agreed terms with the Algerian government for a new 25-year contract enabling the redevelopment of the RKF oil field, which remains subject to publication in the Official Gazette, and for a 10-year contract extension at the large Ourhoud field, which remains subject to final approval by the Algerian Council of Ministers and publication in the Official Gazette (as required by the global agreement). These fields represent significant additions to our 2P reserves and contingent resources, with SARB and Umm Lulu accounting for approximately 279 MMbbl and the RKF field accounting for approximately 70 MMbbl of our 2P reserves as at 1 July 2018. In addition, we expect the SARB and Umm Lulu fields as well as our fields in Algeria to benefit from low unit technical costs of less than U.S.$15/bbl in each case. We expect the SARB and Umm Lulu fields will reach full field development by 2020 and the RKF field to achieve full redevelopment by 2023.

The graph below illustrates our estimated 2P net production in kboe/d between 2018 and 2024 based on the Competent Person's Report.



We believe these selected additions will further strengthen our E&P portfolio as we target to establish a low cost, long-life and concessions-focused E&P platform, which we expect will increase our production levels and long-term sustainability. As a result of these additions, we expect our reserves to production ratio to increase to approximately 15.2 years in 2020, from 8.6 years in FY 2017.

In addition, we have developed strong relationships with key national oil companies in the countries in which we operate. We believe our proven track record with Sonatrach, Ecopetrol, Petrobras and, more recently, with ADNOC and Pemex, supports the stability and longevity of our business, both preserving our current interests and positioning us well to unlock future opportunities.

Structurally Advantaged Refining System

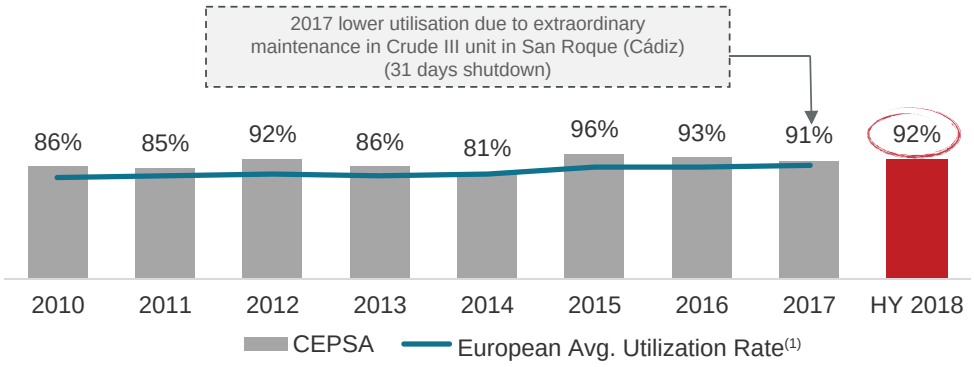
We operate two refineries in San Roque (Cádiz) and Palos (Huelva), have a 50% stake in the ASESA (Tarragona) refinery, and we are the second largest refiner in the Iberian Peninsula (measured by capacity) as at 31 December 2017 (*source: CORES*). Additionally, our San Roque (Cádiz) refinery is the largest in Spain as of 2017 in terms of distillation capacity (approximately 250 Kbbl/d) (*source: CORES*).

Our refineries serve the entire Iberian Peninsula and the Canary Islands market and are strategically located with export opportunities to North and West Africa and Latin America, which have a deficit of oil products, particularly gasoline and diesel, and access to the large centers of low sulfur crude oil production in North and West Africa and the United States. As the supply and demand characteristics of these markets often differ from those of the Iberian market, we seek to identify such differences and capture additional margins as part of our margin optimization strategy.

Furthermore, their close proximity allows us to operate our refineries as a single refining system. Our ability to exchange feedstocks and intermediate products enables us to optimize our supply chain management and maximize our production flexibility. We source crude oil from various regions around the world and, in FY 2017, we processed more than 40 different grades of crude oil from 37 suppliers. We have the ability to source crude oil from our E&P segment or externally on the market. This sourcing and processing flexibility enables us to take advantage of market opportunities and optimize crude sourcing decisions by processing the most profitable grades given prevailing crack spreads. For example, as some types of crude oil require a longer and more complicated refining process (and thus prices for these crudes tend to be discounted), we have been able to take advantage of pricing opportunities with respect to such crudes due to the configuration of our refineries and excess storage capacity. The combination of crude sourcing flexibility and refinery configuration provides us with adaptability to changing market demand.

Our refineries are amongst the most competitive in Europe, in large part due to recurrent efficiency upgrades ongoing since 2012 and are ranked in the top quartile of the Solomon Index for Western Europe (2016). In

addition, our refineries have had consistently higher utilization rates than the European average (*source: IHS Report*). The chart below shows our utilization rates against the European average for the periods indicated.



(1) Source: IHS Report

Our refineries' high utilization rate has enabled us to generate strong refining margins in times of volatility. For example, despite the 2.8% average annual decline in refined product demand between 2010 and 2013 in Europe (*source: IHS Report*), we were able to increase our refining margins (including variable costs) from U.S.$3.8/bbl in 2010 to U.S.$4.0/bbl, U.S.$5.1/bbl and U.S.$4.0/bbl in 2011, 2012 and 2013, respectively.

With our optimization plan, we have managed to both increase our product yields of high margin products and increase energy efficiency. From the optimization projects already implemented as at FY 2017, we have achieved an approximate U.S.$1.84/bbl margin uplift and these projects contributed to a reduction in our EBITDA breakeven refining margins of approximately 30% between 2013 and 2017. Between FY 2015 and FY 2017, we have invested on average approximately €88 million per year in the program and we are targeting recurrent investments of between approximately €80 million and approximately €100 million per year until the completion of the program. See "*Description of our Segments—Refining—Investments and Projects—Optimization plan*" below.

We believe that our refineries are well-positioned to benefit from structural market changes as demand is gradually shifting towards middle distillates, which is expected to increase prices for diesel and aviation fuel. We expect the implementation of IMO 2020 to further increase prices of middle distillates as fuel oil bunkering demand is displaced with lower sulfur fuels and bunker diesel. To capitalize on this shift, we are implementing our Bottom of the Barrel (**BoB**) fuel conversion project to ensure the long-term sustainability of our refining system by further improving our conversion rate and increasing our production of higher value-added middle distillates, which we expect should increase our overall margins. In addition, the BoB project is expected to reduce our crude sourcing costs, as we will be able to increase the proportion of sour crudes, particularly high sulfur content crudes from the Middle East which are typically discounted. See "*Description of our Segments—Refining—Investments and Projects—BoB fuel conversion project at the San Roque (Cádiz) refinery*" below.

Strong Customer-focused Fuel Retail Business in Growing Markets with Leadership in Commercial Channels

We have a leading position across our marketing channels in the Iberian Peninsula through our retail, LPG, aviation, lubricants, asphalts, bunker and wholesale divisions. The high level of integration with our refineries enables us to target maximization of margins across our marketing channels.

Our Retail business included 1,815 and 1,824 service stations (including distributor owned and operated service stations) as at 31 December 2017 and 30 June 2018, respectively, making us the second largest player in the Iberian Peninsula, with a 14% market share in Spain (by number of service stations) in FY 2017 (*source: Asociación Española de Operadores de Productos Petrolíferos* (**AOP**)). Given our strong positioning in the Iberian Peninsula, we believe we are well-placed to benefit from expected growth in transport fuel demand, which is estimated to be approximately 3.5% between 2018 and 2020 in Spain (*source: IHS Report*). In addition, our portfolio of service stations, which is split between company and distributor owned or operated, and of which we own over 50% of the service stations, enables us to control the site format and the operations. We have a customer centric model and a strong non-fuel offering, with strategic partnerships or franchise arrangements with Carrefour, McDonalds, Burger King and Correos CityPaq Lockers, among others. As a result, we believe we are well-positioned to benefit from the expected growth in forecourt retail volume, which is expected to be approximately 4.5% between 2018 and 2020 in the Iberian Peninsula (*source: Euromonitor*).

We also have highly attractive loyalty programs, with partnerships with Carrefour, Iberia Plus and Air Europa, as well as banking and insurance providers, such as Wizink, Mastercard and Linea Directa. As at 30 June 2018, we had 5.2 million cards with at least one transaction in the last 12 months (**active cards**), of which 4.4 million were private customer cards and 725 thousand were professional cards used by vocational drivers (such as heavy goods vehicle drivers). Analysis of data generated through our loyalty programs allows us to improve our marketing methodology and product development, which may result in higher spend per customer and greater customer loyalty.

We have a strong presence in LPG, having grown our LPG business by expanding into the Canary Islands and Portugal. We have top market positions in aviation and bunker fuels in Spain in 2017 (*market source: AENA; IHS Report*). In aviation, we serve the top 10 airlines and have a presence in all Spanish airports, with operations in 11 airports, including Madrid, positioning us to benefit from expected aviation fuel growth in Spain which is above the European average between 2018 and 2022 (*source: IHS Report*). In bunker, we are a key supplier in Spain and Gibraltar with an estimated market share of 35% (*source: IHS Report*), in part due to the strategic location of our refineries, and we expect to benefit from structural changes as a result of IMO 2020. With these strong market positions, we believe we are well-placed to benefit from the expected growth in demand for aviation and bunker fuel, with aviation fuel demand expected to grow by a compound annual growth rate (**CAGR**) of 4.7% and gasoil bunker fuel expected to grow by a CAGR of 56.2% between 2018 and 2020 in Spain (*source: IHS Report*).

Premium Petrochemicals Platform with Global Leadership in Key Segments and Significant Expansion Potential

We operate a global petrochemicals platform with a leading position in targeted product markets and proprietary technologies. We were the top global producer of LAB, the top global producer of cumene and the second largest producer of phenol (in each case by production capacity in FY 2017), which are fundamental for many household products, such as detergents (with respect to LAB) as well as for polycarbonates and intermediates for industrial use (with respect to phenol) (*source: IHS Report*). We are also the leading producer of solvents in the Iberian Peninsula, and have a significant position in the United Kingdom and Italy.

Our petrochemicals platform is highly integrated with our refineries. In FY 2017, our Refining segment supplied approximately 72% of the feedstocks used in our Petrochemicals segment. We also have high integration levels within each of our product lines, with LAB being 75% integrated, and with phenol and solvents being 54% and 100% integrated, respectively, in FY 2017. This integration with our refineries allows us to target the optimization of our feedstocks supply and product margins. Our petrochemicals portfolio is complemented by fatty alcohols, which reinforces our leadership in surfactants. Our fatty alcohols production is integrated as the raw material for its production (i.e., palm kernel oil) is supplied by our joint venture partner, Golden Agri-Resources Ltd (**GAR**), to our plant in Indonesia, which, in turn, supplies fatty alcohols to our sulfation plant in Germany.

For LAB, we have developed proprietary technologies through our strategic relationship with Honeywell UOP (**UOP**), including LAB DETAL technology, a detergent alkylate process we developed with UOP (**DETAL**), which we license to third parties. DETAL technology is the most widely used technology for LAB production worldwide and we believe this technology has been installed in approximately 80% of LAB plants built in the last ten years.

In addition, the global middle class is expected to grow by approximately 80% between 2015 and 2030 (*source: Brookings Institution (2017)*), which in turn is expected to drive demand for petrochemical products such as those produced from surfactants (such as LAB) and phenol. For example, the growth of the middle class is strongly correlated with the penetration of washing machines, which changes consumption habits and tends to increase demand for detergents (of which surfactants are a key ingredient). As a result, we believe our strong market positions place us well to capture expected market developments and opportunities. We have several projects with the aim of further strengthening our leadership positions. We have signed a project development agreement with ADNOC with the aim of constructing a 150 Kt per year LAB plant in Abu Dhabi integrated with ADNOC's East Ruwais refinery, which we expect will enable us to meet growing demand in East Africa, South Asia and South East Asia resulting from middle class growth in those regions. In addition, we are implementing several capacity optimization projects in our existing plants, including the LAB expansion project at the Puente Mayorga plant in Spain (including the conversion to DETAL technology) which will enable us to target growth markets in the Mediterranean and Africa with a view to maintaining our market leadership, as well as capacity optimization projects at our phenol plants in Shanghai and Spain.

Experienced Management Team with a Track Record of Delivery and Financial Strength

We believe we have a proven senior management team with over 250 years of industry experience and over 250 years of experience at CEPSA, collectively, and with a track record of delivering strong results and executing large scale projects. In the last three years, we have delivered Adjusted EBITDA and Adjusted NIAT growth despite volatile market conditions. In addition, we have made continuous efforts to improve our performance and reduce our costs, having reduced our fixed costs by 11% between FY 2015 and FY 2017, including a reduction in our staff costs from €635 million in FY 2015 (after considering €49 million of staff costs recognized in consolidated profit (loss) for the year from discontinued operations in FY 2015 (see Note 25 to our FY 2015 Financial Statements incorporated by reference in this Prospectus)) to €611 million in FY 2017, through a headcount reduction initiative. These efforts have led to strong operating cash flow generation before working capital over the years, and we believe we have outperformed our peers with an Adjusted NIAT CAGR of 22% between FY 2015 and FY 2017, and a solid ROACE of 14.4% in FY 2017.

Our management team has experience delivering complex projects ahead of schedule and below budget, such as the significant expansion of our refinery in Palos (Huelva) in 2009, the construction of the Medgaz pipeline completed in 2011 and the completion of our chemical alcohols plant in Indonesia in 2017. In addition, we have a strong Board of Directors with over 150 years of industry experience collectively and the support of our ultimate parent company, MIC, with significant expertise in the petroleum and petrochemicals industry, both of which have supported our expansion and delivery of complex projects.

We have prudently managed our balance sheet, leverage and liquidity position in recent years through our strong discipline on investment decisions, focusing on continuous improvement of the quality of our asset base and attractive growth opportunities. Despite the investments in recent years, our net financial debt decreased from €2,923 million in FY 2015 to €1,722 million in FY 2017, before increasing to €3,001 million as a result of debt incurred to acquire our interest in the SARB and Umm Lulu Concessions in HY 2018. We have a disciplined investment program with strict criteria for screening new investment opportunities and a disciplined capital allocation process with a target of 1.5x WACC investment threshold, which we believe positions us well to adopt a progressive dividend policy. Between FY 2015 and FY 2017, we have increased our dividend distributions, with €329 million, €332 million and €350 million in dividends distributed to the Selling Shareholder for FY 2015, FY 2016 and FY 2017, respectively. In addition, we declared an interim dividend on 17 September 2018 of €190 million, which will be paid to the Selling Shareholder prior to Admission.

Prior to 2011, CEPSA had a long history as a publicly-traded company. After the acquisition by MIC, our ultimate indirect parent company, and our subsequent delisting in 2011, we maintained, however, our corporate governance structure and continued to implement policies in line with best practices.

Strategy

Our strategy is to leverage our flexible and dynamic platform to capture international growth opportunities and to continue strengthening our vertical integration. This strategy is based on three pillars:

- strengthen our core business to deliver short-term growth and value creation;
- expand our core business to benefit from growth opportunities in adjacent markets; and
- develop new capabilities in response to emerging industry trends.

Strengthen Our Core Business to Deliver Short-Term Growth and Value Creation

We intend to leverage our integrated platform to continue to pursue margin optimization and high cash conversion across all of our business segments.

E&P—Within the E&P segment, we intend to focus on the optimization of the Ourhoud field and the redevelopment of the RKF oil field which are critical to maintaining our strong position in Algeria, with 50% of our current hydrocarbon net entitlement production attributable to Algeria as of 30 June 2018. In addition, we are investing in our assets in Colombia and Peru, while managing the abandonment of our assets in South East Asia.

Refining—To strengthen the competitive position of our Refining segment, we are undertaking efficiency projects and adapting our refining portfolio to a dynamic market through projects such as our optimization plan and BoB fuel conversion project, while ensuring our refineries remain highly competitive and compliant with European environmental regulations.

Marketing—To strengthen the competitive position of our Marketing segment, we are pursuing margin improvement through our focus on retail fuel pricing, non-fuel retail and customer relationships. In addition, we are seeking to optimize our current network and explore consolidation opportunities through the acquisition of networks in Spain and Portugal with higher volume sites in premium locations. For example, in FY 2017, we expanded our retail network in Madrid and Toledo with the acquisition of 23 service stations situated in strategic locations. In evaluating site locations and potential networks for acquisitions, we employ a well-defined site selection strategy focusing on catchment area demographics, existing or upcoming stations in the catchment area, as well as ease of access to the site. We are continuing to monitor the market for opportunistic acquisitions, with several opportunities already identified in Spain and Portugal.

Petrochemicals—To strengthen the competitive position of our Petrochemicals segment, we have initiated several projects to add capacity to our existing plants and increase feedstock integration with our refineries, including our LAB revamp project in Puente Mayorga, which is expected to increase annual LAB production capacity by 50 Kt, and our CCS optimization project in our Shanghai phenol plant, which we expect will increase the plant's annual phenol production capacity by 125 Kt. In addition, we are seeking to reinforce our leadership position in LAB by diversifying our surfactants production with the development of our detergent alcohols business.

Expand our Core Business to Benefit from Growth Opportunities in Adjacent Markets

We intend to replicate our successful models in new markets and value chains to access emerging geographies with high growth potential.

E&P—Within our E&P segment, we have significantly expanded our reserves in recent years, particularly in the UAE with the award of a 20% interest in the SARB and Umm Lulu Concessions. This achievement reflects our increasing collaboration with ADNOC in the UAE, which we plan to replicate with other national oil companies, such as Pemex in Mexico and Petrobras in Brazil, in geographies where we are currently conducting exploration activities.

Refining—To expand our Refining segment, we are continuously monitoring the market with the aim of expanding our refining business internationally, with a particular focus on integrated downstream business models in North Africa and Latin America, our core regions of growth.

Marketing—To expand our Marketing segment, and in line with our integrated approach, we are focused on proactive business development in attractive growth markets, including North Africa and Latin America. We have identified Morocco as a preferred market for expansion due to its proximity to our refineries on the south coast of Spain, the country's growing demand for petroleum products and its structural petroleum product deficit. Our present intention is to develop an integrated downstream business in north Morocco, starting with the acquisition of retail, business-to-business and storage assets, together with a local partner, to commence the development of our business in Morocco followed by organic growth, with an objective of reaching a 100 points of sale within five years and a 15% market share in the medium-term (based on number of service stations) as well as securing product supply.

Petrochemicals—To expand our Petrochemicals segment, we plan to construct a new LAB complex in Abu Dhabi with ADNOC, replicating the Puente Mayorga model by integrating the whole LAB value chain from raw materials to end products. In addition, we believe this new LAB complex will allow us to expand our LAB business from the Atlantic basin to the Middle East, East Africa, South Asia and South East Asia. Furthermore, we are exploring adjacent product lines, for example, by developing alcohol derivatives from our plant in Indonesia and studying preferred markets to exploit synergies across closely-related chemical value chains.

Develop New Capabilities in Response to Emerging Industry Trends

We intend to gradually and selectively embrace emerging energy trends which impact our current business, having identified the following projects.

Customer Solutions—In January 2018, we launched our CEPSA Hogar project. With CEPSA Hogar, we aim to become the first holistic provider of all energy needs to our customers by providing an integrated domestic energy offering, including electricity, natural gas, LPG and maintenance services coupled with fuel discounts in our fuel station network. Furthermore, this platform could generate additional optionality as emerging trends, such as distributed energy or the charging of electric vehicles at home, develop in the coming years. By 2030, we are targeting to reach 1.5 million customers with CEPSA Hogar.

Renewables—Recognizing the growing importance of renewable energy sources, with the global share of solar and wind power in total electricity generation expected to grow by a CAGR of 8.6% between 2015 and 2030

(*source: IHS Markit*), and in line with our strategy to complement our activities with renewables following the pace of technological evolution and adaption, we are exploring additional opportunities jointly with Masdar, a UAE-based international renewables and sustainable urban development company owned by MIC, to further develop wind and solar power projects in our common areas of interest, with an initial focus on Spain. We expect to leverage the technical expertise and commercial knowledge of operating our G&P assets with experience from the development of our wind farm in Jerez de la Frontera, Spain, in order to increase our footprint in commercially-attractive renewable energy projects.

Mobility—We expect to take advantage of new mobility trends through selective investments with the aim of reaching new customers and becoming a holistic energy provider for mobility. In Europe, the electric vehicle share in total fleet is expected to increase by a CAGR of 10% between 2015 and 2030 (*source: IHS Markit*). We are aiming to gradually complement our energy offer to match the penetration of electric vehicles and the needs of our clients. In addition, in July 2018, we signed a 10-year collaboration agreement with IONITY, a network formed by the BMW Group, Daimler AG, Ford Motor Company, and the Volkswagen Group with Audi and Porsche, for the installation of high performance electric charging points at our service stations in Spain and Portugal. As a result, IONITY plans to install up to 100 charging points at our service stations, with the first charging point expected to be operational in the first quarter of 2019. In addition, we are currently analyzing other partnerships with OEMs, car-sharing companies and other mobility providers to respond to such changes as well as future changes to the heavy-duty vehicle fuel market, where LPG or LNG could prove to be a viable alternative fuel for trucks running international or long-haul routes.

Digital—We have developed a comprehensive plan with 13 digital transformation streams across our business segments aimed to improve operational efficiency based on a data driven and agile delivery approach. In our Puente Mayorga LAB plant, for example, over a period of 12 weeks, we implemented a system of advanced analytics for yield, energy and throughput (YET) optimization, using artificial intelligence techniques to increase throughput and decrease energy consumption at the plant. We estimate this project has resulted in an increase in energy efficiency of approximately 2%, an increase in throughput of approximately 2.6% and a total estimated free cash flow improvement of approximately €1.5 million per year. We intend to replicate this project at our other petrochemical plants and refineries. In total, we have identified over 400 initiatives, with the target of full deployment by 2023.

Description of our Segments

Exploration and Production

Overview

Our E&P segment engages in the exploration and development of oil and gas fields and the production of crude oil and natural gas. Our E&P operations span ten countries across the Middle East, North Africa, Latin America, South East Asia and Spain, where we operate in onshore and shallow waters and partner in deep water exploration. We have a diversified portfolio of onshore, offshore and deep water assets, and operate across the spectrum of the various stages related to the exploration, development and production of oil and gas. In addition, we have successfully adapted to the new environment of moderate price levels for crude oil in recent years by optimizing our costs, reducing our break-even levels, ensuring the replacement of our reserves and strengthening our position in the regions in which we operate. We currently participate, either on a standalone basis or in consortiums and joint-ventures with other companies, in 17 oil producing fields.

Our production activities are concentrated in North Africa, Latin America and the Middle East, and to a lesser extent, South East Asia. We mainly enter into long-term concession agreements or PSCs with governmental authorities or state-owned oil companies, either solely or jointly with other companies. For HY 2018 and FY 2017, our daily net entitlement production reached 59 kboe/d and 65 kboe/d, of which approximately 96% and 97% represented crude oil, with the remainder representing natural gas. In HY 2018, approximately 50% of our crude oil production was realized through our assets in North Africa, while our assets in Latin America and South East Asia represented 23% and 19% of our production, respectively. In HY 2018, our assets in the Middle East represented only 8% of our production, as the SARB and Umm Lulu fields remain in the development phase. Substantially all of the oil produced by our E&P segment is sold through our Trading unit to external customers.

Our exploration activities are concentrated in Latin America (Colombia, Peru, Brazil, Mexico and Suriname) and consist primarily of onshore and offshore geological and geophysical studies (including seismic surveys). As at 30 June 2018, we held interests in ten exploration projects both onshore and offshore.

The table below sets forth certain financial and operational information regarding the E&P segment for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million, unless otherwise indicated)				
Revenue attributable to segment[1]	369	282	589	534	706
Adjusted EBITDA[2]	264	242	497	444	549
Adjusted NIAT[2]	125	83	145	12	(6)
Adjusted Free Cash Flow[2]	(1,159)	107	235	120	(258)
Capital expenditures	1,417	107	170	172	543
Working Interest Production[3] (*MMboe*)	16	—	34	35	40
Net Entitlement Production[4] (*MMboe*)	11	—	24	26	28
Oil (%)	96	—	97	96	96
Gas (%)	4	—	3	4	4
2P Net Entitlement Reserves (*MMboe*)	468	—	204	221	131
Oil (%)	93	—	83	86	89
LPG (%)	5	—	11	9	—
Gas (%)	2	—	6	5	11
Reserves—Production Ratio (*years*)	22.0	—	8.6	8.4	4.6
Operatorship[5] (%)	87	—	92	92	91

Note: Reserves and production figures for HY 2017 are not covered by the Competent Person's Report and have been excluded to ensure comparability.

(1) Reflects revenue from external customers.

(2) For the definitions and reconciliations of these items, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

(3) Reflects the total production of our fields multiplied by our working interest.

(4) Reflects the total production of our fields multiplied by our net entitlement.

(5) Calculated as net entitlement production of operated assets (including Ourhoud) divided by total net entitlement production.

Reserves and Production

We evaluate and categorize our hydrocarbon reserves and resources in accordance with SPE-PRMS. For information on the classifications and terminology for reserves and resources used in this Prospectus, see "*Presentation of Financial and Other Information—Certain Reserves Information—Presentation of Hydrocarbon Data*".

Our reserves and contingent resources are audited by Ryder Scott (the **Competent Person**) on a biennial basis. The Competent Person is an independent petroleum engineering firm, and its methodology is in compliance with the definitions and guidelines promulgated by SPE-PRMS. The estimates set forth in this Prospectus for our reserves and contingent resources as of 1 July 2018 are based on the Competent Person's Report. For additional information, please see the Competent Person's Report.

As at 31 December 2017, we had 2P reserves of 204 MMboe, of which liquid hydrocarbons (including crude oil and LPG) and natural gas represented 94% and 6% of our reserves, respectively. As at 1 July 2018, we had 2P reserves of 468 MMboe, of which liquid hydrocarbons and natural gas represented 98% and 2% of our reserves, respectively. This increase of approximately 264 MMboe is primarily due to our acquisition of a 20% interest in the SARB and Umm Lulu Concessions in March 2018.

In addition, as of 1 July 2018, we had net 3P reserves of 622 MMboe and according to the Competent Person's Report, our gross contingent resources represent an addition of approximately 25% of our 3P reserves. The addition of our 3P reserves and 3C resources represents the full potential of all of our E&P assets. We are continuously working on maturing our contingent resources into reserves.

The following table shows certain information for our assets by geographic area for the period indicated.

	1P Reserves		2P Reserves		Production		2P Reserves / Production Ratio	
	HY 2018	FY 2017	HY 2018	FY 2017	HY 2018	FY 2017	HY 2018	FY 2017
	(MMboe)		(MMboe)		(MMboe)		(years)	
Middle East	196	20	309	30	0.8	1.0	185[1]	29
North Africa	49	60	134	144	5.3	12.5	13	11
Latin America	15	19	19	23	2.5	5.3	4	4
South East Asia	4	3	6	7	2.0	5.0	1	1
Total	**264**	**102**	**468**	**204**	**10.6**	**23.9**	**22.0**	**8.6**

Note: Table reflects net entitlement. HY 2018 includes the impact of the SARB and Umm Lulu Concessions acquired in March 2018.

(1) This figure reflects the full contribution from the SARB and Umm Lulu fields. It is expected that this figure will decrease considerably once these fields are no longer in the development phase but have reached full development and production.

Middle East—Assets

We initiated business activities in the UAE in 2013, opening an office in Abu Dhabi that same year. Our E&P holdings in the UAE include four assets in production, two assets under development and two assets in the appraisal stage. All of our oil fields are located in Abu Dhabi's shallow waters. Our operations in the UAE are conducted through two concessions in which we have the following interests: a 12.9% indirect working interest in the Abu Dhabi Offshore Company (**ADOC**) concession (through Cosmo Exploration and Production Abu Dhabi (**CEPAD**)), accounted for using the equity method, and a 20% working interest in the SARB and Umm Lulu Concessions.

The table below shows certain information regarding our material E&P assets located in Abu Dhabi:

	Stage	Type	Working interest	Operator
Mubarraz	Production	Offshore	12.9%	ADOC
Umm Al Anbar	Production	Offshore	12.9%	ADOC
Neewat Al Ghalan	Production	Offshore	12.9%	ADOC
Hail	Production	Offshore	12.9%	ADOC
SARB	Development	Offshore	20.0%	ADNOC Offshore
Umm Lulu	Development	Offshore	20.0%	ADNOC Offshore
Bin Nasher	Appraisal	Offshore	20.0%	ADNOC Offshore
Al Bateel	Appraisal	Offshore	20.0%	ADNOC Offshore

We acquired an interest in the ADOC concession in 2014 through CEPAD, our joint venture with Cosmo Oil Co., Ltd (**Cosmo Oil**). CEPAD, in which we own 20%, is governed by a shareholder agreement between CEPSA and Cosmo Oil. CEPAD has a 64.42% working interest in the ADOC concession. The ADOC concession was renewed in 2012 and is set to expire in 2042.

The ADOC concession includes:

- the Mubarraz offshore oil field, which began production in 1973, consists of 53 wells and spans 85 km^2;
- the Umm Al Anbar offshore oil field, which began production in 1989, consists of 12 wells and spans 45 km^2;
- the Neewat Al Ghalan offshore oil field, which began production in 1995, consists of 8 wells and spans 42 km^2; and
- the Hail offshore oil field, which began production in 2017, consists of 10 wells and spans 22 km^2.

In March 2018, we acquired our interest in the SARB and Umm Lulu Concessions, through a concession contract with ADNOC. The concession area includes two oil fields under development (SARB and Umm Lulu) as well as two fields to be developed (Bin Nasher and Al Bateel). The SARB and Umm Lulu Concessions are expected to be the main source of our future E&P production increase accounting for approximately 60% of our total reserves. SARB and Umm Lulu are operated by ADNOC Offshore pursuant to an operating agreement among CEPSA, ADNOC, ADNOC Offshore and OMV. The concessions are set to expire in 2058. For more information, see "*Investments and Projects—Abu Dhabi SARB & Umm Lulu development*" below.

Information concerning key concession terms for these fields is subject to confidentiality restrictions under applicable law. See "*Presentation of Financial and Other Information—Certain Reserves Information—Presentation of Hydrocarbon Data*".

Middle East—Production and Reserves

The table below shows certain information on our production and reserves in the Middle East:

	HY 2018	FY 2017
1P Reserves (*MMboe*)	196	20
2P Reserves (*MMboe*)	309	30
Production (*MMboe*)	0.8	1.0
2P Reserves/Production ratio (*years)*	185[1]	29

Note: Table reflects net entitlement.

(1) This figure reflects the full contribution from the SARB and Umm Lulu fields. It is expected that this figure will decrease considerably once these fields are no longer in the development phase but have reached full development and production.

In the Middle East, we estimate our average ultimate recovery factor, which is based on internal estimates of the oil initially in place in the reservoirs and the quantities of petroleum which are potentially recoverable from the fields according to the Competent Person's Report, to be approximately 45%. For additional detail on our estimated reserves and income data, see the Competent Person's Report.

North Africa—Assets

We have had an E&P presence in North Africa for over 30 years. Our holdings currently include three oil fields and one gas field under production and one oil discovery under appraisal, all of which are based in Algeria. Between 1996 and 2017, our cumulative capital expenditures and free cash flow in Algeria amounted to approximately €2.0 billion and approximately €2.5 billion, respectively. In addition, we have limited interests in certain oil and gas fields in Spain, which are included within our reserves figures for North Africa for consistency with the Competent Person's Report.

The table below shows certain information regarding our material E&P assets in North Africa:

	Stage	Working interest	Operator	FY 2017	
				2P Reserves (MMboe)	Production (kboe/d)
Rhourde el Krouf (RKF)	Production	49.0%[1]	CEPSA	70.8	5.1
Ourhoud	Production	37.1%	Joint Operatorship	49.1	25.8
BMS	Production	75.0%	Joint Operatorship	14.2	3.3
Timimoun (gas)	Production	11.25%	Groupement Timimoun	9.6	—
Rhourde er Rouni	Appraisal	49.0%	CEPSA	—	—

Note: Table reflects net entitlement

(1) Pending the entry into force of the new agreement with the Algerian government for the redevelopment of RKF, which will occur after publication in the Official Gazette. Until such time, the terms of our existing PSC will remain in force.

The onshore RKF oil field is located in the Berkine basin and consists of 28 active wells, covering an area of approximately 358 km^2. We have operated RKF since 1992 and first oil was achieved in 1996. The field reached a plateau rate 20 kboe/d, which was sustained for 13 years, and produced approximately 133 MMboe by FY 2017 in gross terms. In FY 2017, RKF produced approximately 11 kboe/d. Historically, we had a 100.0% working interest in RKF through a PSC. In January 2018, together with our partner Sonatrach SPA (**Sonatrach**), we entered into a new concession agreement with the National Resources Development Agency of Algeria (**ALNAFT**), which, once effective, will give us a 49.0% working interest in RKF and allow for further development of RKF for an additional 25 years, until 2043. The reserves associated with this extension are included in our reserves data as at 31 December 2017. For more information, see "*Investments and Projects—Algeria RKF redevelopment*" below.

The onshore Ourhoud oil field is the second largest oilfield in Algeria in terms of volume as of October 2016 (*source: Wood Mackenzie*). Ourhoud is located in the Berkine basin and consists of 119 active wells, covering an area of approximately 258 km^2. The field has been in production since 2002 and in FY 2017 produced approximately 106 kboe/d. We currently have a 37.1% working interest in the oil field and operate it on a joint basis with Sonatrach and Anadarko through a joint venture, Organization Ourhoud, in which ENI, Total, Pertamina and Repsol are non-operated partners, in accordance with the terms of a framework unitized agreement. Our interest in the field is pursuant to a PSC with Sonatrach, and in 2018, we agreed terms with the Algerian government to extend our production rights in the field for 10 years from expiry, subject to approval by the Algerian Council of Ministers and publication in the Official Gazette.

The onshore BMS oil field is located in the Berkine basin and consists of eight active wells, covering an area of approximately 73 km^2. The field has been in production since 2015 and in FY 2017 produced approximately 12 kboe/d, which is expected to increase to approximately 13 kboe/d in the short-term. We have a 75.0% working interest in the oil field and we operate it through our joint venture, BMS-OC, with Sonatrach, which owns the remaining 25.0% interest. CEPSA and Sonatrach have the right to appoint representatives in the management positions of BMS-OC and key decisions, such as the design and implementation of work programs or approval of budgets, require unanimous support. We operate the field under a concession agreement that is set to expire in 2027.

The onshore Timimoun gas field is located in the Timimoun basin and consists of 24 active wells, with 13 additional wells expected to be drilled in the second half of 2020, covering an area of approximately 544 km^2. Timimoun is our first natural gas field in which we have an 11.25% working interest. The Timimoun field is operated by the joint venture, Groupement Timimoun, formed with our partners are Sonatrach (51%) and Total E&P Algérie (37%). CEPSA and its partners have the right to appoint representatives in the management positions of Groupement Timimoun and key decisions, such as the design and implementation of work programs or approval of budgets, require unanimous support. Timimoun began production in March 2018 and is operated under a concession agreement that is set to expire in 2039.

The onshore Rhourde er Rouni oil discovery is located in the Berkine basin and covers an area of approximately 105 km^2. We have a 49.0% interest in the field, which is currently under appraisal. Sonatrach is our partner in the field, holding the remaining 51.0% interest. We operate the field on a sole-risk basis until approval of the field development plan, which is expected in the coming months. If effective, the relevant concession agreement would expire in 2043.

Set out below is a summary of the key concession terms:

RKF[1]	
Contract type	Concession under Law 13–01
Royalty	Approximately 12.5% of gross production[2]
Tax on petroleum income (TRP)	Ranges between 20.0%–70.0% of revenue after legally specified deductions, depending on the production rate and profitability of the project
Additional income tax (ICR)	Ranges between 19.0%–80.0% of revenue after legally specified deductions, depending on the production rate and profitability of the project
Ourhoud	
Contract type	PSC under Law 86–14 with price cap
Expiry	2029[3]
BMS[4]	
Contract type	PSC under Law 86–14 with price cap
Royalty	Approximately 12.5% of gross production[2]
Windfall tax (TPE)	Applied to Profit Oil. Ranges between 5.0%–50.0%, depending on Brent prices
Exploitation duration	15 year exploitation phase + 5 year extension
Timimoun	
Contract type	Concession under Law 13-01
Royalty	Approximately 11% of gross production[2]
Tax on petroleum income (TRP)	Ranges between 20.0%–70.0% of revenue after legally specified deductions, depending on the production rate and profitability of the project
Additional income tax (ICR)	Ranges between 19.0%–80.0% of revenue after legally specified deductions, depending on the production rate and profitability of the project
Concession expiry	2039

Rhourde er Rouni

Contract type	Concession under Law 13–01
Royalty	Expected to be between: 12.5–23.0% of gross production[2]
Tax on petroleum income (TRP)	Ranges between 20.0%–70.0% of revenue after legally specified deductions, depending on the production rate and profitability of the project
Additional income tax (ICR)	Ranges between 19.0%–80.0% of revenue after legally specified deductions, depending on the production rate and profitability of the project
Concession expiry	2043

(1) Pending the entry into force of the new agreement with the Algerian government for the redevelopment of RKF, which will occur after publication in the Official Gazette. Until such time, the terms of our existing PSC will remain in force.

(2) Royalties in Algeria are calculated in accordance with the applicable law and depend on the production rate and the geographic location of the asset.

(3) Reflects expected extension pursuant to our joint venture agreement with Sonatrach.

(4) Liftings at maximum allowed due to cost oil saturation. Carry forward balance as of 31 December 2017. Carry forward balance amounted to U.S.$291 million as of 31 December 2017.

North Africa—Production and Reserves

The table below shows certain information regarding our production and reserves in North Africa:

	HY 2018	FY 2017
1P Reserves (*MMboe*)	49	60
2P Reserves (*MMboe*)	134	144
RKF	70	71
Ourhoud	41	49
BMS	13	14
Timimoun (gas)	9	10
Production (*kboe/d*)	29.2	34
RKF	4.7	5
Ourhoud	18.9	26
BMS	5.2	3
Timimoun (gas)	0.5	—
2P Reserves/Production ratio (*years*)	13	11

Note: Table reflects net entitlement.

The table below shows key metrics for the Ourhoud oil field for FY 2017:

	FY 2017 (MMboe, unless indicated otherwise)
Total field production (Block 406A share)	22.08
Average sales price (*U.S.$/bbl*)	54.91
Net cost oil	1.62
Net sales (cost oil + net profit oil)	4.43
Net entitlement (including taxes)	9.39

In North Africa, we estimate our average ultimate recovery factor, which is based on internal estimates of the oil initially in place in the reservoirs and the quantities of petroleum which are potentially recoverable from the fields according to the Competent Person's Report, to be approximately 55%. For additional detail on our estimated reserves and income data, see the Competent Person's Report.

Latin America—Assets

We have had an E&P presence in Latin America for over 17 years. In Latin America, we have assets in Colombia, Peru, Brazil, Suriname and Mexico. Our Colombia and Peru operations are focused on onshore oil exploration, production and development, while our Brazil, Suriname and Mexico operations are focused on offshore oil exploration.

The table below shows certain information regarding our material E&P assets in Latin America:

	Stage	Working interest	Operator	FY 2017	
				2P Reserves	Production
				(MMboe)	(kboe/d)
Colombia					
Caracara	Production / Development	70.0%	CEPSA	12.6	9.5
Casanare area	Production / Development / Exploration	Various	CEPSA	1.7	1.8
La Cañada Norte . . .	Production	16.7%	HOCOL	0.3	0.2
Other	Exploration	Various	CEPSA	—	—
Peru					
Los Angeles	Production	100.0%	CEPSA	8.0	3.0
Brazil					
Blocks 665 & 717 . .	Exploration	50.0%	Premier Oil	—	—
Mexico					
Blocks 16, 17 & 18 .	Exploration	20.0%	DEM[(1)] + Pemex	—	—
Suriname					
Block 53	Exploration	25.0%	Apache	—	—

Note: Table reflects net entitlement.

(1) Refers to Deutsche Erdoel Mexico.

Colombia

Our E&P operations in Colombia began in 2001 and our holdings currently consist of eight onshore production and development projects, seven of which we operate. Over the last ten years, we have produced approximately 56 MMboe of net reserves in Colombia, which has been a key free cash flow contributor for our E&P segment.

Our activities in Colombia are primarily focused in Los Llanos basin, where we operate the Caracara block, our main asset in Colombia, which consists of approximately 130 drilled wells (of which approximately 90 are active), covering an area of approximately 370 km^2. The field has been in production since 2002 and maintained a production plateau of more than 19 kboe/d for more than seven years. In FY 2017, the field produced approximately 9.5 net kboe/d. We have a 70.0% working interest in the Caracara block through an association contract with Ecopetrol, which is set to expire in 2029.

Our other production assets in Los Llanos basin are within the Casanare area and produced approximately 1.8 kboe/d net in FY 2017, reflecting production from the Ramiriquí field (within the Llanos 22 block), the Jilguero field (within the Tiple and Garibay blocks) and the Onca and Manatus fields (within the Puntero block), collectively. Our working interest in these fields ranges from 27.5% in the Jilguero field to 100% in the Onca field. We hold our interest in these fields through concession agreements, which are set to expire between 2036 and 2038. Our partners in these blocks include Perenco and Gran Tierra Energy.

In addition, we have a 16.7% interest in La Cañada Norte field in the Upper Valley of the River Magdalena, which is split between the San Jacinto and Rio Paez blocks. La Cañada Norte field produced approximately 0.2 kboe/d net in FY 2017 and is operated by HOCOL. We hold our interest in the field through an association contract, which is set to expire in December 2024.

We also have exploration activities in Los Llanos basin, where we have three exploration contracts, including the CPO 14 block (in which we have a 100.0% working interest) covering an area of approximately 2,095 km^2, the Merecure block (in which we have a 70.0% working interest) covering an area of 570 km^2 and the Llanos 22 block (in which we have a 55% working interest) covering an area of 343 km^2. Our exploration activities in the CPO 14 block are temporarily suspended pending the transfer of certain environmental permits from the former operator to the Company, which is expected to occur in the first quarter of 2019. Our exploration activities in the Merecure block are temporarily suspended pending the resolution of certain concerns from local communities, which we expect to resolve in the short-term. For similar reasons, our exploration activities in the Llanos 22 block are temporarily suspended and we expect to resume operations in the medium-term. Our interest in these fields, if a discovery is made, is set to expire 24 years from the declaration of a commercial discovery.

In 2011, to secure access to transport capacity in Colombia, we acquired a 5.0% working interest in OCENSA, the owner of Colombia's main pipeline running from Los Llanos basin to the Caribbean coast, which strengthened our position in Colombia by gaining access to the country's petroleum infrastructure. In 2013, we sold our interest in OCENSA, while retaining our right to use the pipeline.

Set out below is a summary of the key concession terms:

Caracara

Contract type	Association contract
Royalty	Ranges between 8.0%–20.0% of gross production[1]
Revenue	Approximately 70% of gross revenue after the deduction of royalties
Associate working interest	CEPSA net working interest through associate: currently 70.0%
Income tax	33%
Surtax	2017: 6%; 2018: 4%; 2019 onwards: 0%

La Cañada Norte

Contract type	Association contract
Royalty	Ranges between 8.0%–20.0% of gross production[1]
Revenue	Approximately 50% of gross revenue after the deduction of royalties
Associate working interest	CEPSA net working interest through associate: currently 16.7%
Income tax	33%
Surtax	2017: 6%; 2018: 4%; 2019 onwards: 0%

Casanare

Contract type	Concession (Royalty-Tax)
Royalty	Ranges between 8.0%–25.0% of gross production[1]
Revenue	Varies by contract
Associate working interest	Varies by contract
Income tax	33%
Surtax	2017: 6%; 2018: 4%; 2019 onwards: 0%

(1) Royalties in Colombia are calculated in accordance with the applicable law and depend on the production rate of the asset.

Peru

Our E&P operations in Peru began in 2007 and our holdings currently consist of one oil field under production (the Los Angeles field). The Los Angeles field is located in the Ucayali basin and currently consists of four active wells, covering an area of approximately 155 km^2. We have operated the field since it began production in 2014 and it produced approximately 3 kboe/d in FY 2017. We have a 100.0% working interest in the field through a concession agreement which is set to expire in 2038. The project is nearing the end of the development stage as we expect to complete the construction of field facilities as well as the drilling of two additional wells in 2018.

Set out below is a summary of the key concession terms:

Contract type	Concession (Royalty-Tax)
Royalty	Ranges between 23.5%–38.5% of gross production[1]
Employee tax	5%
Income tax	32%

(1) Royalties in Peru are calculated in accordance with the applicable law and depend on the production rate of the asset.

Brazil

We initiated our exploration activities in Brazil in 2013. Our activities focus on the Ceara basin, where we are conducting offshore exploration in blocks 717 and 665, which cover an area of approximately 650 km^2 and 770 km^2, respectively. We have a 50.0% interest in each of the blocks through a joint venture with Premier Oil, which operates both blocks. Preparations are in place to drill an exploratory well in 2020, targeting overlaying shallow and deep prospects, reachable within the same well. The current exploration phase is set to expire in July 2019, although the joint venture has the right to automatically extend the contract for two years without any further commitment. In addition, the joint venture may apply for a further two year exploration period, on the basis of a commitment to drill an exploration well.

Mexico

We have had operations in Mexico since March 2018, following the award of three exploration blocks in partnership with Pemex Exploration and Production and Deutsche Erdoel Mexico. Our activities are expected to focus on the Tampico-Misantla basin located in the Gulf of Mexico, where we intend to conduct offshore shallow water exploration in blocks 16, 17 and 18, which cover an area of approximately 2,440 km^2. We have a

non-operated 20.0% interest in the blocks. The first phase of exploration is expected to last approximately four years, after which we have the ability to request two additional exploration periods of two years each. If the project is successful and commerciality is declared, we would have the right to an exploitation period of 30 years.

Suriname

We have had operations in Suriname since 2013. Our activities focus on the deep waters of the Guyana-Suriname basin, where we are conducting offshore exploration in block 53, which covers an area of approximately 3,500 km^2. We have a 25.0% interest in block 53, which is operated by Apache Suriname Corporation LDC in partnership with Petronas. Our activities are based on a concession agreement that is set to expire in May 2020, although the joint venture has the ability to apply for a further exploration period of 30 months on the basis of a commitment to drill an exploration well.

Latin America—Production and Reserves

The table below shows certain information on production and reserves regarding our material E&P assets in Latin America by country:

	1P Reserves		2P Reserves		Production		2P Reserves / Production Ratio	
	HY 2018	FY 2017	HY 2018	FY 2017	HY 2018	FY 2017	HY 2018	FY 2017
	(MMboe)		(MMboe)		(MMboe)		(years)	
Colombia	11	13	13	15	2.0	4.2	3	3
Peru	4	6	7	8	0.5	1.1	7	7
Total	**15**	**19**	**19**	**23**	**2.5**	**5.3**	**4**	**4**

Note: Table reflects net entitlement.

The table below shows certain information regarding our production and reserves by field:

	HY 2018	FY 2017
2P Reserves (*MMboe*)		
Caracara (Colombia)	10.9	12.6
Casanare (Colombia)	1.4	1.7
La Cañada Norte (Colombia)	0.3	0.3
Los Angeles (Peru)	6.6	8.0
Production (*kboe/d*)		
Caracara (Colombia)	8.5	9.5
Casanare (Colombia)	2.1	1.8
La Cañada Norte (Colombia)	0.2	0.2
Los Angeles (Peru)	2.7	3.0

Note: Table reflects net entitlement.

In Latin America, we estimate our average ultimate recovery factor, which is based on internal estimates of the oil initially in place in the reservoirs and the quantities of petroleum which are potentially recoverable from the fields according to the Competent Person's Report, to be approximately 40%. For additional detail on our estimated reserves and income data, see the Competent Person's Report.

South East Asia—Assets

We have had an E&P presence in South East Asia since 2014. Our South East Asia assets are located in Thailand and Malaysia and include onshore and shallow water offshore oil production.

The table below shows certain information regarding our material E&P assets in South East Asia:

	Stage	Working interest	Operator	FY 2017 2P Reserves (MMboe)	FY 2017 Production (kboe/d)
Thailand					
G5/43 block	Production/Abandonment	100.0%	CEPSA	3.6	9.0
Sinphuhorm E-5/EU-1 (gas)	Production/Development	13.7%	PTTEP	2.3	1.9
L15/43 and L27/43 blocks	Exploration	39.0%	APICO	n/a	n/a
Malaysia					
KBM	Production	70.0%	CEPSA	1.2	2.8
PM-316 block	Relinquishment	80.0%	CEPSA	n/a	n/a

Note: Table reflects net entitlement.

Thailand

The offshore block G5/43, located in the Gulf of Thailand, spans 109 km^2 and consists of 52 active wells and 38 plugged and abandoned wells. We have a 100.0% interest in the block, which is in the production and abandonment phases, and have operated the block since 2014 under a concession agreement which is set to expire in 2032. Due to increasing operating costs, we began the process of managed-decline and abandonment of the block in 2017. Since starting this process, two mobile offshore production units have been successfully removed, leaving one fixed platform which is in the process of abandonment, and two operating mobile offshore production units which continue to allow us to maintain low operating expenditure, whilst we seek to extend the profitable production and maximize cash flows before the cessation of production.

We have a 39.0% interest in APICO LLC (**APICO**), accounted for using the equity method, which holds onshore production rights in the Sinphuhorm E-5/EU-1 natural gas fields and partners with ExxonMobil and PTTEP for their exploitation. Our net working interest in the gas fields is 13.7%. From the fields, natural gas is transported through a 64 km pipeline to supply the EGAT power plant. The gas sales agreement is set to expire in 2021, with the potential to be extended by 10 years.

APICO also holds exploratory onshore rights in the L15/43 and L27/43 blocks, located in the vicinity of the Sinphuhorm gas field, at the Greater Khorat basin in Thailand. We have a 39.0% net working interest in the field through APICO, which operates the blocks. Our interest in these blocks is set to expire in March 2019.

Information concerning key concession terms for these fields is subject to confidentiality restrictions under applicable law. See "*Presentation of Financial and Other Information—Certain Reserves Information—Presentation of Hydrocarbon Data*".

Malaysia

The KBM cluster includes three oil fields, namely Kapal, Banang and Meranti, which are located off the coast of Malaysia. The cluster spans 132 km^2 and consists of 3 active wells. KBM is owned by Petronas, and we have a 70.0% interest in the field pursuant to a risk service contract. We have operated KBM through our subsidiary, Coastal KBM, since 2013. Our interest in KBM is set to expire in 2020. Our aim is to maintain low operating expenditure to enable profitable production, while seeking to increase production and exploit remaining reserves.

In addition, we have an 80% interest in the PM-316 block, which is located off the coast of Malaysia and consists of two plugged and abandoned exploration wells. The contract is currently in the relinquishment phase.

Information concerning key concession terms for these fields is subject to confidentiality restrictions under applicable law. See "*Presentation of Financial and Other Information—Certain Reserves Information—Presentation of Hydrocarbon Data*".

South East Asia—Production, Reserves and Abandonment

The table below shows certain information on our production and reserves regarding our material E&P assets in South East Asia by country:

	1P Reserves		2P Reserves		Production		2P Reserves / Production Ratio	
	HY 2018	FY 2017	HY 2018	FY 2017	HY 2018	FY 2017	HY 2018	FY 2017
	(MMboe)		(MMboe)		(MMboe)		(years)	
Thailand	3.3	2.0	5.1	5.9	1.6	4.0	1.5	1.5
Malaysia	0.6	0.7	0.8	1.2	0.4	1.0	1.0	1.0
Total	**3.9**	**2.7**	**6.0**	**7.0**	**2.0**	**5.0**	**1.5**	**1.4**

Note: Table reflects net entitlement.

The table below shows certain information regarding our production and reserves by field:

	HY 2018	FY 2017
2P Reserves (*MMboe*)		
G5/43 block (Thailand)	3.2	3.6
Sinphuhorm (gas) (Thailand)	1.9	2.3
L15/43 & L27/43 blocks (Thailand)	—	—
KBM (Malaysia)	0.8	1.2
Production (*kboe/d*)		
G5/43 block (Thailand)	7.3	9.0
Sinphuhorm (gas) (Thailand)	1.8	1.9
L15/43 & L27/43 blocks (Thailand)	—	—
KBM (Malaysia)	2.1	2.8

Note: Table reflects net entitlement.

For additional detail on our estimated reserves and income data, see the Competent Person's Report.

For the G5/43 block in Thailand, we are currently managing the termination of our operations and conducting abandonment of the facilities. As of 30 June 2018, we have plugged and abandoned 38 wells and decommissioned two mobile offshore production units. During the abandonment process, we are seeking to maintain low operating expenditure to extend profitable production and maximize the associated cash flows before the cessation of production. According to the Competent Person's Report, decommissioning expenses are expected to amount to less than U.S.$70 million based on current performance.

Capital Expenditure Data

The table below provides certain capital expenditure data by category for our E&P segment. For a description of these categories, see "*Operating and Financial Review—Liquidity and Capital Resources—Capital Expenditures*".

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million)				
Maintenance & HSE[1]	8	—	—	—	—
Growth & M&A	1,320	35	14	—	1
Development	87	31	105	133	378
Exploration	2	41	52	39	164
Total capital expenditures	**1,417**	**107**	**170**	**172**	**543**

(1) For FY 2017, FY 2016 and FY 2015, investments in Maintenance and HSE are included within Development. Since HY 2018, we report such investments separately as a result of changes in accounting criteria.

Investments and Projects

Abu Dhabi SARB & Umm Lulu development

In March 2018, we signed an offshore concession agreement with ADNOC, through which we were granted a 20% working interest in the SARB and Umm Lulu Concessions. As at 1 July 2018, the SARB and Umm Lulu fields have estimated 2P net entitlement reserves of approximately 279 MMbbl and 2C gross resources of

approximately 250 MMbbl. The SARB and Umm Lulu fields are expected to have a unit technical cost of less than U.S.$15/bbl. We currently expect to reach first sales of crude for SARB in 2019, reaching full field development by 2020, with an estimated gross plateau production rate of more than 200 kboe/d. The SARB and Umm Lulu Concessions are set to expire in 2058.

According to the operator of the fields, our share of the expected cumulative undiscounted net free cash flow after taxes from the SARB and Umm Lulu Concessions is set out in the table below:

	Flat crude price			
	U.S.$50/bbl	U.S.$60/bbl	U.S.$70/bbl	U.S.$80/bbl
U.S.$ million	1,154	1,697	2,239	2,780

As of 30 June 2018, we have incurred investment costs of approximately €1,340 million in connection with the project. According to the Competent Person's Report, our share of the estimated future capital cost of the project is expected to be approximately U.S.$893 million. For additional information, see the Competent Person's Report.

Algeria RKF redevelopment

In January 2018, we agreed terms for a 25-year concession agreement with Sonatrach and ALNAFT, through which we will be awarded a 49% working interest in the RKF oil field, located in the Berkine basin in Algeria. This project will entail the significant redevelopment of a mature oil field after 19 years in production with the objective of increasing crude production significantly and, for the first time, the production of LPG through the application of hydrocarbon recovery techniques not previously used at this field. This project will also entail doubling the number of existing development wells and the construction of a new processing plant with a production capacity of 24 Kbbl/d of crude oil and 10 Kbbl/d of LPG. The redevelopment project and the new concession agreement will, once effective, allow us to increase our 2P net entitlement reserves by more than 70 MMbbl, increase our gross production from 10 Kbbl/d to more than 33 Kbbl/d and have a unit technical cost of approximately U.S.$20/bbl. We currently expect to realize the additional production from the redevelopment in 2023. The concession agreement is set to expire in 2043 and its coming into force is subject to publication in the Official Gazette.

As of 30 June 2018, the new concession agreement had not yet come into force and, accordingly, we had not incurred any expenses in connection with the project. According to the Competent Person's Report, our share of the estimated future capital cost of the project is expected to be approximately U.S.$568 million under the terms of the new concession agreement. For additional information, see the Competent Person's Report.

Refining

Our Refining segment distils crude oil into refined products for sale to market. Our refineries are highly integrated with our other business segments, providing, among other products, fuels, LPG, lubricants and biofuels to our Marketing segment, and feedstock for our Petrochemicals segment, which enables us to pursue operational efficiencies and optimize margins across the value chain. The Refining segment also includes a trading unit, which, among other activities, secures crude oil and feedstocks for the day-to-day requirements of our refineries, and a G&P unit, which produces electricity and supplies natural gas, electricity and steam to our refining and petrochemical sites in Spain, as well as to large customers in the industrial and commercial sectors in Spain, and natural gas to customers in Portugal.

We own and operate two principal refineries in Spain (the San Roque (Cádiz) refinery and the Palos (Huelva) refinery), which together accounted for approximately 31% of the total refining capacity in Spain as at 31 December 2017 (*source: CORES*), and from which we supply the Spanish and international markets. We also have a 50% interest in the ASESA asphalt refinery in Tarragona, Spain (with the remaining 50% interest being held by Repsol), which has a total refining production capacity of approximately 28 Kbbl/d, and a 100% interest in large storage terminals located in the Canary Islands (Tenerife and Las Palmas), as well as other storage units located around Spain, the majority of which we lease under a storage and distribution contract with CLH. As at 30 June 2018, our refineries had a total crude distillation capacity of approximately 170 MMbbl per year (or 464 Kbbl/d). As at 31 December 2017, we were the second largest refiner in Spain in terms of total refining production capacity (*source: CORES*). As from August 2018, the total crude distillation capacity of our refineries has increased to approximately 489 Kbbl/d due to the new distillation capacity which has come on stream at the Palos (Huelva) refinery.

In FY 2017, our refineries represented approximately 31% of the total crude distillation capacity in Spain (*source: CORES*) and had a total distillation production of 10.8 Mt and 21.4 Mt in HY 2018 and FY 2017,

respectively. In FY 2017, we processed 155 MMbbl of crude oil, sourcing our crude feedstock of more than 40 different grades from 37 different suppliers. We believe our ability to distil this variety of crude grades enables us to respond to market conditions and optimize our margins. In HY 2018, we processed 80 MMbbl of crude oil, comprising more than 30 different grades from 31 different suppliers, including our E&P segment.

Our refineries are in the top quartile in terms of survivability (costs to produce transportation fuels), market competitiveness (profitability and process utilization) and operational efficiency (operational availability, maintenance and other indicators) according to the Solomon Index for Western Europe (2016), and through our long-term investment program, we expect to maintain our top quartile positioning. Our refineries also benefit from their strategic location near the Strait of Gibraltar, which provides export opportunities to markets across the Mediterranean Sea, North Africa and the Atlantic basin, close access to a large marine bunker market in the Strait of Gibraltar and advantaged access to low-sulfur crudes from North and West Africa and the United States.

As part of our strategy to maintain the competitiveness of our Refining segment, we use linear programming tools, which globally integrate all of our refineries and take into account market forecasts, for crude selection and production planning aimed at improving profitability. We also use business plans that cover the long-term (five years); a one-year advanced budget; a rolling budget analysis for the next 12 months; an advance analysis for the next three months; and a one-month program. In addition, we engage in a retrospective analysis of historical data and trends for the continuous refinement of these plans. Most of the steps in the process are managed by our Value Chain Margin Optimization department.

The following table sets forth certain financial and operational information regarding our Refining segment (including refining, Trading and G&P units) for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million, unless otherwise indicated)				
Revenue attributable to segment[1]	2,535	2,005	4,051	3,691	3,871
Adjusted EBITDA[2]	245	425	874	669	782
Adjusted NIAT[2]	91	223	481	341	412
Adjusted Free Cash Flow[2]	116	258	520	705	676
Capital expenditures	139	118	302	216	205
Refining margin (*U.S.$/bbl*)	5.5	7.2	7.5	5.6	7.6
Distillation production (*Mt*)	10.8	10.3	21.4	21.6	21.4
Processed crude (*MMbbl*)	80	74	155	159	158
Total capacity (*Kbbl/d*)[3]	464	464	464	464	464
Average utilization rate (*%*)	92.0	86.7	90.6	92.8	95.9

(1) Reflects revenue from external customers.

(2) For the definitions and reconciliations of these items, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

(3) Includes 50% of the production capacity of the ASESA asphalt refinery in Tarragona (Spain) to reflect our 50% interest.

Refining Operations

Our refining operations address the multi-stage process of converting crude oil (i.e., the feedstock), into a variety, or slate, of finished petroleum-derivative products. While the process chain differs depending on the configuration of each refinery, the general process of crude oil distillation can be summarized as follows:

- The crude oil feedstock is heated in distillation units to approximately 350 degrees Celsius and separated into hydrocarbons with distinct molecular structures through a process of progressive evaporation and condensation, through which gas, primary gasoline, kerosene, diesel and heavy fuel are separated and obtained.
- To meet commercial specifications and applicable environmental standards, the products of direct distillation are passed through a series of conversion and treatment units that alter their molecular characteristics to obtain products that comply with mandatory or contractual specifications (such as sulfur content and density) and/or attract a higher value in the market. These conversion and treatment units typically operate at high temperatures and pressure levels, or with advanced catalysts that accelerate chemical reactions.

- Mixing or blending concludes the crude oil processing process. In this step, the various hydrocarbons resulting from the earlier parts of the refining process are blended together and/or mixed with additives and processed into on-specification finished products.
- While the production of fuels such as diesel, fuel oil, gasoline, jet fuel and LPG, is the primary function of a refinery, products that are valuable for the petrochemical industry can also be produced, such as light olefins, naphtha and aromatics.

The table below provides a summary of our total refinery production and sales by product for the periods indicated:

	HY 2018		FY 2017	
	Sales	Production	Sales	Production
	(Mt)			
LPG	0.4	0.4	1.0	1.0
Gasoline	1.2	1.1	2.5	2.4
Naphtha	0.6	0.6	1.3	1.4
Kerosene/Jet fuel	1.7	1.1	3.7	1.9
Diesel	4.9	4.5	9.6	9.0
Fuel oil	2.5	1.4	5.3	3.0
Other[1]	1.5	1.7	2.7	2.7
Total volume[2]	**12.8**	**10.8**	**26.1**	**21.4**

Note: Sales figures include imports of certain products to satisfy demand.

(1) Primarily includes asphalts, aromatics, lubricants and VGO.

(2) Includes semi-finished products.

Although we export a portion of our refinery products directly from our refineries, we transfer the majority of our products to CLH logistics centers in the Iberian Peninsula or to our storage facilities in the Canary Islands, from which we sell our refined products. In addition, we import finished products to our logistics centers depending on domestic demand fluctuations and the price environment. We principally supply refined products from our refineries to our Marketing and Petrochemicals segments and to our Trading unit; we also sell certain refined products to other oil companies and companies in the chemicals industry.

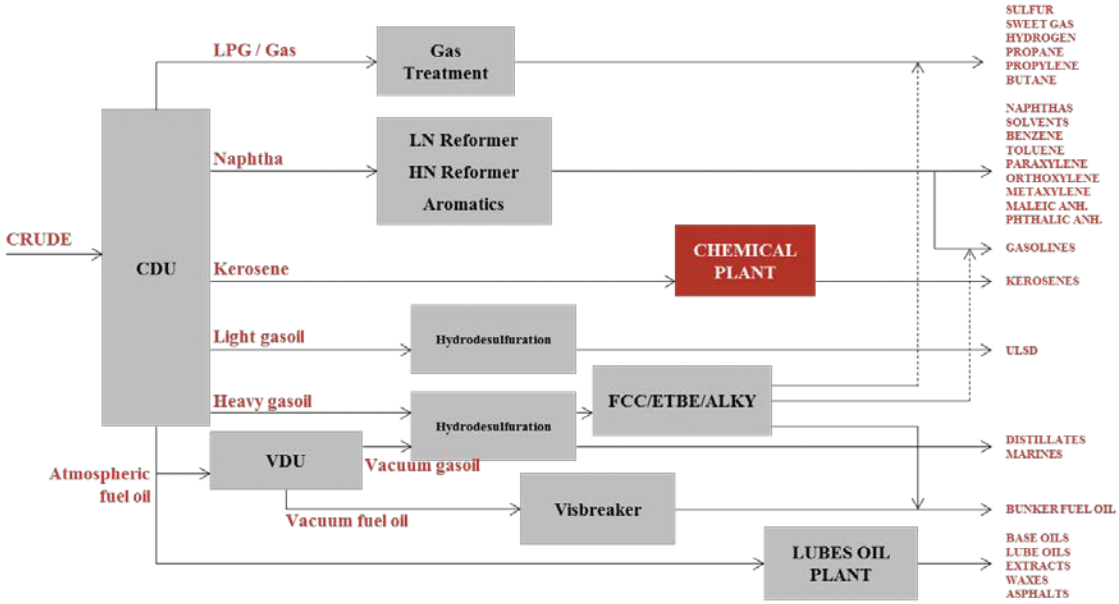
San Roque (Cádiz) refinery

Our San Roque (Cádiz) refinery is the largest refinery in Spain as of 2017 in terms of distillation capacity (approximately 250 Kbbl/d) (*source: CORES*). As at 30 June 2018, the San Roque (Cádiz) refinery had a distillation capacity of approximately 250 Kbbl/d and a utilization rate of 96.1%. The San Roque (Cádiz) refinery is located in Gibraltar Bay, on the south coast of Spain, and occupies a total area of approximately 1.5 million m^2. The San Roque (Cádiz) refinery is our most complex refinery, with a Nelson Complexity Index (**NCI**) rating of 9.0 and a middle distillate yield of approximately 44% (by weight) as at 30 June 2018. The NCI is a methodology used to measure the secondary conversion capacity of a refinery relative to the primary distillation capacity, assigning a complexity factor to each major refinery unit based on its cost and complexity in comparison with crude distillation, which is given a complexity factor of 1.0. These complexity factors take into account not only the relative cost of a refinery unit but also its value-accretion potential. Our San Roque (Cádiz) refinery also ranked in the top quartile in terms of survivability (costs to produce transportation fuels), market competitiveness (profitability and process utilization) and operational efficiency (operational availability, energy, maintenance and other indicators) according to the Solomon Index for Western Europe (2016).

The San Roque (Cádiz) refinery started operations in the late 1960s and imports crude oil from different regions, mainly the Middle East and West Africa. We also import crude oil from the North Sea, the Mediterranean area, Russia and North America, with an increasing quantity of imports originating from North America in recent years. In HY 2018 and FY 2017, the refinery processed approximately 44 MMbbl and 83 MMbbl of crude oil, of which 2.5% and 1.8% was supplied internally by our E&P segment (by weight), respectively, with the balance purchased from external sources. The facility's main products are diesel, fuel oil and gasoline, which represented 38%, 21% and 15% of the refinery's total distillation production for FY 2017 (by weight), respectively. In addition, specialty products, such as lubricants based on oils and n-paraffin, are produced, which comprised approximately 2% of the refinery's total distillation production (by weight) for FY 2017.

The San Roque (Cádiz) refinery is a mid-conversion type refinery focused on "cracking". Its main conversion units are a fluid catalytic cracking (**FCC**) and a visbreaker. Additionally, it has two catalytic naphtha reformers, aromatic production units for the petrochemical industry, a lubricant plant for the production of base oils and paraffin, and an alkylation unit to increase volumes of higher-value products, such as gasoline. The San Roque (Cádiz) refinery is fully integrated with other industrial facilities around it, including our petrochemical complex located in Puente Mayorga that receives kerosene and benzene for the production of linear paraffin and LAB and its sulfonated derivative. The San Roque (Cádiz) refinery is also integrated with our G&P cogeneration plants and the combined cycle gas turbine (**CCGT**), as described under "—*Gas & Power*" below.

The diagram below indicates the processes at the San Roque (Cádiz) refinery:



The following table sets forth the throughput and production volume by product for the San Roque (Cádiz) refinery for the periods indicated:

	HY 2018		FY 2017	
	(Kt)	(%)	(Kt)	(%)
Feedstock				
Purchased/supplied crude oil	5,937	95	11,257	94
Intermediate products[1]	284	5	738	6
Total throughput	**6,221**	**100**	**11,994**	**100**
Production volume				
LPG[2]	240	4	458	4
Gasoline	834	14	1,726	15
Naphtha	168	3	287	2
Aromatics	256	4	480	4
Aviation fuel[3]	530	9	708	6
Diesel	2,177	36	4,381	38
Fuel oil	1,163	19	2,379	21
Asphalts	88	1	155	1
Other[4]	528	9	941	8
Total production volume	**5,984**	**100**	**11,516**	**100**

(1) Represents other inputs to refineries, primarily biofuels and transfers of intermediate products to the other refineries.

(2) Includes propylene.

(3) Jet fuel production is reduced by the kerosene purchases from the Puente Mayorga petrochemical plant.

(4) Primarily includes VGO, solvents, base oils, n-paraffins and sulfur.

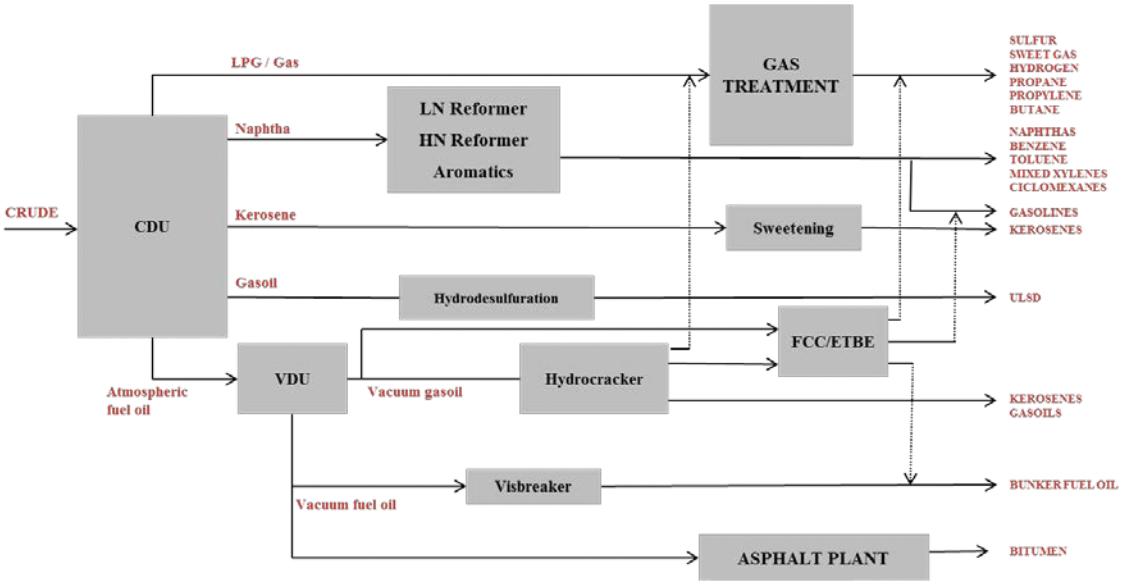
Palos (Huelva) refinery

Our Palos (Huelva) refinery is the fourth-largest refinery in Spain as of 2017 in terms of distillation capacity (approximately 200 Kbbl/d) (*source: IHS Report*). As at 30 June 2018, the Palos (Huelva) refinery had a distillation capacity of 200 Kbbl/d and a utilization rate of 88.7%. As from August 2018, the distillation capacity of the refinery has increased to a total of 225 Kbbl/d as part of our optimization plan. The Palos (Huelva) refinery is located in southern Spain and occupies a total area of 2.4 million m^2. The Palos (Huelva) refinery has an NCI rating of 8.8 and a middle distillate yield of approximately 58% (by weight) as at 30 June 2018. Our Palos (Huelva) refinery also ranked in the top quartile in terms of survivability (costs to produce transportation fuels), market competitiveness (profitability and process utilization) and operational efficiency (operational availability, maintenance and other indicators) according to the Solomon Index for Western Europe (2016).

Our Palos (Huelva) refinery started operations in the late 1960s and imports crude oil from six different regions, with the largest portion coming from West Africa. We also import crude oil from the Middle East, the North Sea, the Mediterranean area, Russia and North America, with an increasing quantity of imports originating from North America in recent years. In HY 2018 and FY 2017, the refinery processed approximately 35 MMbbl and approximately 69 MMbbl of crude oil, respectively, nearly all of which was purchased from external sources. The facility's main products are diesel, naphtha and jet, which represented approximately 46%, 11% and 11% of the refinery's total distillation production for FY 2017 (by weight), respectively. In addition, specialty products, such as asphalts, are produced, which comprised approximately 4% of the refinery's total distillation production (by weight) for FY 2017.

Our Palos (Huelva) refinery is a mid-conversion type refinery focused on "cracking". Its principal conversion units are a hydrocracker, an FCC and a visbreaker. Additionally, it has two catalytic naphtha reformers, aromatic production units and an asphalt production unit. This complex configuration, together with its high level of integration with our local industrial facilities (predominantly, our petrochemical facilities), enables us to pursue synergies between both sites. While the petrochemical plant receives benzene and propylene from the refinery which is used to produce acetone and phenol derivatives (used in the manufacture of synthetic fibers, plastics, fibers, medicines, etc.), the petrochemical plant, in turn, transfers certain by-products from its chemical processes back to the refinery (such as propane). The Palos (Huelva) refinery is also integrated with our G&P cogeneration plants, as described under "—*Gas & Power*" below.

The diagram below indicates the processes at the Palos (Huelva) refinery:



The following table sets forth the throughput and production volume by product for the Palos (Huelva) refining complex for the periods indicated:

	HY 2018		FY 2017	
	(Kt)	(%)	(Kt)	(%)
Feedstock				
Purchased/supplied crude oil	4,704	92	9,531	87
Intermediate products[1]	419	8	1,367	13
Total throughput	**5,123**	**100**	**10,898**	**100**
Production volume				
LPG[2]	220	4	473	5
Gasoline	282	6	751	7
Naphtha	494	10	1,151	11
Aviation fuel	606	12	1,143	11
Diesel	2,241	46	4,645	46
Fuel oil	540	11	1,086	11
Asphalts	233	5	435	4
Aromatics	178	4	292	3
Other[3]	118	2	219	2
Total production volume	**4,912**	**100**	**10,198**	**100**

(1) Represents other inputs to refineries, primarily VGO and biofuels.

(2) Includes propylene.

(3) Primarily includes solvents and sulfur.

ASESA (Tarragona) refinery

The ASESA refinery is an asphalt refinery with a production capacity of approximately 28 Kbbl/d, of which our share is approximately 14 Kbbl/d corresponding to our 50% holding in the refinery (the remaining 50% interest being held by Repsol). The refinery is located in Tarragona, on the northeast coast of Spain, and occupies a total area of approximately 0.4 million m^2. The ASESA refinery started operations in the mid-1960s and imports crude oil from two main different regions, Europe and South America. The facility's main units are an atmospheric and a vacuum distillation tower, which each partner operates 50% of the time.

The main products obtained are asphalts, middle distillates and VGO, which represented approximately 75%, 14% and 10% of our distillation production at the refinery (by weight) for FY 2017. The synergies between the ASESA refinery and our San Roque (Cádiz) refinery and our Palos (Huelva) refinery are significant, which we believe adds value to our whole system. While the ASESA refinery consumes residues from our San Roque (Cádiz) refinery, the ASESA refinery also, in turn, transfers raw material for middle distillates and VGO to our San Roque (Cádiz) refinery and Palos (Huelva) refinery.

Production Cost Data

The table below shows our manufacturing variable and fixed costs and our gross margins realized for the periods indicated:

	HY 2018	FY 2017	FY 2016	FY 2015
	(U.S.$/bbl, unless otherwise indicated)			
Fixed costs[1] (*€ million*)	151	307	311	319
Variable costs[2]	4.7	3.9	3.3	3.9
Brent price assumed in self-consumption[3]	70.6	54.3	43.7	52.5
Gross margin realized[4]	10.2	11.4	8.9	11.5
Refining margin (post variable costs)[5]	5.5	7.5	5.6	7.6

(1) Reflects refinery maintenance, labor cost, overhead and other expenses which are largely independent of the volume of crude oil distilled, excluding fixed costs of affiliates which are not related to refining activities in the amount of €12 million, €23 million and €21 million in HY 2018, FY 2017 and FY 2016, respectively. Such affiliates were not included in the Refining segment in FY 2015.

(2) Reflects refinery processing costs, utilities like natural gas, steam and electricity, as well as catalysts and chemicals, and other costs which change in proportion to the volume of crude oil distilled. Self-consumption is also included in variable costs.

(3) A component of variable costs, reflecting the average cost of crude oil acquired for distillation during the period.

(4) Reflects the difference between realized refined petroleum product prices and the prices for crude oil used to produce the refined petroleum products as well as freight and premium costs and intermediate products purchases (does not include costs related to the G&P and Trading units). Fixed costs are not included.

(5) Reflects the gross margin realized less the remaining variable costs. Fixed costs are not included.

Crude and feedstock supply

The feedstock for our refineries comprises crude oil (approximately 90% in FY 2017) and intermediate distillates (approximately 10% in FY 2017). We purchase crude oil from third parties under term or spot contracts and, to a significantly lesser degree, from our E&P segment (approximately 1%). In FY 2017, we acquired approximately 155 MMbbl of crude oil, of which approximately 58% was acquired in the spot market, approximately 41% pursuant to term contracts and approximately 1% was supplied by our E&P segment, measured by weight.

We require certain qualities or grades of crude oil that cannot be acquired in the spot market and, therefore, we seek to secure a significant percentage of our supply (no less than 40% of our annual requirements) through term contracts, mainly held with companies in the Middle East. The greater line-of-sight afforded by these contracts also provides us with certain logistical synergies and helps us organize the timing of cargos sequentially.

The following table sets forth the crude oil supply for our refining complexes by origin for the periods indicated:

	HY 2018	FY 2017
	(%)	
West Africa	35	39
Middle East	43	37
Mediterranean	12	10
North Sea	2	7
North America	6	4
Russia	2	2
South America	—	1
Total	**100**	**100**

In FY 2017, our refineries distilled 44 different grades of crude oil from 37 different suppliers. This sourcing and processing flexibility enables us to take advantage of market opportunities and optimize crude sourcing decisions by processing the most profitable grades given prevailing crack spreads.

Crude oil purchases from Iran

In 2016, we re-entered the market to acquire Iranian crude oil following the signing of the JCPOA and the partial repeal of U.S. and European Union sanctions. This decision, taken in compliance with applicable laws, sought to implement a strategy to maintain a diversified crude oil purchase basket to diversify risk and better position ourselves to take advantage of price differentials that arise in global supply. In 2016, we entered into a crude oil supply contract with NIOC for the supply of a significant volume of crude oil. In HY 2018 and FY 2017, we purchased approximately 13% of our externally sourced crude supply from Iran.

In August 2018, we notified NIOC that we would cease dealings under our crude oil supply agreement in view of the current business environment in Iran as well as the broader political and legal context, as a result of which we believe continued dealings would have a material adverse effect on our business interests and relationships. We received a final shipment in September 2018. See "*Risk Factors—Risks relating to our business—13. Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions*".

Storage and transport

Crude oil is transported to the refineries by shipping vessels, most commonly Aframax and Suezmax. Smaller shipping vessels are also used for the supply of intermediate products, typically with a capacity of 30,000 deadweight tonnage (**DWT**). Our total storage capacity for crude oil and products, including mandatory reserves, amounted to approximately 6.3 million m^3 (or 46.6 MMbbl) as at 30 June 2018 (excluding storage leased to third parties). In addition, we lease storage space to CORES, for the storage of crude oil and products at our refineries and at our logistics center in Tenerife. As at 30 June 2018, we leased approximately 0.8 million m^3 (or 5.3 MMbbl) of storage capacity to CORES.

At our San Roque (Cádiz) refinery, refined and intermediate products are mainly stored in tanks with a total storage capacity of 1.3 million m³ (or 9.4 MMbbl). In addition, the San Roque (Cádiz) refinery has an additional storage volume of 0.9 million m³ (or 6.8 MMbbl), in which we hold and blend many different types of crude and feedstock. The San Roque (Cádiz) refinery is supplied through a shipping terminal, which is designed to handle vessels with a cargo capacity of up to 320,000 DWT.

At our Palos (Huelva) refinery, refined and intermediate products are mainly stored in tanks with a total storage capacity of 1.1 million m³ (or 8.0 MMbbl). In addition, the Palos (Huelva) refinery has an additional storage volume of 1.4 million m³ (or 10.6 MMbbl), in which we hold and blend many different types of crude and feedstock. The Palos (Huelva) refinery is similarly supplied through a shipping terminal, which is designed to handle vessels with a cargo capacity of up to 199,000 DWT.

The ASESA refinery has a total storage capacity of 0.6 million m^3 (or 4.1 MMbbl), of which our share is approximately 0.3 million m^3 (or 2.0 MMbbl), corresponding to our 50% holding in the refinery. The ASESA refinery is similarly supplied through a shipping terminal, which is designed to handle vessels with a cargo capacity of up to 175,000 DWT.

Additionally, our logistics network is supported by our storage terminal in the Canary Islands, which has a total storage capacity of 1.3 million m³ (or 9.8 MMbbl). The shipping terminal at Tenerife can receive vessels with a cargo capacity of up to 240,000 DWT.

Our storage infrastructure is complemented by contracts for additional storage space with CLH throughout Spain, which we use to supply our Marketing segment. Our principal contract with CLH covers storage and distribution and provides us with access to more than 50 storage points with a contracted capacity of approximately 0.4 million m^3 (or 2.5 MMbbl). This contract has a five year duration, having been renewed on 1 January 2018.

For FY 2017, we estimate that we owned approximately 89% of our storage capacity, with the remainder being leased from third parties, primarily from CLH. In addition, for FY 2017, we estimate that we leased approximately 13% of the storage capacity that we own to third parties, primarily CORES.

The strategic location of our refineries and storage facilities in Southern Spain and extensive on-site port facilities enable us to export to most major product markets in the Mediterranean, North Africa and the Atlantic basin and, in our view, provide privileged access to the large marine bunker market in the Strait of Gibraltar. From our facilities, we shipped our products to more than 45 different ports in 22 countries during FY 2017. In addition, we have been able to significantly decrease our freight costs from U.S.$1.60/bbl in FY 2015 to U.S.$0.88/bbl in FY 2017.

Trading

Our Refining segment also includes a trading unit, which is responsible for securing the requisite externally-sourced crude oil and feedstocks for the day-to-day requirements of the refining complexes as well as the sale of surplus refined petroleum products to external customers to the extent not sold through any of our other segments. Such external customers principally include international companies, including large corporations with refining and trading activities, refineries, traders as well as local distributors in certain countries. The trading unit also manages sales of the crude oil we extract, supplies the Refining segment with externally-sourced crude oil and feedstocks, and engages in asset-backed proprietary trading activities in crude oil and intermediary products.

In supplying the refinery complexes, the trading unit imports crude oil from 20 different countries, the majority of which is sourced from West Africa and the Arabian Gulf. In FY 2017, the trading unit supplied approximately 155 MMbbl of crude oil to our refineries, of which approximately 1% was sourced from our E&P segment. In FY 2017, our trading unit supplied a total of 5.2 Mt of products to our business segments (principally to our refineries and terminals) and exported a total of 3.7 Mt of our refined products to external customers. Apart from the crude oil supplied to our refineries, we do not sell crude oil to the Spanish domestic market.

The following table sets forth total trading volumes and share of proprietary trading by product for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
Crude oil traded (*MMbbl*)	92	86	181	189	180
Oil products traded (*Mt*)	6	6	12	10	8
Proprietary trading (*%*)	10	11	11	11	9

Our trading unit engages in the following activities:

- *Product off-take/supply and crude supply*: Our trading input supports our Refining and Marketing segments by supplying crude oil and feedstocks acquired from external parties. We believe our trading infrastructure is well positioned to make global deliveries, including the supply of feedstocks for our refineries and petrochemical plants (e.g., Paraffinic Jet, which is used in the production of LAB and is then passed on to our refineries), as well as finished products such as gasoline, diesel and aviation fuel to our Marketing segment, and fuel oil for bunkers. In supplying our refineries, we import crude oil from 20 different countries, the majority of which is sourced from West Africa and the Arabian Gulf. In FY 2017, the trading unit supplied approximately 155 MMbbl in 192 cargoes to our refineries, or approximately 227 Kbbl/d, 193 Kbbl/d and 9 Kbbl/d to our San Roque (Cádiz), Palos (Huelva) and Tarragona (ASESA) refineries, respectively. In FY 2017, our trading unit supplied a total of 5.2 Mt of products to our business segments (principally to our refineries and terminals) and exported a total of 3.7 Mt of our refined products to external customers.
- *Sale of equity crude*: Our trading unit is responsible for the sale of the certain quantities of equity crude produced by our E&P segment, which has not been previously contracted to sell to third parties. In certain instances, our trading unit will purchase crude from our E&P segment pursuant to an intra-group agreement (at arm's length), and then on-sell the crude on the market for a higher margin. In other instances, our trading unit will sell crude directly to third parties on behalf of our E&P segment, receiving a fixed fee for facilitating such sale. In addition, our trading unit performs an advisory role to assist our E&P segment in finding the highest margin for the crude oil on the market, in each case adding value by using market intelligence and technical expertise to increase profitability on the sale of our equity crude.
- *Proprietary trading:* Our trading unit engages in asset-backed proprietary trading, through which we seek to manage price risks in the futures and derivatives markets and maximize opportunities in the volatile commodities market. We engage in both physical trading of crude oil and products produced by third parties, as well as trading in financial instruments for arbitrage and hedging (including through derivatives, swaps, futures and other instruments) as part of our global hedging system. For FY 2017, proprietary trading accounted for approximately 11% of our total trading volume and generated approximately U.S.1,675 million in revenue. We intend to increase proprietary trading as a share of total trading volume to approximately 25% in the medium-term. While we currently limit trading for our own account to matched-principal and hedging trades and have a risk framework with clearly defined limits as to the physical volume of trading and derivatives as well as specific and global stop loss limits for derivatives, we intend to adopt further enhanced policies which would change the limits structure to contain explicit basis exposure and value-at-risk limits in support of our aim to grow our proprietary trading activities in the medium-term. See "*Risk Factors—Risks relating to our business—20. We are subject to certain financial risks, including currency, liquidity, interest rate, credit risk and default risk, and related operational risks*".
- *Chartering:* Our trading unit manages our maritime transportation and provides chartering services, including storage and transportation capacities for crude oil, petroleum products, LPG and asphalts. In FY 2017, we had more than 1,300 fixtures and managed 20 ships on a time charter basis. The period of each time charter depends on the type of vessel: crude oil tankers (of which we charter three) and asphalt carriers (of which we charter two) are typically chartered for a duration of ten years, while other vessels are chartered on a short-term basis, from six months to one year.

Gas & Power

The Refining segment also includes the G&P unit, which is responsible for the supply of natural gas, electricity and steam to large customers in the industrial and commercial sectors, including our own refining and petrochemical sites located in Spain. The G&P unit is active in various stages of the gas and power value chain and its activities principally comprise natural gas distribution to end users in the industrial and commercial

sectors, including refineries and heavy industry, as well as power generation and sales to medium and large clients.

The following table sets forth certain operational information for the G&P unit:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
Total energy production capacity (*MW*)[1]	672	672	672	672	672
Gas sales (*TWh*)	15.3	13.2	28.0	28.4	30.1
Power Sales (*TWh*)	1.2	1.1	2.8	2.1	2.0

(1) Excludes 39 MW generation capacity of the Cotesa plant in Tenerife which is currently not in use and is expected to remain idle.

Gas supply and logistics

We sourced approximately 2.7 billion m^3 (or 31 TWh) of natural gas in FY 2017, approximately 55% of which was supplied through the Medgaz pipeline, which transports natural gas from Beni Saf on the Algerian coast to Almeria in Spain, with the remainder of our requirements being supplied by liquefied natural gas (**LNG**) cargo ships. On 1 October 2018, we sold our 42% stake in Medgaz to the Selling Shareholder, subject to certain conditions precedent. For further information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

Since it began operations in April 2011, the Medgaz pipeline has successfully transported all of its contracted natural gas without any major availability restrictions. In 2017, we sourced approximately 1.5 billion m^3 (or 16.5 TWh) of natural gas from the pipeline (or 22% of total amount of natural gas imported through the pipeline) through a "ship-or-pay" agreement. Following the sale of our interest in Medgaz, we continue to be entitled to 20% of the natural gas imported through the pipeline pursuant the "ship-or-pay" agreement.

CEPSA Gas Comercializadora, S.A. (**CGC**), in which we have a 70% stake since January 2018, supplies natural gas to our refineries and petrochemical plants, and sells to large customers in the industrial and commercial sectors. Of the total 2.7 billion m^3 of natural gas sourced in FY 2017, CGC supplied 2.4 billion m^3 (or 28 TWh) of natural gas to final customers.

Power generation

We have dedicated power plants located near our main production centers in Palos (Huelva) and San Roque (Cádiz) to ensure reliable supplies of electricity and steam for our operations, including seven high-efficiency cogeneration plants and one CCGT. Our total power generation capacity amounted to approximately 672 MW as at 30 June 2018, of which 282 MW related to our cogeneration plants and 390 MW related to our CCGT plant, which also supplies steam to our main production facilities and third parties. In addition, we are currently developing our first wind farm in Jerez de la Frontera (Cádiz). See "*—Investments and Projects—Wind power (Jerez de la Frontera, Spain)*" below. In HY 2018 and FY 2017, our total power sales reached 1.2 TWh and 2.8 TWh, respectively.

The table below sets forth a detailed breakdown of our power generation assets as at 30 June 2018:

Facility	Type	Location	Group ownership	Production capacity[1]
			(%)	(MW)
Puente Mayorga Generación	CCGT	San Roque (Cádiz)	100	390
Gegsa I	Cogeneration	San Roque (Cádiz)	70	37
Gegsa II	Cogeneration	San Roque (Cádiz)	70	37
Getesa	Cogeneration	Guadarranque	70	41
Gemasa	Cogeneration	Palos (Huelva)	70	27
Lubrisur	Cogeneration	San Roque (Cádiz)	100	39
La Rábida I	Cogeneration	Palos (Huelva)	70	50
La Rábida II	Cogeneration	Palos (Huelva)	100	51
Total				**672**

(1) Excludes 39MW generation capacity of the Cotesa plant in Tenerife, which is currently idle and is expected to remain idle.

We sell all of the power generated by these plants in the Iberian wholesale market, with the exception of the power generated at the Gegsa II facility (comprising 5% of our total production capacity) which is routed to our San Roque (Cádiz) refinery.

Our wholly-owned subsidiary, CEPSA Gas y Electricidad S.A.U. (**CGE**) supplies 900 GWh of electricity per year to end users in the wholesale market. All of the energy supplied by CGE is considered under the relevant Spanish regulations to have been produced from renewable sources, pursuant to the EU "Guarantees of Origins" scheme.

Capital Expenditure Data

The table below provides certain capital expenditure data by category for our Refining segment. For a description of these categories, see "*Operating and Financial Review—Liquidity and Capital Resources—Capital Expenditures*".

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million)				
Maintenance & HSE	56	58	147	131	135
Sustainability & Efficiency	73	56	134	82	47
Growth	11	4	22	4	25
Total capital expenditures	**139**	**118**	**302**	**216**	**205**

Investments and Projects

Optimization plan

We launched our optimization plan in two phases, the first phase being launched in 2012 (Refining Optimization Plan or **ROP**) and the second in 2015 (Continuous Refining Optimization Plan or **CROP**), with the aim of increasing the efficiency and competitiveness of our refineries and redesigning our product portfolio. As at HY 2018, we have approved more than 100 projects to be implemented and completed by 2022, including:

- ISOMAX to Mild Hydrocracker project, which is aimed at increasing middle distillate conversion at the San Roque (Cádiz) refinery. We expect this project to begin in the first quarter of 2019, with expected capital expenditures and targeted margin improvement of €40 million and approximately U.S.$0.09/bbl, respectively.
- Hydrocracker Revamp project, which is aimed at increasing the catalyst cycle at the Palos (Huelva) refinery. We expect this project to begin in the fourth quarter of 2019, with expected capital expenditures and targeted margin improvement of approximately €35 million and U.S.$0.076/bbl, respectively.
- MX Sorbex II project, which is aimed at increasing the production of m-Xylene at the San Roque (Cádiz) refinery. We expect this project to begin in the fourth quarter of 2018, with expected capital expenditures and targeted margin improvement of approximately €70 million and U.S.$0.16/bbl, respectively.

For the ROP and CROP projects which have been implemented, we believe that the plan resulted in a positive margin contribution of approximately U.S.$1.84/bbl and a reduction in EBITDA breakeven refining margins of approximately 30% between FY 2013 and FY 2017. Once all approved projects are completed, we expect the total margin uplift from ROP and CROP to be approximately U.S.$1.81/bbl and U.S.$1.28/bbl by 2019 (the expected completion date of ROP) and 2022 (the expected completion date of CROP), respectively.

Between FY 2012 and FY 2017, we incurred approximately €225 million in capital expenditures for ROP, and between FY 2015 and FY 2017, we incurred an average of approximately €88 million per year in capital expenditures for ROP and CROP. Over the next five years, we expect to incur approximately €450 million in capital expenditures for the plan, with a targeted investment of between €80 million and €100 million per year. We have funded, and expect that we will continue to fund, the plan from cash flow from operations.

BoB fuel conversion project at the San Roque (Cádiz) refinery

Fuel market dynamics are evolving rapidly and recent regulatory changes have resulted in increased demand for lighter products and lower carbon fuels. For example, as from 1 January 2020, pursuant to IMO 2020 bunker fuel used for shipping must have a sulfur content no greater than 0.5% (or, alternatively, ships must install a scrubbing technology to clean exhaust fumes). As part of our bunker fuel strategy to adapt our refining scheme to market demands, we launched the BoB fuel conversion project in 2018 at the San Roque (Cádiz) refinery.

We are investing in an RHCU to convert heavy feedstock (vacuum residue) into lighter products with an expected conversion ratio of approximately 70%. The RHCU will replace the current visbreaker unit, which has

a less efficient conversion ratio, resulting in an expected increase in the production of higher-value products, such as middle distillates and VGO.

Specifically, once the RHCU is operational, we expect our production of middle distillates and VGO to increase by 387 Kt/y and 378 Kt/y, and our production of fuel oil to decrease by 682 Kt/y. Additionally, the RHCU should enable us to increase the proportion of high and medium sulfur content crude stock to approximately 59% (from approximately 42%, without the BoB project), which increases our flexibility in terms of supply and improves the competitiveness of the refinery.

We currently expect to begin operating the RHCU in the first quarter of 2022. Once operational, we estimate the project will result in an increased margin average contribution of approximately U.S.$1.4/bbl, an increase in conversion capacity of 36 Kbbl/d and a 1.6 point increase to the NCI rating of our San Roque (Cádiz) refinery.

The total anticipated capital cost of the project is approximately €900 million, of which €21 million had been incurred as at 30 June 2018.

Adaptation to new biofuels regulations

The EU Renewable Energy Directive established a binding target that, by 2020, 20% of the total energy consumption in the EU and at least 10% of transport fuels used in the EU should come from renewable sources. This obligation has been reflected in Spanish law since 2008 with different biofuels blending targets. In 2015, Royal Decree 1085/2015 established a new roadmap for increased use of biofuels between 2016 and 2020. In Spain, the current target for biofuels is 6% of total energy consumption, which will increase to 8.5% by 2020. This has resulted in a growing presence of sustainable biofuels in automotive fuels (i.e., diesel and gasoline), which has impacted the way we manufacture our products. Currently, the main biofuel used in petrol is bioethanol (both as a direct injection at CLH and as Etylbutylether (**ETBE**), which is produced in our refineries). To respond to these changes, in 1999, we began revamping our methyl ethyl terbutyl ether (**MTBE**) original units to produce ETBE using bioethanol as raw material. For diesel, the main biofuel that is blended is fatty acid methyl ester (**FAME**), which is directly incorporated in the diesel blend, and hydro-treated vegetable oil that is produced by the co-processing of vegetable oil in our diesel hydro desulfurization units. As we produce approximately 51% of our biodiesel requirements, our investments in this respect are focused on increasing margins.

In 2017, we acquired a biodiesel plant situated close to our San Roque (Cádiz) refinery with a production capacity of approximately 200 Kt of FAME per year. The plant is adapted to use higher acidity oils, such as palm oils, which decreases the price for raw materials and also provides us with additional flexibility and optionality with the ability to manufacture as well as import FAME, which we believe will improve margins. In addition, the integration and proximity of the biodiesel plant with our refineries represents a logistical advantage, which we expect will reduce our operating expenses.

We anticipate a trend over the medium term to replace first-generation biofuels with advanced biofuels (those which do not compete with food) or waste biofuels (from used cooking oil and/or animal fats). Future regulation may promote the introduction of biofuels in sectors such as aviation, bunker and heating. The recent Paris climate accord and existing European commitments will, we believe, lead biofuels to play a more prominent role in the national energy mix and result in an increase in demand for such products.

Wind power (Jerez de la Frontera, Spain)

In 2017, we acquired the rights to develop our first wind farm in Jerez de la Frontera (Cádiz), near our San Roque (Cádiz) and Palos (Huelva) refineries. Once completed, we expect the wind farm will have an installed capacity of 28.8 MW, which will complement our existing power generation plants and further diversify our power generation business.

As at 30 June 2018, the project was approximately 48% complete and we currently expect the wind farm to be fully operational in 2019. We estimate the total anticipated capital cost for the project to be approximately €35.7 million, of which €12 million had been incurred as of 30 June 2018. We are funding the project with our existing cash resources.

Marketing

Our Marketing segment engages in the retail and wholesale distribution of refined petroleum products through various sales channels, including our network of service stations in Spain, Portugal, Andorra and Gibraltar, and our domestic and international network of agents and distributors. The Marketing segment consists of our retail operations (comprising our fuel and non-fuel offering at our service stations) and our commercial operations

(comprising six divisions: LPG, aviation fuels, bunker fuels, lubricants, asphalt and wholesale). On average between FY 2015 and FY 2017, retail and LPG were the two largest contributors to Marketing segment Adjusted EBITDA, with retail reflecting approximately half and LPG reflecting approximately one-quarter of Marketing segment Adjusted EBITDA, respectively. In FY 2017, approximately 78% of the petroleum products sold through our marketing unit were sourced from our Refining segment.

We are the market leader in Spain in terms of volume for aviation fuel and bunker fuel as of 2017 (*market source: AENA; IHS Report*) and we have the second-largest retail fuel network in the Iberian Peninsula (by number of stations) (*source: IHS Report*) with 1,824 service stations (including distributor owned and operated service stations), supported by a strong non-fuel offering through the operation of 1,037 forecourt shops and convenience stores (including 315 Carrefour Express stores) in our service stations (excluding shops operated by distributors and not franchised by CEPSA) as at 30 June 2018. In FY 2017, we expanded our retail network in Madrid and Toledo with the acquisition of 23 service stations. The costs of this acquisition are reflected in the capital expenditure for FY 2017 below, although such amount will be paid between 2018 and 2021 as the stations progressively shift from a dealer-operated model to a company-operated model.

The following table sets forth certain financial and operational information regarding the Marketing segment:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million, unless otherwise indicated)				
Revenue attributable to segment[1]	6,880	5,365	11,067	9,047	10,555
Adjusted EBITDA[2]	144	191	314	273	370
Adjusted NIAT[2]	75	119	182	138	196
Adjusted Free Cash Flow[2]	55	118	168	109	183
Capital expenditures	40	222	284[4]	85	106
Service stations[3] (*number*)	1,824	1,805	1,815	1,788	1,784
Sales volume[5] (*Kt*)	10,718	10,420	21,602	20,544	20,114
Sales margin (*€/Mt*)	30.3	31.7	30.1	30.2	35.1

(1) Reflects revenue from external customers, excluding excise tax on oil and gas charged on sales.

(2) For the definitions and reconciliations of these items, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

(3) Includes service stations owned and/or operated by distributors.

(4) Includes the acquisition of 23 service stations in Madrid and Toledo, which will be paid between 2018 and 2021 as the stations progressively shift from a dealer-operated model to a company-operated model.

(5) Sales volume includes sales within the Iberian Peninsula and exports of asphalts and lubricants. In FY 2017, our exports amounted to 730 Kt and 92 Kt of asphalts and lubricants, respectively.

Retail Operations

The following table sets forth certain information regarding our retail division operations:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
Number of service stations	1,824	1,805	1,815	1,788	1,784
Spain	1,544	1,539	1,540	1,518	1,512
Portugal	259	245	254	249	251
Andorra	15	15	15	15	15
Gibraltar	6	6	6	6	6
Number of forecourt shops and convenience stores[1]	1,037	1,013	1,025	1,015	995
Spain	962	944	953	946	927
Portugal	75	69	72	69	68
Average throughput per station (*million liters*)	1.2	1.2	2.4	2.3	2.3
Spain (*million liters*)	1.2	1.2	2.5	2.4	2.4
Portugal (*million liters*)	0.7	0.7	1.5	1.5	1.5

Note: Unless indicated otherwise, figures include the service stations owned and/or operated by distributors.

(1) Excludes shops operated by distributors and not franchised by CEPSA.

We sell CEPSA-branded fuel through our network of 1,824 service stations in the Iberian Peninsula (including distributor owned and operated service stations) for both passenger cars and the professional segment, such as

heavy goods vehicles. We operate the second-largest fuel service station network in Spain and the fourth-largest in Portugal with a market share (by number of points of sale) of approximately 14% and 8%, respectively, as at FY 2017 (including distributor owned and operated service stations) (*source: AOP (Spain) and Associação Portuguesa de Empresas Petrolíferas (Portugal)*). In FY 2017, our service station network had the highest throughput per site in Spain and the third highest throughput per site in Portugal (*source: IHS Report*). In FY 2017, we expanded our retail network in Madrid and Toledo with the acquisition of 23 service stations in prime locations which we estimate have throughput more than twice the national average. Our retail trade margin (calculated as gross margin excluding variable costs) divided by gross margin was 50% in FY 2017, with fuel sales comprising approximately 85% of our trade margin, with the remainder consisting of non-fuel sales.

We pursue a multi-focus strategy for service station ownership and operations, classifying our network into four categories:

- Company-owned, Company-operated (**CoCo**) sites comprised approximately 24% of our portfolio as at 30 June 2018. CoCos are typically located on high density roads and in cities.
- Company-owned, Distributor-operated (**CoDo**) sites comprised approximately 28% of our portfolio as at 30 June 2018. CoDos are typically located on secondary roads and in towns. CoDos are operated pursuant to industry lease agreements, which typically have a term of five years.
- Distributor-owned, Company-operated (**DoCo**) sites comprised approximately 18% of our portfolio as at 30 June 2018. DoCos are typically located on toll motorways and in cities. DoCos are operated pursuant to lease agreements, which typically have a term of 10 years, extendable at our request.
- Distributor-owned, Distributor-operated (**DoDo**) sites comprised approximately 30% of our portfolio as at 30 June 2018. DoDos are typically located on secondary roads and in urban areas. DoDos are operated pursuant to exclusive supply agreements, which typically have a term of three years, although distributors may terminate the agreement each year.

In recent years, we have also focused on improving the non-fuel offering of our service stations, mainly the operation of convenience stores, car wash services and other non-oil business. Our forecourt shops and convenience stores have an average size of approximately 70 m^2 and, alongside other products, offer our customers a selection of snacks, beverages, car care products and personal care products in locations adjacent to our retail fueling facilities. Between FY 2015 and FY 2017, we have increased the number of operated convenience stores from 730 to 738 and the number of non-operated convenience stores from 265 to 287. As at 30 June 2018, we had 1,037 forecourt shops and convenience stores at our service stations (excluding shops operated by distributors and not franchised by CEPSA), and we have an estimated 13% market share in Spain (by number of convenient stores in 2017) (*source: IHS Report*). For our non-operated convenience stores, we have franchise agreements in place through which we receive a fee, generally calculated as a percentage of target margins as well as a fixed monthly fee or an initial one-off fee, although these terms vary.

As at 30 June 2018, we had a total of 315 Carrefour stores located in our service stations (74% of which are located on company-owned sites), which sell non-fuel products. In addition, we have our own brand of convenience stores, Depaso, since 1992, which is widely recognized in Spain as a leading provider of general merchandise and on-the-go items. In FY 2017, Depaso and Carrefour stores comprised 38% and 28% of our convenient store network, respectively, with the remainder being mini-market and highway stores.

Our non-fuel offering is supported by strategic partnerships, including most notably Carrefour Express, with which we have had an exclusive franchise agreement since 2011, Iberia Plus and Air Europa, as well as banking and insurance providers, such as Wizink, Mastercard and Linea Directa. Additional services are offered through partnerships with well recognized fast food and other companies including McDonalds, Burger King and Correos CityPaq Lockers, among others. The arrangements with these companies vary from franchises, joint ventures to variable rent payments that are linked to revenue. In addition, where we own the site, we have long-term leases in place with the franchisee or tenant, which typically range from 15 to 20 years.

In order to enhance customer loyalty, we have developed a number of innovative customer loyalty programs and payment cards, including partnerships with Iberia Plus, as well as banking and insurance providers. Through these programs, customers accumulate points for every purchase of fuel and non-fuel products at our retail sites and can use those points to buy products and/or services with our partners, or obtain gifts of selected merchandise in our shops. In our Financial Statements, such loyalty awards are in our selling expenses using forecasts for all points generated. In particular, we believe our *Porque tu vuelves* loyalty program is the most widely subscribed in Spain for oil products. As at 30 June 2018, we had 5.2 million active cards, of which 4.4 million were private customer cards (including 2.2 million *Porque tu vuelves* cards and 2.2 million Carrefour cards) and 725 thousand were professional cards used by vocational drivers (such as heavy goods

vehicle drivers). Analysis of data generated through our loyalty programs allows us to improve our marketing methodology and product development, which drive repeat customers and higher spend per customer.

Commercial Operations

Our commercial operations comprise the sale of automotive LPG, residential natural gas and electricity, aviation fuels, bunker, lubricants and asphalt, as well as wholesale offerings of motor and other fuels in bulk to final customers. We benefit from a leading position in Spain in the sale of aviation fuel, asphalt, bunker, lubricants and LPG.

LPG

Our LPG division includes the sale of butane, propane and automotive LPG in Spain and Portugal. In 2017, we were the second-largest LPG retailer in Spain in terms of volume (*market source: Asociación Española de Operadores de Gases Licuados del Petróleo*) and we have over two million bottled LPG customers. In Portugal, the sale price of bottled LPG is unregulated. In Spain, the sale price for bottled LPG is regulated for bottles weighing more than 11 kilograms, but due to our bottles weighing less than this threshold, the sales price for our bottled LPG is not regulated (except in Ceuta and Melilla).

We distribute LPG in bulk through 35 commercial agencies or in bottles through 105 distributors, which are either delivered to customers, including residential customers as well as small and medium sized businesses, or available for purchase at various points of sale. Our LPG business line is supported by our 11 LPG storage and bottling plants located throughout Spain. In 2017, sales of bottled LPG and bulk LPG in Spain comprised approximately 67% and 27% of our total LPG sales volume, respectively, with the remainder being sold in Portugal. In terms of sectors, retail and domestic sales comprised the largest share of our LPG sales volume in 2017, with 39% and 34%, respectively, while the industrial, commercial and agriculture sectors comprised 17%, 8% and 2%, respectively. In addition, we sell autogas for use in passenger cars.

In 1998, we launched a lighter, more customer-friendly bottle, which is easier to lift and transport than many of the bottles used by our competitors, although many of our competitors have started to market lighter bottles, albeit in low volumes. In addition, we have developed a proprietary technology, Gasflow, designed to enable us to locate the bottles and dynamically manage prices, and through which we seek to optimize margins and the rotation of our cylinders. In addition, as automotive LPG is becoming increasingly relevant, we are expanding the number of our service stations which offer automotive LPG, focusing on stations with high potential for automotive LPG demand.

While we expect sales volumes of LPG in Spain to remain flat in the medium-term, we expect to reinforce our market share by expanding our presence in Portugal and the Canary Islands. We have identified Portugal as a market for expansion due to its deficit of LPG (LPG production in the country is approximately one-third of domestic demand (*source: IHS Report*)) as well as the opportunity to reinforce our brand in the country, whilst building synergies with our existing platform. As a result, we are starting to sell LPG bottles in Portugal and we intend to take part in the government scheme to develop a special priced bottle for lower income families, with the target of reaching a market share of approximately 8% by 2020. We have identified the Canary Islands as a market for expansion due to our existing influence as well as the competitive landscape, with only one competitor in the market. As a result, we are starting to sell LPG bottles both at our service stations and directly to customers in the Canary Islands, with the target of reaching a market share of approximately 25% by 2021. We expect that the required capital expenditures for these projects will be low.

Aviation

Our aviation division consists of the sale of jet fuel to airline companies, to certain air forces and other operators and in 2017, we were the market leader in aviation fuel in Spain (*market source: AENA*). We have presence in all main Spanish airports as well as two military air bases and sell aviation fuel to the ten largest airline companies operating in Spain, including among others IAG, the holding company of Iberia Airlines and British Airways.

Bunker

Bunkering is the supply of fuel oil for use by ships in a seaport as well as offshore. We are the leading provider of bunker fuel in Spain with an estimated market share of approximately 35% (*source: IHS Report*) and have been active in the bunker market for more than 80 years. Our bunker division supplies bunker fuels at the main Spanish ports (principally in the Strait of Gibraltar and the Canary Islands) and at important international locations for maritime traffic, such as Fujairah (UAE) and Panama.

We operate a fleet of 11 large leased bunker barges for time charter periods between six months to three years, with the exception of one lease which has a duration of ten years. We offer a range of refueling methods to ensure that our customers receive the fuel they require in their preferred location, including in port and offshore. The receiving vessel is typically met by the refueling vessel within the port to take on the fuel. Alternatively, a vessel can be refueled close to the shore, but outside of the port. In March 2018, we introduced the first multi-product supply vessel in Southern Europe, which allows us to supply either fuel oil or LNG from ship to ship.

We have a strategic positioning in the Strait of Gibraltar and the Canary Islands and we are the only supplier with local refining capacity in the Gibraltar area. In addition, we have had a presence in Fujairah (UAE) since 2014 and in the Panama Canal for more than 15 years. Each of the these areas represent significant hubs for bunkering, with an estimated 14 Mt of bunker fuel being supplied in the Strait of Gibraltar and Canary Islands, and 12 Mt and 4 Mt being supplied in Fujairah (UAE) and Panama, respectively (*source: IHS Report*).

Lubricants

Our lubricants division produces, packages, stores and sells several oil products including base, finished lubricants and paraffin waxes. In 2017, we were the second largest lubricants supplier in Spain (*source: IHS Report*). We produce our lubricants in the San Roque (Cádiz) blending plant and coolants in the Paterna plant (Comunidad Valenciana).

Our product portfolio includes base oils (which are sold to external customers engaging in the production of lubricants and rubber), lubricants (which are sold to external customers in the automotive, marine and industrial sectors), paraffin (as well as in the production of foodstuff packaging as well as the healthcare and pharmaceutical industries) and blending services to third parties in the automotive industry.

Asphalt

Our asphalt division is involved in both primary and secondary distribution of bitumen in Spain, France and in other countries. Our asphalt division operates six plants, which are strategically located on the Iberian Peninsula, as well as our Palos (Huelva) refinery and the ASESA refinery, which provide a strong platform for exporting asphalt to North and West Africa. Our principal customers for asphalt include large Spanish construction companies as well as exports to local producers and international traders.

Wholesale

Our wholesale division involves the sale of motor and other fuels in bulk to final customers. Our products include diesel (automotive, agricultural, heating and electrical), gasoline and fuel oil. Our main customers include final bulk customers (transport fleets, residential associations and cooperatives), unbranded networks, fishing ports and operators who are authorized under the relevant Spanish regulations to engage in the wholesale distribution of fuels and petroleum fuels.

Sales

The following table sets forth our sales volumes of petroleum products for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
			(Kt)		
Automotive fuels	3,760	3,845	7,908	7,758	8,023
Gasoline	735	795	1,654	1,578	1,666
Diesel (auto)	3,025	3,051	6,255	6,180	6,357
LPG	161	139	259	282	274
Other[1]	6,797	6,436	13,435	12,504	11,816
Total	**10,718**	**10,420**	**21,602**	**20,544**	**20,114**

(1) Reflects sales volumes for aviation, asphalts, lubricants, bunker and other products.

Capital Expenditure Data

The table below provides certain capital expenditure data by category for our Marketing segment. For a description of these categories, see "*Operating and Financial Review—Liquidity and Capital Resources—Capital Expenditures*".

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million)				
Maintenance & HSE	24	13	42	45	66
Sustainability & Efficiency	10	2	9	8	8
Growth	5	207	232[1]	32	29
Total capital expenditures	**40**	**222**	**284**	**85**	**106**

(1) Includes capital expenditure from the acquisition of 23 service stations in Madrid and Toledo, to be phased in relation to the shift to the company-operated model with, as at FY 2017, approximately €170 million remaining to be paid by 2021.

Investments and Projects

New retail JV and local partner in Morocco

We have identified Morocco as a preferred market for expansion due to its proximity to our refineries on the south coast of Spain, the country's growing demand for petroleum products and its structural oil product deficit. Currently, our presence in the downstream sector in Morocco is limited to one joint venture, Petrosud, in which we hold a 35% stake, and which is focused on the marketing of marine oil at the port of Agadir. Petrosud has a storage facility with a capacity of 10,000 m^3, as well as a license for the operation of ten service stations in Morocco, which are managed by our joint venture partner, Afriquia.

In order to obtain a definitive hydrocarbons operator license in Morocco, Moroccan regulations require an entity to operate at least 30 points of sale for a period of 3 years, or for a provisional license, to operate at least 10 points of sale and have at least 2,000 m^3 of storage.

Our present intention is to develop an integrated downstream business in the north of Morocco, starting with retail, business-to-business and storage assets. In July 2018, we established a 50/50 joint venture with a local partner to commence the development of our business in Morocco, with the objective of opening 30 points of sale by 2020, 100 points of sale by 2023 and a 15% market share in the medium-term (by number of service stations). In addition, the joint venture targets the construction of a storage facility. Our share of the anticipated capital cost of this project is approximately €55-70 million, which remains to be paid by 2023. We expect to fund the first phase of the project through operating cash flow, whilst the funding of the second phase (from 2020) will depend on several factors, including the performance of the joint venture and its financial profile.

CEPSA Hogar

In January 2018, we launched CEPSA Hogar, which provides clients with an integrated domestic energy offer (including power, natural gas, LPG and domestic maintenance services) coupled with fuel discounts at our retail network. With CEPSA Hogar, we aim to become a holistic provider of all energy needs to our customers, from fuel and power for their cars to electricity and heating for their homes. We are the only leading oil operator in Spain to offer fuel discounts at its petrol stations that are linked to its electricity and gas offering.

In July 2018, we started selling CEPSA Hogar to small and medium sized businesses and domestic customers through our agency channel, which currently has more than 100 representatives. We expect full deployment of CEPSA Hogar in the fourth quarter of 2018, with the target of reaching 1.5 million customers by 2030.

Responding to new trends

Emerging trends such as the increased use of electric vehicles and shared mobility (through car sharing or ride sharing) require us to assess our business model continually, to be open to new business concepts and to evaluate strategies to maintain our competitiveness in an ever-changing market. In July 2018, we signed a 10-year collaboration agreement with IONITY, a network formed by the BMW Group, Daimler AG, Ford Motor Company, and the Volkswagen Group with Audi and Porsche, for the installation of high performance electric charging points at our service stations in Spain and Portugal. As a result, IONITY plans to install up to 100 charging points at our service stations, with the first charging point expected to be operational in the first quarter of 2019. In addition, we are currently analyzing partnerships with OEMs, car-sharing companies and other mobility providers to respond to such changes as well as future changes to the heavy-duty vehicle fuel

market, where LPG or LNG could prove to be a viable alternative fuel for trucks running international or long-haul routes.

Petrochemicals

Our Petrochemicals segment comprises a significant global petrochemical platform with operations spanning seven different countries (excluding commercial offices). We manufacture and market basic petrochemical products and their derivatives that have a multitude of applications, including in the production of detergents and personal care products, as well as in the manufacture of resins, electronic components, insecticides, synthetic fibers, pharmaceutical products and solvents.

The Petrochemicals segment consists of three main business lines: our surfactants business line, which manufactures LAB and fatty alcohol products and their derivatives; the phenol business line, which manufactures phenol, cumene and acetone and their derivatives; and the solvents business line, consisting of the sale of a variety of products produced by our Refining segment, including oxygenated compounds, aromatics, aliphatics and white spirits, as well as the production of dearomatized solvents.

We are the largest producer of LAB globally, with total LAB and LAB derivative sales of 307 Kt and 603 Kt in HY 2018 and FY 2017, respectively, and the largest producer of cumene and the second-largest producer of phenol globally, with total phenol and phenol derivative sales of 875 Kt and 1,665 Kt in HY 2018 and FY 2017, respectively (*source: IHS Report*). We are the leading producer of solvents in the Iberian Peninsula, and have a significant position in the United Kingdom and Italy, with total sales of solvents amounting to 308 Kt and 622 Kt in HY 2018 and FY 2017, respectively. In addition, we launched our first alcohols plant in Indonesia in 2017, which has a total annual capacity of 385 Kt of fatty alcohols, fatty acids and glycerin, with total sales amounting to 54 Kt and 16 Kt in HY 2018 and FY 2017, respectively. In FY 2017, 72% of our petrochemicals production was processed from feedstock provided by our Refining segment, with the balance being purchased from external sources and our trading unit. In addition, our fatty alcohols production is integrated as the raw material for its production (i.e., palm kernel oil) is supplied by our joint venture partner, GAR, to our plant in Indonesia, which, in turn, supplies fatty alcohols to our sulfation plant in Germany.

Our Petrochemicals segment is a leader in technology for the production of LAB through our development of DETAL technology in the 1990s with UOP. This technology is designed to increase LAB production efficiency, including reducing the consumption of raw materials and energy as well as reducing emissions levels. In 2018, together with UOP, our Petrochemicals segment received the ICIS Surfactant Award in the technological innovation category for the latest improvement in the development and implementation in the production of LAB for the new version of DETAL Flex-2 Phenyl technology. With UOP, we co-license DETAL technology and we estimate that approximately 80% of LAB plants built in the last ten years have implemented this technology.

The following table sets forth certain financial and operational information regarding our Petrochemicals segment for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016[1]	2015[1]
	(€ million, unless otherwise indicated)				
Revenue attributable to segment[2]	1,324	1,229	2,458	2,149	2,313
Adjusted EBITDA[3]	128	113	239	225	138
Adjusted NIAT[3]	60	60	111	111	47
Adjusted Free Cash Flow[3]	89	26	149	202	73
Capital expenditures	28	59	116	86	172
Sales volumes (*Mt*)	1.5	1.4	2.9	2.9	2.8

(1) Excludes sales from our polyester business line which we sold in FY 2015 and FY 2016. For further information, see "*Operating and Financial Review—Divestments of Non-Core Assets*".

(2) Reflects revenue from external customers.

(3) For the definitions and reconciliations of these items, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

Surfactants

Our surfactants business line comprised over half of our average Petrochemicals Adjusted EBITDA between FY 2015 and FY 2017. Our surfactant plants are located in Spain, Canada, Brazil, Germany and Indonesia and produce a wide range of products including, among others, n-paraffin, LAB, LABSA, fatty alcohols, fatty acids, glycerin and fatty alcohol derivatives. Additionally, we have a 30% interest in a sulfation company, CSChem Limited, which has plants in Nigeria. Our surfactants operations and sales are managed from our office in Belgium.

The main products we manufacture are LAB and fatty alcohols:

- **LAB**: LAB is used in the production of household and industrial detergents and, ultimately, in consumer goods. Our LAB plants in Spain, Canada and Brazil have a total annual capacity of 570 Kt. The plants located in Spain and Canada are wholly owned by CEPSA, and we hold a 72% stake in the Brazilian plant, with the remainder being held by Petróleo Brasileiro S.A. (**Petrobras**). In HY 2018 and FY 2017, our total LAB and derivatives sales amounted to 307 Kt and 603 Kt, respectively, with feedstock integration representing 69% and 75% of our total LAB production, respectively. In May 2018, we signed a project development agreement with ADNOC, with the aim of constructing an integrated LAB complex in East Ruwais, Abu Dhabi, with an annual LAB production capacity of more than 150 Kt. In addition, we are in the process of revamping our LAB plant in Puente Mayorga (Spain), which is expected to increase our annual LAB production capacity by more than 50 Kt. For further information on these projects, see "*—Investments and Projects—Integrated LAB complex (Abu Dhabi, UAE)*" and "*—Revamp of LAB facilities (Puente Mayorga, Spain)*" below. Our main external customers for LAB are primarily global multinational corporations that mainly produce detergents as well as other consumer goods.
- **Fatty alcohols**: Fatty alcohols derivatives are also used for detergent production, as well as for the manufacture of personal care products. We have a 50% stake in two plants located in Indonesia and Germany through a joint venture with GAR, which is accounted for using the equity method. Our total annual production capacity of fatty alcohols is 160 Kt (excluding fatty acids, glycerin and fatty alcohol derivatives). In HY 2018 and FY 2017, our total fatty alcohols sales amounted to 54 Kt and 16 Kt, respectively, reflecting the ramp-up of our plant in Indonesia. We expect our plant in Indonesia to begin producing at full capacity during 2018, with a target to reach approximately €300 per ton of gross profit at full utilization. In addition, we plan to assess a possible expansion of our plant in Indonesia which, if approved and implemented, could increase our annual production capacity up to approximately 210 Kt. Our main external customers for fatty alcohols are primarily global multinational corporations including personal care companies and chemical companies.

The table below shows certain information for our surfactants plants:

	Products & Capacity[1]	Operating Rates[2]	Markets	Ownership
	(Kt)	(%)		(%)
LAB				
Spain	LAB 200; LABSA 80; N-paraffins 400	LAB 108; Paraffins 97	Europe; Africa; Caribbean	100
Canada	LAB 140	LAB: 82	North America	100
Brazil	LAB 230[3]6; LABSA 120	LAB: 77	Brazil and Latin America	72
Nigeria	LABSA 90; Silicates 60	n.a.	Nigeria and surrounding	30
Fatty alcohols and derivatives				
Germany	Alcohol derivatives 100	—[4]	Europe	50
Indonesia[5]	Alcohols 160; Fatty acids 200; Glycerin 25	—[4]	Asia; Europe; USA	50

(1) Reflects installed capacity as at 31 December 2017.

(2) Reflects production divided by capacity for 2017.

(3) Expected to increase to 260 Kt/y once ongoing upgrades are completed.

(4) Operations in Indonesia began in September 2017. Corresponds to subsidiaries accounted for using the equity method.

(5) Fatty acids includes 155Kt/y of production capacity used for self-consumption.

Phenols

Our phenols business line comprised the second-largest portion of our average Petrochemicals Adjusted EBITDA between FY 2015 and FY 2017. Our phenol plants are located in Spain and China and produce a wide range of products including phenol, acetone, cumene and their derivatives. Phenol and acetone can be used to make a range of synthetic compounds, which, in turn, are used in electronic devices, engineering plastics, resins and coatings, among other uses. Of these synthetic compounds, our market focus is on BPA

(bisphenol A), which is used to produce polycarbonates and epoxy resins. We have a 75% stake in our Shanghai plant, with the remaining 25% being held by Sumitomo Corporation. Our plants have a combined annual phenol production capacity of more than 850 Kt and in HY 2018 and FY 2017, our total sales of phenols and derivatives amounted to 875 Kt and 1,665 Kt, respectively, with feedstock integration representing 63% and 54% of our total phenol production, respectively. In addition, we are implementing an optimization project for our phenol plant in Shanghai, which is expect to increase the plant's annual phenol production to approximately 375 Kt by 2022. For further information on this project, see "*—Investments and Projects—CCS Optimization Plan (Shanghai, China)*" below. We also have a 25% interest in a storage facility in Belgium, which has a total storage capacity of 46,000 m^3. Our phenols operations and sales are managed from our offices in Madrid and the Netherlands. Our main external customers for phenol are primarily global multinational corporations including large chemical companies, as well as local distributors and small customers in China.

The table below shows certain information for our phenols plants:

	Products & Capacity[1]	Operating Rates[2]	Markets	Ownership
	(Kt)	(%)		(%)
Spain . . .	Cumene 1,000; Phenol 600; Acetone 370; AMS 18	Phenol/Acetone 97; Cumene 89; AMS 98	Europe	100
China . . .	Cumene 360; Phenol 250; Acetone 150	Phenol/Acetone 106; Cumene 94	China	75

(1) Reflects installed capacity as at 31 December 2017.

(2) Reflects production divided by capacity for 2017.

Solvents

Our solvents business line comprised the smallest portion of our average Petrochemicals Adjusted EBITDA between FY 2015 and FY 2017. Solvents are used in adhesives, resins, herbicides, inks and paints, among other applications. Our solvents are produced in our San Roque (Cádiz) and Palos (Huelva) refineries and we are the leading producer of solvents in the Iberian Peninsula. In addition, we have distribution businesses in the UK and Italy, where we have a significant position. Our Petrochemicals segment also produces dearomatized solvents at our Puente Mayorga plant located near our San Roque (Cádiz) refinery. In HY 2018 and FY 2017, our total sales of solvents amounted to 308 Kt and 622 Kt, respectively, with the feedstock integration representing all of our total solvents production for both periods. Our customer base for solvents is primarily in the Iberian Peninsula, UK and Italy without any particular sectoral concentration.

The table below shows certain information for our solvents production.

	Products & Capacity[1]	Operating Rates[2]	Ownership
	(Kt)	(%)	(%)
San Roque (Cádiz) refinery .	M.A. 7; P.A. 35; Petrosoles 826	M.A. 72; P.A. 71; Petrosoles 59	100
Palos (Huelva) refinery . . .	Ceparex[3] 119; Petrosoles 196	Ceparex[3] 34; Petrosoles 62	100
Puente Mayorga plant	Solvents HDA 80	Solvents HDA 115	100

Note: M.A. refers to maleic anhydride; P.A. refers to phthalic anhydride; Petrosoles includes toluene, xylenes, aromatics and aliphatic naphtha; Solvents HDA refers to dearomatized solvents.

(1) Reflects installed capacity as at 31 December 2017.

(2) Reflects production divided by capacity for 2017.

(3) Ceparex is produced for a maximum of six months of the year.

Sales

The following table sets forth the sales volume of our petrochemical products for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(Kt, unless otherwise indicated)				
Surfactants	**361**	**289**	**619**	**603**	**613**
LAB and derivatives[1]	307	289	603	603	613
Alcohols and derivatives[2]	54	—	16	—	—
Phenol and derivatives[3]	**875**	**800**	**1,665**	**1,628**	**1,569**
Phenol	421	393	826	748	637
Acetone	257	234	506	473	371
Cumene	108	90	165	245	385
Other	89	83	168	163	176
Solvents	**308**	**303**	**622**	**685**	**618**
Total[4]	**1,544**	**1,392**	**2,906**	**2,916**	**2,800**
EBITDA per ton (*€/ton*)	**87**	**81**	**83**	**70**	**49**

(1) Includes 71 Kt, 71 Kt and 74 Kt of n-paraffins and other derivatives for FY 2017, FY 2016 and FY 2015, respectively.

(2) We commenced our production of fatty alcohols in Indonesia in October 2017. Corresponds to subsidiaries accounted for using the equity method.

(3) We commenced our production of phenols in China in April 2015.

(4) For comparative purposes, FY 2016 and FY 2015 total figures do not include sales of PTA by our former polyester business line, which was terminated in 2016. For further information, see "*Operating and Financial Review—Divestments of Non-Core Assets*".

Capital Expenditure Data

The table below provides certain capital expenditure data by category for our Petrochemicals segment. For a description of these categories, see "*Operating and Financial Review—Liquidity and Capital Resources—Capital Expenditures*".

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(€ million)				
Maintenance & HSE	15	13	36	36	37
Sustainability & Efficiency	3	4	8	12	28
Growth	10	42	73	38	107
Total capital expenditures	**28**	**59**	**116**	**86**	**172**

Investments and Projects

Integrated LAB complex (Abu Dhabi, UAE)

In May 2018, we signed a project development agreement with ADNOC, with the aim of creating a 50/50 joint venture to design, construct, own and operate an integrated LAB complex in East Ruwais, Abu Dhabi. We anticipate that this project will help us to consolidate our global market position in LAB by expanding our LAB business into the Middle East and towards Asia.

The integrated LAB complex, if constructed in line with current design specifications, would have an annual LAB production capacity of more than 150 Kt and an annual n-paraffin capacity of 225 Kt. The current project timeline anticipates the commencement of commercial operations in 2022. Our share of the total anticipated capital cost of the project is expected to be approximately U.S.$260-300 million, which we would expect to fund through a combination of our cash resources and available credit lines.

Revamp of LAB facilities (Puente Mayorga, Spain)

We are in the process of implementing a project to revamp our LAB plant in Puente Mayorga (Spain). This project aims to improve our product quality and the long-term sustainability of the plant, expand the plant's production capacity and to convert the plant to utilize our DETAL technology, a leading and widely-adopted technology globally. In terms of capacity expansion, we expect to increase our annual LAB production capacity by more than 50 Kt, which will enable us to target growth markets in the Mediterranean and Africa, with a view to maintaining our market leadership in these regions. In addition, we plan to incorporate DETAL technology in the plant, which would make our Puente Mayorga plant the first chemical plant worldwide to complete the conversion from a less advanced technological system to DETAL technology. With the conversion to DETAL technology, we expect to reduce variable costs and fixed costs by 53% and 54%, respectively, resulting in average fixed costs savings of approximately €0.8 million per year as well as savings on capital expenditures for recurrent maintenance and HSE of approximately €0.75 million per year.

The current project timeline anticipates the conversion of the plant in the first quarter of 2020. We estimate the total remaining capital cost for this conversion project to be approximately €96 million, which we would expect to fund through a combination of our cash resources and available credit lines.

CCS Optimization Plan (Shanghai, China)

We are implementing a project to optimize the production of our phenol plant in China to address growing demand in the region. Once completed, we expect the annual phenol production capacity of the plant will increase by approximately 125 Kt, bringing the total phenol capacity in China to approximately 375 Kt. We currently expect to realize the additional production capacity from this project in the second quarter of 2022. We estimate our share of the total remaining capital cost for this project to be approximately €55 million, which we would expect to fund through a combination of our cash resources and available credit lines.

HDA III Project (Puente Mayorga, Spain)

We are studying a project to optimize our dearomatized solvents production in our Puente Mayorga plant. Once completed, our dearomatized solvents production capacity is expected to increase by approximately 75 Kt, from approximately 199 Kt in 2018 to approximately 274 Kt (including Ceparex capacity at the Palos (Huelva) refinery). In addition, the project will enable us to produce other dearomatized solvents with higher margins. We currently expect to realize the additional production capacity from this project in the first half of 2021. We estimate the total remaining capital cost for this project to be approximately €35 million, which we would expect to fund through a combination of our cash resources and available credit lines.

Medium-Term Targets

We have identified the following financial and operational medium-term targets. Our ability to achieve these targets is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. These targets have been developed based upon assumptions with respect to future business decisions and conditions that are subject to change. As a result, our actual results may vary from the medium-term targets set forth below, and those variations may be material. Many of these business, economic and competitive uncertainties are described in "*Risk Factors*". We do not undertake to publish updates as to our progress towards achieving any of the below targets or to reflect the occurrence of unanticipated events or circumstances. See also "*Important Information—Forward-Looking Statements*" for further information.

We have not defined the term "medium-term" by reference to any specific period, and, unless otherwise specified, the targets below are not to be read as indicating that we are targeting or expecting such metrics in respect of any particular financial year.

Subject to the foregoing, we target the following in the medium-term in respect of our business segments:

E&P

- For medium and longer term guidance, see the Competent Person's Report.

Refining

- *Output Growth*: We target annual distillation to increase to more than 160 MMbbl, from 155 MMbbl in FY 2017 and utilization rate to increase to approximately 94–95% by 2022, from 92.0% as at 30 June 2018.

- *Yield Improvement*: We target an increase of middle distillate yield to approximately 54%, from approximately 51% in FY 2017; we anticipate fuel oil yield (excluding low sulfur fuel) to decrease to approximately 1.5%, from approximately 14% in FY 2017; and we target an increase in low sulfur fuel yield of approximately 10%, from nil in FY 2017.
- *Crack Spread*: We anticipate an increase in diesel and jet/kerosene crack spreads and a significant decrease in fuel oil crack spreads in 2020.
- *Capital Expenditures*: We target maintenance and HSE capital expenditures consistent with prior years and target capital expenditures related to the BoB fuel conversion project of approximately €900 million and capital expenditures related to ROP and CROP of approximately €450 million in the medium-term. As we aim to increase the efficiency of our refineries on a continuous basis, we are targeting a decrease in our Refining segment capital expenditures of €10 million per year in the medium-term. We plan to fund our budgeted capital expenditures with cash flow from operations.
- *Operating Expenses*: We anticipate average variable cost per barrel to decrease slightly from the 2015–2017 average of approximately U.S.$3.7/bbl (including approximately U.S.$2/bbl of self-consumption at crude oil prices of approximately U.S.$54/bbl) due to our optimization plan and fixed costs of approximately €300 million.

Marketing

- *Fuel Retail*: We anticipate fuel volume to increase by approximately 4% in the medium-term and aim for margins to remain at similar levels as prior years; we target an increase in the number of service stations to approximately 1,940 stations (in the Iberian Peninsula, Canary Islands and Morocco).
- *Fuel Retail—Morocco Expansion*: We aim to open approximately 30 stations by 2020 with a local partner and target a 15% market share in the medium-term (by number of service stations).
- *Non-fuel Retail*: We aim to increase sales by approximately 4.5% annually, to increase the non-fuel retail trade margin by approximately 30% and to reach approximately 1,200 franchised convenience stores (including Carrefour stores) in the medium term.
- *LPG*: We aim for volume and margins in Spain to remain similar to prior years and target approximately 8% market share in Portugal and approximately 25% in the Canary Islands.
- *Capital Expenditures*: We target maintenance and HSE capital expenditures in line with prior years; target cumulative sustainability capital expenditures are expected to amount to approximately €200 million in the medium-term; growth capital expenditures is planned to include the payments related to the acquisition of 23 service stations in Madrid and Toledo (approximately €127 million remaining between July 2018 and 2021) as well as approximately €55–70 million in the medium-term in connection with our joint venture in Morocco. As we aim to increase our efficiency on a continuous basis, we are targeting a decrease in our Marketing segment capital expenditures of €10 million per year in the medium-term. We plan to fund our budgeted capital expenditures with cash flow from operations.
- *Operating Expenses*: We aim for operating expenses as a percentage of gross margin to be comparable to prior years with potential efficiency improvement and cost savings.

Petrochemicals

- *Surfactants*: We target annual LAB capacity to increase by approximately 150 Kt from the development of the integrated LAB complex in Abu Dhabi and by approximately 50 Kt from the revamp of our Puente Mayorga plant; alcohols production expected to achieve 100% utilization during 2018.
- *Phenol*: We target an increase in capacity of approximately 125 Kt from our CCS optimization project in China.
- *Solvents*: We target an increase in capacity of 75 Kt from our HDA III project in the Puente Mayorga plant.
- *Operational Margin*: We target an increase in EBITDA/ton of approximately 3–5% per year.
- *Capital Expenditures*: We target maintenance and HSE capital expenditures in line with prior years; sustainability and efficiency capital expenditures to be approximately €320–350 million in the medium-term (reflecting the LAB revamp, CCS optimization and HDA III projects discussed above); growth capital expenditures in connection with the development of the integrated LAB complex in Abu Dhabi to

be approximately €210–250 million. We plan to fund our budgeted capital expenditures with cash flow from operations.

- *Operating Expenses*: We target a proportional increase in operating expenses with production volumes.

For the purposes of preparing the medium-term targets above, we have applied the assumptions set forth below. However, this list is not exhaustive and it is possible that one or more of the assumptions or estimates below will fail to materialize or prove to be incorrect:

- The E&P, refining, marketing and petrochemical markets will continue to develop as estimated in the IHS Report, as discussed in "*Industry Overview*".
- Our reserves and production figures will continue to develop as estimated in the Competent Person's Report.

Technology and Engineering

As part of our focus on increasing competitiveness, optimizing our processes and improving the efficiency and quality of our products, we have a dedicated technology and engineering division, comprised of more than 60 engineers and project managers, which focus on project execution, process engineering, and technical services. The division manages projects in accordance with the Engineering, Procurement and Construction management strategy, from the contract award process to implementation and control of different project stages. The division dedicates an average of 250,000 hours per year on project supervision across engineering, project management and construction.

Health, Safety, Security, Environmental Protection and Quality (HSSEQ)

We are subject to a broad range of laws and regulations with respect to the protection of the environment and employee health and safety in the countries in which we operate. In addition to laws and regulations, there is also an increasingly high expectation and demand from society and the marketplace to improve health, safety, security, environmental protection and quality (**HSSEQ**) standards. We view occupational health, workplace safety, process safety, security, asset integrity and effective environmental protection as essential for all our operations and we manage these matters through a comprehensive policy that addresses both individuals and operations and products. This involves a commitment as part of our day-to-day activities, risk analysis and process and product change management, in addition to the involvement of all of our employees in their prevention.

Wherever we operate, we seek to decrease risks by reducing accident rates and possible consequences to a minimum. This involves ensuring that facilities are well designed, safely run and appropriately maintained. We address all these aspects in our HSSEQ policy, in which we set our corresponding objectives for the year, with a special emphasis on training as a means of improving health and safety. In this regard, and in order to mitigate risks and reduce accidents, in 2017, 54,033 hours were dedicated to safety training.

The table below presents certain information relating to our HSSEQ performance:

	Fiscal Year		
	2017	2016	2015
Fatalities	0	0	0
Number of occupational accidents resulting in leave[1] (Company employees)	25	34	57
Frequency of accidents resulting in leave[2] (Company employees)	1.38	1.86	2.89
Frequency of accidents resulting in leave[2] (Company employees and contractors)	1.00	1.24	1.75

(1) Lost workday injury is a work-related injury that causes the injured person to be away from work for at least one regular shift for being unfit to perform its duties.

(2) Reflects the number of accidents resulting in leave per million hours worked.

We have joined the Responsible Care Program, a voluntary initiative that seeks to ensure that chemical companies make continuous improvements in terms of safety, health protection and the environment, in line with Sustainable Development principles. As part of this program, we perform a self-assessment each year in order to identify progress made. We also continue to improve the technical support offered to our customers on safety matters related to our products via the "Service Now" communication channel. Using this tool, our goal is to improve response times and the traceability of all queries through statistical analysis. In 2017, we responded to 470 queries through this communication channel.

In addition, we are committed to taking all measures to comply with Regulation (EC) No 1907/2006 (**REACH**), an EU regulation aiming to address the impact of chemicals on human health and the environment, whilst also being active in improving the REACH methodology through our membership in CONCAWE (an association established to carry out research on environmental issues relevant to the oil industry) and the European Chemical Industry Council. We label our products according to the requirements of the Globally Harmonized System of Classification and Labelling and to the CLP Regulation (Regulation (EC) No. 1272/2008), providing our customers with high-quality information, improving safety in the use of our products. As at 31 December 2017, 122 of our products were registered under the REACH regulation. For further information, see "*Regulation—Environmental Legislation in the European Union—REACH*".

Environmental Matters

In FY 2017, we spent €10.6 million for the implementation of our environmental policy and €8.1 million on investment projects, compared to €14.9 million and €5.0 million in FY 2016. The following is a summary of the developments and our efforts in respect of certain environmental issues, which we consider important for our business.

Environmental Management System (EMS)

We audit the impact of our businesses, products and services on the environment through the use of an integrated Environmental Management System (**EMS**). The EMS is a comprehensive business development framework which focuses both on legal requirements and on the collection of environmental information through which we ensure compliance with our internal environmental policies and applicable law, both in the short- and long-term. Through the effective use of the EMS, our management, employees and stakeholders are able to monitor the impact of our activities on the environment and to make efforts in reducing such impact.

Our facilities in Spain also follow the Eco-Management and Audit Scheme, a management instrument developed by the European Commission, through which we evaluate, report and improve our environmental performance, and which requires us to publish audited information in relation to our environmental performance, increasing the credibility and transparency of our environmental management systems.

In 2017, we also obtained the Environmental Product Declaration (**EPD**) Certificate, a global program providing information about the life-cycle environmental impact of products, for our LAB and LABSA products at our Puente Mayorga (Spain) and Bécancour (Canada) plants. We have obtained 5 EPD certifications (for Petrelab 550, Petrelab 550Q, Petrelab 500Q, Petresul 550 and Petresul 550Q) and, as at the date of this Prospectus, we are the only company globally to have obtained the EPD certificate for LAB and LABSA.

Carbon Disclosure Project

We disclose our environmental impact under the Carbon Disclosure Project, a global disclosure system that allows public entities, companies and individuals to monitor and manage their environmental performance. We have been reporting our climate change related results since 2013 and our results under the relevant water security program since 2017. Our 2017 report, covering the year 2016, received an 'A–' and 'C' score in respect to our climate change and water security performance, respectively, further to which we are currently implementing procedures to improve our water security performance.

Energy Management

In 2017, our total energy consumption was 92.2 petajoule, compared to 88.0 petajoule and 91.5 petajoule in 2016 and 2015, respectively. Such energy data includes the operations of our Sinarmas plants (in Genthin and Indonesia), which are not included in our GHG Scope 1 and Scope 2 reporting, but under Scope 3. The increase in consumption in 2017 was principally due to the operation of our combined cycle plant in San Roque (Cádiz) whereas the decrease in 2016 was primarily driven by the divestment of our Guadarranque and Montreal petrochemical plants, such decrease being partially offset by increased power consumption by our E&P segment due to the operation of a new field in Abu Dhabi.

Emission Management

Our activities generate GHG emissions, including carbon dioxide (**CO_2**), methane (**CH_4**) and nitrous oxide (**N_2O**) emissions, which we measure and report on a continuous basis, while also having implemented optimization plans at our refinery and petrochemicals plants to reduce such emissions. More specifically, with respect to our refinery operations, we use a key performance indicator for CO_2 emissions, which is aligned with the EU-ETS reduction objectives reference benchmarking for the refining sector. Our principal facilities on the

Iberian Peninsula, comprising of our refineries, gas and power facilities and our two petrochemical plants, are subject to the EU-ETS and emit more than 80% of our CO_2 equivalent (**CO_{2eq}**) emissions, whereas our facilities in China and Canada are also subject to the relevant cap and trade emissions scheme of such jurisdictions.

While relevant law does not set maximum levels of GHG emissions, between FY 2013 and FY 2017, we were required to purchase emissions allocations for our refining activities (as our emissions exceeded our free allowance) and for our gas and power activities (as such activities do not have a free allowance), whereas emissions from our petrochemical activities were below the relevant free allowances.

Our direct GHG emissions from sources that we own or control (**Scope 1 emissions**) were 6.2 Mt of CO_{2eq}, 6.1 Mt of CO_{2eq} and 6.3 Mt of CO_{2eq} for FY 2017, FY 2016 and FY 2015, respectively. Our indirect emissions, resulting from the production of electricity that we generate upstream (**Scope 2 emissions**), amounted to 693 Kt of CO_{2eq}, 597 Kt of CO_{2eq} and 938 Kt of CO_{2eq}, for FY 2017, FY 2016 and FY 2015, respectively. Scope 3 emissions (those emissions arising as a consequence of our operations, but which we do not directly own or control) amounted to 57.2 Mt of CO_{2eq}, 58.5 Mt of CO_{2eq} and 57.2 Mt of CO_{2eq}, for FY 2017, FY 2016 and FY 2015, respectively. The majority of our Scope 1 and Scope 2 emissions are certified under ISO 14064 Carbon Footprint, and we certify our Scope 3 emissions in 10 of the 15 categories defined by the relevant GHG protocol under the same ISO standard for environmental management. Our GHG emissions have slightly decreased in recent years due to the changing scope of operations and the implementation of energy efficiency projects at our facilities.

Our activities also generate non-greenhouse gases, including sulfur dioxide and nitrogen oxides (**NO_x**). Our sulfur dioxide emissions decreased to 6.3 Kt in FY 2017 from 7.5 Kt and 8.2 Kt in FY 2016 and 2015, respectively, and our NO_x emissions also decreased to 8.5 Kt in FY 2017 from 9.2 Kt and 10.4 Kt in FY 2016 and 2015, respectively, primarily as a result of our efforts in decreasing such emissions. For a further discussion of the regulatory environment on emissions, see "*Regulation—Environmental Legislation in the European Union*".

Water Management

Our water management procedures focus on managing the high water volumes we use in our activities in a sustainable and efficient manner while minimizing the discharge of wastewater that results from our operations. Our total water withdrawal was approximately 50 million m^3, 34 million m^3 and 37 million m^3 in FY 2017, FY 2016 and FY 2015, respectively, and our wastewater volumes were approximately 42 million m^3, 19 million m^3 and 16 million m^3 in FY 2017, FY 2016 and FY 2015, respectively. We discharge wastewater in compliance with the environmental permits granted to our facilities and in accordance with appropriate techniques both on site or off-site, as applicable, and our largest facilities use their own wastewater treatment facilities, or benefit from the use of such communal facilities.

The increased volume of water withdrawal in FY 2017 compared to FY 2016, which also affected our wastewater volumes, was primarily due to the revision of water definitions and relevant management criteria, in addition to the increased activities of our E&P segment.

Waste Management

We are constantly reviewing our procedures and activities to minimize waste, reusing resources in our processes wherever possible and separating the waste we produce at source. We generated 62 Kt, 52 Kt and 66 Kt of waste in FY 2017, FY 2016 and FY 2015, respectively. The increase in waste in FY 2017 compared to FY 2016 was primarily due to the start of operations at the Sinarmas facility in Indonesia and the increased activity at our Shanghai facility. In our efforts to minimize waste, we implemented a thermo-dynamic system that transforms waste energy into electricity to power the installations of our petrochemicals plant in Bécancour (Canada), the first petrochemicals plant with such system in the world. As a result of this system, we are able to produce 60% of the electricity required for our operations in Bécancour.

Drilling Waste

Our E&P segment generates, among others, drilling waste or sludge. We use inerting, thermal desorption and incineration processes to treat such waste and also recycle it depending on whether it is water based or not. In 2017, approximately 3% and 19% of our drilling waste was treated through inerting and thermal desorption, respectively, while we managed to recycle 47% of all of our water-based waste.

Protection of the Marine Environment

Our activities also involve loading and unloading a significant quantity of products at refinery marine terminals and maritime facilities, at our off shore E&P facilities, and in the bunker fuel supply maneuvers at ports and anchorages. In light of these activities, throughout 2017, we continued to implement measures to protect the marine environment, in accordance with our pollution prevention strategy, using early detection, optimum control techniques and clean-up operations to address accidental spillage in addition to conducting regular response drills and training our personnel. Based on the criteria set out by the International Association of Oil & Gas Producers, no spills were recorded in 2017 in relation to our operations.

In 2017, we increased the efficiency and response capacity of our E&P installations globally to address spills and other related risks. We achieved such improvements through revising and updating the relevant emergency plans, training our personnel and undertaking response drills, in addition to substituting and acquiring new equipment, and signing new cooperation agreements with different entities (including, for example, companies that provide services and materials in the case of a spill) so that, if required, our response can be as fast and efficient as possible.

In 2017, we also initiated our participation in the NETCON project, through which we are collaborating with leading research institutions to develop an early-warning pollution detection network using fiber optics. A prototype of such network is expected to be installed at our San Roque (Cádiz) refinery in the latter part of 2018.

Soil Protection

We seek to prevent leaks and spills at our production facilities by taking preventive measures from the design and construction stage of new facilities or by making changes to existing facilities. We also have inspection and maintenance programs, as well as plans and campaigns for monitoring soil and groundwater quality using the piezometric networks installed for this purpose. As at the date of this Prospectus, there has been no declaration that the soil where our large production facilities are located is contaminated, although we often carry out remedial actions on a voluntary basis at some sites to improve subsoil quality.

Protection of the Ecosystem and Biodiversity

We aim to protect biodiversity and minimize our impact on the environment. Any project we are planning on developing is preceded by environmental impact and risk assessment studies to analyze and mitigate the negative impact that such project might have on the environment. In addition, we collaborate with scientific institutions, non-governmental organizations, regulatory authorities and local communities in the implementation of habitat and ecosystem restoration and conservation projects, including, for example, the restoration of the Primera de Palos Lake in 2001, the Madrevieja Nature Reserve in 2011 and the reforestation of the Chavinave forest in Colombia in 2017.

Process Safety

We have embraced process safety as an overarching policy in respect of our employees, customers and the environment. Within each of our business segments, we set targets and minimum compliance criteria for all of our employees, enabling us to meet our commitments under our HSSEQ policy. We measure our performance based on our process safety event rates (**PSER**), which is the ratio of the occurrence of process safety events (such as unplanned or uncontrolled release of materials resulting in injury of our employees, fires or explosions) divided by million man-hours worked. In FY 2017, FY 2016 and FY 2015, our overall PSER amounted to 0.47, 0.46 and 0.76, respectively.

Research and Development

Our research and development (**R&D**) department is comprised of various divisions, aiming to strengthen our role as a leader in technological innovation in the energy sector. Through our R&D department, we aim to develop new technologies to increase our business value, and also identify, analyze and implement the most advanced technologies to improve our existing projects and uncover new business opportunities. In addition, we conduct in depth analyses, evaluations and preparation of our economic models with respect to, among others, our joint ventures and M&A projects, and also analyze third party technological solutions and their possible implementation in our processes and operations. Our R&D department employs approximately 80 employees, with a total budget of over €8 million per year in addition to an investment budget of more than €2 million per year, which is used to acquire state-of-the-art equipment.

Our R&D department enters into separate research agreements with each of our segments to ensure that the research carried out corresponds to the needs and strategy of each segment, while aiming to achieve the objectives set out in our strategic plan. For example, the main research objectives for our E&P segment focus on enhancing possible synergies with our Petrochemicals segment and improving our E&P petroleum recovery techniques, which would lead to increased crude oil production and reserves. Amongst other objectives, our Refining segment R&D objectives aim to improve the effective monitoring of our refineries and strengthen the characterization of opportunity crudes and feedstock to conversion units, which would improve our process efficiency and increase our profitability. The R&D objectives for our Petrochemicals segment focus on, amongst others, improving the diversification of our LAB business line and contributing to increase the growth of our phenol business line. The R&D objectives for our Marketing segment include the development of low-investment alternatives for the fabrication of certain types of lubricants and improving the effectiveness of technical assistance laboratories for lubricants and fuels. Besides the above segment specific objectives, our R&D department focuses on developing advanced materials such as nanoparticles and advanced fuels that are used in our main business units, and on developing renewables such as Hydrotreated Vegetable Oil for Diesel, Bio Lineal Alkyl Bencene for Biodetergents and on-going projects to develop Bio-petrochemicals (such as Biophenol).

Innovation and New Technologies

We acknowledge the ongoing shifts in the energy landscape driven by innovation and technology development. Technological innovation, in the form of digitalization, has demonstrated its potential to act as an important cost saving mechanism, and enhance operating performance. Our E&P segment has started deploying an array of technologies to optimize our production operations and improve our resource exploitation techniques, and uses data analysis for predictive maintenance. As at the date of this Prospectus, we have already implemented or started the development of advanced industrial control systems, as well as several automation programs that use intelligent algorithms and we have also implemented the use of robotics in some of our plants. Such initiatives directly show the significant change on our future operational philosophy.

With respect to our power generation operations, we consider that our improved cost reductions in renewables will allow us to leverage our optionality and be able to have a more active role in the electricity markets. Our first wind farm development has enabled us to increase our skills in wind technology project management, and we are now able to further integrate the renewables into our larger power generation, trading and commercialization activities.

Mobility is also an area where we continue to explore the most appropriate business model for our development and growth. We anticipate that the recent uptake in alternative mobility services such as ride hailing, car sharing and the increased penetration of electric vehicles will open new opportunities, allowing us to increase our customer base with a complete mobility offering.

Corporate and Social Responsibility

In 2017, we approved our Corporate Responsibility Master Plan for 2017–2019 (the **Master Plan**) to oversee our sustainable growth strategy, with a view to providing an overall benefit to society. The Master Plan was developed in collaboration with each of our segments and corporate support areas, and reflects an exhaustive analysis of the needs and expectations of each of the company's stakeholders.

The Master Plan, which is aligned with the United Nation's Sustainable Development Goals, is focused on ten core areas that cover each of our corporate responsibility objectives and sustainability initiatives.

Over 85 actions are included in the Master Plan, with our Executive Committee evaluating our progress every three months to ensure that key milestones are being met. At 31 December 2017, over 90% of objectives were fulfilled across our business areas and corporate support areas.

Employees, Diversity and Culture

We pursue a defined strategy with respect to our employees promoting an integrated culture, embracing diversity in all its dimensions and enhancing diverse talent in the organization. In accordance with our values, culture and strategy, we also seek to provide continuous training to our professionals based on job requirements and leadership needs, managing their career development, individually evaluating their performance and measuring and creating an optimal work environment at all our offices and units.

We aim to create and manage programs, policies and processes for our employees that nurture talent and we have developed a recruiting strategy based on our business objectives and current and future talent requirements.

We have received various awards certifying excellence in employment conditions in Spain such as the "Top Employer Certificate" from the Top Employers Institute in 2015, 2016 and 2017, which recognizes the best practices in HR management, and the "EFR Certificate" from Fundación Más Familia in 2015, the most recent date such certificate was granted with the next being due in September 2018, and which recognizes measures put in place to support equal opportunities, balancing work and family life and professional development.

As at 30 June 2018, we had approximately 10,243 employees. For further information and a breakdown of the number of employees by segment and country, see "*Management, Board of Directors and Employees—Employees, Diversity and Culture*".

Legal Proceedings

At any given time, we and our subsidiaries may be party to litigation or subject to non-litigated claims arising out of the normal operations of our global business. The material legal proceedings outstanding or categories thereof as of the date of this Prospectus are described below. These are classified into: (i) civil proceedings; (ii) criminal proceedings; (iii) tax proceedings; and (iv) competition law proceedings.

If any of our material legal proceedings are not resolved in our favor, it may have a material adverse effect on our business, financial condition, results of operations and prospects.

Civil Proceedings

As at 30 June 2018, we have provisions amounting to €14,790,000 related to civil proceedings. Set forth below is a brief description of the material civil proceedings to which the Company is a party:

Claim for Damages due to Termination of Contract

In December 2014, an underwater services contractor filed a lawsuit against the Company and one of our subsidiaries in Spain. The plaintiff claims €14 million in compensation for damages arising from the termination of the underwater services contract at the Palos (Huelva) Refinery. On 5 June 2018, the First Instance Court hearing the case dismissed the lawsuit. The plaintiff has appealed this judgment on 3 July 2018.

CEPSA Trading Arbitration

In 2016, Cepsa Trading, S.A.U. (**Cepsa Trading**), one of our wholly-owned subsidiaries, initiated an arbitration proceeding in London against a Nigerian counterparty in order to terminate the Strategic Alliance Agreement (the **SAA**) with the Nigerian counterparty. Our subsidiary claims that, in filing a lawsuit against it in Nigeria requesting the continuation of the SAA due to alleged improper termination by Cepsa Trading, its counterparty violated the arbitration clause in the SAA entered into between them. The proceedings in Nigeria have been discontinued by the counterparty. In the context of the arbitration, our subsidiary requests the termination of the SAA and compensation for costs of the litigation in Nigeria and of the arbitration, respectively. The respondent opposed the claim and filed a counterclaim, seeking damages for an unspecified amount which will only be quantified in a second phase of the arbitration proceedings. The hearing for the first phase of the arbitration proceedings, scheduled for 17–21 September 2018, was suspended on 18 September 2018 by agreement between the parties and the continuation of the hearing has been rescheduled for February 2019, the exact date to be confirmed.

Disputes relating to Cepsa Comercial Petróleo, S.A.U.

The following civil proceedings were initiated against our wholly-owned subsidiary, Cepsa Comercial Petróleo, S.A.U. (**CCP**) in connection with our gas service stations. In those civil proceedings where specific compensation for damages has been claimed from CCP, the total quantity of damages amounts to €22.3 million.

Several owners (of either the property or the service station) and/or operators of service stations have filed lawsuits against CCP in Spain. The plaintiffs request that their contractual relationships with CCP be rendered null and void, alleging breach of competition rules, and seek compensatory damages, in many cases for an unspecified amount. There are currently ten open legal proceedings of this type filed by service station operators (six of which do not indicate a figure for damages) and eight filed by property owners.

Out of the ten lawsuits filed by service station operators, CCP obtained a favorable judgment in the first instance in seven cases. All of these cases were appealed by the plaintiff. The remaining three cases are still outstanding in the first instance. In one of these three cases, the plaintiffs quantified damages, requesting €3.4 million.

Of the eight lawsuits filed by property owners: (i) in two cases CCP obtained favorable judgments in the Provincial Court of Madrid (appellate court), which were appealed by the plaintiffs before the Supreme Court in January 2015 (the judgment of this appeal has been recently notified to CCP, detailed in brief below) and January 2017, respectively; (ii) in two cases the plaintiffs obtained favorable rulings in the first instance, declaring the contractual relationship null and void but not awarding damages, both having been appealed by both parties before the Provincial Court of Madrid, in the first case, in December 2012 (the judgment of this appeal has been recently notified to CCP, detailed in brief below) and, in the second case September 2016 (the judgment of this appeal remains pending); and (iii) the remaining four cases are awaiting judgment in the first instance (of these four cases, the plaintiffs quantified damages in two of them, requesting €8.2 million and €2 million, respectively).

On 7 February, 8 March and 10 May 2018, the Spanish Supreme Court rendered judgments in connection with lawsuits of a similar nature, filed against Repsol, S.A. These judgments apply the doctrine of the judgment of the European Court of Justice of 23 November 2017 which: (i) declare the contractual relationships in each dispute null and void; and (ii) discard the remaining claims, including the compensation sought (meaning that the plaintiffs will need to open a new proceeding for financial settlement). On 20 September 2018, the Spanish Supreme Court rendered its judgment in relation to the January 2015 appeal involving CCP and, in turn, on 21 September 2018, the Provisional Court of Madrid rendered its judgment in relation to the December 2012 appeal involving CCP (each, as discussed above). The outcome of these two appeals is similar to those in relation to cases involving Repsol, S.A. These judgments could: (i) lead the Supreme Court to rule the same way in respect of the claims against CCP; and (ii) lead to an increase in litigation against CCP for these same arguments by other services station operators or property owners.

In February 2014, the owner of a service station filed a lawsuit against CCP in Madrid for breach of contract, requesting €7 million in damages. In May 2016, the first instance court rendered a judgment, ordering CCP to pay €2.49 million in compensation. CCP appealed the judgment before the Provincial Court of Madrid in June 2016. The appeal judgment is expected to be rendered in the second half of 2018.

Criminal Proceedings

In 2016, a former shareholder of one of our subsidiaries initiated a criminal proceeding against the Company, two employees and two former employees, for alleged fraud in connection with the acquisition of shares in 2015. The plaintiff claimed that the Company artificially reduced the profits of our subsidiary in order to buy her stake for a price lower than its real market value. In January 2018, the examining court nº 2 of Almeria suspended the investigation. This decision was appealed by the complainant before the Appeal Court of Almeria and is currently pending a court decision. As at 30 June 2018, we have made no provisions relating to this case.

Tax Proceedings

We are involved in a number of on-going proceedings in relation to tax contingencies, and we have signed various tax assessments in disagreement by filing an appeal before the competent judicial authorities in various jurisdictions.

In Spain, such proceedings relate to corporate income tax assessments in connection with the fiscal years from 2005 to 2008 and the fiscal years from 2009 to 2012, and the decision relating to these proceedings remains pending before the Audiencia Nacional. To cover potential liabilities in connection with the above assessments and related tax proceedings, we have made a provision of €140 million.

In Colombia, we are involved in tax proceedings related to corporate tax assessments in connection with the fiscal years 2009 and 2011, with the tax authorities claiming an amount of U.S.$36.4 million. The decision relating to both cases remains pending before the competent court. As at 30 June 2018, we had made no provision in connection with these cases.

In Brazil, we are involved in tax proceedings related to social contribution tax assessments for the fiscal years from 1996 onwards. Although we obtained a decision in our favor at first instance, such decision was appealed and a final decision is still pending before the competent court. As at 30 June 2018, we had made no provision in connection with this case.

Competition Law Proceedings

Set forth below is a brief description of the material competition law proceedings related to investigations opened by the CNMC to which the Company or any of its subsidiaries was a party. These proceedings, unless otherwise indicated, are finalized and the only consequence for the Company would be the payment of the fines indicated below. In this regard, as at 30 June 2018, we have made provisions amounting to €12.5 million.

CNMC Decisions of 20 December 2013 (case VS/0652/07, Repsol/CEPSA/BP) and 29 January 2015 (case SNC/0033/13, CEPSA)

On 30 July 2009, the predecessor of the CNMC (i.e., the *Comisión Nacional de la Competencia* or **CNC**) issued a decision (the **2009 CNC Decision**) putting an end to an infringement proceeding against a subsidiary of the Company (Cepsa Estaciones de Servicio, S.A., today renamed CCP), Repsol and BP. In this decision the CNC declared that CCP had engaged in certain commercial practices with its independent dealers (CoDos and DoDos) which led to an alleged "indirect fixation" of the retail prices of fuel charged by such independent dealers at their petrol stations. The CNC also ordered CCP to refrain from engaging in similar practices going forward.

To monitor compliance with the obligation contained in the 2009 CNC Decision, the CNC opened a surveillance file (under case VS/0652/07, Repsol/CEPSA/BP). On 20 December 2013, the CNMC issued a decision (the **2013 CNMC Surveillance Decision**) in the context of the surveillance file declaring that CCP (along with Repsol and BP) had "partially infringed" the compliance obligation set forth in the 2009 CNC decision. This surveillance file remains open.

CCP filed an appeal before the Spanish Appeals Court (*Audiencia Nacional*) against the 2013 CNMC Surveillance Decision claiming that it had fulfilled the compliance obligation contained in the 2009 CNC Decision. On 7 June 2018 the Spanish Appeals Court (*Audiencia Nacional*) issued its judgment and rejected CCP's appeal. CCP has decided to appeal this judgment (*in cassation*) to the Spanish Supreme Court.

Based on the above, the CNMC opened a separate infringement proceeding against CCP (along with Repsol and BP) for the alleged partial infringement of the compliance obligation set out in the 2009 CNC Decision (case SNC/0033/13, CEPSA). On 29 January 2015, the CNMC issued a decision (the **2015 CNMC Fining Decision**) putting an end to this new infringement proceeding. The CNMC fined CCP €2.5 million for the alleged partial infringement of the compliance obligation set out in the 2009 CNC Decision.

CCP has also appealed the 2015 CNMC Fining Decision before the Spanish Appeals Court (*Audiencia Nacional*), in addition requesting interim relief consisting of the suspension of the payment of the fine. The Appeals Court granted interim relief, including suspension of the payment of the fine. This payment has been fully provisioned in the Company's financial statements. The judgment of the Spanish Appeals Court (*Audiencia Nacional*) is still pending and is expected for 2019.

CNMC Decision of 20 February 2015 (case S/474/13, Precios Combustibles Automoción)

On 20 February 2015 the CNMC adopted its decision in the case S/474/13, Precios Combustibles Automoción (the **CNMC 2015 Infringement Decision**). The CNMC 2015 Infringement Decision concluded that the Company engaged in certain alleged anticompetitive practices (in breach of Article 1 of the Spanish Competition Act and Article 101 of the Treaty of Functioning of the European Union) consisting of: (i) an alleged agreement for the "coordination" with two Repsol service stations in the province of Zaragoza; (ii) an alleged non-aggression covenant with Repsol during July/August 2011; (iii) alleged exchanges of commercially sensitive information with Repsol in relation to certain service stations owned by CEPSA but managed by Repsol; and (iv) an alleged non-aggression covenant with Disa Gas, S.A. between July and September 2011 and arrangement relating to prices to be applied in Ceuta in July 2013. The CNMC fined the Company €10 million.

The Company appealed the CNMC 2015 Infringement Decision before the Spanish Appeals Court (*Audiencia Nacional*) and in addition requested interim relief consisting of the suspension of the payment of the fine. The Spanish Appeals Court (*Audiencia Nacional*) granted interim relief and suspended the obligation of paying the €10 million fine imposed on the Company subject to the Company posting a €10 million bond to obtain the suspension.

The judgment of the Spanish Appeals Court (*Audiencia Nacional*) is still pending and is expected for 2019.

Coastal Transaction

In January 2014, we acquired Coastal Energy, a company with oil assets in Southeast Asia, for U.S.$2.2 billion through a joint venture with Strategic Resources (Global) Limited (**SRG**), a wholly-owned subsidiary of Jynwel Capital, a Hong Kong-based private equity investment and advisory firm whose principals were Jho Low and Szen Low (the **Coastal Acquisition**). In connection with the Coastal Acquisition, SRG contributed U.S.$50 million in return for preferred shares (the **Preferred Shares**) in the joint venture entity, with the remainder of the acquisition funded by us through a subscription of shares in the joint venture entity. Under the terms of the joint venture, among other things, SRG and the joint venture entity (controlled by CEPSA) were entitled to require the redemption of the Preferred Shares held by SRG. In February 2014, following the Coastal Acquisition, the joint venture entity redeemed the Preferred Shares for U.S.$350 million. The funds for this redemption were provided by CEPSA by way of a capital increase of the joint venture entity.

The U.S. Department of Justice (**DOJ**) has filed a number of forfeiture complaints containing allegations (the **Complaints**) seeking to seize certain assets relating to a money laundering scheme involving certain individuals, including Jho and Szen Low, our former chairman, Khadem Al Qubaisi, and former member of the Board of Directors, Mohamed Ahmed Badawy Al Husseiny. Al Qubaisi and Al Husseiny ceased to have any connection with the CEPSA group in April 2015 and February 2014, respectively.

Two of the Complaints, dated 7 and 15 June 2017, contain a reference to the Coastal Acquisition, in which the DOJ alleges that the transaction was negotiated by the above-mentioned individuals to the apparent benefit of SRG as part of a broader alleged money-laundering scheme. The Complaints and the related asset forfeiture actions were not directed at CEPSA or any of its subsidiaries (or any of its or their respective assets) and the Complaints do not make any allegations of wrongdoing against any current or former member of CEPSA's management or Board of Directors other than Al Qubaisi and Al Husseiny. As of the date of this Prospectus, neither CEPSA, its subsidiaries, nor any of their respective current Directors and officers has received any subpoena, notification or request with respect to the matters discussed in the Complaints, nor are they aware of any investigation or forfeiture action targeting CEPSA or its assets. Despite the absence of any allegation against CEPSA or its current members of management or Board of Directors in the Complaints, we conducted an internal review, which did not identify evidence of wrongdoing by CEPSA's current Directors and officers or any of its subsidiaries, in connection with the Coastal Acquisition.

Notwithstanding the above, we are unable to rule out the possibility of any further investigations and the imposition of penalties by the DOJ and/or other governmental authority in the US or other jurisdictions in relation to the matters described in the Complaints.

Insurance

We maintain insurance coverage in respect of our subsidiaries and operations in line with industry practice, in such amounts and with such coverage and deductibles as we believe are appropriate for the insurable risks inherent to our business. Our policy is to obtain and maintain sufficient insurance coverage in respect of our operations and activities, and to seek full compliance with international industry standards and applicable law in the countries in which we operate.

Our insurance agreements cover risks that are typical to our operations. These include policies covering, among other areas, damage to property and equipment, business interruption, third party liability (covering claims (including pollution) of third parties arising out of our operations and products), transport of crude oil and other goods, environmental liability, directors and officers civil liability, occupational accidents, health and travel assistance, alongside compulsory insurance in locations where we are present.

We make insurance claims from time to time, and certain non-material claims are currently outstanding, but we believe that such claims, if declined or not paid in full, would not have a material impact on our business, financial condition, results of operations and prospects.

Intellectual Property

We believe that our intellectual property assets are one of our main strengths and provide us with a significant competitive advantage.

In addition to a wide variety of trade secrets subject to appropriate protection measures, we own a patent portfolio that includes 12 inventions related to exploration and production, refining, marketing and petrochemicals, which are registered in more than twenty countries. In addition, we have filed or intend to file applications for additional patents throughout the course of FY 2018.

We use proprietary rights of third parties that are licensed to our subsidiaries or affiliates. In most cases, such licenses were granted in connection with the purchase of units of our industrial plants in the Refining and Petrochemicals segments.

In addition, we own a trademark portfolio of over five hundred trademarks and designs protected in more than one hundred and fifty countries, aimed to cover all our commercial activities in the relevant markets, with our primary logo being protected in over a hundred countries.

*The information presented in this section is derived from external sources including IHS Markit and Colin A. Houston & Associates (**CAHA**), among others. In particular, unless otherwise indicated, the information presented in this section is based on the IHS Report. For more information, see "Presentation of Financial and Other Information—Market and Industry Data".*

We are an integrated oil and gas company with a global footprint across the entire oil and gas value chain, including exploration and production, refining, marketing and petrochemicals.

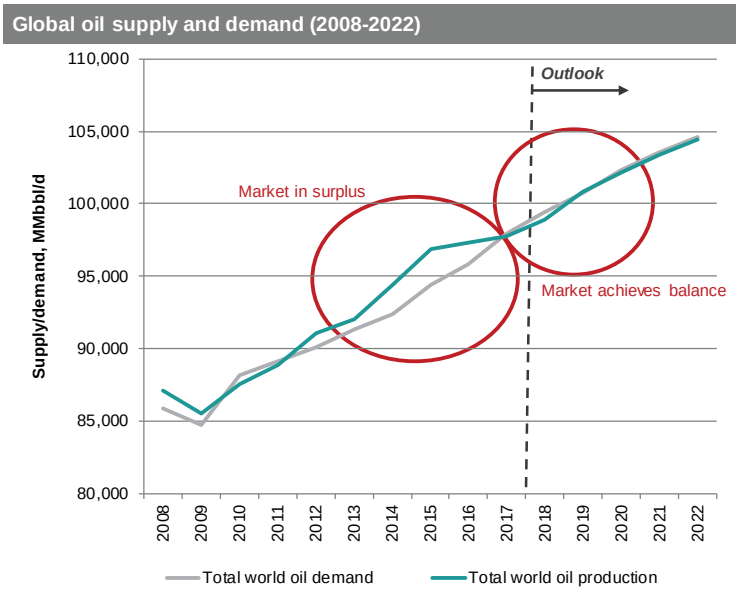
This section describes (i) global and regional market trends for E&P, refining, marketing, petrochemicals and gas and power, and (ii) the characteristics, trends and growth drivers of the main countries or regions in which we are currently active or plan to become active through our business segments.

Exploration and Production

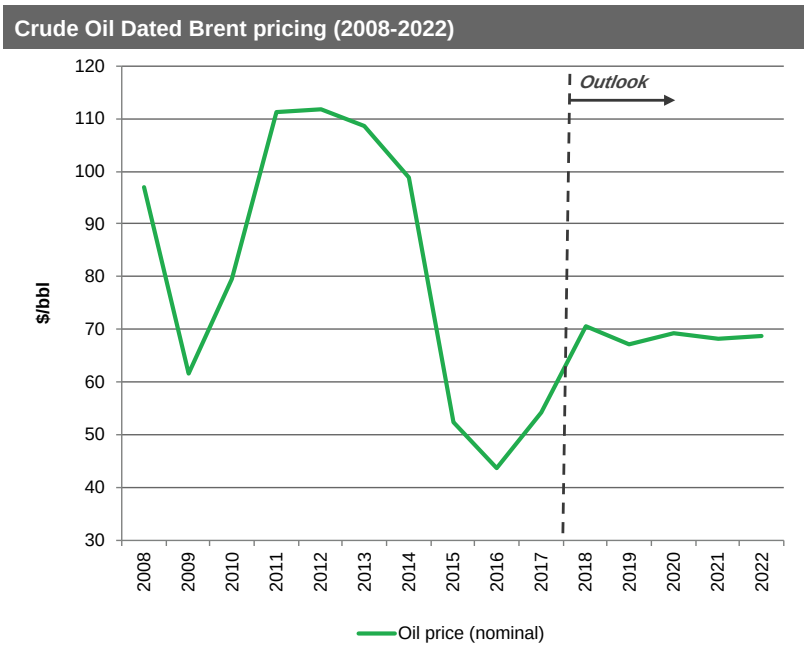
Macroeconomic Trends

Between 2012 and 2016, the oil market experienced a long period of oversupply, and finally achieved a more balanced position towards the end of 2017. Much of the rebalancing has been the result of exceptionally strong global oil demand growth, which amounted to approximately 1.8 MMbbl/d in 2017.

Reflecting the broad expansion of the global economy, oil demand is expected to expand by nearly 2 MMbbl/d in 2018, with some deceleration in 2019. It is forecasted that there are enough sources of supply for the market to remain generally balanced for the next several years especially as demand growth continues to decelerate.

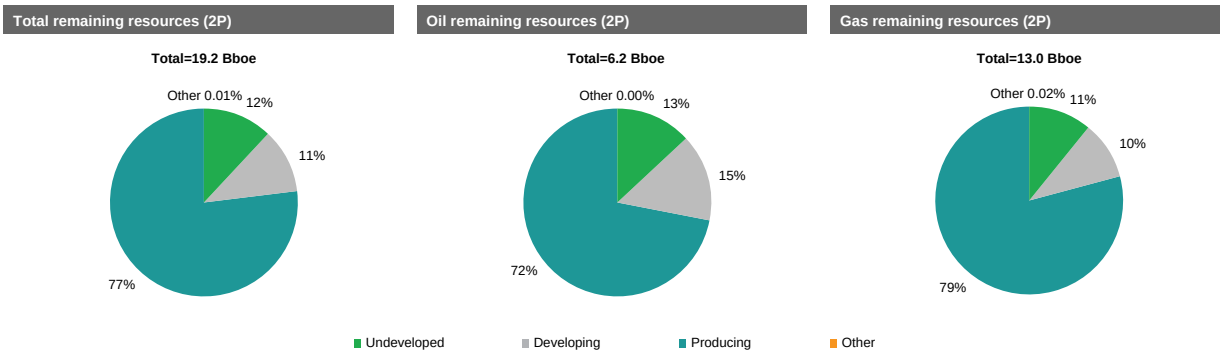


Reflecting tighter global balances and geopolitical changes (including the US government's decision to reimpose sanctions on Iran and the significant decline of production in Venezuela), the dated Brent crude oil price is forecast to average approximately U.S.$70/bbl over the medium-term.



Algeria Oil and Gas Industry

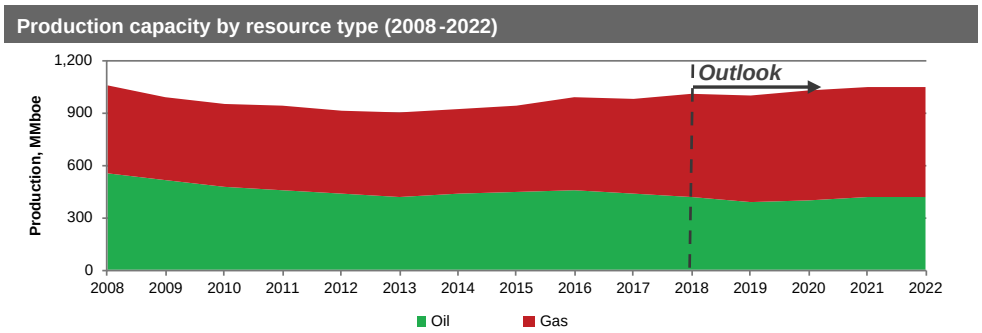
In Algeria, there have been 544 discoveries to date, with total remaining resources of approximately 19.2 billion barrels of oil equivalent (**Bboe**), of which 68% is gas, as of 31 December 2017. There have been 10 discoveries with reserves over 1 Bboe, all of which are in production. The charts below set forth estimates for remaining oil and gas reserves in the country as of 31 December 2017.



Note: Oil includes condensate. Undeveloped resources included redeveloping after abandonment. Other includes temporarily shut in and abandoned.

Algeria's oil production has fallen in recent years despite efforts to increase capacity. In addition, Algeria has struggled to maintain gas production due to field maturity and limited investments. However, a number of

projects sanctioned between 2012 and 2014 are anticipated to boost gas output in the next few years. The graph below shows Algeria's historical and forecasted estimated unconstrained production capacity for oil and gas.



Note: Oil includes condensate. Outlook represents unconstrained asset-by-asset production capacity excluding Organization of the Petroleum Exporting Countries (**OPEC**) quotas, project delays etc.

Recent activity

Algeria is considered to be under-explored, with approximately 60% of the country unexplored. Exploration drilling activity has slowed in recent years with reduced activity from partnerships. Sonatrach reported completion of 96 exploration wells in 2016, approximately 14% less than in 2014, and announced plans to drill 80 wells per year in the medium-term. Development drilling dropped by 29% between 2015 and 2016. Of the 96 wells completed in 2016, Sonatrach drilled 91 wells solely (with the remainder being drilled in partnership with others), reflecting an increase between 2015 and 2016 from 89% to 95%, respectively, that may reflect both above ground risks and reduced spending budgets globally.

Several foreign companies operated exploration and development wells between 2013 and 2017 (e.g. Anadarko, including Groupement Berkine, Gazprom, PTTEP/CNOOC and Repsol). The estimated average success rate based on publicly available well data accounts for 73%.

The following table shows the drilling activity of Sonatrach between 2013 and 2016.

	Number of Wells			Average
	Exploratory	Development	Total	Success Rate (% 2016)
Sonatrach	406	448	854	34

Note: Table is based on data reported by Sonatrach. Average success rate is estimated assuming 96 exploration wells were drilled in 2016.

The following table shows the information for the projects brought on stream in 2017.

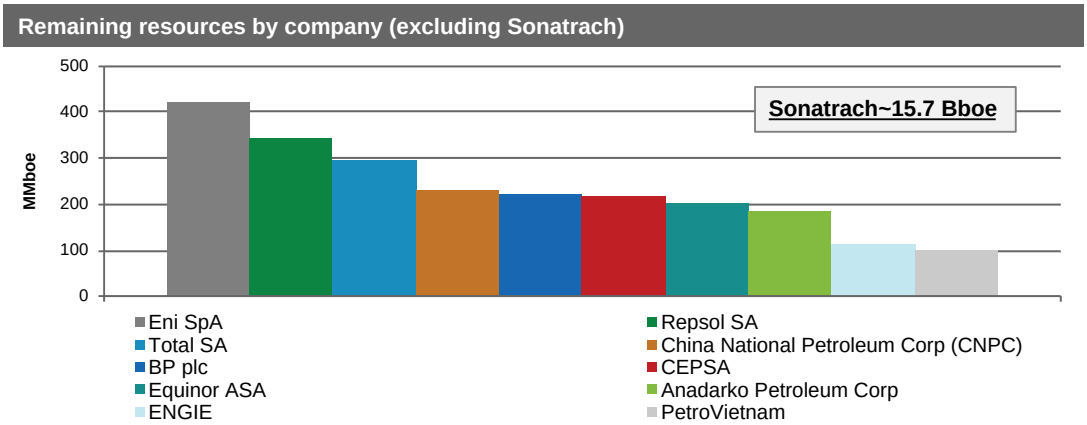
Project	Fields included (number)	Type	Estimated Starting Production (MMboe/d)	Estimated Peak Production (MMboe/d)	Estimated Total Recoverable 2P (MMboe)
North Reggane	6	Gas	30	47	326

Competitive environment

Sonatrach holds the vast majority of Algeria's remaining resources and oil and gas production. It is expected to retain its upstream dominance and will likely remain the sole operator of the largest fields. Out of 300 contracts, Sonatrach is the sole owner of 207 blocks, and is in partnership with one or more entities for the remaining 93 blocks. Eni and Anadarko are anticipated to be the largest foreign oil producers in the next five years, while BP and Equinor are anticipated to be the largest foreign gas producers.

Recently, Sonatrach has engaged in direct negotiations with interested upstream investors, primarily due to disappointing foreign participation in recent bid rounds as well as the appointment of more supportive decision-makers in the country's energy bureaucracy amidst concern about the long-term production outlook. In addition, Algeria began revising its hydrocarbon law in 2018 to increase foreign investment. However, the timeline for completing such changes may be pushed back by campaigning for presidential elections in 2019.

The following graph shows the estimated remaining oil and gas resources (including 2P reserves and 2C resources) by company as of 31 December 2017.



Note: Represents the largest resource holders.

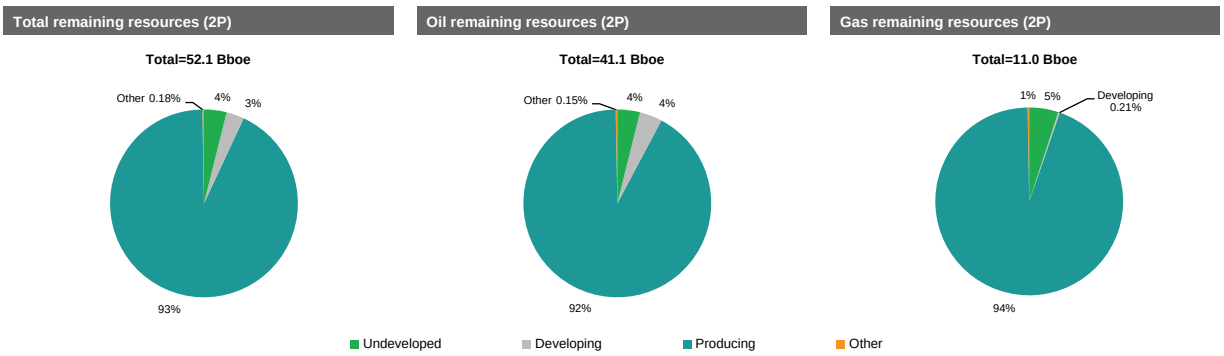
Licensing

In Algeria, the Ministry for Energy and Mining is responsible for developing strategies and policies for the recovery and utilization of hydrocarbon resources. ALNAFT is responsible for issuing regulations under the authority of the Ministry for Energy and Mining. Contracts are signed between ALNAFT and the IOC, which are approved by presidential decree. The IOC must enter into a joint operating agreement with Sonatrach within 30 days from the approval by ALNAFT of the contract. Sonatrach has a minimum 51% participating interest in any upstream project in Algeria. For further information, see "*Regulation—Oil Industry—Algeria*".

The last licensing round occurred in 2014 and four blocks were awarded out of 31 blocks on offer.

UAE Oil and Gas Industry

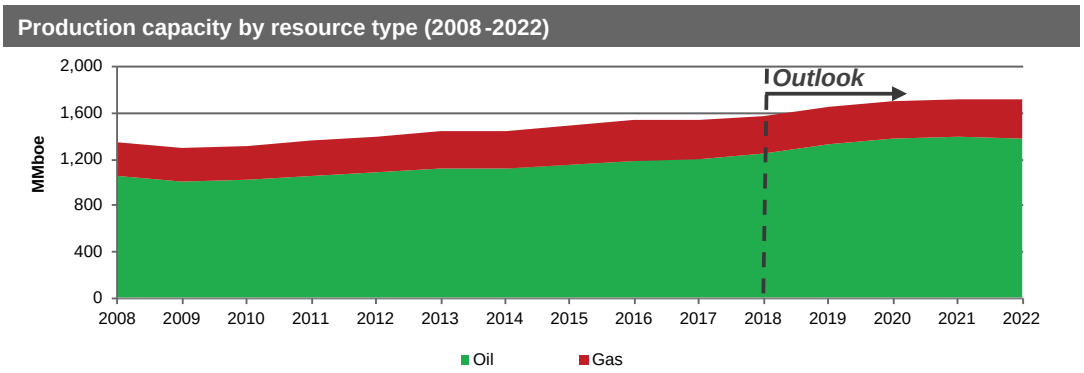
The UAE is an important market for the global portfolios of the leading IOCs. In the UAE, there have been 95 discoveries to date, with total remaining resources of approximately 52 Bboe, of which 79% is oil, as of 31 December 2017. There have been 14 discoveries with reserves over 1 Bboe, of which 11 are in production, 1 is under development and two are undeveloped. The charts below set forth estimates for remaining oil and gas reserves in the country as of 31 December 2017.



Note: Oil includes condensate. Undeveloped resources included redeveloping after abandonment. Other includes temporarily shut in and abandoned.

The UAE has a long-held objective to increase its crude production to 3.5 MMbbl/d by the end of 2018, but this objective should be considered in relation to any OPEC/non-OPEC countries production level decisions. While the UAE is seeking to develop its gas resources, its highly sulfurous nature makes its development

dangerous and expensive. The graph below shows the UAE's historical and forecasted production capacity for oil and gas.



Note: Oil includes condensate. Outlook represents unconstrained asset-by-asset production capacity excluding OPEC quotas, project delays etc.

Recent activity

In the last five years, 488 wells were drilled in the UAE, of which the majority are development/service wells, followed by outpost and exploratory wells. The majority of wells were drilled in Rub' Al Khali Province (461 development/service wells, 22 outpost and 8 exploratory wells).

Development operation has been the focus area, with most of the wells drilled by ADNOC, Total and Upper Zakum Development Co. (ADNOC and several partners).

Exploration activity has been at low levels over the last decade. Exploration has been focused on near-field appraisal and new pool objectives. Exploration drilling (including new-field wildcats only) between 2013 and 2017 resulted in three discoveries Exploration wells were operated by ADNOC, OMV and Dubai Petroleum Establishment (DPE).

Large acreage remains underexplored in the UAE and additional work is being undertaken to evaluate undeveloped, non-associated gas potential.

The following table shows the drilling activity in the UAE between 2013 and 2017.

	Number of Wells				
	Exploratory	Outpost	Development/ Service	Total	Average Success Rate (%)
UAE	9	20	459	488	78

Note: Table is based on publicly available data.

The following table shows the information for the projects brought on stream in 2017.

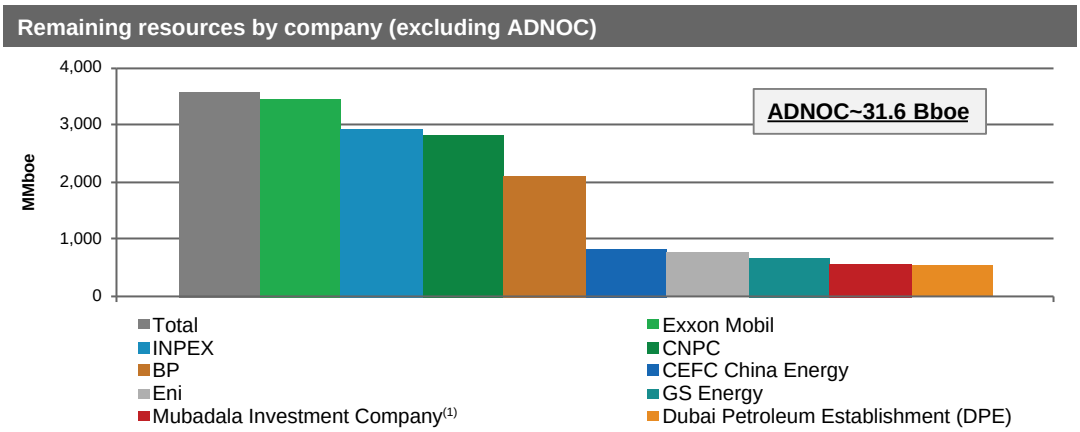
Project	Fields included (number)	Type	Estimated Starting Production (MMboe/d)	Estimated Peak Production (MMboe/d)	Estimated Total Recoverable 2P (MMboe)
Hail	1	Oil	1.9	20.1	141

Competitive environment

The state-owned ADNOC owns the majority of remaining resources and oil and gas production and its share of overall production rose when it took over operatorship of the ADCO concession in 2014. Final stakes in ADCO were awarded in early 2017. IOCs partner with ADNOC to operate Abu Dhabi's three main oil and gas fields.

Chinese and Indian companies, including CNPC and ONGC, have expanded their position in the country. Asian firms have acquired a share in the ADMA-OPCO offshore concession in 2017 reflecting their decision to focus on assets with near-term pay-out located in regions of strategic priority to the host governments.

The following graph shows the remaining oil and gas resources by company (including 2P reserves and 2C resources) as of 31 December 2017.



Note: Represents the largest resource holders.

(1) Mubadala Investment Company includes remaining reserves for CEPSA among other companies.

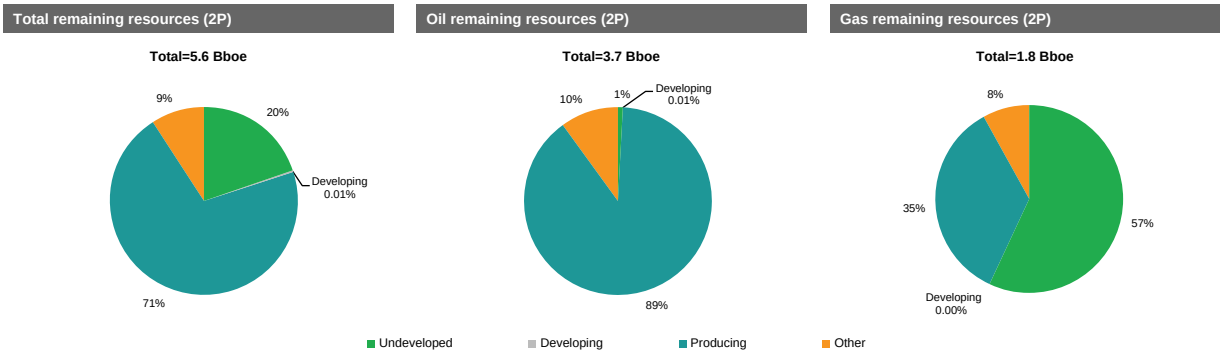
Licensing

Within Abu Dhabi, the Abu Dhabi government grants rights to IOCs and the Supreme Petroleum Council is responsible for petroleum policy, the regulation of E&P activities and has the authority to license upstream developments. ADNOC is the national oil company and its main duty is to manage the state's upstream, midstream and downstream projects. The Supreme Petroleum Council acts as the board of directors of ADNOC. IOCs enter into concessions with the government, which allows IOCs to acquire equity in the hydrocarbon resources. For further information, see "*Regulation—Oil Industry—Abu Dhabi, UAE*".

At the end of 2017, Abu Dhabi planned to launch its first international bid round for 6 new onshore and offshore exploration blocks. In April 2018, ADNOC held the Abu Dhabi block licensing round road shows, which were attended by 50 companies. The emirate of Ras Al Khaimah launched its RAK 2018 Bid Round in March 2018.

Colombia Oil and Gas Industry

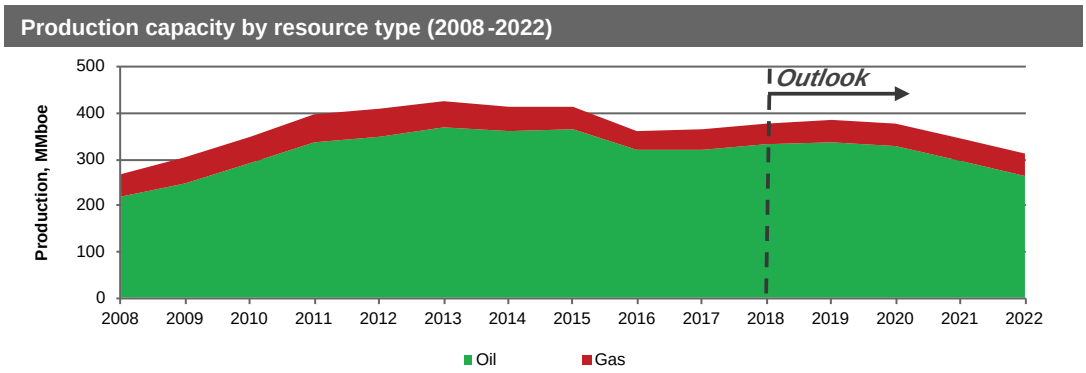
In Colombia, there have been 655 discoveries to date, with total remaining resources of approximately 5.6 Bboe, of which 66% is oil, as of 31 December 2017. There have been 4 discoveries with reserves over 1 Bboe, of which three are in production and one is being appraised. The charts below set forth estimates for remaining oil and gas reserves in the country as of 31 December 2017.



Note: Oil includes condensate. Undeveloped resources included redeveloping after abandonment. Other includes temporarily shut in and abandoned.

Colombia's total production is expected to decline from 2019 onwards, primarily due to a projected decline in oil production of 15% between 2017 and 2022. Several of Colombia's large fields are experiencing reserve depletion and maturing oil assets require capital intensive enhanced oil recovery programs. The outlook for gas

remains uncertain due to Colombia's hydrocarbon policies. The graph below shows Colombia's historical and forecasted estimated unrestricted production capacity for oil and gas.



Note: Oil includes condensate. Outlook represents unconstrained asset-by-asset production capacity excluding OPEC quotas, project delays etc.

Recent activity

With the continued low oil price environment, the drilling activity in Colombia has been quite poor in recent years albeit the market started to recover 2017. The total number of wells drilled between 2013 and 2017 exceeds 2,100, of which approximately 1,800 wells were in the mature onshore Llanos-Barinas Basin. The key operators include Ecopetrol (the national oil company of Colombia) and Meta Petroleum.

In 2017, 174 development wells (all onshore) were drilled, of which 97 wells were drilled by Ecopetrol. Exploration wells accounted for 82 wells in 2017, of which four were offshore.

Ecopetrol plans to accelerate drilling activity, targeting 3,500 wells (as of 2016) on existing fields to improve recovery, with the Castilla, Chichimene and Rubiales onshore fields expected to receive the majority of investments in the near term.

The following table shows the drilling activity in Colombia between 2013 and 2017.

	Number of Wells				
	Exploratory	Outpost	Development/ Service	Total	Average Success Rate (%)
Colombia	242	231	1,691	2,164	52

Note: Table is based on publicly reported data.

The following table shows the information for the projects brought on stream in 2017.

Project	Fields included (number)	Type	Estimated Starting Production (MMboe/d)	Estimated Peak Production (MMboe/d)	Estimated Total Recoverable 2P (MMboe)
CPO-5	3	Oil	0.4	1.7	6.4

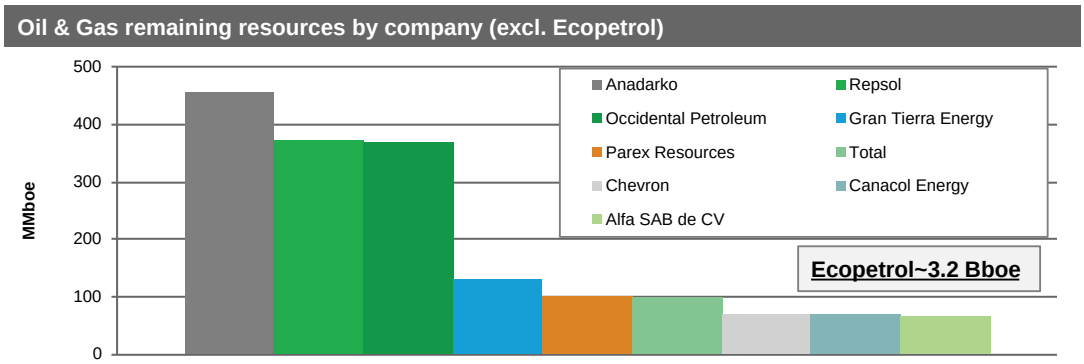
Competitive environment

Ecopetrol, the national oil company of Colombia, holds the largest share in total production and resource volumes, with more than 65% of production on average between 2008 and 2022.

Ecopetrol plans to pursue exploration and development activities with the focus areas anticipated to include offshore Colombia in the Caribbean Sea, where Anadarko, Petrobras and Repsol will be the key partners. In 2015, Ecopetrol and Occidental Petroleum signed two deals to develop onshore territories, in particular La Cira-Infantas. Occidental Petroleum agreed to invest U.S.$2 billion in upstream operations over 10 years. Further farm-outs are possible for marginal and inactive areas.

Occidental Petroleum and Repsol are the largest oil resource owners after Ecopetrol, while Anadarko is the largest gas resource owner after Ecopetrol.

The following graph shows the estimated remaining oil and gas resources by company (including 2P reserves and 2C resources) as of 31 December 2017.



Note: Represents the largest resource holders.

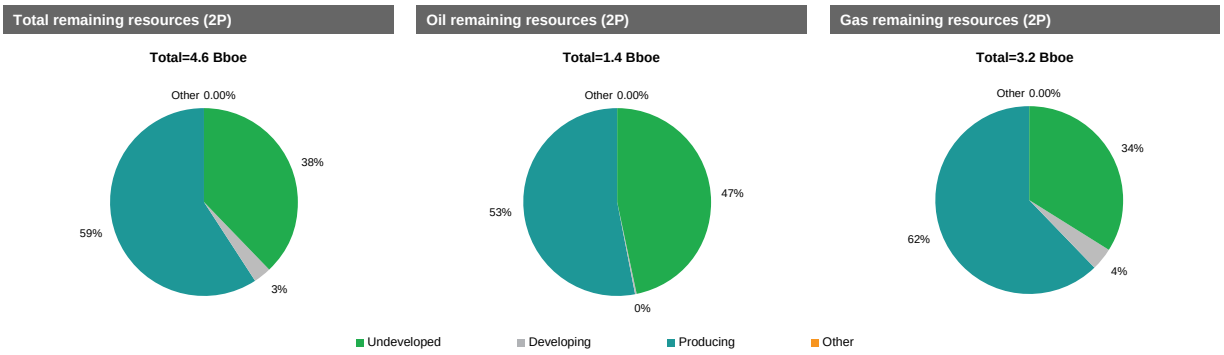
Licensing

In Colombia, the Ministry of Mines and Energy is responsible ministry for hydrocarbon resources. The National Hydrocarbons Agency acts as the regulatory authority and is responsible for the management of hydrocarbon reserves owned by the state. In addition, the National Hydrocarbons Agency is responsible for the approval of work programs and budgets as well as for inspecting and monitoring operations in the contract area. Ecopetrol is the national oil company and participates under the same conditions as any other private or public company in the hydrocarbons sector in Colombia and has virtually no influence in hydrocarbons policymaking. For further information, see "*Regulation—Oil Industry—Colombia*".

The last licensing round occurred in 2014 and was conducted in two phases. In the first phase, 26 blocks out of 95 received bids from 19 companies. 11 blocks with undeveloped discoveries received offers from 10 companies, 9 onshore conventional areas received offers from 8 companies, 5 offshore areas received offers from 4 companies and one unconventional area received offers from 4 companies. Blocks that did not receive bids were offered in the second phase but none of these were ultimately awarded.

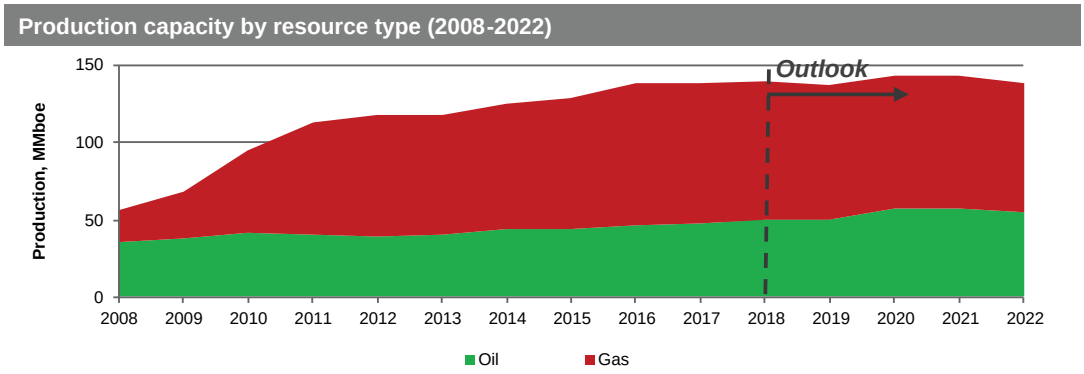
Peru Oil and Gas Industry

In Peru, there have been 163 discoveries to date, with total remaining resources of approximately 4.6 Bboe, of which 70% is gas, as of 31 December 2017. There have been 3 discoveries with reserves over 1 Bboe, all of which are in production. The charts below set forth estimates for remaining oil and gas reserves in the country as of 31 December 2017.



Note: Oil includes condensate. Undeveloped resources included redeveloping after abandonment. Other includes temporarily shut in and abandoned.

Peru's total production has increased by approximately 250% in the last 10 years, primarily due to the increase in gas production. Total production is expected to increase slightly in the short-term, before declining in the medium-term as the largest gas project in the country begins to slow down. The graph below shows Peru's historical and forecasted estimated unrestricted production capacity for oil and gas.



Note: Oil includes condensate. Outlook represents unconstrained asset-by-asset production capacity excluding OPEC quotas, project delays etc.

Recent activity

Between 2013 and 2017, 482 wells were drilled in Peru, of which the majority are development/service wells, followed by exploratory and outpost wells. Development drilling experienced a continuous downward trend from 2014 to 2016, with activity increasing in 2017 with 133 wells drilled (compared to 48 wells drilled in 2016). Drilling occurred primarily onshore in the Talara basin.

Exploration activity in Peru has been limited owing to lack of investments. In 2016, only one well operated by Repsol was drilled, which was the lowest number of wells drilled in one year in the last decade. Another three wells were drilled in 2017. The wells were operated by CEPSA, Olympic Oil&Gas and Grana y Montero Petrolera SA.

The following table shows the drilling activity in Peru between 2013 and 2017.

	Number of Wells				Average Success Rate
	Exploratory	Outpost	Development/ Service	Total	(%)
Peru	26	5	451	482	35

Note: Table is based on publicly available data.

The following table shows the information for the projects brought on stream in 2017.

Project	Fields included (number)	Type	Estimated Starting Production (MMboe/d)	Estimated Peak Production (MMboe/d)	Estimated Total Recoverable 2P (MMboe)
Sagari	1	Oil	5.1	36	186

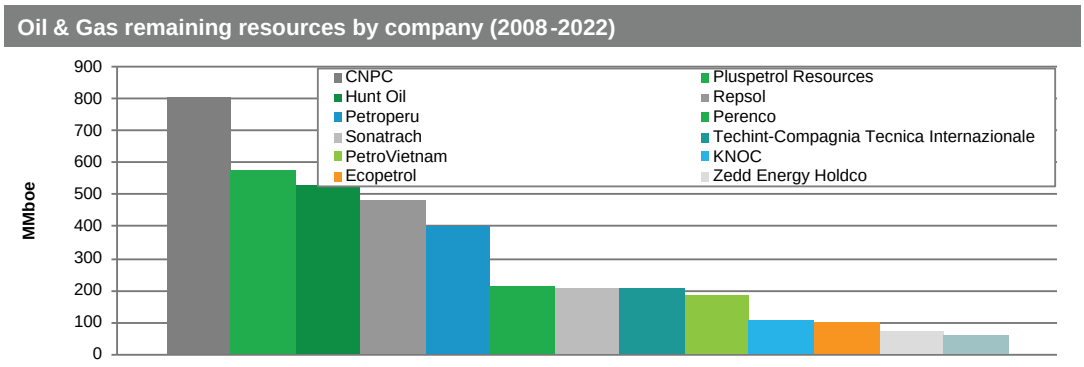
Competitive environment

More than half of Peru's resources and production are owned by foreign companies. The key asset for the country is Camisea, of which more than 50% is by Pluspetrol and Hunt Oil followed by SK Holdings, Repsol, Sonatrach and Technint Compagnia Technica Internazionale.

As of 2017, CNPC, Pluspetrol and SK Holdings are participants in the largest amount of producing projects, while Petroperu, the national oil company, does not own any producing fields.

Peru LNG has changed the competitive landscape in the country. Peru LNG is the first LNG project in South America and the second phase of the Camisea gas project. Production in 2016 was estimated to account for 40 MMbbl/d. Peru LNG is operated as a non-integrated project. The partners in the liquefaction segment are Hunt Oil, Shell (previously Repsol), SK Energy and Marubeni. A separate upstream consortium (Camisea) of PlusPetrol, Hunt Oil, SK Energy, Tecpetrol, and Repsol sell gas to the liquefaction facility located near Pampa Melchorita, about 100 miles south of Lima.

The following graph shows the estimated remaining oil and gas resources by company (including 2P reserves and 2C resources) as of 31 December 2017.



Note: Represents the largest resource holders.

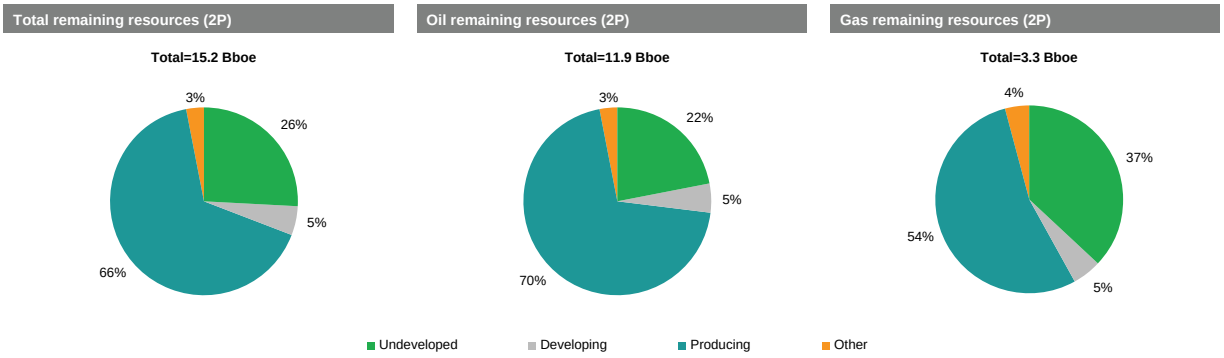
Licensing

In Peru, the General Hydrocarbons Bureau within the Ministry of Energy and Mines is responsible for the regulation and promotion of investment in the hydrocarbons sector. Perupetro is the licensing authority and also administers contracts signed prior to the enactment of the 1993 Hydrocarbons Law. Contracts are approved by Supreme Decree of the President and countersigned by the Minister of Economy and Finance and the Minister of Energy and Mines. Petroperu is also the national oil company and has traditionally focused on downstream activities, but has been more active in the upstream sector since 2012. For further information, see "*Regulation—Oil Industry—Peru*".

The last licensing round occurred in 2010. In 2016, two blocks were awarded and 15 were relinquished, primarily due to social conflicts and lack of exploration success.

Mexico Oil and Gas Industry

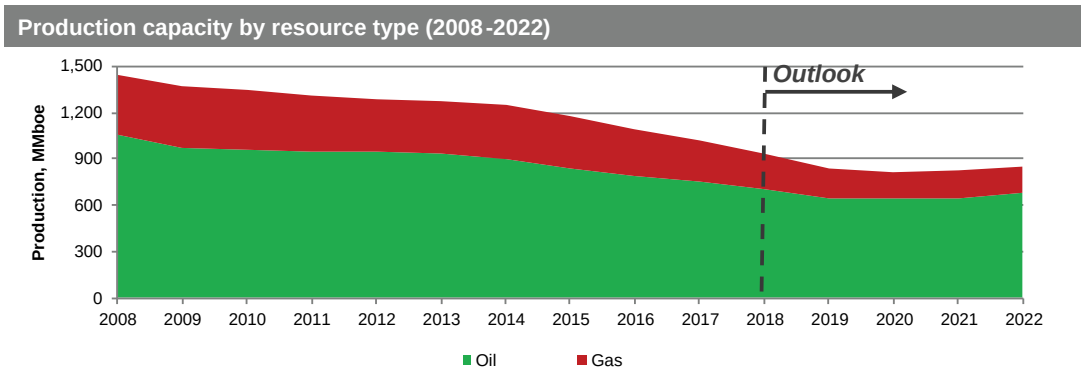
In Mexico, there have been 1,050 discoveries to date, with total remaining resources of approximately 15.2 Bboe, of which 78% is oil, as of 31 December 2017. There have been 12 discoveries with reserves over 1 Bboe, all of which are in production. The charts below set forth estimates for remaining oil and gas reserves in the country as of 31 December 2017.



Note: Oil includes condensate. Undeveloped resources included redeveloping after abandonment. Other includes temporarily shut in and abandoned.

Mexico's oil production is expected to continue declining, largely driven by the falling output of the two largest fields in the country. Gas production is estimated to have declined by 40% by 2017 compared to 2008 and is expected to continue declining in the medium-term. An increase in production is expected by the early 2020s.

The graph below shows Mexico's historical and forecasted estimated unrestricted production capacity for oil and gas.



Note: Oil includes condensate. Outlook represents unconstrained asset-by-asset production capacity excluding OPEC quotas, project delays etc.

Recent activity

Between 2013 and 2017, over 1,700 wells were drilled in Mexico, with the majority drilled by PEMEX. The number of development wells has been falling over time causing continuous declines in production and reserves. After PEMEX, Hokchi Energy SA de CV and Eni were the next largest operators, drilling five and four outpost wells, respectively, since 2013.

In total, 1,547 development wells were drilled between 2013 and 2017, with development in 2017 focusing on onshore and shallow water areas of the Sureste basin and onshore Tampico-Misantla. Offshore exploration has been steady over time, with 27 wells drilled per year on average, mainly in shallow water Sureste and deep water Gulf of Mexico basins. Onshore exploration, mainly in the Sureste basin, has been less active, with less than 10 wells drilled since 2014.

Between 2018 and 2019, PEMEX plans to drill 73 exploration wells (including 19 deepwater and 18 shale wells), acquire of 3,000 km^2 of 3D seismic data and process of 10,000 km^2 of seismic data.

The following table shows the drilling activity in Mexico between 2013 and 2017.

	Number of Wells				Average Success Rate
	Exploratory	Outpost	Development/ Service	Total	(%)
Mexico	126	45	1,547	1,718	50

Note: Table is based on publicly available data.

Competitive environment

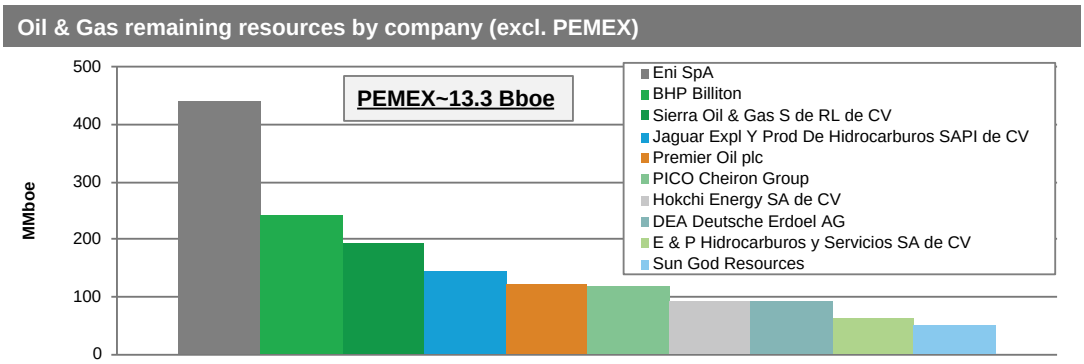
In 2014, Mexico reformed its energy sector to allow IOCs to operate in Mexico through competitive production sharing contracts and licenses. The upstream opening will allow PEMEX to capture targeted partnerships for technology transfer and financial risk sharing in high-cost high potential developments in order to revitalize its maturing production.

Deepwater operatorship is prioritized for foreign partners of PEMEX given its financial constraints and lack of relevant expertise. However, PEMEX will retain minority equity positions in future farm-outs.

Among the upstream entities partnered with PEMEX, service companies have the largest share of partnerships (38%), followed by small independents (24%), foreign national oil companies (9%), large independents (6%), and global IOCs (3%); 21% of the companies are non-energy sector participants.

PEMEX recently reported its interest in a pilot farm-out or partnership with companies which would be able to share their expertise in enhanced oil recovery for a portion of either Cantarell or KMZ, the two largest projects in the country.

The following graph shows the remaining oil and gas resources by company (including 2P reserves and 2C resources) as of 31 December 2017.



Note: Represents the largest resource holders.

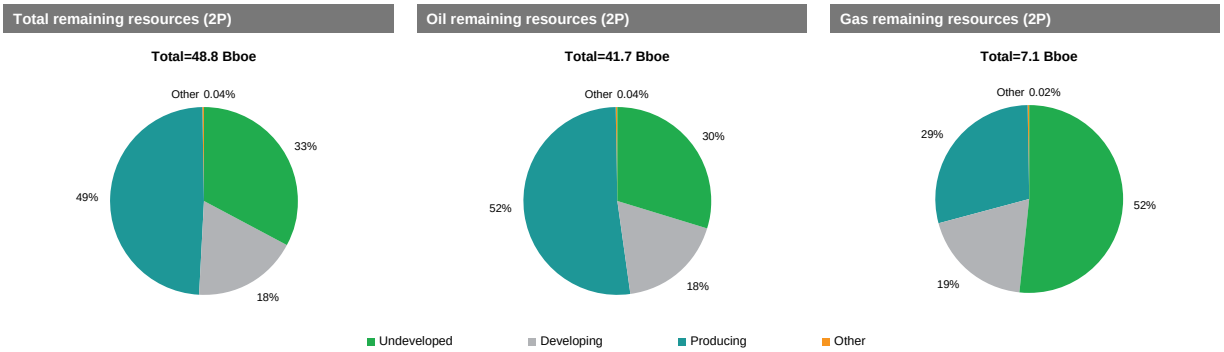
Licensing

In Mexico, the Ministry of Finance and Public Credit is responsible for setting economic and fiscal conditions of new types of contracts and licensing rounds as well as verifying entitlements and E&P contract compliance from a financial perspective. The Energy Secretariat acts as the ministry responsible for establishing, conducting and coordinating energy policy and selects contract areas to be offered. The National Hydrocarbons Commission acts as the regulatory authority and is responsible for, amongst other activities, carrying our bid rounds and awarding and signing E&P contracts, and administering E&P contracts and supervising production plans. PEMEX is the national oil company, but pursuant to the Mexico's energy reform, it was transformed into a state productive enterprise and with no role in new production sharing agreements.

The last license rounds were held in 2017, in which four bid rounds and three PEMEX farm-out rounds were successful, with 42 awards granted compared to the 28 awards in 2016. Two further bid rounds were launched in 2017 with positive results, in which 16 blocks out of 35 shelf blocks were awarded and 19 blocks out of 30 deep water blocks were awarded. New rounds have been launched in 2018, with the farm-out round offering seven contracts with 27 PEMEX E&P entitlements, 9 unconventional blocks and 37 conventional blocks.

Brazil Oil and Gas Industry

In Brazil, there have been 1,099 discoveries to date, with total remaining resources of approximately 48.8 Bboe, of which 85% is oil, as of 31 December 2017. There have been 17 discoveries with reserves over 1 Bboe, of which 10 fields are in production, four are in development and three are undeveloped. The charts below set forth estimates for remaining oil and gas reserves in the country as of 31 December 2017.

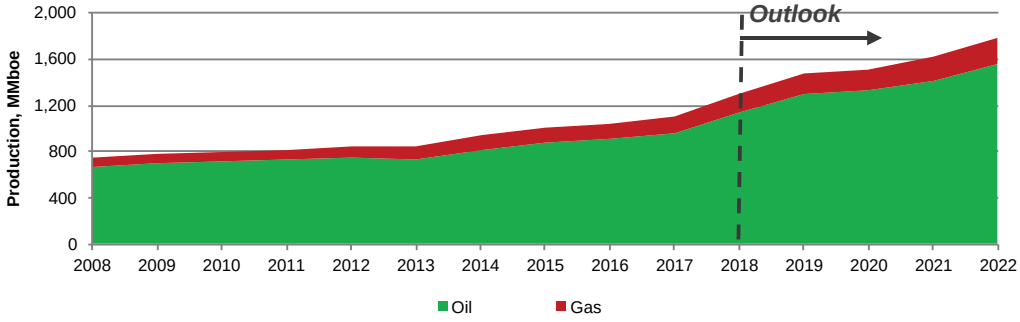


Note: Oil includes condensate. Undeveloped resources included redeveloping after abandonment. Other includes temporarily shut in and abandoned.

Brazil's total production is anticipated to grow by approximately 10% between 2018 and 2022, compared to 6% between 2013 and 2017. Petrobras accounts for a majority of production, which is primarily derived from

deepwater assets. The graph below shows Brazil's historical and forecasted estimated unrestricted production capacity for oil and gas.

Production capacity by resource type (2008-2022)



Note: Oil includes condensate. Outlook represents unconstrained asset-by-asset production capacity excluding OPEC quotas, project delays etc.

Recent activity

Between 2013 and 2017, over 2,100 wells were drilled, of which 1,777 were development wells and 334 were exploration and outpost wells. Petrobras operated approximately 1,800 wells.

Drilling of development wells has dropped sharply from 555 in 2015 to 186 in 2017. Onshore wells accounted for 151 wells out of 186. Between 2016 and 2017, Brazil experienced the lowest exploration activity in the last 20 years. In 2017, exploration & outpost drilling was up 62% to 34 wells, 10 offshore and 24 onshore.

The following table shows the drilling activity in Brazil between 2013 and 2017.

	Number of Wells				Average Success Rate
	Exploratory	Outpost	Development/ Service	Total	(%)
Brazil	193	141	1,777	2,111	22

Note: Table is based on publicly reported data.

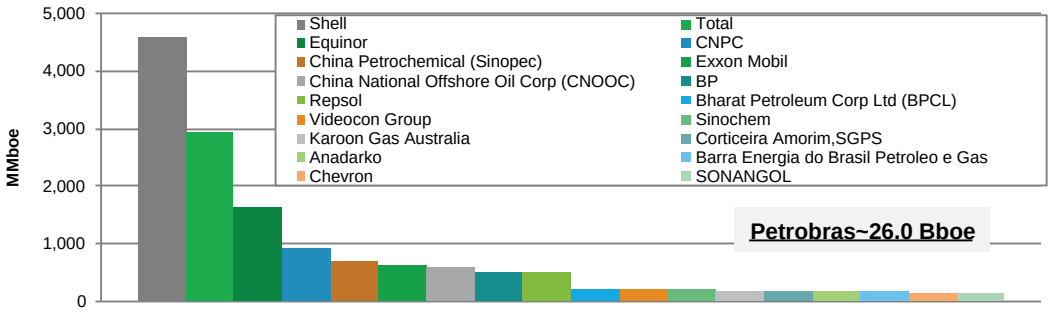
Competitive environment

Petrobras controls over 80% of Brazil's total production, despite having lost its monopoly over exploration and production in 1997, and is expected to continue to surpass the total production of other companies present in the country.

Over 50 companies, including foreign national oil companies, IOCs and local players, hold operated and non-operated stakes in production concessions, with Shell, Equinor (Statoil) and Total being the largest oil and gas resource holders in Brazil. New opportunities are arising for foreign investors thanks to future licensing rounds, divestments and farm-outs by Petrobras and possible divestments by local companies, facing financial challenges.

The following graph shows the estimated remaining oil and gas resources by company (including 2P reserves and 2C resources) as of 31 December 2017.

Oil & Gas remaining resources by company (excl. Petrobras)



Note: Represents the largest resource holders.

Licensing

In Brazil, the Ministry of Mines and Energy acts as the responsible ministry for hydrocarbon resources. The National Petroleum Agency is responsible for issuing regulations under the authority of the Ministry of Mines and Energy. The national oil company is Petrobras, which is a mixed joint stock corporation controlled by the federal government.

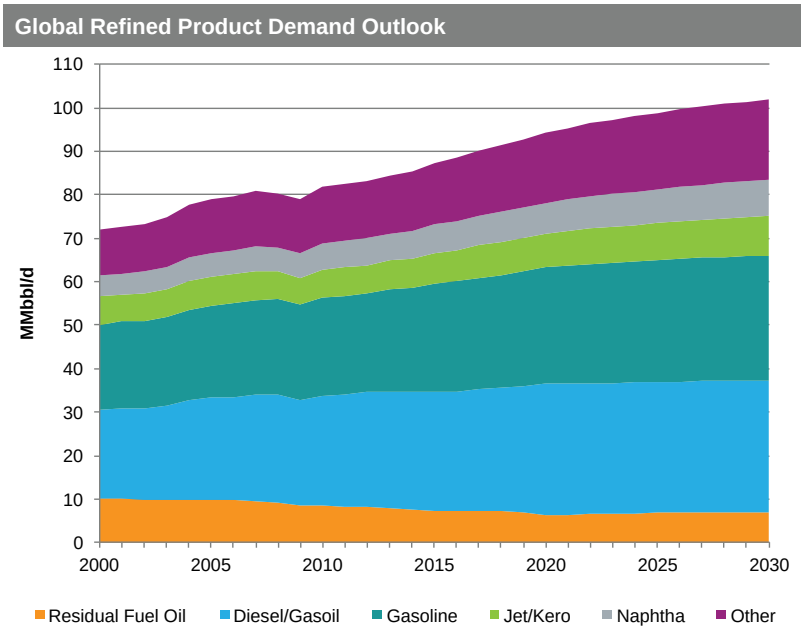
The last licensing round occurred in 2018, with 22 blocks acquired by 12 international companies (including, among others, BP, Repsol and ExxonMobil) and more than U.S.$2,400 million was spent in signature bonuses for the round (*source: Brazilian National Agency of Petroleum, Natural Gas and Biofuels*).

Refining

Refined products are oil products derived from crude oil through refining and include, among others, road transportation fuel products (such as diesel and gasoline), bunker fuel (fuel used on ships), heating oil (gasoil) and jet fuel. Refined products can be further blended into specialized fuel products, such as fuel grades containing renewable fuels through bioblending. Jet fuel, heating oil and gasoil / diesel are often referred to as middle distillates, whereas gasoline, LPG and naphtha are light distillates and heavy fuel oil and bitumen are heavy distillates.

Global Demand for Refined Products

Refined product demand for 2017 was approximately 90.2 MMbbl/d and is expected to grow by approximately 11.7 MMbbl/d by 2030, including 5.5 MMbbl/d of gasoline and diesel, as shown in the chart below.

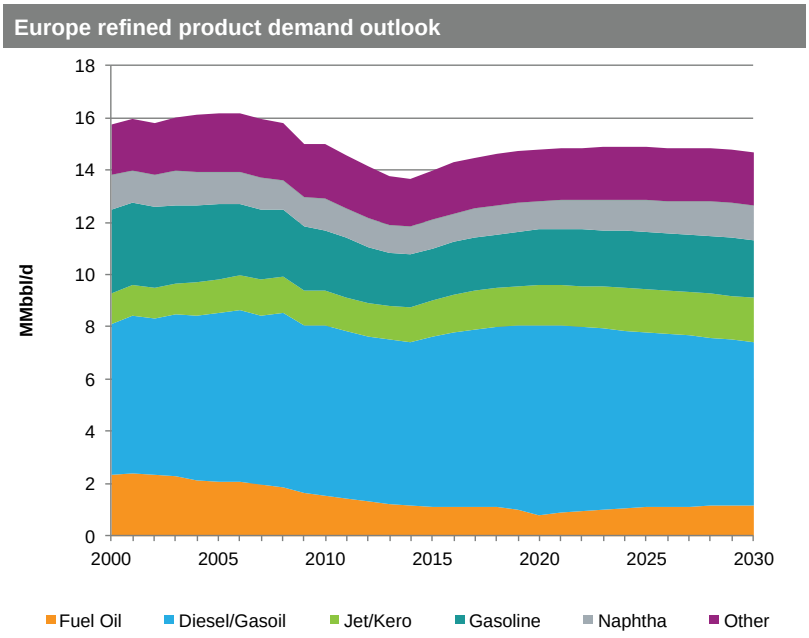


Note: Other includes LPG, bitumen, lubricants, waxes, white spirits, petcoke and other grades.

Demand for middle distillates, such as jet fuel, is anticipated to record the strongest growth, driven by increasing aviation activity and continued diesel growth in the short to medium-term. Naphtha demand is anticipated to continue to grow, largely due to strong petrochemical demand. Gasoline demand is anticipated to continue to grow in the near term, driven by a rising number of vehicles. Fuel oil demand, in particular bunker fuel, is anticipated to decrease mostly in 2019–2020 due to the more restrictive sulfur limits for bunker fuel as a part of IMO 2020. As a result of IMO 2020, it is forecast that a substantial part of global demand for bunker fuel, which is the fuel used for international maritime shipping and typically has a higher sulfur content, will shift towards bunker diesel. It is anticipated that after the initial impact in 2020, bunker fuel demand will gradually recover and grow as ships are foreseen to start installing scrubbers (air pollution control devices that remove SOx), enabling ships to use bunker fuel with a higher sulfur content again.

European Demand for Refined Products

Total European refined product demand is expected to decline slowly in the long-term, as shown in the chart below. This is primarily due to decline in non-transportation fuels such as heating kerosene, gasoil and fuel oil demand over the whole period combined with declines in diesel demand in the longer term. The population of gasoline passenger vehicles has been reducing while the population of diesel cars has been increasing since the end of the last century—driven by the greater efficiency of diesel powered cars and a lower diesel pump price in most countries. However, this trend is anticipated to reverse as diesel powered vehicles become increasingly less favorable compared to gasoline and alternative power train vehicles. Gasoline demand is forecast to see some near term growth before stabilizing. Road diesel demand is forecast to grow modestly in the near term driven by economic growth in the region. Gasoil segments, such as domestic heating or off-road applications decline owing to efficiency improvements and fuel substitution. A sharp rise in gasoil bunker demand in 2020 is expected after implementation of IMO 2020. The combined diesel-gasoil demand will then start to soften from the early 2020s. Jet fuel demand is expected to grow but at a more modest rate than in the early 2000s driven by increased air travel but partly offset by improvements in aircraft efficiency.



Note: Other includes LPG, bitumen, lubricants, waxes, white spirits, petcoke and other grades.

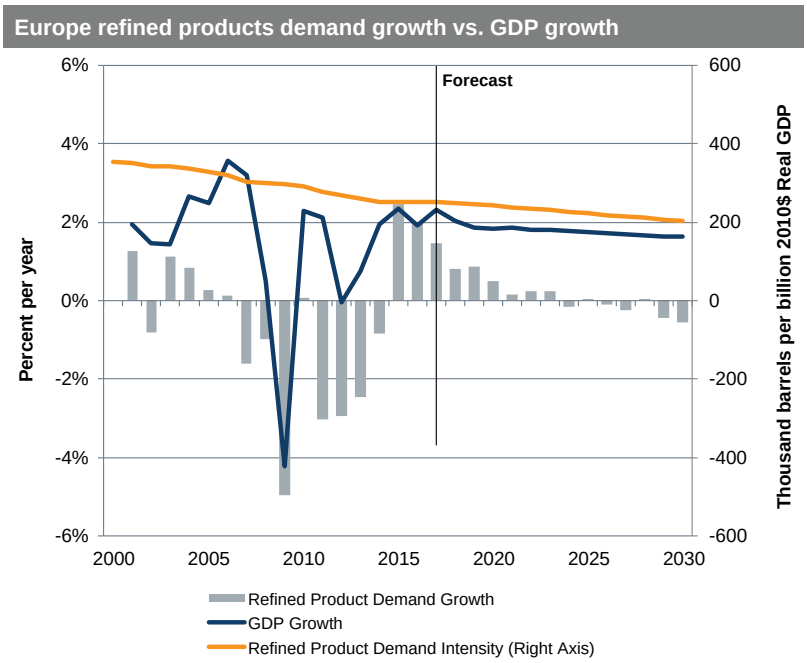
Key Factors affecting European Refined Product Demand

European demand for refined products is forecast to be affected by, among others, underlying macroeconomic trends, the implementation of IMO 2020, electrification, fuel efficiency gains and renewable energy adoption.

Macroeconomic Trends

Refined product demand is directionally linked to economic activity through the transport of goods and people, and as energy in production processes. GDP growth in Europe is expected to remain at approximately 2.0%

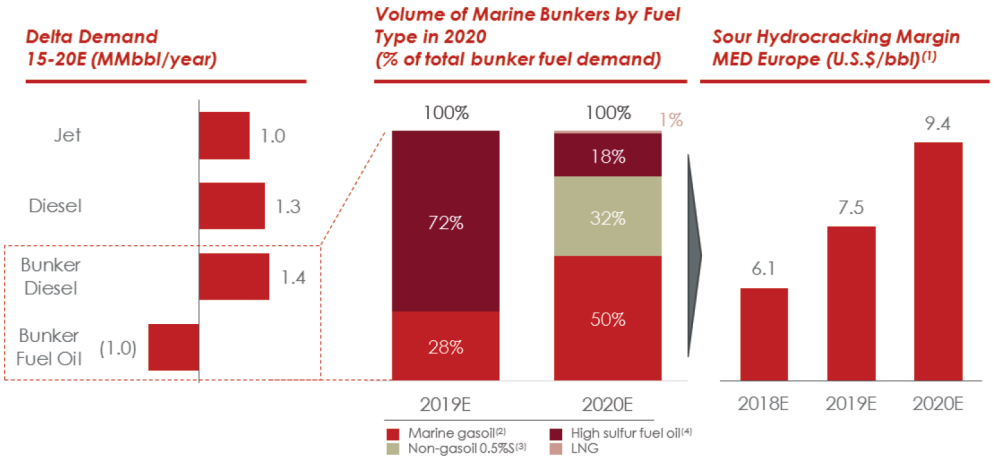
between 2017 and 2022. The chart below shows the forecast of European GDP growth and refined product demand growth through 2030.



IMO 2020

In 2008, the IMO adopted a resolution revising Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL) thereby introducing stricter sulfur limits for bunker fuel. As from 1 January 2020, the sulfur levels of bunker fuel used by all marine vessels globally will be limited to a maximum of 0.50% sulfur. This is a significant reduction from the current 3.5% level used by most of the world's shipping industry.

As shown in the chart below, the requirement of lower sulfur content for bunker fuel as of 2020 is forecast to result in a decline in global fuel oil bunker demand, while gasoil and other compliant fuels are expected to increase globally, leading to increasing refining margins.



(1) Constant 2017 U.S. dollars, U.S.$/bbl.

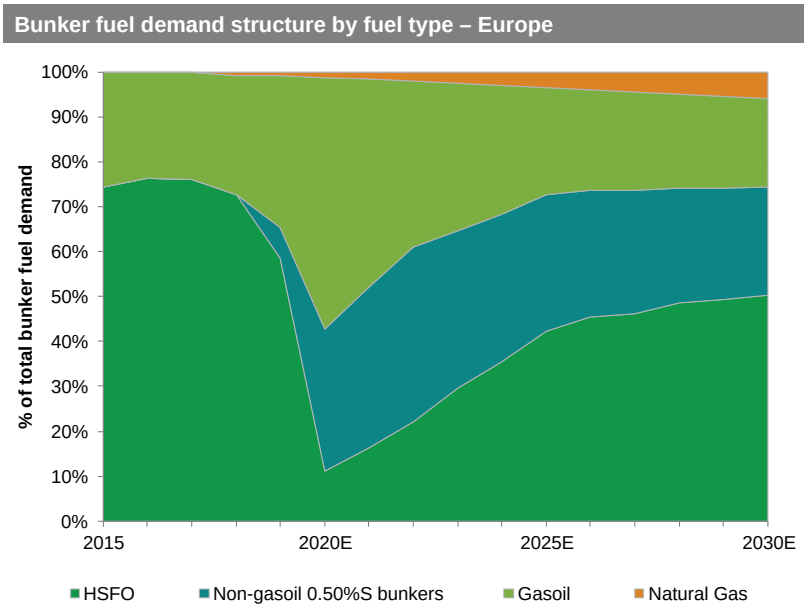
(2) Includes low sulphur marine gasoil in emission control areas.

(3) Includes residual and hybrid.

(4) Includes non-compliant volumes.

The higher demand for gasoil from 2020 onwards is forecasted to require a short-term increase in the utilization rates of refineries in Europe, increasing refining margins for those refiners with suitably complex configurations.

Between 2020 and 2030, it is forecasted that more ship owners will start to install scrubbers alongside the emission funnels of ships. Installing scrubbers is anticipated to contribute to renewed use of high sulfur refined products again. This increase in high sulfur refined products is anticipated to happen gradually as prices are not foreseen to justify the cost of investment before 2020 and there are only a limited number of installation facilities. In addition, it is forecasted that there will be an initial heavy reliance on gasoil bunkers and on compliant non-gasoil bunkers and a decrease in non-compliant fuel consumption driven by better enforcement, while there will be a slower initial growth of LNG bunker demand. The graph below shows bunker fuel demand by type.



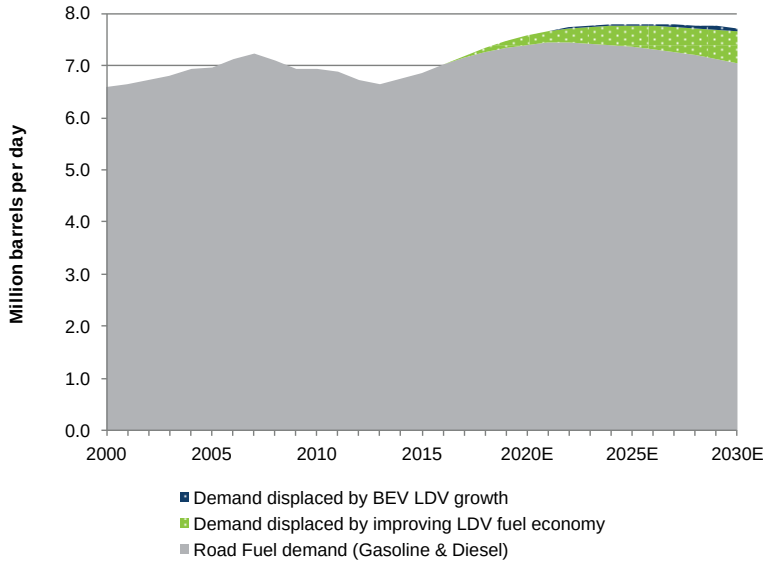
Electrification and Fuel Efficiency

Road transportation fuel demand in Europe is forecasted to increase until 2022, supported by the continued impact of macroeconomic trends. The base case demand forecast is for demand to grow from 7.1 MMbbl/d in 2017 to 7.4 MMbbl/d in 2022, which is anticipated to be met by a range of sources.

In the long-term, improving and increasing fuel efficiency and penetration of electric vehicles are anticipated to reduce the growth in transportation fuel demand as shown in the graph below. Increasing fuel efficiency and electrification trends are both driven by, amongst other factors, environmental awareness by consumers,

government regulation, and perceived efficiency and financial benefits, and are forecast to have a combined negative impact of up to approximately 9% on road transportation fuel demand growth by 2030.

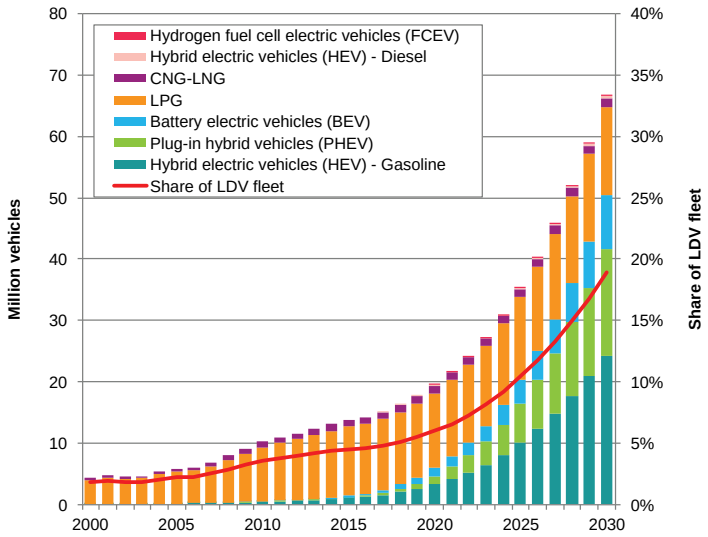
Europe road fuel demand displaced by battery electric vehicles (BEV) LDV growth and improving LDV fuel economy



Notes: Fuel economy analysis based on Dedicated ICE and Hybrid LDVs. Based on BEV being preferential over Hybrid Gasoline.

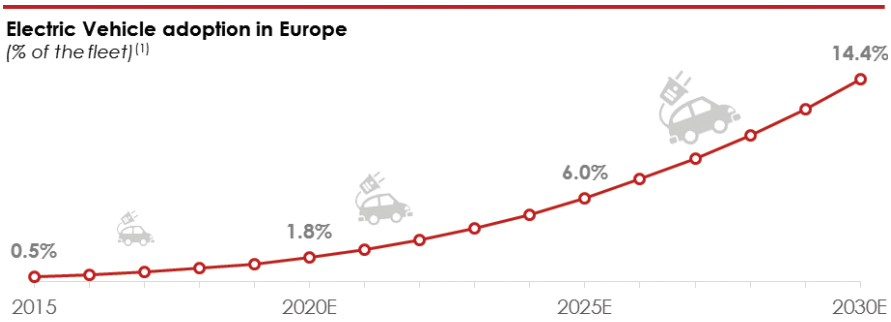
In Europe, there is an alternative view to that assumed in the above transportation fuels forecast, which suggests that alternative powertrain vehicles (including hybrid, LPG and battery-powered vehicles) are forecasted to have a 10% share of the total passenger car fleet by 2025 and a 20% share after 2030.

Non-dedicated gasoline and diesel vehicles in Europe LDV fleet outlook



Note: LDVs are vehicles weighing over 8,500 lbs.

Battery-powered electric vehicles are forecasted to have a 6.0% share of the total passenger car fleet by 2025, increasing to 14.4% by 2030, as shown in the chart below.



(1) Includes battery electric vehicles, plug-in hybrid vehicles and hybrid electric vehicles.

European Renewable Fuels Consumption

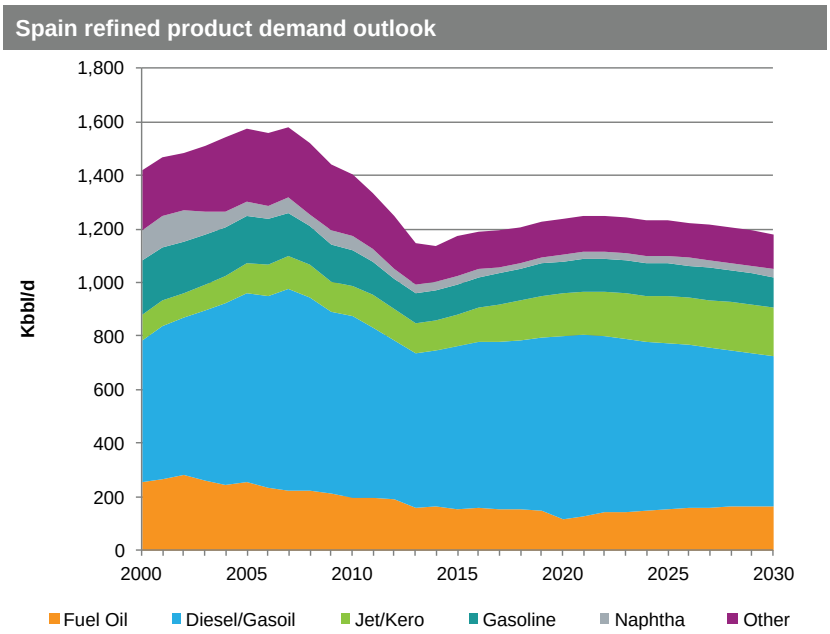
Pursuant to Directive 2009/28/EC (as amended) (the **Renewable Energy Directive**), each EU Member State must ensure that the share of energy from renewable sources in all forms of transport in 2020 is at least 10% of the final consumption of energy in transport in that Member State. Pursuant to the Renewable Energy Directive, EU Member States have adopted national renewable energy action plans setting out their national targets for the share of renewable energy consumed in 2020 and the measures to be taken to achieve those targets.

On 17 January 2018, the European Parliament voted in favor of the RED II targets of 12% of biofuels in transportation fuels by 2030. It is forecasted that if the EU meets this target for 2030, approximately 250 Kbbl/d of additional bioethanol will be needed. With total ethanol capacity in Europe of approximately 180 Kbbl/d, there will be a need to build more capacity in Europe or import more ethanol.

Spain

Products demand

Refined products demand in the last decade has been affected by a cycle of contracting economic output starting in 2008, with a modest recovery starting in 2014. As a result, total product demand dropped by almost one third between 2007 and 2014, with a modest recovery as economic conditions started to improve. The chart below shows historical as well as projected refined product demand up to 2030.



Note: Other includes LPG, bitumen, lubricants, waxes, white spirits, petcoke and other grades.

Refined product demand is expected to be driven by transportation fuels with diesel expected to remain the dominant road fuel in Spain. Sales of alternative powertrain vehicles are expected to accelerate from 2021,

including as a result of plans to expand charging infrastructure to help drive electric vehicle growth. Gasoline demand had been in structural decline due to dieselization and improving fuel efficiencies in the 2000–2015 period, but recently reversed as a result of a strong increase in gasoline-powered vehicle sales since 2013, low fuel prices in 2015 and 2016 and rising tourism. Diesel and gasoil demand is largely driven by the transportation sector, accounting for approximately 75% of demand currently, and is expected to grow by a CAGR of 4.1% between 2018 and 2020, when including the expected increased use of gasoil for bunker fuel in 2020. Inland fuel oil demand has been in structural decline, as a result of lower consumption in industry and regulatory standards. Jet fuel demand is also expected to continue to grow, following declines in growth immediately after the financial crisis.

Refining sector overview and competitive environment

Spain has one of the largest refining sectors in Europe with a capacity of 1.43 Kbbl/d and is comprised of eight refineries and one bitumen plant, eight of which are located near the coast of Spain. Repsol is the dominant refiner, with approximately 60% of refining capacity. Together Repsol and CEPSA account for approximately 90% of refining capacity. The domestic supply structure has been dominated by middle distillates in recent years and is expected to see a continued shift in favor of middle distillates. In addition, utilization rates are expected to decline in the years after the IMO bunker fuel specification changes in 2020.

Storage

As of 31 December 2017, total installed non-refinery product storage capacity in Spain was above 15 million m^3, driven by rapid growth in the fuel oil bunkering segment in recent years. CLH is the dominant operator storage capacity, holding approximately 53% of total storage capacity. However, independent storage has been on the rise in recent years, particularly in the ports of Barcelona and Algeciras, supporting retail, trading and bunkering.

Marketing

Spain

Fuel retail market & competitive environment

The fuel retail market is dominated by five major operators, with Repsol being the market leader holding approximately 30.2% of the retail fuel sites, and CEPSA being the second largest operator with approximately 13.5% of retail sites. BP is the sole foreign operator with an integrated domestic position due to its domestic refining capacity and holds 5.5% of retail sites in Spain. Spain has a large retail network by European standards, with approximately 11,400 sites as at 31 December 2017. In recent years, major operators have focused on non-fuel sales, accounting for an estimated 40% of service station profit margins. Gasoline and diesel fuel retail margins improved in 2017. However, fuel retail margins are typically higher than the European average, with the gross distribution margin for gasoline being one of the highest in Europe.

Fuel retailers in Spain have shifted their focus on the expansion of non-fuel offerings, including convenience stores in recent years. As a result, approximately 80% of sites in Spain hosted a convenience store in 2017. Convenience store co-branding and partnerships with well-recognized brands are widespread. In 2017, non-fuel sales accounted for an estimated 40% of service station profit margins.

Wholesale fuels market

Wholesale fuels comprises the sale of diesel sold to heavy duty vehicles, buses and commercial vehicles as well as gasoil sales for other purposes but excluding bunker fuel distillates. Wholesale margins are estimated to range between U.S.$5–10 per ton.

Aviation

With approximately 140 Kbbl/d of demand, Spain is Europe's fourth largest jet fuel market, and has the third largest volume of air traffic in Europe, mainly as a result of tourism as evidenced by over two-thirds of flights to Spain are international traffic. The Spanish jet fuel market is expected to see robust growth at a CAGR of 4.6% between 2018 and 2020 and at a CAGR of 1.8% between 2018 and 2030, outperforming the projected European average CAGR of 1.2% by 2030. Six airports account for 80% of fuel consumption so contracts tend to be large and concentrated. Possible airport congestion is a potential restraint on further growth in the future. Domestic jet fuel supply is dominated by CEPSA, Disa/Shell, BP, Repsol and Galp, with CEPSA having the largest distribution network.

Lubricants

Spain's total lubricants demand reached 422 Kt in 2017, reflecting growth in recent years but remaining well below 2010 levels of approximately 455 Kt. The total lubricants market has been in long-term structural decline and total lubricants demand is expected to remain flat in the medium-term, reaching an estimated 417 Kt in 2025. Repsol and CEPSA are the key market players, with 21% and 15% market share in 2017, respectively.

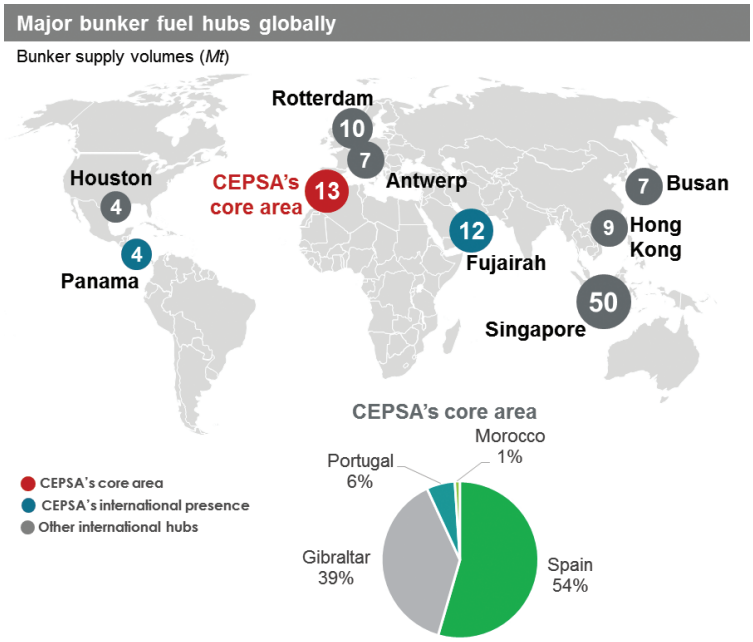
LPG

LPG supply in Spain is expected to be slightly declining in the medium-term, in line with expected lower oil product demand. From the demand side, the residential/commercial market is expected to decline from average per capita consumption of 27.2 kg in 2017 to 22.6 kg in 2030, and is expected to continue declining as LPG loses some market share to natural gas and, to a lesser extent, electricity. In addition, chemical demand for LPG as a feedstock is expected to remain predominantly flat in the medium-term.

Bunkering

Bunker fuel is an international market, with global demand estimated to be approximately 230 Mt in 2017. In 2017, the top three bunker hubs were Singapore (50 Mt), Fujairah (12 Mt) and Rotterdam (10 Mt), with the Iberian Peninsula, Strait of Gibraltar and Moroccan bunker markets collectively amounted to approximately 6% (or 13 Mt) of global bunker demand.

The chart below shows estimated global bunker fuel demand by hub for 2017.



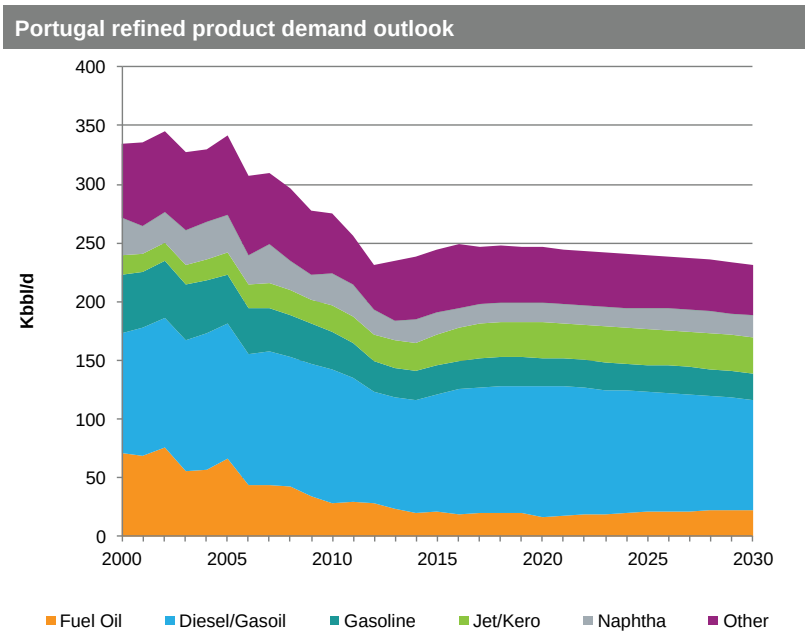
In the Spanish market, demand for bunker fuel is estimated at 7-8 Mt in 2017, with Algeciras and Las Palmas as key locations. Demand remains below the peak of 9 Mt in 2008. From 2020, more bunker gasoil deliveries are expected to take place as a result of the implementation of the IMO regulations. CEPSA is a key supplier of bunker fuel in Spain, with an estimated market share of 35% in 2017.

Portugal

Refined products demand

Portuguese refined product demand in the last decade has been affected by a cycle of contracting economic output starting in 2008, with a modest recovery starting in 2014. As a result, total refined product demand

dropped significantly between 2007 and 2014, with a modest recovery as economic conditions started to improve in 2014. The chart below shows historical as well as projected refined product demand up to 2030.



Note: Other includes LPG, bitumen, lubricants, waxes, white spirits, petcoke and other grades.

In 2017, total refined product demand amounted to 250 Kbbl/d. Economic recovery is expected to drive demand growth in the short-term. However, overall demand is expected to decline in the medium to long-term, mainly as a result of efficiency gains, changes in consumer driving habits and substitution with alternative fuels. Despite strong growth of gasoline and alternative powertrain light duty vehicles, diesel vehicles are expected to continue to dominate. Gasoline demand has been in structural decline since 2000. Diesel and gasoil demand is predominantly driven by the transportation section, accounting for 80% of total demand in 2017. Fuel oil demand has been in significant decline over that same period as a result of industry trends towards other fuels use, whereas jet fuel demand has been increasing driven by an increase in tourism. Naphtha demand is expected to remain flat.

Fuel retail market & competitive environment

Portugal's fuel retail network has continued to expand slowly in recent years, although the national average throughput per site has been decreasing. The fuel retail market is dominated by four integrated operators, which together held 62% of retail sites in 2017: Galp (23.9%), Repsol (15.4%), BP (14.2%) and CEPSA (8.4%). Gasoline and diesel prices have fallen sharply from the end of 2014 through 2016 due to the fall in crude prices. Gross distribution margins are generally more lucrative than in most European markets and grew strongly for gasoline sales in 2017 following a decline in 2016 compared to 2015.

Fuel retailers in Portugal have shifted their focus on the expansion of non-fuel offerings, including convenience stores in recent years. As a result, convenience stores are now widespread in Portugal, led by BP which has 100% of its service stations covered by convenience stores and Galp, with 70% coverage. Repsol and CEPSA have lower coverage levels at approximately 51% and 28%, respectively.

Wholesale fuels

Wholesale fuels comprises the sale of diesel sold to heavy duty vehicles, buses and commercial vehicles as well as gasoil sales for other purposes but excluding bunker fuel distillates. Wholesale margins are expected to range from U.S.$5–15 per ton.

Aviation

With approximately 30 Kbbl/d of demand, Portugal is Europe's tenth largest jet fuel market, with tourism being a key component of demand. The Portuguese jet fuel market is expected to see slow growth at 0.3% annually and underperform the projected European average annual growth rate of 1.3% by 2030, with the lack of available airport capacity currently limiting growth potential. Domestic jet fuel supply is dominated by Galp, with BP, Repsol and CEPSA having a presence as well.

Lubricants

Portugal lubricants consumption reached 61 Kt in 2017, reflecting growth in recent years but remaining well below 2010 levels of approximately 80 Kt. Lubricants demand is expected to grow slightly in the medium-term, but to decrease in the long-term to 53 Kt in 2030.

LPG

Residential and commercial consumption of LPG in Portugal is stable in a fairly mature market. The residential and commercial market is expected to decline slowly over time (from an average per capita consumption of 35.6 kg in 2017 to 26.1 kg in 2030), driven by natural gas competition, increasing energy efficiency and lack of population growth. As significant additional expansion of natural gas supply into Portugal is not expected, the decline of LPG consumption will be slow, and the primary drivers will switch to population decline and energy efficiency gains. Portugal also has small industrial and autogas markets that use propane, but this market is not expected to grow significantly.

Industrial LPG consumption in Portugal is expected to experience a small decline and consumption of LPG as chemical feedstock is expected to be generally flat, as no new plants are expected and the feedstock profile of existing plants is not likely to change significantly.

Given the limited domestic production of LPG in Portugal, LPG demand will continue to exceed production in the medium-term with expected deficits of 525 Kt and 484 Kt in 2020 and 2025, respectively.

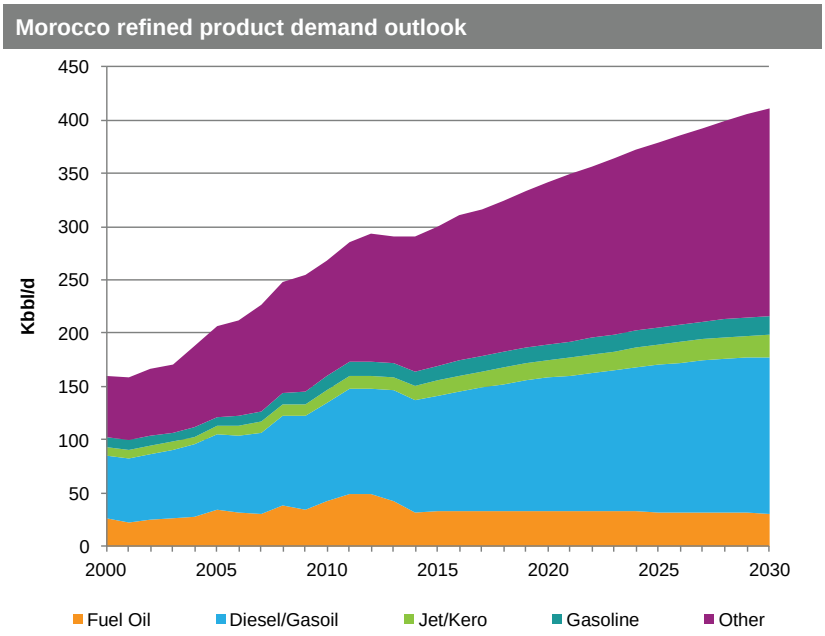
Bunkering

The Portuguese market for international marine bunkers is estimated at 800 Kt in 2017, with Lisbon and Sines as key locations. Demand is expected to decline for heavy fuel oil bunker fuels in the near term to 2020, but total bunker fuel demand is expected to grow, and the use of heavy fuel oil bunker fuels are expected to recover after 2020 as a result of increasing adoption of scrubbers following the implementation of the IMO regulations from 2020. CEPSA is active in all Portuguese ports, and is competing mainly with Galp.

Morocco

Refined products demand

Moroccan refined product demand in the last decade has been volatile, reflecting volatility in GDP growth trends. The chart below shows historical as well as projected product demand up to 2030.



Note: Other includes LPG, bitumen, lubricants, waxes, white spirits, petcoke and other grades.

Transportation and residential sectors are expected to drive demand growth in the medium to long-term. The LDV fleet is diesel oriented and has a strong growth potential. Gasoline demand had been in structural decline since 2000. Gasoline demand has increased strongly in recent years to over 14 Kbbl/d in 2017, and is expected

to grow strongly in the medium to long-term. Diesel demand reached 116 Kbbl/d in 2017, increasing by a CAGR of 3.1% since 2012 and is expected to continue to grow through 2030, albeit at lower rates to exceed 140 Kbbl/d by 2030. Fuel oil demand is expected to decline as a result of competition from coal and gas. Jet fuel demand is expected to grow as a result of a series of major airport expansions. Morocco does not currently have an active refinery.

Fuel retail market & competitive environment

Three companies control over two-thirds of market share in the Moroccan oil marketing sector, with Afriquia being the dominant player with a 40% market share, followed by Vivo Energy (15%) and Total (13%). Following the removal of price controls in 2014 and 2015, prices of gasoline and gasoil are now linked to international oil prices. However, the liberalization has not lead to a significant downward pressure on prices and declining margins. The gross distribution margin for motor fuels in Morocco is estimated within the range of U.S.$200–350 per ton, which is higher than the European average.

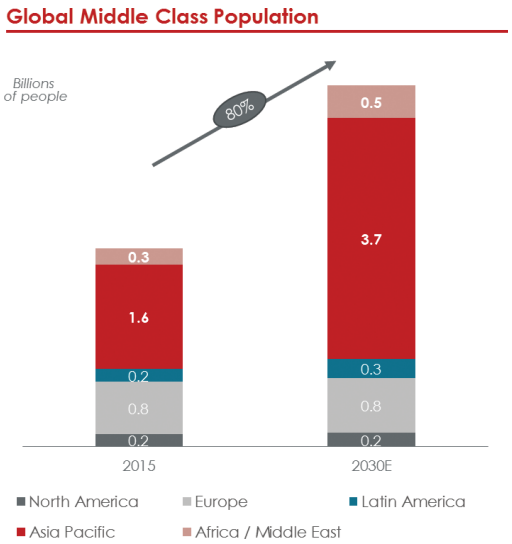
Chemicals

The petrochemicals markets comprise all products derived from crude oil and natural gas. In the refining industry, crude oil is refined into a number of products, a proportion of which is used as feedstock for the production of petrochemicals. Petrochemical products are then used as key components in a wide variety of consumer and industrial products, including, among others, detergents, cosmetics, packaging and adhesives.

This section describes market trends for surfactants (including LAB and fatty alcohols) as well as for phenol and acetone. For the purposes of this section, the term "chemicals" is used to encompass petrochemicals as well as fatty alcohols and their derivatives, which are largely (75%) derived from natural fats such as palm kernel oil rather than crude oil or natural gas.

Demand for chemical products is affected by trends in demand in the industries that are end users of the products. Macro-economic activity directly drives demand for chemical end uses that encompass mostly consumer goods (including packaging), such as appliances, electronics, vehicles and toys, construction or industrial uses as solvents, coatings and fuels.

The middle class to expand globally, growing approximately 80% by 2030 to reach more than five billion people, with the largest share of the growth coming from emerging markets in Asia Pacific, Africa and the Middle East (*source: Brookings Institution (2017)*). The chart below shows the forecasted global middle class population growth between 2015 and 2030.



Source: Brookings Institution (2017)

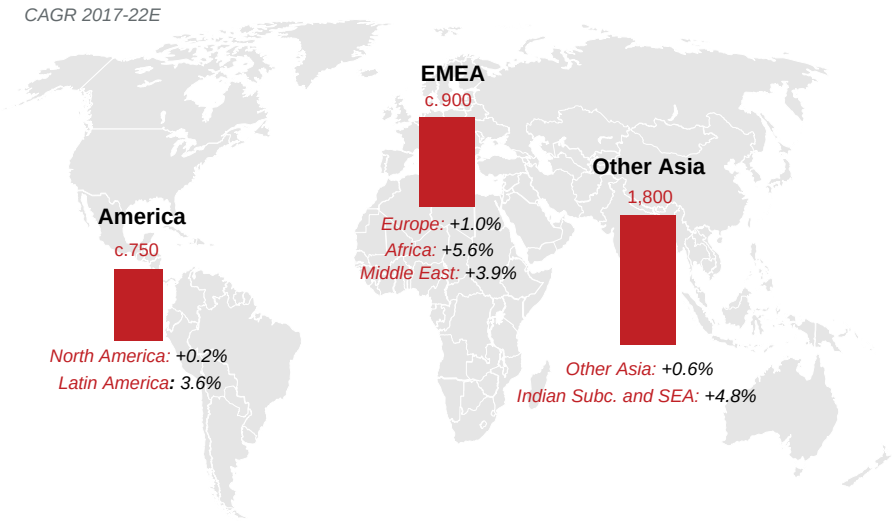
This global middle class growth is expected to contribute to strong chemical demand growth, particularly in emerging markets. Between 2015 and 2030, global chemicals demand is expected to increase by a CAGR of 2.9%, compared to forecasted global GDP growth and primary energy demand growth of 2.6% and 1.1%, respectively (*source: Grand View Research*). Between 2017 and 2022, emerging markets demand for LAB, alcohols and phenol are expected to increase by a CAGR of 3.6%, 5.2% and 2.6%, respectively (*source: Grand View Research*).

Surfactants—LAB Market

LAB is produced by alkylating benzene, using either monochloroparaffins or olefins. Essentially all LAB demand is into the manufacturing of surfactant LABSA and demand is driven by demand for powder and household detergents. Most of the detergent product development in recent years have resulted in increasing use of liquid detergents and formulations with enzymes, particularly in developed economies; however, in most developing regions of the world, strong demand growth for LAB continues.

Between 2017 and 2022, global demand for LAB is forecast to grow at a CAGR of 2.7% (*source: CAHA*), primarily driven by demand in Asia, particularly India, South Korea and China, as well as Africa and the Middle East. In mature markets, LAB consumption growth is expected to be more subdued as detergent manufacturers have introduced new products that contain less surfactant per washload. The graph below shows forecasted LAB demand growth by region between 2017 and 2022.

2017 LAB Demand by Region, Kt



Source: CAHA

Total worldwide capacity for LAB in 2017 is estimated at approximately 4.0 Mt and is forecasted to increase by a CAGR of 2.2% between 2017 and 2030. LAB capacity from North America and Western Europe account for approximately 22 of global world capacity and this share has continued to decline as more plants have been built in emerging markets with stronger demand growth.

The table below shows the top global LAB suppliers in terms of capacity.

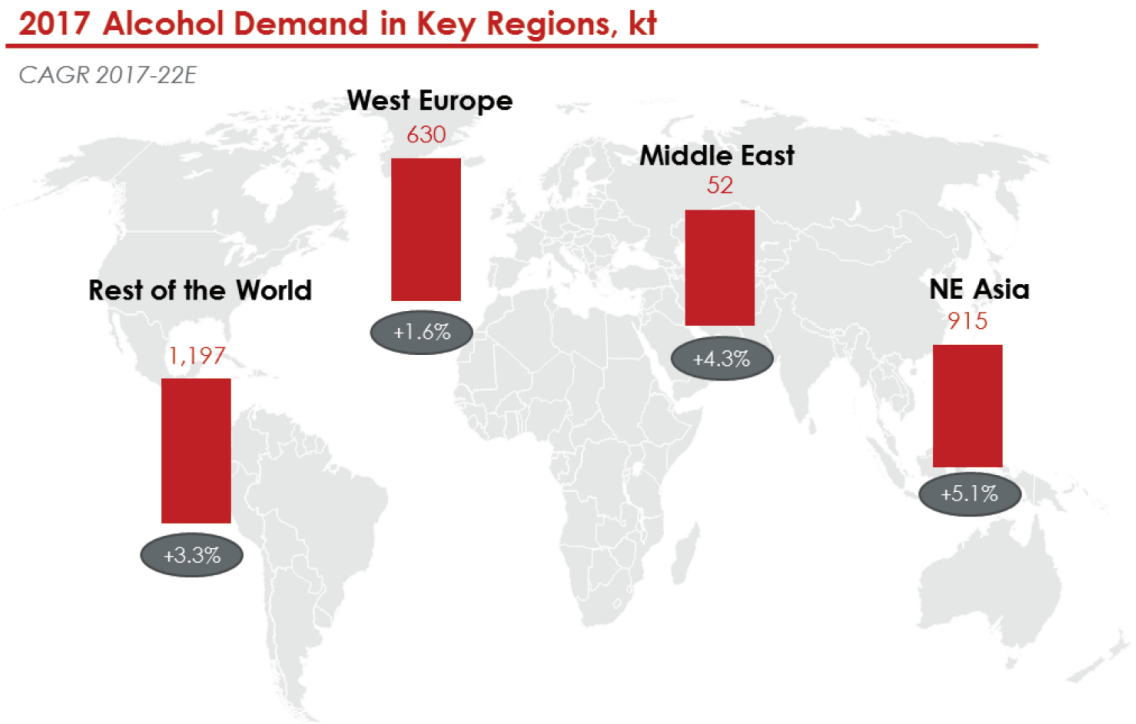
Top LAB Suppliers (2017)	Capacity (Kt, unless otherwise indicated)
CEPSA	570
Sasol	360
Jun Tung	350
ISU	280
Fushun	280
Total capacity (*Mt*)	4.0

Source: CAHA

Surfactants—Fatty Alcohols Market

Fatty alcohols are used in the main in the production of surfactants for detergents. Demand for fatty alcohols and their derivatives has grown above the global GDP in recent years, driven in part by the shift of developing regions to liquid household detergents from powder detergents as well as growth in personal care applications. These trends are expected to continue with global demand for alcohols forecasted to grow at a CAGR of 3.6% between 2017 and 2022.

The graph below shows forecasted alcohols demand by region between 2017 and 2022.



Total worldwide capacity for alcohols in 2017 is estimated at approximately 4.2 Mt and is forecasted to increase by a CAGR of 1.3% between 2017 and 2030. Two capacity additions are expected in the medium-term, with Sasol adding a further 82 Kt of capacity in the United States and Jiangsu HSINTAI Chem adding 72 Kt of capacity in China. Southeast Asia is the major producing region accounting for 37% of global capacity and Western Europe is the second largest producing region with 22% of global capacity.

The table below shows the top global alcohols suppliers in terms of capacity.

Top Alcohol Suppliers (2018)	Capacity (Kt, unless otherwise indicated)
Royal Dutch Shell	461
Sasol	447
BASF SE	364
Wilmar	275
KLK Bioenergy SDN	265
Total capacity (*Mt*)	4.3

Phenol and Acetone Market

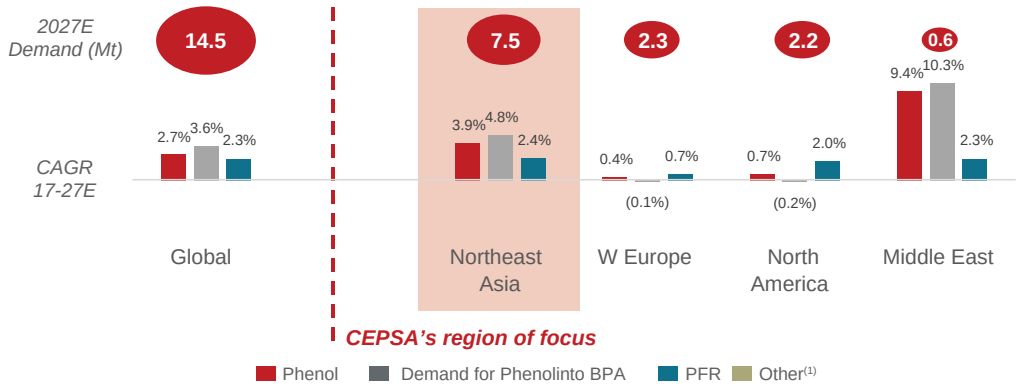
Phenol is a white, crystalline solid at room temperature, but most phenol is consumed molten as a clear, colorless liquid. It is both the simplest hydroxybenzene and the most commercially important. Phenol is the second major derivative in the benzene chain, behind styrene. Nearly all world production of phenol is via cumene peroxidation, with acetone produced as a coproduct. Phenol's main use is as a chemical intermediate in the manufacture of BPA, resins and nylon, among others.

Acetone is a colorless, flammable liquid that is the simplest of the ketones, having two methyl groups attached to the carbonyl group. It is largely known for its many solvent applications but is also employed in the synthesis of many other chemicals and consumer goods. The vast majority of acetone production is as a by/coproduct from phenol production. Approximately 0.6 tons of acetone are produced per 1.0 ton of phenol produced.

Phenol and acetone are co-produced, though their demand drivers are very distinct. Phenol demand drives investments in phenol/acetone and tends to have faster growth than acetone, often resulting in over-supply of acetone. The global phenol market is primarily driven by demand for BPA, which is, in turn, driven by demand for polycarbonate products. BPA accounted for approximately 45% of global phenol demand in 2017 and is primarily driven by polycarbonate demand in the automotive sector and epoxy adhesives and coatings used in

construction. The second largest end use for phenol is in the manufacture of phenol formaldehyde resins (**PFR**), which accounted for approximately 29% of global phenol demand in 2017, and is primarily driven by the construction sector.

In 2017, global phenol demand amounted to approximately 10.7 Mt and is forecasted to grow to approximately 14.5 Mt by 2027. Northeast Asia accounted for approximately 45% of global phenol consumption in 2017 and is expected to reach approximately 50% by 2027. The chart below shows the forecasted geographic split of phenol demand between 2017 and 2027.



(1) Other includes Nylon-KA oil, Alkylphenol, Orthoxylenol and others.

Total worldwide capacity for phenol in 2017 is estimated at approximately 12.8 Mt and an additional 1.4 Mt of capacity is expected to be added by 2022, mainly in China and India. The global supply of acetone is largely governed by phenol capacity additions. In 2017, the global capacity for acetone was 8.2 Mt, with the distribution of capacity the same as for phenol. Asia accounts for approximately half of total installed capacity, with North America and West Europe accounting for approximately 20% each.

The table below shows the top global phenol and acetone suppliers in terms of capacity.

Global Suppliers (2018)	Phenol Capacity	Acetone Capacity
	(Kt, unless otherwise indicated)	
Ineos	1,880	1,166
CEPSA(1)	700	434
Formosa	700	433
Kumho	685	428
LG Chem	600	360
Total capacity (*Mt*)	12.8	8.2

(1) Reflects estimates from the IHS Report. For a description of CEPSA's current capacity, see "*Business—Description of our Segments—Petrochemicals—Phenols*".

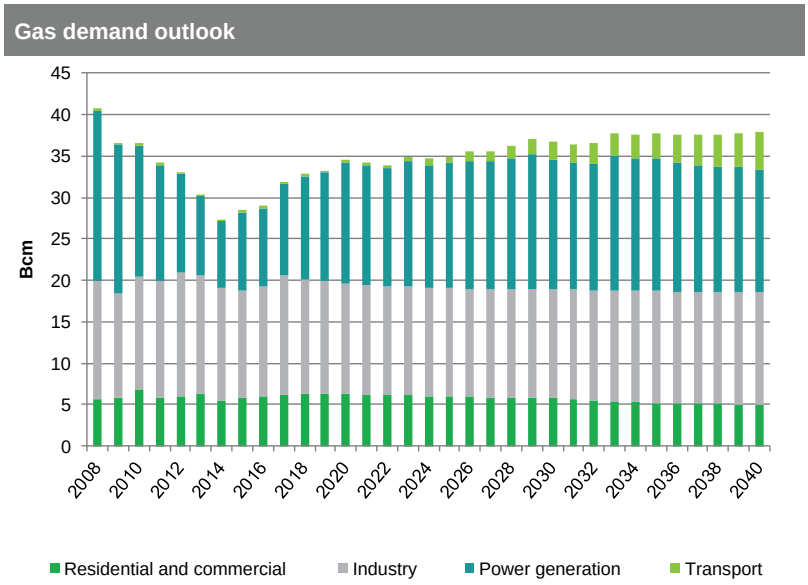
Gas and Power

Overview of the Spanish Gas Market

Between 2009 and 2016, annual gas demand in Spain fell by a total of 7.6 billion m^3, driven by the recession in Spain and the subsequent sovereign risk crisis, which primarily affected declining electricity demand, comparatively cheaper coal prices and renewables additions. Since 2009, industrial gas demand has been relatively low from a historical perspective, primarily due to low levels of growth in the Spanish economy, and industrial gas demand is likely to be flat in the medium-term.

Between 2016 and 30 June 2018, Spanish gas demand has increased by a CAGR of approximately 7%, primarily due to an increase in gas demand for power generation as the pace of renewables additions slowed

dramatically during the period. Gas demand is forecasted to grow only moderately over the medium-term, driven by the power sector and transport. The following graph shows a forecast for Spanish gas demand.



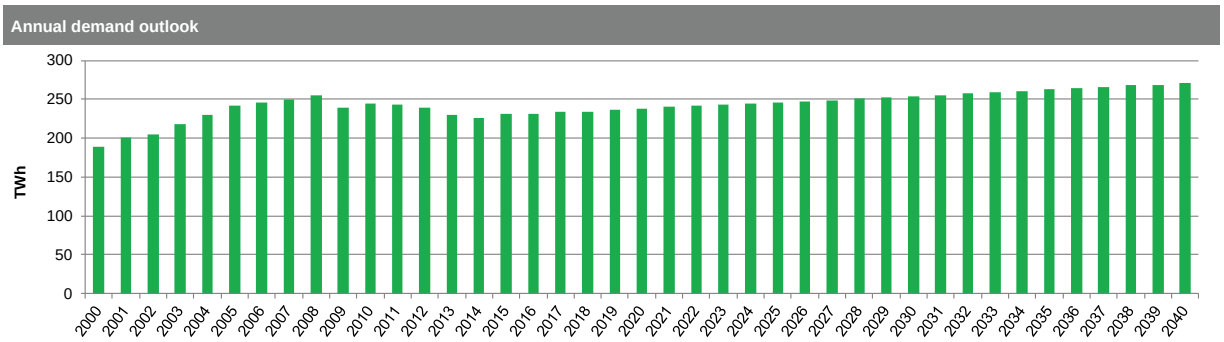
Spain has a highly developed import infrastructure. Between 2012 and 2015, LNG import terminals had very low utilization rates (20-30%) as demand fell and contracted pipeline volumes from Algeria took precedence in the supply chain. Spain imports gas direct from Algeria via the 8 billion m^3 per year Medgaz pipeline, and Algerian gas via Morocco through the 12 billion m^3 per year Maghreb-Europe Gas Pipeline. Historically, Spain's dependence on LNG versus pipeline imports for overall supply has varied from year to year. In 2017, Spain was 55% reliant on LNG for all imports. Between 2012 and 2015, LNG imports decreased by a total of 7 billion m^3 per year whereas Algerian pipeline supplies rose by a total of 2 billion m^3 per year over the period.

Historically, Spain's average import price (an average of both LNG and pipeline prices) has been heavily linked to the price of oil owing to Spain's large contracted gas volumes. Data from the Spanish energy regulator suggests this correlation is still in place, which is in contrast to the gas markets of Northwest Europe. Between 2009 and 2010, Spain's wholesale price averaged at least €5/MWh higher than the UK's NBP benchmark hub, despite the oversupply in the European gas market at the time. Additionally, the Iberian Peninsula was relatively insulated from the contract renegotiations in the European gas market that took place following the 2009 collapse in demand. Between 2019 and 2023, the spread between the UK's NBP benchmark and the Spanish price is expected to widen slightly as oil prices remain supported over the medium-term and there is a growing disconnect between gas and oil prices. Beyond 2023, Spain's average price is expected to track below the UK's NBP benchmark, although Spain's average import price is expected to become increasingly correlated with Northwest European hubs.

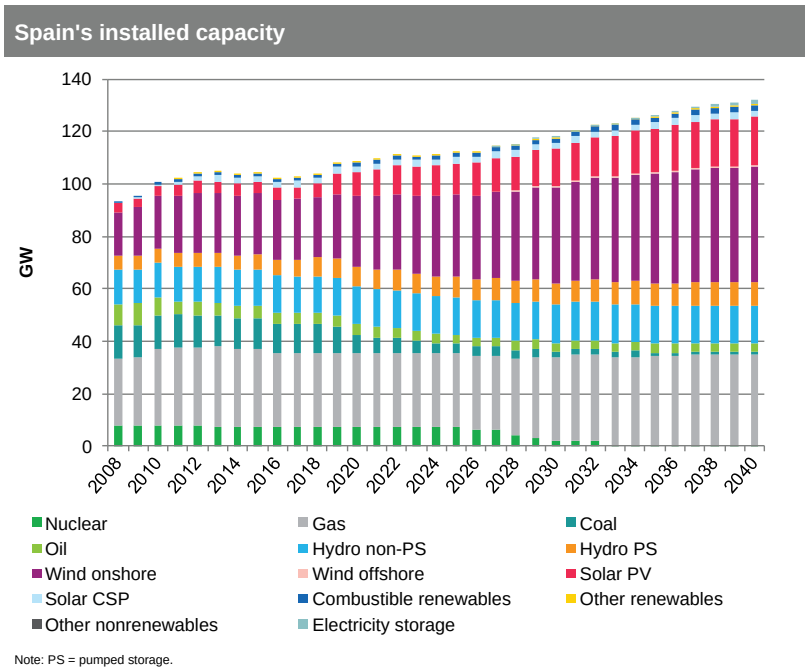
Overview of the Spanish Power Market

The annual demand for electricity in Spain is estimated to be approximately 234 TWh for 2017, approximately 8% lower than the historical peak in 2008 and is unlikely to reach that level in the next 10 years. The industrial sector is the largest contributor to Spanish power demand (approximately 35% compared to the EU average of 39%), followed by the commercial sector (approximately 32% compared to the EU average of 29%), reflecting the importance of tourism to the Spanish economy. Commercial demand is expected to grow relatively slowly

in the medium-term, primarily due to increasing efficiencies among end-user consumption. The following chart shows forecasted Spanish annual power demand as of April 2018.



The Spanish power market is relatively over-supplied with a reserve margin above 60%, primarily due to the development of renewable sources and CCGTs. Renewable capacity is expected to dominate future additions to capacity, particularly onshore wind. Onshore wind installed capacity is expected to grow at a CAGR of 3% to 2040 despite a pause in additions between 2015 and 2018 due to the changes in renewable energy system compensation. With respect to gas capacity, the construction of new CCGTs between 2005 and 2011 added approximately 20 GW of capacity, contributing to Spain's oversupplied market after the 2009 recession. As capacity from nuclear is expected to decrease over the long-term, gas capacity is expected to increase, filling the gap left by nuclear. The following chart shows forecasted Spanish power capacity as of April 2018.



Spanish power prices are among the highest in Europe, a result of being set by gas prices. Unlike other Western European markets, the price of gas in Spain remains highly connected to the oil price because of the predominance of long-term supply contracts. Due to high gas and coal prices, Spanish prices are currently relatively high and are expected to remain high for the next five years reaching €50/MWh in 2022 (*source: MEFF; OMIP*). From 2023 onwards, strong gains in the price of gas and CO2 allowances are expected to drive the escalation of power prices, with prices expected to reach €64/MWh in 2030 (in real 2016 terms).

REGULATION

We have operations in 20 countries, notably in Spain, Portugal, the UAE, Colombia, Peru and Algeria, and we are therefore subject to a broad range of legislation and regulations. These cover virtually all aspects of our business, including matters such as licensing, taxes, pricing of royalties and environmental protection.

Set out below is a general overview of the key legislation and regulations that affect our operations. This section is not intended to be a comprehensive analysis or summary of the legal framework applicable to our activities.

Oil Industry

Spain

Overview

Spain has implemented a number of laws and regulations to deregulate its oil industry. The main law governing the hydrocarbons sector in Spain is Law 34/1998, of 7 October, on the hydrocarbons sector (*Ley 34/1998, de 7 de octubre, del Sector de Hidrocarburos*) (the **LSH**), as amended and implemented through further Laws, Royal Decree-Laws, Royal Decrees and Ministerial Orders. Deregulation applies differently to upstream and downstream activities:

- Upstream activities are subject to a strict regime (e.g. hydrocarbons reserves are in the public domain (owned by the Spanish state)). As such, exploration, investigation and exploitation activities remain subject to intense administrative intervention, which includes the requirement to obtain relevant permits in advance. As at the date of this Prospectus, we do not carry out any upstream activities in Spain; and
- Downstream activities benefit more from the principle of deregulation under the LSH, which has eliminated the requirement to obtain many prior authorizations for carrying out such activities (maintaining the requirement for such authorizations only in relation to certain premises), as further explained below.

In addition to the hydrocarbons regulations, our activities in Spain are subject to other sectorial regulations, as well as to general regulations applicable to any company in Spain, the most relevant of which are further detailed below.

Regulators

Due to Spain's political structure, competencies on hydrocarbons are allocated to both the State and the different regions or autonomous communities (*comunidades autónomas*). Currently, the relevant Ministry in the Spanish State is the Ministry for the Ecologic Transition (*Ministerio para la Transición Ecológica*) (**MINTE**), where the State Secretariat for Energy (*Secretaría de Estado de Energía*) is located. In general, the autonomous communities have adopted similar structures to those of the State and, in general, each of them have an equivalent body to the aforementioned State Secretariat for Energy, in charge of hydrocarbons.

In addition to these public authorities, there is an overseeing body which supervises the energy sector in general and hydrocarbons in particular: the CNMC, which was created and is governed by Law 3/2013, of 4 June (*Ley 3/2013, de 4 de junio, de creación de la Comisión Nacional de los Mercados y la Competencia*) (**Law 3/2013**).

Alongside certain activities it has already adopted, some additional functions currently managed by the CNMC are being taken over by the MINTE (pursuant to the Fourth Transitory Provision of Law 3/2013, the CNMC shall keep performing these functions until the MINTE, established in 2018, has developed the appropriate means).

Wholesale and retail of refined products

<u>Refining, transport, storage</u>

Activities related to oil derivatives such as refining, transport, storage, distribution and commercialization are governed by the LSH. These activities are qualified by the LSH as liberalized (in contrast to other regulated activities in the natural gas sector). Prices are also in general liberalized, with some minor exceptions in LPG, discussed below. Despite the liberalization, in order to carry out these activities it remains necessary to comply with certain requirements, including obtaining permits, as explained below.

Refining facilities

The construction, operation and closure of refining facilities are subject to the granting of a prior authorization to be issued by the MINTE, based on objectivity, transparency and non-discrimination principles and subject to the relevant facility complying with:

- relevant technical and safety conditions;
- environmental regulations; and
- urban planning requirements.

In addition, the assignment or the substantial modification of refining facilities shall be communicated to the same Authority that authorized its construction and installation.

Wholesale operators

Wholesale operators are those marketing oil derivatives for their subsequent distribution to retail distributors. Owners of refineries and facilities for the production of biofuel are classified as wholesale operators. Wholesale operators are required to comply with the conditions set forth in applicable regulations, including requirements relating to technical capacity and compliance with tax obligations. The commencement and termination of wholesale activity shall be communicated to the MINTE, which will inform the CNMC and the CORES (*Corporación de Reservas Estratégicas de Productos Petrolíferos*). Together with this notification, the wholesale operator shall include a letter of affidavit (*declaración responsable*) regarding compliance with the conditions required for the provision of its activity. Any change in the data included in this declaration shall also be communicated.

Retail of petroleum products

"Retail" of petroleum products includes any of the following activities: (i) the supply of fuel to vehicles in facilities designated to this purpose; (ii) the supply of petroleum products to fixed facilities, for their use within the facility; (iii) the supply of kerosene for aviation; (iv) the supply of fuel to vessels; and (v) any other activity aimed at the consumption of these products. Retailers are also allowed to supply other retailers.

Retail is an activity open to competition. However, facilities designated to this activity shall comply with technical and safety requirements as set out in the applicable regulations, and are required to pass the corresponding tests before beginning their activity. Each autonomous community is responsible for monitoring these facilities.

In 2013, certain conditions were introduced in contracts entered into between wholesale operators and exclusive retail distributors (i.e. retailers that only distribute the products of a given wholesale operator). Including other conditions, these contracts have, for example, a limited duration of one year (although they can be extended exclusively by the distributor twice, in each case, for a period of one additional year) and they cannot include clauses that recommend or determine the retail price. Wholesale operators are required to notify the MINTE of these contracts.

Each region has a registry for all facilities designated to the retail of petroleum products. The regional registries feed a State-level registry managed by MINTE, where all data is centralized.

In relation to the retail market and "on-route" petrol stations it should be noted that in order to occupy areas of public domain, or to build nearby the public domain, the corresponding permits need to be obtained from the authorities in charge of each road. In addition, the same operator cannot occupy three geographically consecutive petrol stations.

The forth "*disposición adicional*" of Law 8/2015, of 21 May, establishes limitations on the expansion of networks of petrol stations belonging to wholesale operators that have a market share (both in terms of the number of stations owned and annual sales) of more than 30 percent.

Transport and storage facilities

The construction and operation of transport and storage facilities requires prior authorization when such facilities are intended to provide services to wholesale operators. The requirements to be met reflect those relevant to the establishment of refining facilities. Their assignment or closure shall be communicated to the same Authority that authorized the construction and operation of such facilities.

Access to transport and storage fixed facilities shall be guaranteed to third parties, through a negotiated procedure, and such access shall be based on objective, transparent and non-discriminatory economic and technical conditions. Prices applied to this access shall be published, so any third party benefits from the same prices. Access can only be denied on the basis of the limitations expressly set out in the applicable regulations. Conflicts will be solved by the CNMC.

LPG

LPG is defined as the light hydrocarbons fraction obtained from crude oil.

In order to be qualified as an LPG wholesale operator or LPG retail distributor, a prior communication has to be filed with the MINTE, which will then notify the CNMC and CORES. Any modification of the data included in this communication, as well as the cessation of activity, must also be communicated to the MINTE. In order to operate in those two markets, certain technical requirements (such as adequate technical and economical capacity) must be evidenced. These requirements and the communication procedure are set out in the Royal Decree 1085/1992, of 11 September.

Bulk LPG retail distribution is not subject to limitations.

Prior authorization is required for the opening, closure and transmission of LPG facilities, unless such facilities are designated to self-consumption or they are intended to be used in a house or an apartment building.

Bottled LPG

The LSH foresees the possibility of establishing maximum retail prices for bottled LPG. MINTE has been consistently applying this limitation and the latest maximum price (which varies every two months) was approved by means of a Resolution passed on 13 September 2018 by the General Directorate of Energy Policy and Mining (published on the Spanish Official Gazette—*Boletín Oficial del Estado*—of 17 September 2018). The maximum retail price in force since 18 September 2018 is €0.951261 per kilogram. The maximum cost of commercialization is €0.498196 per kilogram and is changed once a year. The methodology for the calculation of these tariffs is set out in the Ministerial Order IET/389/2015, of 5 March (*Orden IET/389/2015, de 5 de marzo, por la que se actualiza el sistema de determinación automática de precios máximos de venta, antes de impuestos, de los gases licuados del petróleo envasados y se modifica el sistema de determinación automática de las tarifas de venta, antes de impuestos, de los gases licuados del petróleo por canalización*) (**Order IET/389/2015**).

The LSH establishes that the wholesale operator with the biggest market share in the corresponding mainland and island territories is required to provide home-delivery LPG containers weighing between eight and twenty kilograms of capacity at a regulated price to all petitioners. According to a Resolution passed on 28 June 2017 by the General Directorate for Energy Policy and Mining (published on the Spanish Official Gazette—*Boletín Oficial del Estado*—of 28 June 2017), Repsol Butano, S.A. has the obligation to carry out this home supply of bottled LPG, to each household making such request in the Iberian Peninsula and the Balearic Islands; Disa Gas, S.A., has the same obligation in the Canary Islands; and Atlas S.A., Combustibles y Lubrificantes (part of our Group), is required to do so in the city of Ceuta and the city of Melilla.

Piped LPG distribution

Piped LPG distribution is a regulated activity and, as such, retail prices, as well as the rules for commercialization and distribution are set out by the MINTE. The current methodology for calculating sale tariffs is set out in Order IET/389/2015, which modifies the Ministerial Order ITC/3292/2008, of 14 November (*Orden ITC/3292/2008, de 14 de noviembre, por la que se modifica el Sistema de determinación automática de las tarifas de venta, antes de impuestos, de los gases licuados del petróleo por canalización*).

CEPSA Comercial Petróleo, S.A.U. (part of our Group) carries out, among other businesses, piped LPG distribution.

Strategic reserves

Since EU Member States remain dependent on imports of crude oil and petroleum products, the EU imposed an obligation on EU Member States (Directive 2009/119/EC, of 14 September) to maintain minimum emergency stocks to be used in the event of supply disruptions.

Such obligation has been developed in Spain by the LSH which states that all consumers have the right to be supplied with oil and gas derivatives. This right implies that some entities in the sector are obliged to keep

minimum safety stock of their products for a certain period of time and under the conditions determined in the applicable regulations.

Wholesale operators and any company carrying out retail distribution of oil and gas products in the domestic market (other than sales to wholesale operators or other retail distributors which are regulated by the LSH) are required to maintain a minimum safety stock of products in an amount up to a maximum of 92 days of their annual sales. CORES holds 42 days (i.e., strategic stock), whilst operators hold the remaining 50 days (i.e., industry stock). Additionally, CORES can maintain up to 100% of the obligation of industry participants that request it subject to certain conditions.

In relation to LPG, wholesale operators and retailers not acquiring the product from wholesale operators or retail distributors, shall maintain minimum safety stock up to a maximum of 20 days of their annual sales or consumption.

The Spanish Government is entitled to adopt any of the measures foreseen in the LSH, including placing limits on the use of fuel or intervening over the strategic reserves, in the event of the shortage of oil derivatives.

CORES is a non-profit public corporation under the guidance, currently, of the MINTE appointed as the Central Stockholder Entity, as defined in Directive 2009/119/EC. CORES is a separate legal entity, operating under private law. Its activities and responsibilities are those defined in the LSH and in RD 1716/2004. CORES is in charge of the acquisition, creation, maintenance and management of the hydrocarbons strategic stocks, including those of LPG and natural gas.

Supervision of certain transactions in the energy sector

One of the current CNMC's principal objectives is the supervision of transactions in the energy sector set out in the Ninth Additional Provision of Law 3/2013. This Provision assigned the referred function to the MINTE, but it will be provisionally developed by the CNMC, until the MINTE has the means to carry out this function by itself. For this reason, we will refer to the CNMC in this section.

According to this Provision, a buyer must notify the CNMC, when directly or indirectly acquiring shares in companies with the following characteristics, if the acquisition would result in a significant influence in the management of such companies:

- Companies that carry out regulated activities in the electric sector, activities consisting in the operation of the electric energy market, or activities in insular or extra peninsular territories;
- Companies that carry out regulated activities in the gas sector, activities of technical management of the gas system, or activities in the hydrocarbons sector, such as oil refining, pipelines transport and oil products storage; or
- Companies that own the necessary assets to carry out the activities mentioned in the previous points or assets in the energy sector considered as strategic according to the National Catalogue of Critical Infrastructures (including thermo-nuclear power plants, coal power plants of special relevance regarding national coal consumption, oil refineries, pipelines and oil products storage).

The deadline to notify is 15 days after the execution of the relevant transaction. There is a further notification requirement in the event that there are modifications to shareholdings (i.e. an increase or decrease in holdings) which would have a significant effect.

In addition, the CNMC is entitled to impose conditions on business operations of the companies acquired, provided it considers that there is a real and serious threat to electricity, gas and hydrocarbon supply. This provision especially applies (but not exclusively) when the acquirer is a company from a country outside the European Economic Area.

Supervision of payments to governments

Pursuant to the Tenth Additional Provision of Law 22/2015, of 20 July, on Audit of Accounts (*Disposición Adicional Décima, Ley 22/2015, de 20 de julio, de Auditoría de Cuentas*) and Chapter 10 of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (*Capítulo 10, Directiva 2013/34/UE del Parlamento Europeo y del Consejo, de 26 de junio de 2013, sobre los estados financieros anuales, los estados financieros consolidados y otros informes afines de ciertos tipos de empresas, por la que se modifica la Directiva 2006/43/CE del Parlamento Europeo y del*

Consejo y se derogan las Directivas 78/660/CEE y 83/349/CEE del Consejo), we, as an undertaking in the extractive industry, are required to prepare and publish an annual report of payments to governments (the **Report**). The Report is approved by our Board of Directors. We consistently comply with this requirement our 2017 Report having been approved by the Company's Board of Directors on 15 March 2018 and published on our corporate website www.cepsa.com.

Companies in the extractive industry are defined as those with any activity involving the exploration, prospection, discovery, development, and extraction of minerals, oil, natural gas deposits or other materials. The Report includes information on payments made to governments for the relevant year, by us and any of our subsidiaries that carry out any of the activities within the scope of the disclosure requirement. The disclosure requirement is applicable to activities involving the exploration, prospection, discovery, development, and extraction of minerals, oil, natural gas deposits or other materials. This requirement is not applicable to payments to governments arising out of other activities undertaken by us and that are outside the scope of the regulation (Trading, Refining, etc.). In our case, the Report is only based on the activities within the E&P segment.

The Report must include the total amount of payments made, in money or in kind, for activities subject to the reporting requirement. Where payments in kind are made to a government, they shall be reported in value and, where applicable, in volume, providing explanatory notes on the criteria used for determining their value. The Report shall disclose the total amount of payments made to governments of each state for activities subject to the reporting requirement, broken down by type of payment, whether in money or in kind. Where payments have been attributed to a specific project, the total amount attributable to each such project, broken down by type of payment, shall be provided.

Portugal

Downstream oil sector activities in Portugal are liberalized. However, the market is principally operated by four large companies: BP, Repsol, CEPSA and Galp. In 2004, Portugal implemented a free market pricing system and removed the requirement for limiting maximum diesel and gasoline prices. These activities remain supervised by two public entities with specific competences in the energy market: regulatory (**ERSE**) and auditing and sanctioning (**ENMC**). The competition authority (*Autoridade da Concorrência*) supervises all markets.

In addition, from 2015 the government has issued a number of measures in order to enhance competition and remove certain restrictions. These regulatory changes have imposed a number of measures to increase market entry and transparency in order to monitor and control high fuel prices. These changes have established, among others, a low cost fuel option in services stations located in the peninsula.

In 2016, a number of legislative amendments have been implemented in order to enhance the transparency and access to transportation, distribution and storage facilities for oil products.

Portugal also complies with the relevant EU directives such as the fuel quality, the EU Renewable Energy Directive and has implemented a number of mandatory emissions standards for new cars complying with EU legislation.

Abu Dhabi, UAE

The UAE is a federation of the seven emirates of Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Ras al-Khaimah and Umm al-Quwain. The city of Abu Dhabi in the emirate of Abu Dhabi is the federal capital and has, by a considerable amount, the greatest share of oil and gas resources of all of the emirates. The UAE is a member of OPEC which sets its oil production targets.

The UAE Federal Constitution grants Abu Dhabi constitutional ownership rights and control of its natural resources, pursuant to which Abu Dhabi has implemented its own legislation and decrees. The Supreme Petroleum Council (the **SPC**), established by the government of Abu Dhabi in 1988, formulates and oversees the implementation of Abu Dhabi's petroleum policies and strategies. The SPC grants rights to exploit oil and gas through concessions to consortia of state-controlled oil and gas companies and international oil and gas companies as minority participating interest holders, with the wholly Abu Dhabi Government-owned ADNOC as the majority participating interest holder. The SPC acts as ADNOC's Board of Directors and ADNOC is responsible for managing day-to-day oil and gas operations in the emirate of Abu Dhabi and for implementing the directives of the SPC.

The laws affecting the petroleum industry in the emirate of Abu Dhabi include the Abu Dhabi Gas Ownership Law (Abu Dhabi Law. No. (4) of 1976), which states that all gas discovered in the emirate is the sole property

of the emirate of Abu Dhabi and that ADNOC has the right to exploit and use such natural gas, the Abu Dhabi Petroleum Resources Conservation Law (Abu Dhabi Law No. (8) of 1978), the Abu Dhabi Petroleum Ports Law (AD law no. (12) of 1973, as amended) and the Abu Dhabi Tax Decree of 1965 (as amended). The SPC regulates Abu Dhabi's oil and natural gas policy.

The UAE Ministry of Energy and Industry was established in 2004, after the merger of the Ministry of Electricity and Water and the Ministry of Petroleum and Mineral Wealth. The Ministry's objectives include proposing and developing policies, legislation and strategies in coordination with stakeholders in order to ensure that UAE society maintains its resources and enjoys diverse sources of energy that achieve sustainability. It aims at achieving security, sustainability and competitiveness in the sectors of energy, water and mineral wealth and targets reducing greenhouse gas emissions in the UAE by developing and following up on strategies to improve the environment. The UAE Ministry of Energy and Industry further regulates the fuel distribution business in the UAE in conjunction with the SPC in Abu Dhabi and similar governmental agencies in the other emirates.

The Federal Ministry of Climate Change and Environment retains certain approval rights under the UAE Law on the Protection and Development of the Environment (Federal Law No (24) of 1999, as amended). The Environment Agency—Abu Dhabi (organized pursuant to Abu Dhabi, Law No. 16 of 2005) (the **EAD**) is mandated to protect and enhance the environment by reducing pollution and safeguarding and nurturing biodiversity in the emirate of Abu Dhabi. The EAD is further mandated to review and inspect the issuance of licenses in the emirate of Abu Dhabi for industrial, agricultural and environmental projects and to make appropriate decisions in relation thereto. The UAE Law on the Protection and Development of the Environment prohibits the discharge of any polluting substance resulting from oil and gas exploration, development and production activities into the water or land area in which such activities are undertaken.

Colombia

The main regulation governing exploration and production in Colombia are Decree No. 1056 of 20 April 1953, Royalty Law No. 756 of 23 July 2002 and Decree No. 1760 of 26 June 2003.

The responsible authority for upstream activities is the Ministry of Mines and Energy while the National Hydrocarbons Agency acts as the regulatory authority, being responsible for the comprehensive management of hydrocarbon reserves which belong to the state. In addition, the National Hydrocarbons Agency is the licensing system authority.

The licensing system in Colombia relates to three types of petroleum agreements: joint venture agreements (association contracts) signed with Ecopetrol from 1974 until December 2003; and technical evaluation agreements and license contracts, which have been entered into with the National Hydrocarbons Agency since 2004 onwards.

These contracts convey exclusivity rights on the holder for such activities. The ownership rights of the hydrocarbons are for the contractor, which pays a royalty on their value.

Technical evaluation agreements have a duration of 36 months divided into 2 phases, and license contracts have an initial phase of 6 years (the exploration period) that can be divided into a number of sub-phases, and 24 years from the declaration of a commercial discovery (the exploitation period) (in the case of unconventional and offshore areas, the exploration period is extended to 9 years and the exploitation period to 30 years). In each case, the exploitation period is subject to potential extensions approved by the National Hydrocarbons Agency.

Peru

The primary law regulating hydrocarbons in Peru is the 1993 Hydrocarbon Law. This Law covers all activities related to hydrocarbons, focusing on exploration and production activities. All the agreements that were enacted prior to that date were given the option to be adapted to the new legislation.

The relevant authority for hydrocarbons is the Ministry of Energy and Mines (**MEM**) while the General Hydrocarbons Bureau (**DGH**) is an entity under the authority of the Ministry of Energy and Mines which is in charge of the regulations and of the promotion of investment in the sector. In this respects, General Hydrocarbons Bureau's main tasks cover the proposal, approval, development and implementation of hydrocarbon policies. Perupetro is the licensing system authority and is also in charge of administering agreements which have been signed prior to the enactment of the 1993 Hydrocarbons Law.

In Peru, for exploration and production activities the following contracts may be granted: a license contract, a technical evaluation agreement and service contracts. These contracts implies to the holder exclusive rights for such activities. The ownership rights of the hydrocarbons remain for Perupetro in the service contracts while in the license contracts are assigned to the contractor which pays a royalty on its value.

The duration of the exploration phase ends in 7 years that could be divided into a number of sub-phases. In the event that a commercial discovery is found, the license shall enter into the exploitation phase. The duration for production is for 30 years after the end of the exploration period. Note that for non-associated gas this period is 40 years.

Algeria

In Algeria, there are two principal regulations governing the oil and gas upstream industry that apply depending on the date on which a petroleum contract is signed:

- Law No. 86-14, dated 19 August 1986, applies to the appraisal, exploration, exploitation and transportation of hydrocarbons, as well as the construction and installation of sites enabling these activities; and
- Law No. 05-07, dated 28 April 2005, as completed and amended by Law No. 13-01, dated 20 February 2013, applies also to the refining of hydrocarbons; the commercialization, storage and distribution of petroleum products; as well as the construction and installation sites enabling these activities.

The latter also provides for the transfer of some rights and duties from the national oil company, Sonatrach, back to the Algerian state through ALNAFT. For instance, ALNAFT is the sole holder of the permit for the exploration and exploitation of hydrocarbons.

ALNAFT may enter into contracts with third parties to perform exploration or exploitation activities.

However, Sonatrach maintains a key role, as invitations to tender for the award of an exploration and exploitation contracts must contain a clause that awards Sonatrach a 51% interest in the contract.

Furthermore, Law 13-01, dated 20 February 2013, provides that oil and gas pipeline transport activities are performed by the NOC or its subsidiaries.

In addition, Law No. 05-07 establishes that the exploration (7 years) and exploitation (25 years) period is 32 years and follows a two-period approach. According to Law No. 13-01, the exploitation period has been extended to five years for natural gas deposits.

The Algerian government is working on a new hydrocarbons law in an effort to revive IOC interest and to facilitate foreign oil and gas exploration, including untapped shale production and provide more tax incentives. It is expected that the new law or the initial guidelines shall be published by IOC before the end of 2018.

Natural Gas Industry

Spain

According to article 60 of the LSH, the gas system has been structured around two types of activities: regulated activities and unregulated activities. Regulated activities include transmission (which includes regasification, primary storage and transmission itself) and distribution of natural gas. Unregulated activities are production, non-primary storage and commercialization of natural gas.

As at the date of this Prospectus, we do not directly carry out any regulated activity in the natural gas sector.

On 1 October 2018, we sold to the Selling Shareholder, subject to certain conditions precedent, our 42% stake in Medgaz, which operates the natural gas pipeline between Algeria and Spain, and carries out transmission activities of natural gas.

Transmission activities include regasification, basic storage and transmission of natural gas (i.e. activities carried out by transporters). Transporters are companies authorized for the construction, operation and maintenance of gas transmission facilities. The construction, modification, operation and closure of natural gas transmission facilities is subject to prior administrative authorization. Transmission, as a regulated activity, is subject to a specific remuneration regime set out in the LSH (as amended by Law 18/2014).

Unregulated activities are conducted on the free market which is open to all economic agents and prices can be set freely, with the exception of certain domestic consumers, who benefit from the last resource tariff (*tarifa de ultimo recurso*) scheme.

Commercialization of natural gas in Spain is carried out by suppliers that acquire natural gas from producers or other traders (i.e. in the over-the-counter market or through the natural gas organized market created by Law 8/2015) for its sale to consumers or to other marketers, or for international transit, and through access to the installations of transporters and distributors.

Commercialization may only be carried out by companies which have filed a declaration of compliance with all legal requirements prior to the start of their operations. Such declaration shall be filed with the relevant regional authority and communicated to the MINTE.

Power Industry

Spain

Production

The electricity sector is regulated by Law 24/2013, of 26 December, on the Electric Sector (*Ley 24/2013, de 26 de diciembre, del Sector Eléctrico*) (**LSE**). The LSE aims at complying with the objectives set out by European Directives and to guarantee the supply of electricity and adapt supply to consumers' needs in terms of safety, quality, efficiency, objectivity, transparency and minimum cost. The LSE also aims to avoid a tariff deficit, which has been a problem for the Spanish electric sector for many years and is still posing challenges, establishing that the income of the electric system must be sufficient to cover its costs.

Generation and supply are liberalized activities, whilst transmission and distribution of electricity are defined as "regulated activities" by the LSE.

The LSE has eliminated the prior distinction between the special regime production and the ordinary regime. All facilities are entitled to participate in the electricity pool market and, as a consequence, receive the pool price for energy produced and dispatched. In addition, there are some particularities applicable to electricity produced through renewable sources, cogeneration and waste. These facilities can benefit from a Specific Remuneration Regime (**SRR**), described in the LSE and in Royal Decree 413/2014, of 6 June, regulating electricity production from renewable energy sources, cogeneration and waste (*Real Decreto 413/2014, de 6 de junio, por el que se regula la actividad de producción de energía eléctrica a partir de fuentes de energía renovables, cogeneración y residuos*) (**RD 413/2014**). Reference to the Directive 2009/28/EC, the Renewable Energy Directive and its proposed amendments is included in "*—Environmental Legislation in the European Union—EU Renewable Energy Directive*" below.

The SRR allows these facilities to compete on an equal footing with other traditional technologies in the market, achieving reasonable returns. The SRR covers the remuneration for investment and the remuneration for operation and aims to guarantee reasonable return on investment. The remuneration parameters are determined by the Spanish government and the remuneration is based on so-called "benchmark" type facilities. The remuneration parameters for these facilities were initially determined by Ministerial Order IET/1045/2014, of 16 June, by which the remuneration parameters for certain type of facilities of electricity production from renewable energy sources, cogeneration and waste, are approved (*Orden IET/1045/2014, de 16 de junio, por la que se aprueban los parámetros retributivos de las instalaciones tipo aplicables a determinadas instalaciones de producción de energía eléctrica a partir de fuentes de energía renovables, cogeneración y residuos*). After the entry into force of the LSE, the SRR is awarded through an auction process, based on the principles of transparency, objectivity and non-discrimination. Only three auctions have been celebrated as at the date of this Prospectus (one in 2016 and two in 2017).

The installation and operation of facilities for the production of electricity is subject to the obtaining of a set of permits, which are defined in Royal Decree 1955/2000, of 1 December, by which the activities of transport, distribution, commercialization, supply and the procedures for the authorization of electric energy facilities are regulated (*Real Decreto 1955/2000, de 1 de diciembre, por el que se regulan las actividades de transporte, distribución, comercialización, suministro y procedimientos de autorización de instalaciones de energía eléctrica*). This regulation is usually complemented by the regulations passed by autonomous communities, which are competent to grant these permits in those cases foreseen in the LSE. These permits include the following:

- Prior Administrative Authorization;
- Approval of the Execution Project; and
- Start-up certificates.

In practice, most of the facilities for the production of electricity through renewable sources are authorized by the autonomous communities, although in some specific cases, the relevant authority may be the MINTE. Furthermore, the construction of these facilities is subject to the obtaining of additional permits including environmental and municipal licenses. Finally, the facilities shall be granted with access and connection rights in order to supply energy to the grid. These rights are granted by the transporter (*Red Eléctrica de España*) or an electricity distributor.

All facilities for the production of electricity have to be registered at the Administrative Registry of Energy Production Facilities and those facilities subject to the SRR (or that will be able to benefit from this regime) have to be registered at the Registry of Special Remuneration Regime.

Energy Efficiency

Directive 2012/27/EU of the European Parliament and of the Council, of the European Parliament and of the Council, of 25 October 2012, on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC, establishes a common framework to promote energy efficiency within the EU in order to achieve the overall objective of saving 20% of the EU's primary energy consumption by 2020, and of making further energy efficiency improvements after 2020.

Directive 2012/27/EU is implemented in Spain through a number of laws and regulations. In addition Law 24/2013 establishes the obligation to comply with the energy effective objectives settled by the EU.

Petrochemicals Industry

At a European Union level, chemicals are governed by Regulation (EC) No 1907/2006 of the European Parliament and of the Council, of 18 December 2006, concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (**REACH**), as described in "*—Environmental Legislation in the European Union—REACH*" below.

Other relevant regulations for manufacturers of chemicals include the following:

- Regulation (EC) No 1272/2008 of 16 December 2008, on classification, labelling and packaging of substances and mixtures, amending and/or repealing Directives 67/548/ECC and 1999/45/EC and amending Regulation (EC) No 1907/2006, in order to ensure a high level of protection of human health and the environment;
- Regulation (EU) No 98/2013 of the European Parliament and of the Council, of 15 January 2013, on the marketing and use of explosives precursors, that imposes obligations regarding the use of certain substances and impose to economic operators participating in the transactions defined in the regulation some information and communication obligations to the *Centro de Inteligencia contra el Terrorismo y el Crimen Organizado* (**CITCO**);
- Regulation No 273/2004 of the European Parliament and of the Council, of 11 February 2004, on drug precursors, and Commission Delegated Regulation (EU) No 2015/1011, of 24 April 2015, supplementing Regulation (EC) No 273/2004 of the European Parliament and of the Council on drug precursors and Council Regulation (EC) No 111/2005 laying down rules for the monitoring of trade between the Union and third countries in drug precursors, and repealing Commission Regulation (EC) No 1277/2005. According to these regulations, economic operators and final users have certain obligations in relation to those chemical substances considered drug precursors; and,
- Regulation (EC) No 1107/2009 of the European Parliament and of the Council, of 21 October 2009, concerning the placing of plant protection products on the market and repealing Council Directives 79/117/EEC and 91/414/EEC.

In addition, there are strict regulations in place regarding the storage of chemicals. This is governed at a State-level by the regulation on the storage of chemicals and their complementary technical instructions MIE APQ 0 to 10, approved by Royal Decree 656/2017, of 23 June (*Real Decreto 656/2017, de 23 de junio, por el que se aprueba el Reglamento de Almacenamiento de Productos Químicos y sus Instrucciones Técnicas Complementarias MIE APQ 0 a 10*) (**RAPQ**). This regime includes the obligation to notify the relevant authorities of the storage of chemicals listed in the RAPQ and subsequent monitoring obligations.

Environmental Legislation in the European Union

We are subject to numerous laws and regulations with respect to protection of the environment in the European Union and each member state in which we operate. The number of these laws and regulations has increased over recent years and such laws and regulations have become more stringent and have been more strictly enforced by the respective authorities.

The following summary outlines environmental legislation, including that related to energy, which is most relevant to our operations. These laws and regulations have either been implemented by member states of the European Union or are expected to come into force in the near future.

EU Renewable Energy Directive

The Renewable Energy Directive (Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 (as amended)), states that each EU Member State must ensure that the energy produced from renewable sources in 2020 is at least of 20% of the energy produced in the EU. In addition, it is stated that the share of energy from renewable sources in all forms of transport in 2020 must be at least 10% of the final consumption of energy in transport in that Member State. For the calculation of the total amount of energy consumed in transport only petrol, diesel, biofuels consumed in road and rail transport, and electricity used in transport, are to be taken into account. For the calculation of the amount of energy from renewable sources consumed in transport, all types of energy from renewable sources consumed in all forms of transport are to be taken into account. Pursuant to the Renewable Energy Directive, EU Member States have adopted national renewable energy action plans setting out their national targets for the share of renewable energy consumed in 2020 and the measures to be taken to achieve those targets. The Renewable Energy Directive also lists sustainability criteria that must be fulfilled for biofuels and bio liquids in order to be taken into account for the purposes of the national targets under the Renewable Energy Directive.

Other legislation on biofuels is contained in Directive 98/70/EC (as amended most recently by Directive (EU) 2015/1513) (the **Fuel Quality Directive**), as described in "*—Fuel Quality Directive and its implementation in Spain*" below.

Proposed amendments to the Renewable Energy Directive

The Renewable Energy Directive is currently under review and is scheduled to be amended. An important change in the last updated proposal, dated 27 June 2018, is that instead of national binding renewable targets, an EU-wide binding overall renewable target of 32% for 2030 is being proposed. The contributions of EU Member States to the overall target are to be set out in national energy and climate plans. In addition, the proposed text supplements this target with minimum 14% target for the transport sector. Both limits may be amended in 2023.

The last updated proposal also sets a limit of 7% for the contribution from first generation biofuels (food and feed-based) to the share of energy from renewable sources consumed in transport.

Furthermore, it is proposed that the contribution of advance biofuels shall be at least equal to 0.2 in 2022, 1% in 2025 and, increasing up to at least 3.5% in 2030.

Finally, the proposal also provides for the introduction of national databases enabling tracing of transport fuels that are eligible for counting towards these targets. The national databases are to be interlinked so as to allow fuel transactions between EU Member States to be traced. The European Parliament agreed on its negotiating mandate for this directive in January 2018.

The final text of the revised Renewable Energy Directive remains subject to approval and subject to amendment.

Fuel Quality Directive and its implementation in Spain

The Fuel Quality Directive relates to the quality of petrol and diesel and obliges fossil fuel suppliers to reduce greenhouse gas emissions from their fuels. It includes sustainability criteria for biofuel used to meet greenhouse gas reduction requirements. As a result, regulation on fuels is key in order to achieve the energy efficiency objective in the transport sector, which shall be done through the Renewable Energy Directive and the Fuel Quality Directive.

The Fuel Quality Directive in Spain is implemented through Royal Decree 61/2006, of 31 January, establishing the specifications of gasoline, diesel, fuel-oil and LPG, and the regulation of the use of a number of biofuels and the content of sulfur on fuels for marine use (*Real Decreto 61/2006, de 31 de enero, por el que se fijan las especificaciones de gasolinas, gasóleos, fuelóleos y gases licuados del petróleo, se regula el uso de determinados biocarburantes y el contenido de azufre de los combustibles para uso marítimo*) (**RD 61/2006**) and Royal Decree 1085/1992, of 11 September, approving the Regulation of the activity of distribution of LPG, in development of Law 15/1992, of 5 June, in relation to urgent measures for the progressive adaptation into the EU framework of the oil sector (*Real Decreto 1085/1992, de 11 de septiembre, por el que se aprueba el Reglamento de la actividad de distribución de gases licuados del petróleo, en desarrollo de la Ley 15/1992, de 5 de junio, sobre medidas urgentes para la progresiva adaptación del sector petrolero al marco comunitario*) (**RD 1085/1992**).

These regulations establish the minimum parameters that fuel has to meet in order to be sold in Spain. In addition, they establish compulsory targets for the introduction of biofuels. For example, according to RD 1085/2015, wholesale operators and companies that develop the retail distribution activity of petroleum products (such as CEPSA) are required to fulfill the following mandatory minimum annual global targets in relation to the retail sale of biofuels over the total sale of fuel for transportation: 6% for 2018; 7% for 2019; and 8.5% for 2020.

As a fuel producer, we are subject to these regulations.

REACH

On 1 June 2007, Regulation (EC) 1907/2006 on the Registration, Evaluation, Authorisation and restriction of Chemicals, commonly referred to as REACH, entered into force. REACH aims to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances. The principal components of REACH are as follows:

- Registration: REACH inter alia requires manufacturers and importers of chemicals to prepare "registration dossiers" for submission to the European Chemicals Agency (**ECHA**) for each chemical they manufacture or import. Chemicals that are not registered may no longer be sold, based on the 'no data, no market' principle.
- Evaluation: Registration dossiers are evaluated by the regulatory authorities of the relevant EU member states, acting in conjunction with ECHA.
- Authorization: Chemicals that are named in an annex to the regulation require pre-marketing authorization for their continued supply.

The REACH Regulation (and related regulations) places responsibility on industry to manage the risks from chemicals and to provide safety information on substances. REACH covers chemicals manufactured in, or imported into, the European Union. Manufacturers and importers are required to gather information on the properties of their chemical substances, which will allow their safe handling, and to register the information in a central database at ECHA.

REACH (as any European regulation) is directly applicable in Spain. However, Law 8/2010, of 31 March, implements the corresponding sanctioning regime for breaches of the REACH.

As further described in "*Business—Health, Safety, Security, Environmental Protection and Quality (HSSEQ)*", we are committed to taking all measures to comply with REACH.

IMO 2020 Regulation

International regulation

The International Convention for the Prevention of Pollution from Ships (**MARPOL**) contains regulations for the prevention of air pollution from ships. The resolution introduced stricter sulfur limits for marine fuel in seas outside SO_x Emission Control Areas, including the Mediterranean Sea, (3.50% as of 1 January 2012 and 0.50% as of 1 January 2020, or 1 January 2025 if the parties to MARPOL decide that it is not possible for ships to comply with this standard by 2020). The revised Annex VI to MARPOL entered into force on 1 July 2010. However, the resolution contained a "review provision" pursuant to which the IMO would complete a review to determine the availability of low sulfur fuel oil for use by ships to comply with the 0.50% standard (outside SO_x Emission Control Areas) by 2020. Based on this review the parties to MARPOL decided in October 2016 that it is possible for ships to comply with this standard by 2020 and that the sulfur limit of 0.50% will become effective on 1 January 2020.

EU regulation

The sulfur limits for marine fuel contained in MARPOL are also included in Directive (EU) 2016/802 which lays down the maximum permitted sulfur content of heavy fuel oil, gas oil, marine gas oil and marine diesel used in the EU. It sets limits for the sulfur content of heavy fuel oils (1.00%), gas oils (0.10%) and marine fuels (3.50%) used within the territory of EU Member States. The directive also sets limits for the sulfur content of marine fuels used in the areas of the territorial seas, exclusive economic zones and pollution control zones of EU Member States outside SO_x Emission Control Areas (3.50% as of 18 June 2014 and 0.50% as of 1 January 2020) as well as inside SO_x Emission Control Areas (0.10% as of 1 January 2015). This obligation applies to all vessels of all flags, including vessels whose journey began outside of the EU.

If a ship is not compliant with the standards for marine fuels, the competent authority of the EU Member State is entitled to require the ship to present a record of the actions taken to attempt to achieve compliance and to provide evidence that it attempted to purchase marine fuel which complies with the standards set out in the EU Directive. The authorities would have to take this evidence into account when determining the appropriate action to take, which may also include not taking any control measures. A ship should also notify its flag State and the competent authority of the relevant port of destination when it cannot purchase marine fuel which complies with the standards set out in the EU Directive. EU Member States should: (a) maintain a publicly available register of local suppliers of marine fuel, (b) ensure that the sulfur content of all marine fuels sold in their territory is documented by the supplier on a bunker delivery note, (c) take action against marine fuel suppliers that have been found to deliver fuel that does not comply with the specification stated on the bunker delivery note and (d) ensure that remedial action is taken to bring any non-compliant marine fuel discovered into compliance.

Spain

Spain has not yet implemented Directive 2016/802/EU, although Royal Decree 31/2006, as amended in 2015 sets limits for the sulfur content by mass of fuel oils for maritime use used in the areas of the territorial seas, exclusive economic zones and pollution control zones of EU Member States outside SO_x Emission Control Areas (3.50% until 31 December 2019 and 0.50% as of 1 January 2020) as well as inside SO_x Emission Control Areas (0.10%). In addition, pursuant to the Royal Decree, passenger ships operating on regular services to or from any port in the European Union are not allowed to use in the territorial seas, exclusive economic zones and pollution control zones falling outside SO_x Emission Control Areas those fuels that exceed 1.50% by mass until 1 January 2020.

EU Emissions Trading Scheme

Environmental regulations are increasingly based on the polluter pays principle. For instance, the European Union adopted the EU Emissions Trading Directive (2003/87/EC) in 2003, requiring implementation into the Member States' national laws. This directive establishes a scheme for trading greenhouse gas (including CO_2) emissions allowances (the **EU-ETS**). Oil refineries are included in the mandatory scope application of EU-ETS.

The EU-ETS works on the basis of a 'cap and trade' principle. A cap is set on the total amount of certain greenhouse gases that can be emitted by installations covered. The cap is reduced over time so that total emissions fall. Within the cap, companies receive or buy emission allowances which they can trade with one another as needed. The limit on the total number of allowances available ensures that they have a value. After each year a company must surrender enough allowances to cover all its emissions.

Participants that operate facilities included in the EU-ETS are required to keep track of their emissions and produce a report on annual emissions at the end of each calendar year that is verified by a third party. If at the end of the year a participant holds insufficient allowances to cover for its emissions, financial penalties are imposed. In addition, any emissions not covered by allowances surrendered for a particular year are carried forward and must still be covered for in the following year. We are part of the abovementioned scheme and, as such, we are awarded a number of allowances a year and we also participate in the allowances trading market. For additional information, see "*Business—Environmental Matters—Emission Management*".

The ETS applies to trading periods, the current one covering the years 2013-2020. During the current trading period, a reduced amount of allowances were allocated, and more allowances are auctioned instead. Although there is currently still great uncertainty as to the functioning of the upcoming trading period (2021–2030), various governments and other bodies push to higher the costs for emitting CO_2. In November 2017, the European Parliament and Council reached a political agreement to revise the EU-ETS for the period after 2020. On 19 March 2018, Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 was published in the Official Journal of the European Union, which inter alia amends Directive 2003/87/EC

and requires implementation into the Member States' laws by 9 October 2019. Directive 2018/410, among other things, foresees an increase in the rate at which the overall emissions cap is lowered each year (the cap on the total volume of emissions will be reduced annually by 2.2% from 2021 onwards), and results in significant changes to the system in order to speed up emissions reductions as well as the reduction of the current oversupply of allowances on the carbon market (for instance, by temporarily doubling the number of allowances in the market stability reserve). At the same time, additional safeguards are anticipated to provide European industry with extra protection, if needed, against the risk of carbon leakage, as well as several support mechanisms to help, inter alia, meet the innovation and investment challenges of the transition to a low-carbon economy (for instance by setting the share of allowances to be auctioned at 57%, with a conditional lowering of the auction share by 3% if the cross-sectoral correction factor is applied).

For completeness sake it is noted that additional EU laws apply in respect of air pollution, inter alia setting air quality standards, while on a national or local level additional (tax) measures may apply or be introduced implementing the polluter pays principle.

EU Operating Permitting Regime

The Industrial Emissions Directive (2010/75/EU) (the **IED**) requires each EU Member State to adopt an integrated approach to environmental permitting for designated facilities. The IED was adopted on 24 November 2010, requiring implementation into the national laws of the member states by 7 January 2013. The IED replaces Directive 2008/1/EC on integrated pollution prevention and control (**IPPC**), however, the permitting regime prescribed under the IED is still commonly referred to as the IPPC permitting regime.

Under the IED, in order to grant a permit, it is necessary, inter alia, to take into account emissions to air, water and land, with an overall aim of utilizing the best available techniques for minimizing pollution from various sources. The IED applies to various types of new and existing industrial installations, including oil refineries. Permit conditions attached to environmental operating permits must be based upon the best available techniques (**BAT**), as detailed in EU-wide reference documents, commonly referred to as Best Available Techniques Reference Documents (**BREFs**). In addition, the IED also provides for various emission limits, and allows for general binding rules to be set on an EU Member State level.

BREFs are updated over time, and the competent permitting authorities are required to review permits issued in order to ensure that these remain to reflect the current best available techniques. Such reviews of permits issued may result in various improvements and upgrades being prescribed, requiring investments by the permit holder.

In addition to the IPPC permitting regime, EU Member States may have their own permitting requirements, covering installations not in scope of the IED.

Other Environmental Regulations in Spain

As a result of our refining and petrochemicals activities in Spain, we are subject to strict regime of environmental regulations.

The following regulations apply at a state-level: (a) the Consolidated Text of the Law on Integrated Control and Prevention of pollution, passed by Royal Legislative Decree 1/2016, of 16 December (*Texto refundido de la Ley de prevención y control integrados de la contaminación, aprobado por Real Decreto Legislativo 1/2016, de 16 de diciembre*); and (b) the Law 21/2013, of 9 December, on Environmental Assessment (*Ley 21/2013, de 9 de diciembre, de evaluación ambiental*) (**Law 21/2013**).

These regulations derive from European Directives on Environment, and in particular by Directive 2010/75/EU; Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001, on the assessment of the effects of certain plans and programs on the environment; and Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment. As is the case with hydrocarbons, the competencies related to environment protection are divided between the Spanish State and the regions, although in this case, regulations and decisions of the regions are particularly relevant. Indeed, most of the regions have enforced regulations implementing the aforementioned European Directives on environment and so the regime varies depending on where a given facility is located.

In general, it is expected that heavily polluting activities such as refineries or petrochemical complexes require the prior granting of an environmental integrated authorization (*autorización ambiental integrada*) (**AAI**). An AAI is a permit granted by the environmental body of the region where the relevant facility is located which enables its holder to operate the facility under certain conditions, which are imposed by the environmental body to ensure that the environment and public health are duly protected.

The specific conditions that can be set out in an AAI depend on the technical characteristics of the authorized facility however it is expected that CEPSA would be subject to controls on emissions, waste water, waste, and noise. As a rule, AAIs include the imposition of monitoring obligations to the holder of the permit that shall be complied with during the carrying out of the authorized activity.

Other regimes of environmental control include the review of projects through the corresponding environmental assessment, regulated at a State level in Law 21/2013. For example, a wind farm is subject to the corresponding environmental impact statement (*declaración de impacto ambiental*).

The IED, establishing BAT for large combustion plants, has a relevant impact on the review of the AAI. In addition, less pollutant activities such as offices or warehouses for innocuous products are subject to a softer control by the corresponding environmental bodies. This control is exercised through environmental licenses, activity licenses, or letters of affidavit (*declaraciones responsables*).

CEPSA is also subject to Law 26/2007, of 23 October 2007, on environmental responsibility. This Law transposes Directive 2004/35/EC of the European Parliament and of the Council, of 21 April 2004, on environmental liability with regard to the prevention and remedying of environmental damage into the Spanish legal system.

Finally, CEPSA shall take into account and is subject to the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

REASONS FOR THE OFFERING

The Offering will provide an opportunity for the Selling Shareholder to partially realize its investment in the Company.

The Offering is also expected to widen our shareholder base, introducing long-term institutional investors and diversified international shareholders, thus improving our access to public capital markets (including for debt instruments), which supports our future growth whilst allowing investors to access our success story.

Finally, the Offering is expected to provide us with better brand recognition, increasing our overall corporate profile and enhancing our transparency and prestige globally as a result of us becoming a listed company.

USE OF PROCEEDS

The Company will not receive any proceeds from the Offering.

The Selling Shareholder expects to receive gross proceeds from the Offering: (i) of approximately €2,019,382,737 (based on an Offering Price at the high-point of the Offering Price Range and assuming a sale of the maximum number of Initial Offered Shares, in case of no exercise of the Over-Allotment Option, and (ii) of approximately €2,322,411,349 (based on the same assumptions), in case of full exercise of the Over-Allotment Option.

Assuming an Offering Price at the high-point of the Offering Price Range and the sale of the maximum number of Initial Offered Shares, the maximum commissions payable by the Selling Shareholder in relation to the Offering (assuming full payment of discretionary fees but excluding value added tax, to be added when applicable) amount to (i) approximately €40,242,201, in case of no exercise of the Over-Allotment Option, and (ii) approximately €46,302,773, in case of full exercise of the Over-Allotment Option.

The maximum estimated expenses (other than commissions) payable by the Selling Shareholder and the Company in relation to the Offering (excluding value added tax, to be added when applicable) amount to approximately €6,500,000 and approximately €3,000,000, respectively.

DIVIDENDS AND DIVIDEND POLICY

Dividends and Dividend Policy

Holders of Shares will be entitled to receive future dividends, which are declared on the basis set out in the Articles of Association. In any event, our ability to distribute dividends may be restricted under general Spanish corporate laws and regulations. In particular, our ability to pay dividends in the future will depend on the availability of distributable reserves which in turn will depend on the performance and prospects of our business, our ability to generate net profits, our capital structure and financing needs, general and capital market conditions, and other factors that the Board of Directors and shareholders may deem relevant at the time. The conditions under which we may declare dividends under Spanish law and the Articles of Association are described in "*Description of Share Capital*" below.

Our expectations in relation to dividends, distributable reserves, business performance and market conditions are subject to numerous assumptions, risks and uncertainties, which may be beyond our control. For a discussion of risks faced by our business, see "*Risk Factors*".

As a sole shareholder company, we have had no specific dividend distribution policy during the most recent financial years. Following Admission, and subject to approval by the General Shareholders' Meeting and compliance with the relevant legal requirements, we intend to apply a new dividend policy, based on semi-annual payments of targeted figures. This will not constitute a target pay-out ratio dividend policy because dividends will not be determined as a proportion of our net income or profits. The new dividend policy has been approved by the Board of Directors and supported by the Selling Shareholder. Past distributions, dividends or factual pay-out ratios (including those that may be derived from the Financial Statements included in or incorporated by reference in this Prospectus) shall therefore not be regarded as guidance for, or taken as a basis to estimate, future distributions, dividends or pay-out ratios, or relied on in any manner by prospective investors.

Under the new dividend distribution policy, we intend to establish a policy of consistent and progressive shareholder distributions.

We intend to adopt a semi-annual dividend distribution policy, with 50% of the declared dividend for the financial year paid in December of that year and the remaining 50% paid in June of the following year, subject to General Shareholders' Meeting approval.

- For FY 2019, we intend to declare a dividend of €450 million (50% paid in December 2019, and 50% paid in June 2020) subject to General Shareholders' Meeting approval. In addition, we intend to pay a final 2018 dividend of €160 million in June 2019, such that the total shareholder distribution to shareholders in 2019 is €385 million.[4]
- For FY 2020, we intend to declare a dividend of €475 million (50% paid in December 2020, and 50% paid in June 2021) subject to General Shareholders' Meeting approval.
- We will target growth in the declared dividend by at least 5% in FY 2021, with a progressive dividend policy thereafter. We will also evaluate additional forms of shareholder distribution, such as share buybacks and special dividends as the Board of Directors deems appropriate

These amounts have been set as global distribution targets, not necessarily related to our actual performance, profitability or results and not related, as a proportion or ratio, to our net income or profit. Dividends may be distributed against or with charge to profits or any type of distributable reserves. In no event, therefore, should these targets be considered to be a profit forecast or estimate, or an indication of our expected performance, profitability or results.

Taxation on dividends under Spanish law

Under current tax legislation, any distributions made in the future will be subject to tax under Spanish law. See "*Taxation*" for a discussion of certain aspects of taxation of dividends.

[4] On 17 September 2018, the Company declared an interim dividend of €189,978,208.11, which will be paid to the Selling Shareholder prior to Admission.

CAPITALIZATION AND INDEBTEDNESS

The tables below set out the capitalization and indebtedness of the Company, prepared under IFRS-EU using policies which are consistent with those used in preparing the Company's Financial Statements included in or incorporated by reference in this Prospectus. The information set forth in the tables below has been extracted, without material adjustment, from the unaudited accounting records of the Company as at 31 August 2018.

The information set forth in the tables below should be read in conjunction with, and is qualified by reference to, "*Operating and Financial Review*" and the Financial Statements included in or incorporated by reference in this Prospectus.

Capitalization

	As of 31 August 2018 (unaudited) (€ million)
Secured[1]	5
Unguaranteed/Unsecured	485
Total Current Debt	**490**
Secured[2]	13
Unguaranteed/Unsecured	3,211
Total Non-Current Debt (excluding current portion of long-term debt)	**3,224**
Share capital	606
Legal reserves	104
Other reserves[3]	4,171
Shareholder's equity[4]	**4,882**
Total capitalization and indebtedness	**8,596**

(1) Secured current debt includes the current portion of non-current debt of the BRL Facilities, as described in "*Operating and Financial Review—Loans, Credit Facilities and Other Financing Obligations—BRL Facilities of Detén Química S.A.*".

(2) Secured non-current debt includes the BRL Facilities, as described in "*Operating and Financial Review—Loans, Credit Facilities and Other Financing Obligations—BRL Facilities of Detén Química S.A.*".

(3) Other reserves includes retained earnings, translation reserve, hedging resources and non-controlling interest.

(4) Shareholder's equity does not include the profit and loss account reserve.

Indebtedness

		As of 31 August 2018 (unaudited) (€ million)
A.	Cash	249
B.	Cash equivalents	100
C.	**Liquidity (A + B)**	**349**
D.	**Current financial receivables**[1]	**164**
E.	Current bank debt[2]	422
F.	Current portion of non-current debt[3]	45
G.	Other current financial debt[4]	23
H.	**Current financial debt (E + F + G)**	**490**
I.	**Net current financial indebtedness (H – D – C)**	**(24)**
J.	Non-current bank loans[5]	3,184
K.	Other non-current financial debt[6]	40
L.	**Non-current financial indebtedness (J + K)**	**3,224**
M.	**Net financial indebtedness (I + L)**	**3,200**

(1) Current financial receivables includes derivatives, loans to joint ventures and associates, deposits and other credits.

(2) Current bank debt includes short term and uncommitted facilities at variable rate.

(3) Current portion of non-current debt includes the Euro/U.S. Dollar Bilateral Facilities, RMB Facilities and BRL Facilities, each as described in "*Operating and Financial Review—Loans, Credit Facilities and Other Financing Obligations*".

(4) Other current financial debt includes subsidized loans.

(5) Non-current bank loans includes the Dollar Club Deal, Euro/U.S. Dollar Bilateral Facilities, BRL Facilities and RMB Facilities, each as described in "*Operating and Financial Review—Loans, Credit Facilities and Other Financing Obligations*".

(6) Other non-current financial debt includes subsidized loans.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables present the selected consolidated financial information of the Company as at and for the six months ended 30 June 2018 and 2017 and as at and for the years ended 31 December 2017, 2016 and 2015. The selected consolidated financial information set forth below has been derived from, and should be read together with the Financial Statements included in or incorporated by reference in this Prospectus.

In addition, the selected financial and unaudited operating information set out below is a summary only. It may not contain all the information that is important to prospective investors and, accordingly, should be read in conjunction with "*Presentation of Financial and Other Information*", "*Capitalization and Indebtedness*", "*Operating and Financial Review*" and "*Risk Factors*".

Consolidated Statement of Profit or Loss Data

The table below shows our consolidated statement of profit or loss data for the periods indicated.

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited)		(€ million)		
Sales of goods and rendering of services	11,111	8,891	18,212	15,455	17,452
Excise tax on oil and gas charged on sales	1,279	1,260	2,605	2,493	2,440
Revenue	**12,391**	**10,151**	**20,817**	**17,949**	**19,892**
Changes in inventories of finished goods and work in progress	111	15	128	(151)	(281)
In-house work on non-current assets	9	14	36	39	42
Procurements	(9,102)	(6,741)	(13,840)	(11,566)	(13,234)
Other operating income	37	60	55	76	72
Staff costs	(296)	(290)	(611)	(613)	(586)
Changes in operating allowances	8	(3)	(10)	334	161
Other operating costs					
Excise tax on oil and gas	(1,282)	(1,262)	(2,609)	(2,496)	(2,444)
Other costs	(1,006)	(986)	(2,011)	(1,891)	(2,331)
Amortization charge	(283)	(320)	(680)	(700)	(1,004)
Allocation to profit or loss of grants related to non-finance assets and other grants	16	14	30	41	33
Impairment and gains or losses on disposals of non-current assets	18	(108)	(275)	(82)	(3,384)
Operating profit (loss)	**621**	**544**	**1,030**	**938**	**(3,065)**
Share in profit of companies accounted for using the equity method	15	7	48	(59)	(77)
Finance income	25	16	144	85	88
Finance costs	(77)	(19)	(176)	(144)	(184)
Impairment and gains or losses on disposals of finance instruments	—	14	8	(1)	304
Consolidated profit (loss) before tax	**583**	**561**	**1,054**	**819**	**(2,934)**
Income tax	(137)	(143)	(295)	(203)	1,883
Consolidated profit (loss) for the period from continuing operations	**446**	**418**	**759**	**617**	**(1,052)**
Consolidated profit (loss) for the period from discontinued operations	—	—	—	—	4
Consolidated profit (loss) for the period	**446**	**418**	**759**	**617**	**(1,047)**
Attributable to:					
Equity holder of the parent (or **NIAT**)	441	412	743	602	(1,040)
Non-controlling interests	5	6	16	15	(7)
Earnings (loss) per share:					
Basic	1.65	1.54	2.78	2.25	(3.90)
Diluted	1.65	1.54	2.78	2.25	(3.90)

Consolidated Statement of Comprehensive Income Data

The table below shows our consolidated statement of comprehensive income data for the periods indicated.

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited)		(€ million)		
Consolidated profit (loss) for the period	**446**	**418**	**759**	**617**	**(1,047)**
Items to be reclassified to profit or loss:					
Gains and (losses) arising during the period	10	(24)	(47)	28	72
Net (losses) gains on cash flow hedges	(19)	42	48	(9)	31
Net (losses) gains on net investment hedge	(123)	119	188	(49)	(352)
Exchange gains on translation of foreign operations	120	(144)	(223)	73	315
Tax effect	32	(40)	(60)	14	78
Reclassification during the period to statement of profit/loss	19	(5)	(29)	(25)	9
Cash flow hedges	19	(6)	(39)	(34)	10
Share of other comprehensive profit of associates and joint ventures	—	—	—	—	2
Tax effect	—	2	10	9	(4)
Other comprehensive income/loss for the period, net of tax	29	(29)	(76)	3	81
Total consolidated comprehensive income/loss	**475**	**390**	**682**	**619**	**(966)**
a) Attributable to equity holder of the parent	472	389	675	597	(957)
b) Attributable to non-controlling interests	3	—	7	22	(10)

Consolidated Balance Sheet Data

The table below shows our consolidated balance sheet data as at 30 June 2018 and as at 31 December 2017, 2016 and 2015.

	As at 30 June 2018	As at 31 December		
		2017	2016*	2015
	(unaudited)	(€ million)		
Assets				
Non-current assets				
Intangible assets				
Intangible assets and rights	4,224	4,217	4,455	883
Amortization charge and impairment losses	(3,560)	(3,610)	(3,830)	(455)
Total intangible assets	664	606	626	428
Consolidated goodwill	120	123	249	305
Property, plant and equipment				
Tangible assets and rights	15,173	13,632	13,838	16,685
Amortization charge and impairment losses	(9,539)	(9,288)	(9,386)	(11,882)
Total property, plant and equipment	5,634	4,345	4,452	4,803
Investments in associates and joint ventures	454	447	428	525
Non-current finance assets	202	122	297	117
Deferred tax assets	845	762	895	922
Total non-current assets	**7,919**	**6,404**	**6,946**	**7,099**
Current assets				
Inventories	2,132	1,926	1,603	1,273
Trade and other receivables	2,372	2,180	1,561	1,666
Current income tax assets	76	75	155	95
Other current financial assets	136	205	128	217
Other current assets	32	10	15	10
Cash and cash equivalents	740	546	1,300	1,234
Assets held for sale and discontinued operations	—	—	—	253
Total current assets	5,488	4,942	4,762	4,748
Total assets	**13,406**	**11,346**	**11,708**	**11,847**

	As at 30 June 2018	As at 31 December		
		2017	2016*	2015
	(unaudited)	(€ million)		
Shareholder's Equity and Liabilities				
Equity				
Shareholder's equity				
Share capital	268	268	268	268
Share premium	339	339	339	339
Revaluation reserve	91	91	91	91
Retained earnings	3,883	3,486	3,216	4,398
Profit attributable to equity holder of the parent	441	743	602	(1,040)
Interim dividend	—	(190)	(190)	—
Total shareholder's equity	**5,021**	**4,736**	**4,325**	**4,055**
Adjustments for changes in value				
Translation reserve	736	614	828	763
Adjustments for changes in value in hedge operations	(525)	(434)	(581)	(511)
Total adjustments for changes in value	211	180	247	252
Total equity attributable to shareholders of the parent	5,232	4,916	4,572	4,306
Non-controlling interest				
Equity attributed to non-controlling interests	111	94	96	95
Profit/loss attributed to non-controlling interests	5	16	15	(7)
Total non-controlling interests	**116**	**110**	**111**	**88**
Total equity	**5,348**	**5,026**	**4,683**	**4,394**
Non-current liabilities				
Bank borrowings	3,441	1,628	2,415	2,989
Deferred tax liabilities	334	296	283	304
Capital grants	41	31	37	47
Employee defined benefit liabilities	10	10	10	8
Provisions	529	515	565	514
Other non-current liabilities	151	200	23	21
Total non-current liabilities	**4,506**	**2,680**	**3,333**	**3,884**
Current liabilities				
Bank borrowings	299	639	993	1,168
Trade and other payables	3,168	2,974	2,684	2,255
Current income tax liabilities	72	15	4	42
Other current liabilities	14	12	11	36
Liabilities held for sale and discontinued operations	—	—	—	68
Total current liabilities	**3,552**	**3,640**	**3,692**	**3,569**
Total equity and liabilities	**13,406**	**11,346**	**11,708**	**11,847**

* The consolidated balance sheet data for FY 2016 has been presented on the basis of the presentation included in the FY 2017 Financial Statements due to certain reclassifications between property, plant and equipment, and intangible assets. See "*Presentation of Financial and Other Information—Financial Information*".

Consolidated Statement of Cash Flows Data

The table below summarizes the Company's consolidated statement of cash flows data for the periods indicated.

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited)		(€ million)		
Cash flows from operating activities					
Profit (loss) before tax from continuing operations	583	561	1,054	819	(2,934)
Depreciation and amortization charge and impairment losses	265	427	955	782	4,394
Changes in provisions for contingencies and costs	21	8	7	56	74
Grants related to assets and other deferred income	(16)	(14)	(30)	(38)	(34)
Impairment and gains or losses on disposals of finance instruments	—	(14)	(8)	2	(317)
Change in operating allowances	(8)	3	9	(330)	(159)
Finance result	46	(2)	19	47	67
Share of profit of an associate and a joint venture	(15)	(7)	(48)	59	77
Other changes	19	(6)	(39)	(32)	17
Cash flows from operating activities before change in operating working capital	895	957	1,920	1,366	1,185
Change in operating working capital	(240)	(635)	(651)	212	783
Interest paid	(46)	(39)	(73)	(82)	(82)
Interest received	6	16	38	36	8
Dividends received	24	21	50	42	27
Income tax paid/received	—	(22)	(192)	(219)	(262)
Other cash flows from operating activities	(16)	(23)	(178)	(223)	(309)
Total cash flows from operating activities	**639**	**299**	**1,092**	**1,355**	**1,659**
Cash flows from investing activities					
Payments					
Intangible assets	(16)	(7)	(108)	(29)	(41)
Property, plant and equipment	(1,589)	(318)	(496)	(549)	(1,031)
Finance assets					
Associates and other investments	(2)	(23)	(23)	(5)	(62)
Other finance assets	(16)	(36)	(69)	(111)	(2)
Acquisition of subsidiary, net of cash acquired	(42)	(19)	(19)	(1)	(15)
Grants received	—	—	—	1	—
Total payments	(1,665)	(404)	(715)	(694)	(1,151)
Collections					
Intangible assets	2	1	—	3	3
Property, plant and equipment	30	1	4	19	24
Finance assets	6	6	102	520	228
Total collections	37	8	107	542	255
Total cash flows from investing activities	**(1,627)**	**(396)**	**(608)**	**(153)**	**(896)**
Cash flows from financing activities					
Dividends paid					
To equity holders of the Parent	(161)	(142)	(332)	(332)	(327)
To non-controlling interests	—	(3)	(8)	(12)	(11)
Total dividends paid	(161)	(145)	(340)	(343)	(339)
Proceeds from borrowings	1,652	75	113	475	1,131
Repayment of borrowings	(310)	(496)	(1,000)	(1,272)	(1,721)
Total cash flows from bank borrowings	1,342	(420)	(887)	(797)	(590)
Total cash flows from financing activities	**1,181**	**(565)**	**(1,226)**	**(1,141)**	**(929)**
Net increase in cash and cash equivalents	193	(662)	(743)	62	(165)
Effect of changes in foreign exchange rates	1	(7)	(11)	4	17
Cash and cash equivalents at 1 January	546	1,300	1,300	1,234	1,383
Cash and cash equivalents at the end of the period	740	630	546	1,300	1,234

Segment Results

The table below presents revenue by segment for the periods indicated.

Revenue	Half Year 2018	Half Year 2017	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
			(unaudited) (€ million)		
E&P					
Total revenue	393	416	859	840	1,065
Intra-group revenue	(23)	(134)	(270)	(306)	(359)
Revenue attributable to segment	369	282	589	534	706
Refining					
Total revenue	6,256	5,171	10,237	9,042	9,636
Intra-group revenue	(3,722)	(3,167)	(6,185)	(5,351)	(5,765)
Revenue attributable to segment	2,535	2,005	4,051	3,691	3,871
Marketing					
Total revenue	8,124	6,633	13,692	11,525	13,039
Intra-group revenue	36	(8)	(21)	15	(43)
Excise tax on oil and gas charged on sales	(1,279)	(1,260)	(2,605)	(2,493)	(2,440)
Revenue attributable to the segment	6,880	5,365	11,067	9,047	10,555
Petrochemicals					
Total revenue	1,861	1,725	3,486	2,897	3,259
Intra-group revenue	(537)	(496)	(1,027)	(749)	(947)
Revenue attributable to segment	1,324	1,229	2,458	2,149	2,313
Corporation					
Total revenue	30	35	101	89	71
Intra-group revenue	(27)	(25)	(55)	(54)	(64)
Revenue attributable to segment	3	11	46	35	7
Total revenue[1]	**11,111**	**8,891**	**18,212**	**15,455**	**17,452**

Note: Segmental figures for FY 2017, FY 2016 and FY 2015 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(1) Reflects total revenue without excise tax on oil and gas.

Geographical Results

The table below presents revenue by geographical area for the periods indicated.

Revenue from sales	Half Year 2018	Half Year 2017	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
	(unaudited)		(€ million)		
Spain[1]	8,055	6,512	13,600	11,723	12,884
Other EU Countries	1,535	1,516	3,062	2,613	3,334
Africa	892	661	1,071	984	870
Americas	992	753	1,536	1,166	1,375
Rest of the world	917	710	1,548	1,463	1,428
Total	**12,391**	**10,151**	**20,817**	**17,949**	**19,892**

(1) Includes excise tax on oil and gas charged on sales.

Non-IFRS Financial Information and APMs

The tables below present certain non-IFRS financial measures, which are not liquidity or performance measures under IFRS-EU, and which we consider to be APMs. These APMs are prepared in addition to the figures that are prepared in accordance with IFRS-EU and are not audited. We use APMs to provide additional information to investors and to enhance their understanding of our results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS-EU. Moreover, these metrics may be defined or calculated differently by other companies, and, as a result, they may not be comparable to similar

metrics calculated by our peers. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*" for more information.

Non-IFRS Income Statement Metrics

	Half Year		Fiscal Year		
	2018	**2017**	**2017**	**2016**	**2015**
			(unaudited)		
			(€ million)		
EBITDA[1]	900	966	1,978	1,719	1,317
Adjusted EBITDA[1]	760	943	1,874	1,549	1,766
Adjusted NIAT[2]	335	466	884	553	596

(1) The table below sets forth a reconciliation of EBITDA and Adjusted EBITDA to operating profit.

	Half Year		Fiscal Year		
	2018	**2017**	**2017**	**2016**	**2015**
			(unaudited)		
			(€ million)		
Operating profit (loss)	621	544	1,030	938	(3,065)
Depreciation and amortization charge	283	320	680	700	1,004
Impairment of non-current assets	—	104	277	89	3,388
Allocation to profit or loss of grants related to non-financial assets and others	(4)	(2)	(9)	(8)	(10)
EBITDA	**900**	**966**	**1,978**	**1,719**	**1,317**
Underlying adjustments[a]	(140)	(23)	(104)	(171)	449
Adjusted EBITDA	**760**	**943**	**1,874**	**1,549**	**1,766**
Segmental breakdown					
E&P	264	242	497	444	549
Refining	245	425	874	669	782
Marketing	144	191	314	273	370
Petrochemicals	128	113	239	225	138
Corporation	(23)	(28)	(50)	(62)	(72)
Adjusted EBITDA	**760**	**943**	**1,874**	**1,549**	**1,766**

Note: Segmental figures for FY 2017, FY 2016 and FY 2015 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(a) For further information on these underlying adjustments, see "*—Underlying Performance*" below and "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*" and Note 5(c) to our Interim Financial Statements and Note 6(c) to our Annual Financial Statements.

(2) The table below sets forth a reconciliation of Adjusted NIAT to the consolidated profit (loss) for the period attributable to the equity holder of the parent (or **NIAT**).

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited) (€ million)				
Consolidated profit (loss) for the period attributable to the equity holder of the parent (or **NIAT**)	441	412	743	602	(1,040)
Underlying adjustments[a]	(106)	54	141	(49)	1,636
Adjusted NIAT	**335**	**466**	**884**	**553**	**596**
Segmental breakdown					
Exploration & Production	125	83	145	12	(6)
Refining	91	223	481	341	412
Marketing	75	119	182	138	196
Petrochemicals	60	60	111	111	47
Corporation	(16)	(19)	(34)	(48)	(52)
Adjusted NIAT	**335**	**466**	**884**	**553**	**596**

Note: Segmental figures for FY 2017, FY 2016 and FY 2015 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(a) For further information on these underlying adjustments, see "*—Underlying Performance*" below and "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*".

Underlying Performance

We apply certain adjustments to the EBITDA and NIAT reported in our statutory financial statements to provide a view of our underlying financial performance that we believe is more comparable between periods. Such underlying adjustments relate to certain inventory holding gains and losses (CCS) and certain non-recurring items, which, due to their nature or size, are disclosed separately to give a more comparable view of period-to-period underlying financial performance. In addition to our reported EBITDA and reported NIAT, we present these underlying adjustments to reach Adjusted EBITDA and Adjusted NIAT to remove extraordinary effects that we believe are not indicative of our underlying operating performance. See Note 5(c) to our Interim Financial Statements and Note 6(c) to our Annual Financial Statements. The following table shows the underlying adjustments affecting EBITDA and NIAT:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited) (€ million)				
EBITDA	**900**	**966**	**1,978**	**1,719**	**1,317**
CCS[1]	(140)	(24)	(105)	(168)	444
Non-recurring items[2]	—	1	1	(2)	5
Underlying adjustments	(140)	(23)	(104)	(171)	449
Adjusted EBITDA	**760**	**943**	**1,874**	**1,549**	**1,766**
NIAT	**441**	**412**	**743**	**602**	**(1,040)**
CCS[1]	(103)	(18)	(79)	(129)	329
Non-recurring items[3]	(3)	72	221	80	1,307
Underlying adjustments	(106)	54	141	(49)	1,636
Adjusted NIAT	**335**	**466**	**884**	**553**	**596**

Note: For the definitions of the items in this table, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*".

(1) CCS reflects the difference in the valuation of inventories between the weighted average cost method (used under IFRS) and the replacement cost method, under which cost of sales is determined with reference to average monthly prices. For further information, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*". The table below sets forth the valuation of inventories under both methods:

	Half Year		Fiscal Year		
	2018	**2017**	**2017**	**2016**	**2015**
			(unaudited) (€ million)		
Procurements and changes in inventories of finished goods & work in progress (IFRS)	8,991	6,726	13,712	11,717	13,515
Procurements and changes in inventories of finished goods & work in progress (Replacement cost)	9,131	6,751	13,816	11,545	12,915
Inventory changes	**(140)**	**(25)**	**(104)**	**173**	**600**
Changes in operating allowances (IFRS)	(8)	3	10	(334)	(161)
Changes in operating allowances (Replacement cost)	(8)	2	11	7	(5)
Inventory provision changes	**—**	**1**	**(1)**	**(341)**	**(156)**
CCS (EBITDA)	**(140)**	**(24)**	**(105)**	**(168)**	**444**
Tax effect	37	6	26	39	(115)
CCS (NIAT)	**(103)**	**(18)**	**(79)**	**(129)**	**329**

(2) Non-recurring items consist of the following:

	Half Year		Fiscal Year		
	2018	**2017**	**2017**	**2016**	**2015**
			(unaudited) (€ million)		
Impairment and gains or losses on disposal of assets	—	1	1	(2)	1
Cost of collective dismissal/cost of business combination	—	—	—	—	4
Non-recurring items	**—**	**1**	**1**	**(2)**	**5**

(3) Non-recurring items consist of the following:

	Half Year		Fiscal Year		
	2018	**2017**	**2017**	**2016**	**2015**
			(unaudited) (€ million)		
Non-recurring items by companies accounted for using the equity method	2	12	10	93	127
Depreciation, impairment and gains or losses on disposal of assets	—	110	259	75	1,544
Impairment of financial instruments	—	(8)	(7)	(55)	(322)
Cost of collective dismissal/Cost of business combination	—	—	—	—	3
Discontinued operations	—	—	—	—	2
Adjustment to tax for temporary differences and provisions	(5)	(42)	(42)	(33)	(31)
Adjustment for non-controlling interests[(a)]	—	—	—	—	(16)
Non-recurring items	**(3)**	**72**	**221**	**80**	**1,307**

(a) Reflects differences in the presentation of non-recurring items in FY 2015.

Non-IFRS Cash Flow Metrics

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
			(unaudited) (€ million)		
Adjusted Operating Cash Flow[1]	740	909	1,638	1,315	1,480
Adjusted Free Cash Flow[1]	(888)	513	1,030	1,163	584
Segmental breakdown [2]					
E&P	(1,159)	107	235	120	(258)
Refining	116	258	520	705	676
Marketing	55	118	168	109	183
Petrochemicals	89	26	149	202	73
Corporation	11	3	(42)	26	(90)
Adjusted Free Cash Flow	(888)	513	1,030	1,163	584

Note: Figures for FY 2017, FY 2016 and FY 2015 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(1) The table below sets forth a reconciliation of Adjusted Operating Cash Flow and Adjusted Free Cash Flow, each calculated before changes in working capital, to total cash flows from operating activities.

(2) For a reconciliation of Adjusted Free Cash Flow by segment, see Note 5(c) to our Interim Financial Statements.

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
			(unaudited) (€ million)		
Total cash flows from operating activities	639	299	1,092	1,355	1,659
Change in operating working capital	240	635	651	(212)	(783)
Cash adjustments[a]	(140)	(25)	(104)	173	604
Adjusted Operating Cash Flow	**740**	**909**	**1,638**	**1,315**	**1,480**
Total cash flows from investing activities	(1,627)	(396)	(608)	(153)	(896)
Adjusted Free Cash Flow	**(888)**	**513**	**1,030**	**1,163**	**584**

(a) Cash adjustments consist of the difference in valuation and replacement cost relating to inventory changes in the amount of €(140) million and €(25) million in HY 2018 and HY 2017, respectively, and €(104) million, €173 million and €600 million in FY 2017, FY 2016 and FY 2015, respectively, and cost of collective dismissal/cost of business combination of €4 million in FY 2015.

Other Non-IFRS Metrics

	Half Year	Fiscal Year		
	2018	2017	2016	2015
		(unaudited) (€ million, unless otherwise indicated)		
Net Financial Debt[1]	3,001	1,722	2,109	2,923
Leverage Ratio[2] (*x*)	1.8	0.9	1.4	1.7
Gearing Ratio[3] (%)	35.9	25.5	31.0	40.0
ROACE[4] (%)	12[2]	14	9	8

Note: For a description of the items presented in this table, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs*".

(1) Net Financial Debt corresponds to the sum of non-current finance liabilities and current finance liabilities, less cash and cash equivalents.

	Half Year	Fiscal Year		
	2018	2017	2016	2015
	(unaudited) (€ million)			
Non-current finance liabilities	3,441	1,628	2,415	2,989
Current finance liabilities	300	639	993	1,168
Less:				
Cash and cash equivalents	(740)	(546)	(1,300)	(1,234)
Net Financial Debt	**3,001**	**1,722**	**2,109**	**2,923**

(2) Leverage ratio is calculated as Net Financial Debt divided by Adjusted EBITDA.

	Half Year	Fiscal Year		
	2018	2017	2016	2015
	(unaudited) (€ million, unless otherwise indicated)			
Net Financial Debt	3,001	1,722	2,109	2,923
Divided by:				
Adjusted EBITDA	1,691[(a)]	1,874	1,549	1,766
Leverage Ratio (*x*)	**1.8**	**0.9**	**1.4**	**1.7**

(a) Calculated using Adjusted EBITDA for the twelve months ended 30 June 2018, calculated by adding Adjusted EBITDA for HY 2018 to the difference between the comparative HY 2017 financial information and the FY 2017 financial information.

(3) Gearing Ratio is calculated as Net Financial Debt divided by the sum of Net Financial Debt and total equity.

	Half Year	Fiscal Year		
	2018	2017	2016	2015
	(unaudited) (€ million, unless otherwise indicated)			
Net Financial Debt	3,001	1,722	2,109	2,923
Divided by:				
Net Financial Debt	3,001	1,722	2,109	2,923
Total equity	5,348	5,026	4,683	4,394
Net Financial Debt + Total equity	8,349	6,748	6,792	7,317
Gearing Ratio (%)	**35.9**	**25.5**	**31.0**	**40.0**

(4) ROACE is calculated as net operating result divided by average adjusted capital employed.

	Twelve months ended 30 June[(a)]	Fiscal Year		
	2018	2017	2016	2015
	(unaudited) (€ million, unless otherwise indicated)			
Adjusted NIAT[(b)]	753	884	553	596
Non-controlling interests	14	15	11	9
Net debt financial cost[(c)]	60	49	53	47
Net operating result	**827**	**948**	**617**	**652**
Average adjusted capital employed[(d)]	**6,862**	**6,569**	**6,881**	**8,199**
ROACE (%)	**12**	**14**	**9**	**8**

(a) The financial information for the twelve months ended 30 June 2018 is calculated by adding our HY 2018 financial information to the difference between the comparative HY 2017 financial information and the FY 2017 financial information.

(b) For a reconciliation of Adjusted NIAT, see "—*Underlying Performance*" above.

(c) Net debt financial cost is calculated as the total finance costs of net borrowings and other finance income and costs plus other financial costs associated with factoring and securitization and other adjustments as well as the corresponding tax effect.

(d) Calculated as the average of adjusted capital employed for the period and adjusted capital employed for the prior period as shown in the table below.

	Half Year		Fiscal Year			
	2018	2017	2017	2016	2015	2014
			(unaudited) (€ million)			
Net Financial Debt	3,001	2,182[iv]	1,722	2,109	2,923	3,042[v]
Total Equity	5,348	4,928	5,026	4,683	4,394	5,709
Capital employed[i]	**8,349**	**7,110**	**6,748**	**6,792**	**7,133**	**8,822**
Net historically accumulated inventories valuation adjustment[ii]	(195)	(35)	(94)	(16)	1,323[vi]	(198)
Non-yield investments[iii]	(1,332)	(175)	(127)	(166)	(105)	(576)
Adjusted capital employed	**6,823**	**6,900**	**6,527**	**6,610**	**8,351**	**8,048**
Average adjusted capital employed	**6,862**	**—**	**6,569**	**6,881**	**8,199**	**—**

(i) Capital employed for FY 2015 excludes discontinued operations in the amount of €(185) million and FY 2014 excludes the restatement in the amount of €(71) million.

(ii) Reflects the historically accumulated inventories valuation adjustment on the balance sheet net, of deferred tax assets.

(iii) Non-yield investments relates to debt associated with projects under construction and are not generating revenue.

(iv) Net financial debt in HY 2017 comprised non-current finance liabilities and current finance liabilities amounting to €1,939 million and €873 million, respectively, less cash and cash equivalents amounting to €630 million.

(v) Net financial debt in FY 2014 comprised non-current finance liabilities and current finance liabilities amounting to €3,104 million and €1,321 million, respectively, less cash and cash equivalents amounting to €1,383 million.

(vi) Includes adjustment for non-recurring items in the amount of €1,208 million, corresponding to the impairment recognized in FY 2015.

OPERATING AND FINANCIAL REVIEW

This "Operating and Financial Review" should be read in conjunction with our Financial Statements included in or incorporated by reference into this Prospectus and available on the Company's website (www.cepsa.com/en/investors) and, following Admission, on the CNMV's website (www.cnmv.es), as well as the "Presentation of Financial and Other Information", "Business" and "Industry Overview" sections included elsewhere in this Prospectus. Prospective investors should read the entire Prospectus and the information incorporated by reference herein and not just rely on the summary information set out below.

The following discussion of our results of operations and financial condition contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under "Important Information—Forward-Looking Statements" and "Risk Factors".

Overview

We are an integrated Iberian energy leader with global reach and we believe we are the largest privately-held integrated oil and gas company in Europe.[5] Since our inception as Spain's first refining company in 1929, we have successfully developed a highly-integrated business model with a global footprint across the entire oil and gas value chain. Our activities cover exploration and production, refining, marketing and petrochemicals. With operations in 20 countries across five continents, we offer energy solutions to customers around the globe, while maintaining a strong commitment to our core values of safety, sustainability, leadership, continuous improvement and solidarity.

Through our vertically-integrated business model, we are able to generate synergies and efficiencies across our business segments and facilitate through-the-cycle earnings resilience in different international oil price environments. Our vision is to establish CEPSA as an environmentally-responsible provider of choice in the global energy market, strengthening our position throughout the oil and gas value chain, while maintaining a balanced portfolio to pursue on-going earnings stability.

We organize our business across four segments[6]:

- *E&P*—Our E&P segment engages in the exploration and development of oil and gas fields and the production of crude oil and natural gas. Our E&P assets are located in the Middle East, North Africa, Latin America, South East Asia and Spain. Our E&P portfolio consists of 27 blocks in the exploration, development or production phases. Our net entitlement production in HY 2018 and FY 2017 amounted to approximately 59 kboe/d and 65 kboe/d, respectively, of which approximately 96% and 97% represented crude oil, respectively, with the remainder representing natural gas. As at 1 July 2018, our total 2P reserves equaled 468 MMboe, with significant upside in contingent resources. For HY 2018 and FY 2017, E&P Adjusted EBITDA amounted to €264 million and €497 million, respectively, representing 35% and 27% of our consolidated Adjusted EBITDA.
- *Refining*—Our Refining segment distils crude oil and transforms it into refined products for sale to market. Our refining facilities in Spain have a total distillation capacity of approximately 464 Kbbl/d, positioning us as the second largest refiner in the Iberian Peninsula with approximately 31% of the total refining production capacity in Spain as at 31 December 2017 (*source: CORES*). Through our two wholly-owned, strategically-located refineries with direct access to the Atlantic and the Mediterranean, we supply both the domestic and international markets. In HY 2018 and FY 2017, our refineries had a total distillation production of 10.8 Mt and 21.4 Mt, respectively. Our refineries had an average utilization rate of 92.0% and 90.6% in HY 2018 and FY 2017, respectively, and in FY 2017 we sourced our crude feedstock of more than 40 different grades from 37 different suppliers, including from our E&P segment.

  Our Refining segment also includes a trading unit and a G&P unit. The trading unit is responsible for securing the requisite externally-sourced crude oil and feedstocks for the day-to-day requirements of the refining complexes, the sale of equity crude and the sale of surplus refinery products to external customers. Our G&P unit is responsible for the production of electricity, and for the supply of natural gas, steam and electricity, to large customers in the industrial and commercial sectors, including our own refining and petrochemical sites located in Spain. In HY 2018 and FY 2017, our refining margins amounted to U.S.$5.5/bbl and U.S.$7.5/bbl, respectively. In HY 2018 and FY 2017, Refining Adjusted

[5] Company estimate in terms of revenue in 2017.

[6] In addition to these segments, Corporation is reported separately.

EBITDA amounted to €245 million and €874 million, respectively, representing 32% and 47% of our consolidated Adjusted EBITDA.

- *Marketing*—Our Marketing segment commercializes and offers petroleum products and non-fuel services through our network of service stations in Spain, Portugal, Andorra and Gibraltar, and our domestic and international network of agents and distributors. The Marketing segment is organized around seven business lines: retail network, LPG, aviation, bunker, lubricants, asphalts and wholesale. As at 30 June 2018, we had 1,824 service stations (including distributor owned and operated service stations) in the Iberian Peninsula, 1,037 of which also included convenience stores or supermarket shops (excluding shops operated by distributors and not franchised by CEPSA), supporting our non-fuel offering. In HY 2018 and FY 2017, the Marketing segment's total sales of petroleum products reached approximately 10.7 Mt and 21.6 Mt, respectively. For FY 2017, our refineries supplied approximately 78% of the products sold through our Marketing segment, with the balance acquired from external sources. For HY 2018 and FY 2017, Marketing Adjusted EBITDA amounted to €144 million and €314 million, respectively, representing 19% and 17% of our consolidated Adjusted EBITDA.
- *Petrochemicals*—Our Petrochemicals segment manufactures and markets basic petrochemical products and their derivatives. Our petrochemical operations span seven different countries (excluding commercial offices) and are organized as follows: our surfactants business line (consisting of LAB, LABSA, n-paraffin as well as fatty-alcohol products, including fatty alcohols, fatty acids, glycerin and fatty alcohol derivatives), our phenol business line (consisting of phenol, cumene, acetone and derivatives) and our solvents business line. In HY 2018, our surfactants, phenols and solvents business lines sold 361 Kt, 875 Kt and 308 Kt, respectively. In FY 2017, our surfactants, phenols and solvents business lines sold 619 Kt, 1,665 Kt and 622 Kt, respectively. For FY 2017, our Refining segment supplied approximately 72% of our petrochemicals feedstock requirements, with the balance acquired from external sources. In HY 2018 and FY 2017, Petrochemicals Adjusted EBITDA amounted to €128 million and €239 million, respectively, representing 17% and 13% of our consolidated Adjusted EBITDA.

On a consolidated basis, we had Adjusted NIAT of €335 million and €884 million in HY 2018 and FY 2017, and Adjusted EBITDA of €760 million and €1,874 million. In HY 2018 and FY 2017, we had approximately 10,243 and approximately 9,840 employees, respectively, on a consolidated basis.

Presentation of Financial Information

In 2018, we reorganized our segmental division for reporting purposes to bring our reporting in line with current reporting practices of other companies within the oil and gas industry, and to better align with our organizational structure. For further information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*". Prior to 2018, we reported our results for the following six segments: E&P, Refining, Marketing, Petrochemicals, G&P and Trading and Bunker (in addition to Corporation which we report separately). Accordingly, our Annual Financial Statements incorporated by reference herein reflect this prior segmental division. In 2018, we integrated our Trading and G&P segments with our Refining segment, and our Bunker segment with our Marketing segment. As a result, the HY 2018 Interim Financial Statements reflect our new segment reporting structure. In addition, in Note 5 of the HY 2018 Interim Financial Statements, comparative historical segmental financial information for FY 2017, FY 2016 and FY 2015 has been presented to give effect to the new segmental presentation. Comparisons on a segmental level between FY 2017, FY 2016 and FY 2015 included in this "*Operating and Financial Review*" are made on the basis of the new segment reporting structure using the financial information for FY 2017, FY 2016 and FY 2015 contained in our HY 2018 Interim Financial Statements. The comparative financial information for FY 2017, FY 2016 and FY 2015 related to segments contained in the HY 2018 Interim Financial Statements has not been audited.

We incur significant inter-segment revenue as a result of our vertically integrated business model. See Note 5(a) to our Interim Financial Statements and Note 6(a) to our Annual Financial Statements. For purposes of the discussion in this "*Operating and Financial Review*", segmental revenue is stated after inter-segment eliminations, unless stated otherwise, to better reflect our underlying segmental operating performance. In addition, we are required to collect excise tax charged on oil and gas sales according to applicable tax laws, which we record both as revenue and as an addition to "other operating costs" in our statement of profit or loss under IFRS-EU. For purposes of the discussion in this "*Operating and Financial Review*", revenue and other operating costs are stated exclusive of this item, unless stated otherwise, to better reflect our operating performance.

In the FY 2017 Financial Statements, we adjusted our presentation of certain items in our consolidated balance sheet, as a result of which we presented the balances of property, plant and equipment, and intangible assets for the comparative information for FY 2016. In this Prospectus, we present the comparative information for FY 2016 included the FY 2017 Financial Statements. The comparative information for FY 2015 in this Prospectus has not been presented to reflect this adjustment. For further information, see Note 3.v of the FY 2017 Financial Statements.

In this "*Operating and Financial Review*", we also present certain adjustments to the EBITDA and NIAT reported in our statutory financial statements to provide a view of our underlying financial performance that we believe is more comparable between periods. Such underlying adjustments relate to certain inventory holding gains and losses and certain non-recurring items, which, due to their nature or size, are disclosed separately to give a more comparable view of period-to-period underlying financial performance. See "*—Results of Operations—Underlying Performance*" below.

For further information, see "*Presentation of Financial and Other Information*."

Divestments of Non-Core Assets

As a part of our strategy to focus on our core activities within key regions, we have during the periods covered by our Financial Statements made, and may in the future make, divestments of non-core assets. Such divestments affect the comparability of historical periods due to the deconsolidation of disposed operations. In the periods under review, our key divestments were as follows:

- In FY 2015, we sold our 9.15% interest in CLH to Borealis Infrastructure, for a total consideration of €315 million, which was received in FY 2016. The final gain recognized in respect of the divestment was €286.4 million.
- In FY 2015, we decided to terminate the polyester line of our Petrochemicals segment in order to focus on higher growth petrochemical areas where we have leadership positions. As a result, we sold polyester plants in two phases, selling our plant in Montreal in March 2015 and our plant in Guadarranque in April 2016 for a total consideration of €110 million and €186 million, respectively. We recognized a gain of €5.3 million in respect of the divestment of the Montreal plant and a loss of €1 million in respect of the divestment of the Guadarranque plant.

Current Trading and Recent Developments

The third quarter of 2018 has seen a positive evolution in certain key drivers of our profitability that have resulted in our estimated third quarter results being marginally ahead of management expectations. Crude oil prices have held at levels higher than the previous quarter, breaking the U.S.$80/bbl threshold in the last week of September, underpinning strong performance in our E&P segment. Additionally, the Company estimates a small increase in its average refining margin compared with the second quarter. Similarly, the increase in the average U.S. dollar euro exchange rate compared to the comparative period in the prior year as well as the first half of 2018 has also supported improved results of operations, particularly in our E&P and Refining segments.

On 17 September 2018, the Board of Directors approved payment of an interim dividend for a total amount of approximately €190 million, which will be paid to the Selling Shareholder prior to Admission.

In September 2018, first oil was achieved in the SARB and Umm Lulu Concessions, initiating the first stage of production.

On 1 October 2018, we sold our 42% stake in Medgaz to the Selling Shareholder, subject to certain conditions precedent. For further information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

Other than as described above, there has been no material change in the financial or trading position of the Company since 30 June 2018.

Key Factors Affecting Results of Operations

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are beyond our control. This section discusses the key factors that we believe had a material effect on our results of operations and financial condition during the periods under review, as well as those that are reasonably likely to have a material effect on our results of operations and financial condition in the future.

Refining Margins

Our results of operations are substantially driven by the gross refining margins that we are able to realize, which generally reflect the difference between the revenue that we earn from the sale of refined products such as LPG, gasoline, jet fuel, gasoil, fuel oil and petrochemical feedstock, and the cost to purchase inputs that we use to create refined products such as crude oil and other feedstocks. Accordingly, our results of operations in our Refining segment are directly correlated to refining margins.

Refining margins are principally driven by global and regional demand for refined products and the reference crude oil prices, such as Brent, and the price of refined products in the different regional markets in which we operate. In particular, our refining margins are affected by the following factors:

- global and European macroeconomic factors and industry trends, which are cyclical (as discussed below). These factors include trends in supply and demand for crude oil and refined products, available operating refining capacity in the market, technology and operating efficiency, and inventory levels;
- regulation as described under "—*Regulation*" below, impacting demand structures in the market;
- the configuration (complexity) of the refineries: Simple or Hydroskimming, Stockings or Catalytic Cracking (FCC) more complex (Hydrocracker or high conversion);
- seasonal variations in prices of gasoline and diesel, particularly due to demand swings in winter (particularly in the event of cold winters in the Iberian Peninsula) and summer (due to increased demand from tourism) periods;
- supply and demand balances, linked to refining capacity and demand and global stock levels as described below; and
- meteorological events such as hurricanes, particularly in the Gulf of Mexico and the Atlantic Ocean, that affect the operational refining capacity in the United States.

Historically, refining margins have typically been higher in periods which featured both higher demand for petroleum products as well as supply constraints as a result of reduced refining capacity resulting from maintenance requirements, meteorological events such as hurricanes or as a result of a sharp drop of crude oil prices. By contrast, refining margins have typically been lower during periods of lower demand for petroleum products, whether due to reduced global economic activity, excess supply in the market or other structural changes, including general increases in the conversion capacity of refineries. For example, the overcapacity experienced in Europe due to the financial crisis led to a correction to the overall refining capacity in Europe, resulting in the shutdown of several plants. Refining margins have also been affected by competition from refineries in Asia, which benefit from lower fixed costs, modern technology and efficiencies of scale due to their larger size.

In recent years, our refining margins have been positively impacted by the economic recovery driving increased demand for petroleum products and petrochemical feedstock and lower fuel exports from Russia, partially offset by the negative impact of overcapacity in the European market and competition from refineries in Asia. In HY 2018, FY 2017, FY 2016 and FY 2015, we realized refining margins of U.S.$5.5/bbl, U.S.$7.5/bbl, U.S.$5.6/bbl and U.S.$7.6/bbl. These results have been largely in line with the general cycle in the Mediterranean refining market during the corresponding period. In our primary market in Europe, we expect our refining margins to increase in the coming years, as a result of underlying macroeconomic drivers including projected GDP and population growth and the implementation of IMO 2020, as well as our implementation of projects designed to increase efficiency and change the actual conversion slate to a more profitable basket.

However, refining margins have historically been volatile and at any given time may not track upward or downward adjustments in crude oil prices. Supply and demand balances create short to mid-term variations in refining margins. For example, when crude oil prices increase and all other factors remain equal, in the short-term refining margins will decrease, given the increasing cost of inputs. Equally, when the price of refined products increases and all other factors remain equal, refining margins will increase as the revenue generated from the sale of those refined products increases. The reverse would also be true in both cases. For example, factors causing crude oil prices to decrease, such as increases in global or regional supply of crude oil (whether due to new or alternative production methods such as shale oil production in the U.S. or production decisions by major oil producing countries), or decreases in demand for crude oil can cause refining margins to increase in the short-term. Factors causing crude oil prices to increase, such as decreases in the supply of crude oil (for example when certain types of production are no longer economically feasible given the price of crude oil, or alternatively when regional production is inhibited due to disruptive events such as war or natural disaster) or increases in demand for crude oil, can cause refining margins to decrease in the short-term. When these supply

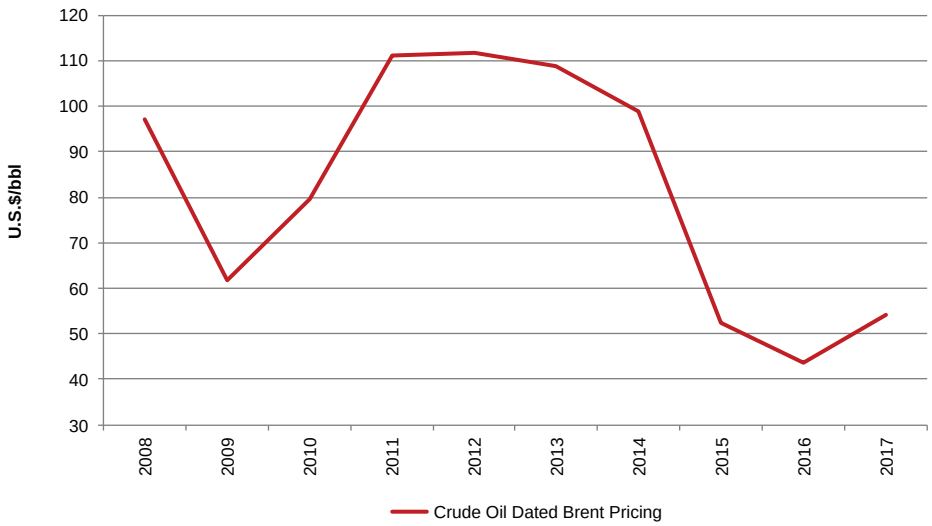
and demand balances shift, refineries tend to adjust their production levels, as measured by their utilization rates, according to whether refining margins are increasing or decreasing, thereby rebalancing supply and demand. This effect causes refining margins on an industry-wide level to remain, over the longer-term, relatively constant irrespective of short-term price movements of crude oil and refined products. It also tends to cause movements in the price of refined products to correspond to movements in the price of their underlying inputs, such as crude oil. For example, if the price of crude oil was to fall while the price of refined products stayed constant or increased, refineries would likely increase their utilization rates, leading to an increase in the supply of refined products and causing a corresponding price decrease.

Our ability to maintain and/or improve our refining margins depends critically on our ability to maximize our use of lower cost feedstock and to produce the optimal mix, or slate, of higher value products demanded by the market given that actual production is, to a great extent, market driven.

Crude Oil Prices

Our revenue is significantly affected by changes in crude oil and crude oil derivatives international benchmark prices. Our revenue from the sale of crude oil in our E&P segment is principally affected by changes in the prices we are able to achieve, which in turn depends on prevailing market reference prices at the time of sale and, to a lesser extent, changes in production volumes. Changes in prevailing market reference rates are driven predominantly by changes in international supply and by demand for crude oil products.

Crude oil prices have historically been volatile. The chart below shows the price trend for Brent crude oil (which is the relevant industry reference price for our crude oil produced):



Source: IHS Report

Dated Brent crude oil benchmark prices averaged U.S.$70.5/bbl in HY 2018, U.S.$54.3/bbl in FY 2017, U.S.$43.7/bbl in FY 2016 and U.S.$52.5/bbl in FY 2015. Crude oil prices are impacted by international supply and demand, political developments throughout the world and the Middle East in particular, the outcome of OPEC meetings and compliance of OPEC members with agreed production volumes, and geopolitical conflicts and uncertainty or other significant events such as natural disasters. Higher crude oil prices typically have a positive impact on our results of operations as our E&P segment benefits from the resulting pricing increases realized from production, as our variable costs are not directly correlated with crude oil prices. Lower crude oil prices have a negative impact on our results of operations of our E&P segment by reducing the economic recoverability of discovered reserves and the prices realized from production.

Our Refining and Marketing segments have generally been able to pass to end customers an increase in crude oil prices in the medium-term. However, if crude oil prices increase significantly, we may not be able to maintain our refining and/or product margins in these segments in the shorter term. Although an increase or decrease in the price of crude oil generally results in a corresponding increase or decrease in our refining margins and the price of the majority of our refined petroleum products in the longer term, changes in the prices of refined petroleum products generally lag behind upward and downward changes in crude oil prices. Such lag effects affect our refining margins as described above under "*—Refining Margins*" as well as product margins in our Marketing segment.

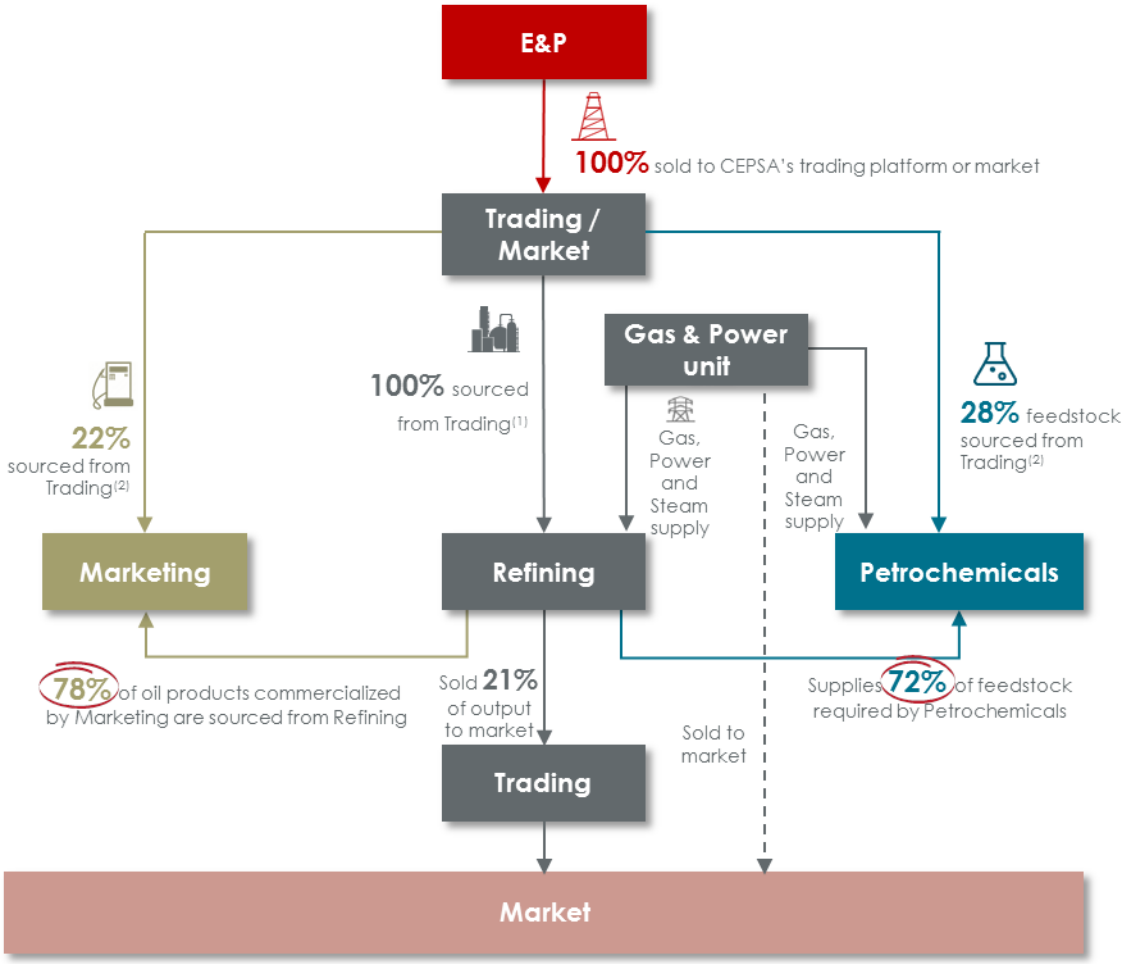
For example, in our retail business, there is typically a lag between price changes for finished products and when we implement price changes at our service stations. We would typically benefit from a declining price environment due to lag effects, positively impacting our gross profit on fuel sales. Conversely, in the event of rising finished product prices, our gross profit may be negatively impacted as costs typically rise faster than our ability to pass on cost increases, including as a result of competition in the retail fuel market. These lag effects are amplified in the event of underlying crude oil price volatility. As a result, a rapid and significant increase or decrease in the market price for crude oil could adversely affect our product margins in our retail business, and our results of operations of our Marketing segment.

By contrast, in our Petrochemicals segment, we have typically been able to pass on price increases or decreases for feedstocks which are correlated to crude oil increases or decreases without significant lag effects. Most of our feedstock contracts and our contracts with customers are repriced on a monthly basis, reflecting increases and decreases in prices of feedstocks.

Value Chain Integration and Optionality

We operate a vertically-integrated business model with activities across the oil and gas value chain. Accordingly, our results of operations are significantly affected by the relative contribution of each of our business segments in terms of profitability and production and sales volumes, which in turn are affected by the synergies and efficiencies we are able to generate across our business segments and other factors discussed in this "*Key Factors Affecting Results of Operations*".

The following diagram sets forth the average integration levels of our business segments for FY 2017:



(1) Represents crude oil sourced externally from the market and internally from our E&P segment (approximately 99% and 1%, respectively).

(2) Represents the share of refined products, feedstocks and raw materials sourced externally from the market or the trading unit.

Our refineries are highly integrated with our Marketing and Petrochemicals segments, providing, among other products, fuels, LPG, lubricants and biofuels to our Marketing segment, and feedstocks for our Petrochemicals

segment. Within the Refining segment, our refineries are also integrated with the G&P unit, which provides natural gas to the refineries and Spanish petrochemical facilities, as well as electricity and steam generated by our on-site cogeneration plants. See "*Business—Description of our Segments—Refining*".

We believe that our vertically integrated business model has enabled us to maximize our overall margins across the oil and gas value chain or among value chains, by maximizing profitability of the entire value chain and reducing the impact of market volatility across the Group, rather than focusing on margins of any particular stage of production or product type. In addition, our network is large scale and strategically configured, which enables us to access markets with varying supply and demand structures, providing us with additional flexibility when making production, sourcing, and timing decisions. The optionality available to us as a result of these characteristics allows us to choose the most economic product type, taking into account (i) the sourcing of optimized crude slates and other feedstocks (whether internally from our E&P segment or externally) and (ii) optimized sales and export opportunities, both in terms of geographical location as well as timing. We manage this process primarily through linear programming tools in our Refining segment, which analyze sales forecast information, crude slate availability and other market data to predict our optimal crude sourcing strategy considering the expected market conditions and the location and configuration of our refineries, thereby increasing our product margins. See "*Business—Description of our Segments—Refining*". For example, as some types of crude oil require a longer and more complicated distillation process (and thus prices for these crudes tend to be discounted), we have been able to take advantage of pricing opportunities with respect to such crudes due to the configuration of our refineries and excess storage capacity.

Exchange Rates

We are exposed to currency translation and transaction risks in respect of certain of our operations conducted in currencies other than the euro, which is our reporting currency. Trading prices of crude oil, most refined petroleum products and, to a lesser extent, petrochemical products, are generally quoted in, or linked to the U.S. dollar. Accordingly, a portion of the gross margins we earn are typically incurred in U.S. dollars. As we report our financial results in euro, a weaker U.S. dollar will negatively impact our reported EBITDA, whereas a stronger U.S. dollar would positively impact our reported EBITDA.

In addition to these translation risks, we face currency transaction risks when our revenue and operating costs are denominated in different currencies. Specifically, some of our operating costs in our E&P and Refining segments and, to a certain extent, our Petrochemicals segment, are incurred in euro or other currencies. As a result, a depreciation of the U.S. dollar against the euro or other currencies can be expected to have a negative impact on our EBITDA margins, as a weaker U.S. dollar negatively impacts our sales to a greater extent than it impacts our operating costs. Conversely, appreciation of the U.S. dollar against the euro or other currencies could result in a positive impact on our EBITDA margins as an appreciating U.S. dollar would impact our sales to a greater extent than it would impact our operating costs.

These translation and transaction effects affect our E&P and Refining segments in particular, and to a lesser extent, our Petrochemicals segment, as the product margins generated by these segments are linked to the U.S. dollar, principally because crude oil, refined products and some petrochemical products are quoted in U.S. dollars. In addition, a portion of our operating costs for these segments is incurred in the local currencies of the countries in which we operate. Therefore, depreciation of the U.S. dollar against the euro and other currencies may result in lower EBITDA in these segments, partly due to our reporting currency being in euro and partly due to the fact that a portion of the operating costs incurred in these segments are in the local currencies of the countries in which we operate. Conversely, appreciation of the U.S. dollar against the euro and other currencies may result in higher EBITDA in these segments.

We also face currency mismatches as a result of investments that generate cash flows denominated in U.S. dollars and other currencies and use the U.S. dollar or other currencies as their functional currency but report in euro. To mitigate the impact of such mismatches, we seek to finance such investments in the same currency as the cash flows they generate, which allows us to document a net investment hedge, compensating the exchange rate impact from debt with those from our investments. For example, we financed our U.S. dollar investment in the SARB and Umm Lulu Concessions with U.S. dollar denominated debt.

We generally do not enter into foreign currency exchange instruments to hedge our foreign currency transaction exposure, although we have done so in the past and we may do so in the future. We also believe that we benefit from natural hedging to the extent that we have been able to match the currencies of our cash flows and long-term indebtedness.

Iberian Domestic Demand

Our results of operations are driven by the demand for refined products in the Iberian Peninsula, which is our key target market. Demand for refined products is in turn impacted by various macroeconomic factors, including economic growth, levels of inflation, consumer spending, employment, interest rate levels and tourism. In recent years, economic growth has correlated with demand for petroleum products, increasing by a CAGR of 0.9% and 0.5% in Spain and Portugal, respectively, between FY 2015 and FY 2017, whereas the Spanish and Portuguese economies grew at a CAGR of 3.2% and a CAGR of 2.0% during the same period, respectively (*source: IHS Report*). During this period, major drivers of growth in demand for petroleum products include an increase in the number of vehicles as well as increased mileage use, resulting in higher demand for gasoline and diesel, as well as increasing tourism in the Iberian Peninsula, resulting in higher demand for jet fuel.

The following table sets forth selected economic indicators for Spain and Portugal separately for the periods indicated:

	Fiscal Year		
	2017	**2016**	**2015**
Real GDP (*€ billion*)			
Spain	1,140	1,106	1,071
Portugal	180	175	172
Real GDP growth (%)			
Spain	3.1	3.3	3.4
Portugal	2.7	1.6	1.8
Real GDP Per Capita (€)			
Spain	24,500	23,800	23,100
Portugal	17,400	16,900	16,600
Unemployment (%)			
Spain	17.2	19.6	22.1
Portugal	9.0	11.2	12.6
CPI (%)			
Spain	2.0	(0.3)	(0.6)
Portugal	1.6	0.6	0.5

Source: Eurostat

In 2018 and 2019, Spain is projected to grow by 2.8% and 2.4%, respectively, and Portugal is expected to grow by 2.2% and 2.2%, respectively, in terms of real GDP (*source: Organisation for Economic Co-operation and Development*).

The following table sets forth refined product demand in Spain and Portugal for the periods indicated:

	Fiscal Year			Change	
	2017	**2016**	**2015**	**2017–2016**	**2016–2015**
		(Kbbl/d)		**(%)**	
Naphtha	42.9	47.2	54.8	(9.0)	(13.9)
Gasoline	137.6	136.1	134.0	1.1	1.6
Kerosene/Jet fuel	170.0	156.8	145.6	8.4	7.7
Diesel/ Gasoil	732.3	725.1	709.0	1.0	2.3
Fuel oil	173.6	178.4	173.8	(2.7)	2.7
Other[1]	184.2	194.3	200.4	(5.2)	(3.0)
Refined product demand	**1,440.6**	**1,437.9**	**1,417.6**	**0.2**	**1.4**

Source: IHS Report

(1) Other reflects LPG, bitumen, lubricants, waxes, white spirits, petcoke and other grades.

Supply and Demand in the Petrochemicals Industry

Margins in the petrochemical industry are strongly influenced by demand as well as industry utilization. As our petrochemical products are used in a variety of consumer end-products, including personal care, detergents and other cleaning products, demand is generally driven by economic conditions and individual consumption habits.

As demand for petrochemical products approaches available supply, utilization rates rise, and prices and margins typically increase. Historically, this relationship has been highly cyclical due to fluctuations in supply resulting from the timing of new investments in capacity and general economic conditions affecting the relative strength or weakness of demand, such as economic growth and consumption habits. In recent years, demand has been particularly impacted by population growth and middle class growth. In addition, in the short and medium-term, demand for petrochemical products can be affected by changes in production technologies (such as the development of more efficient catalyst systems) and consumer technologies (such as the development of new household appliances which require a different formulation of detergent).

In addition to the petrochemical cycles, margins are also susceptible to potentially significant swings in the short-term. This volatility, which may be global or isolated in individual regions, can be caused by a number of factors, including fluctuations in utilization rates due to planned or unplanned plant outages, political and economic conditions driving rapid changes in prices for key feedstocks, exchange rate fluctuations and changes in inventory management policies by petrochemical customers.

Efficiency Programs

To support the sustainability of our operations, we have adopted key cost reduction initiatives in the periods under review. The table below reflects our fixed costs by segment for the periods indicated:

	Fiscal Year		
	2017	2016	2015
	(unaudited) (€ million)		
E&P	240	249	322
Refining	368	370	352
Marketing	396	387	431
Petrochemicals	169	177	202
Corporation	59	67	77
Total fixed costs	**1,232**	**1,251**	**1,384**

Between FY 2015 and FY 2017, our accumulated fixed expenses comprised staff costs (48%), hired services (17%), maintenance and materials (15%), rents and leases (11%) and other expenses (9%).

Between FY 2015 and FY 2017, we achieved a reduction of fixed costs of approximately 11%, including a reduction in our staff costs from €635 million in FY 2015 (including €49 million of staff costs recognized in consolidated profit (loss) for the year from discontinued operations in FY 2015 attributable to our discontinued polyester line, see Note 25 to our FY 2015 Financial Statements and "*—Divestments of Non-Core Assets*" above) to €611 million in FY 2017. This was largely as result of a reduction of our headcount, which equaled 9,837 employees as at 31 December 2017 compared to 10,512 as at 31 December 2015, a reduction of 675 employees (or 6%).

As a part of our efficiency program launched in FY 2015, the most significant reduction in fixed costs were achieved in FY 2016. Fixed costs related to our E&P segment decreased by approximately €73 million between FY 2016 and FY 2015, primarily reflecting a decrease in personnel costs, hired/third party services and rents and leases of €26 million, €26 million and €11 million, respectively. Fixed costs related to our Marketing segment decreased by approximately €44 million between FY 2016 and FY 2015, primarily reflecting a decrease in hired/third party services, personnel costs and maintenance and materials of €20 million, €10 million and €10 million, respectively. Fixed costs related to our Petrochemicals segment decreased by approximately €25 million between FY 2016 and FY 2015, primarily reflecting a decrease in maintenance and materials and personnel costs of €14 million and €11 million, respectively.

Regulation

Our results of operations have been impacted by various regulations and we expect that our results will continue to be impacted by various regulations, particularly with respect to the reduction of GHG emissions and climate change. See "*Risk Factors—Risks relating to our business—4. Changes to the legal and regulatory framework responding to environmental as well as climate change concerns, and the physical and environmental effects of climate change, could have a material adverse effect on our business, financial condition, results of operations and prospects.*" and "*Regulation—Environmental Legislation in the European Union*".

A number of regulations impose minimum requirements and other product specifications, which have required us to make certain investments in our refineries and production facilities. For example, the IMO 2020 sulfur regulations will provide incentives for ships to use low sulfur fuel. The overall effect of this regulation is to increase market demand for low-sulfur bunker fuel. As a result of these regulations, we have increased capital expenditures for our San Roque (Cádiz) refinery in order to increase our production of low sulfur bunker fuel. For additional information on the IMO 2020 sulfur regulations, see "*Regulation—Environmental Legislation in the European Union—IMO 2020 Regulation*".

In addition, certain regulations in Spain and the European Union favor the production of renewable fuels, in certain cases by subsidizing its production and sale. For example, the EU Renewable Energy Directive requires EU member states to set up national renewable energy action plans to increase each state's transport fuels that are derived from renewable sources to a target of 10%. While the current Renewable Energy Directive requirement stands at 10%, the directive is currently under review, and is expected to be amended to reflect a revised target of 14% of each state's transport fuels to be derived from renewable sources. The revised target is expected to require even greater expansion of renewable fuel blending capacity. These regulations impact, and are expected to continue to impact, our results of operations by increasing demand for biofuels. To capitalize on the growing biofuel market, we have made a number of investments in order to facilitate the production biofuels and biofuel margins, including the acquisition of a biodiesel plant near our San Roque (Cádiz) complex for €8 million in FY 2017. For further information on the EU Renewable Energy Directive, see "*Regulation—Environmental Legislation in the European Union—EU Renewable Energy Directive*".

Under applicable Spanish law, we are also required to maintain significant inventories of crude oil and certain refined products that form part of Spain's national strategic reserve. See "*Regulation—Spain—Wholesale and retail of refined products—Refining, transport, storage—Strategic reserves*". Volatility in the prices of crude oil and these refined products can have a significant positive or negative effect on the value of our inventories, which, due to their size, can have a substantial impact on our results of operations and financial condition.

Description of Key Statement of Profit or Loss Items

Set out below is a brief description of key line items in our consolidated statement of profit or loss.

Revenue

Our revenue is comprised of sales of crude oil, refined oil products and petrochemical products to third parties and across our business segments. Our revenue also comprises income from storage fees, volume discounts, freights and other services. Our reported revenue includes excise tax on oil and gas charged on sales, which we are required to collect under applicable tax laws. For purposes of the discussion below, revenue is stated exclusive of excise tax on oil and gas charged on sales, unless stated otherwise. See "*—Presentation of Financial Information*" above.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished products and work in progress reflect variations of inventories, including among others, refined products and petrochemical products, both finished or in progress.

Procurements

Procurements consist of our inventories of crude oil purchased as refinery stock and other feedstocks as well as our inventories of refined oil products purchased for resale. This includes both the cost of raw materials (crude oil or products used in refining or petrochemical production processes) and their related freight costs. Additionally, we record as procurements the inventories variation of raw materials.

Staff costs

Staff costs is comprised of wages and salaries, pension contributions, life insurance premiums, indemnities, social security and training costs, in addition to other staff costs.

Other operating costs

Other operating costs consist of costs associated with the water, steam, natural gas and electricity used by our refining and petrochemical facilities, transport and distribution costs, rent on buildings, facilities and the time charter of vessels, maintenance costs, costs associated with the national efficiency program, and fees paid to CORES in relation to our strategic reserves requirement as well as fees paid to other regulators. Other

operating costs also include excise tax on oil and gas charged on sales, which we are required to collect under applicable tax laws. For purposes of the discussion below, other operating costs is stated exclusive of excise tax on oil and gas charged on sales, unless stated otherwise. See "*—Presentation of Financial Information*" above.

Amortization charge

Amortization charge reflects the amortization of our exploration and evaluation assets, movements in oil and gas proven reserves, concessions, patents and licenses, computer software, and other intangible assets, in addition to movements with respect to the total depreciation of our structures, plant and machinery, oil and gas assets, and other facilities, tool and furniture, and other property, plant and equipment.

Impairment and gains or losses on disposals of non-current assets

Impairment and gains or losses on disposals of non-current assets is comprised of impairment or reversal of greenhouse allowances, impairment of goodwill, impairment of other non-current assets, in addition to gains or losses on disposals of non-current assets.

Share in profit of companies accounted for using the equity method

We have a number of associates and joint ventures which are accounted for in the Financial Statements under the equity method (see Note 7 to the Annual Financial Statements and Note 6 to the Interim Financial Statements). Share in profit of companies accounted for using the equity method reflects our share of the profit or loss of such associates and joint ventures.

Finance income

Finance income mainly reflects income from loans provided to third parties, exchange rate differences and dividends received from non-consolidated companies.

Finance costs

Finance costs predominantly reflect interest expenses due under our debt facilities as described under *"—Liquidity and Capital Resources—Loans, Credit Facilities and Other Financing Obligations*" as well as exchange rate differences.

Results of Operations

Market overview

Price of Crude Oil (Brent)

In HY 2018, the price of Brent crude oil increased to an average price of U.S.$70.5/bbl from U.S.$54.3/bbl in FY 2017, primarily due to production cuts in OPEC and non-OPEC countries, including Venezuela and Iran in particular.

In FY 2017, the price of Brent crude oil increased to an average price of U.S.$54.3/bbl from U.S.$43.7/bbl in FY 2016. In FY 2017, global demand for oil increased to an average of 97.8 MMbbl/d, compared to an average of 96.3 MMbbl/d in FY 2016. This increase was driven mainly by the global economic growth as well as the impact of Hurricanes Harvey and Irma in the southern U.S. in September 2017, partially offset by the mild winter temperatures experienced in the Northern hemisphere during the last quarter of FY 2017. In FY 2017, global supply of oil increased to an average of 97.3 MMbbl/d, compared to 96.9 MMbbl/d in FY 2016. This increase was driven mainly by increased oil production in the U.S.

In FY 2016, the price of Brent crude oil decreased to an average price of U.S.$43.7/bbl, from an average price of U.S.$52.5/bbl in FY 2015. In FY 2016, global demand for oil increased to an average of 96.3 MMbbl/d, compared to an average of 94.5 MMbbl/d in FY 2015. This increase was driven mainly by increased demand both from the OECD countries, where oil demand increased 1.6% year-on-year, and the non-OECD countries, where oil demand increased by 2.8% year-on-year. In FY 2016, global supply of oil increased to an average of 96.9 MMbbl/d, compared to 96.3 MMbbl/d in FY 2015. This increase was primarily a result of the increased supply among OPEC countries, which was offset by lower supply in non-member countries.

Exchange Rate

In HY 2018, the EUR/USD exchange rate averaged 1.2107 EUR/USD, but declined towards the end of the period to 1.1677 EUR/USD as at 30 June 2018, a decrease of 3% from 1 January 2018. The depreciation of the

euro compared to the U.S. dollar was driven by certain trade measures implemented by the United States, a deceleration of business activity in Europe and political instability in certain southern European countries, primarily Italy.

In FY 2017, the EUR/USD exchange rate averaged 1.1293 EUR/USD compared to 1.1068 EUR/USD in FY 2016. The appreciation of the euro compared to the U.S. dollar was driven by the expansive monetary policy of the Federal Reserve and the positive economic growth in Europe.

In FY 2016, the EUR/USD exchange rate averaged 1.1068 EUR/USD compared to 1.1100 EUR/USD in FY 2015. The depreciation of the euro was primarily due to the increased interest rates by the Federal Reserve.

Comparison of Results of Operations for HY 2018 and HY 2017

The following discussion and analysis of our results of operations for HY 2018 and HY 2017 is based on our Financial Statements. The following table sets forth our results of operations for HY 2018 and HY 2017.

	Half Year	
	2018	2017
	(unaudited) (€ million)	
Sales of goods and rendering of services	11,111	8,891
Excise tax on oil and gas charged on sales	1,279	1,260
Revenue	**12,391**	**10,151**
Changes in inventories of finished goods and work in progress	111	15
In-house work on non-current assets	9	14
Procurements	(9,102)	(6,741)
Other operating income	37	60
Staff costs	(296)	(290)
Changes in operating allowances	8	(3)
Other operating costs		
Excise tax on oil and gas	(1,282)	(1,262)
Other costs	(1,006)	(986)
Amortization charge	(283)	(320)
Allocation to profit or loss of grants related to non-finance assets and other grants	16	14
Impairment and gains or losses on disposals of non-current assets	18	(108)
Operating profit (loss)	**621**	**544**
Share in profit of companies accounted for using the equity method	15	7
Finance income	25	16
Finance costs	(77)	(19)
Impairment and gains or losses on disposals of finance instruments	—	14
Consolidated profit (loss) before tax	**583**	**561**
Income tax	(137)	(143)
Consolidated profit (loss) for the year from continuing operations	**446**	**418**
Consolidated profit (loss) for the year from discontinued operations	—	—
Consolidated profit (loss) for the year	**446**	**418**
Attributable to:		
Equity holder of the Parent (or NIAT)	441	412
Non-controlling interests	5	6

Revenue

Revenue increased by 25.0% to €11,111 million in HY 2018, from €8,891 million in HY 2017, primarily due to the increase in price of crude oil and refined products and a recovery in domestic demand, which resulted in increased sales, partially offset by the depreciation of the U.S. dollar against the euro, as a significant portion of our sales generate revenue denominated in or linked to U.S. dollars.

The following table sets forth our revenue in HY 2018 and HY 2017 for each of our reporting segments:

Revenue	Half Year 2018	Half Year 2017
	(unaudited) (€ million)	
E&P		
from external customers	369	282
intra-group	23	134
Refining		
from external customers	2,535	2,005
intra-group	3,722	3,167
Marketing		
from external customers[1]	6,880	5,365
intra-group	(36)	8
Petrochemicals		
from external customers	1,324	1,229
intra-group	537	496
Corporation		
from external customers	3	11
intra-group	27	25
Total	**15,384**	**12,721**
Total intra-group[2]	**(4,273)**	**(3,830)**
Revenue[3]	**11,111**	**8,891**

(1) Excluding excise tax on oil and gas charged on sales.

(2) Total intra-group reflects the elimination of the total intra-group balances between our reporting segments.

(3) Revenue without excise tax on oil and gas.

E&P

Revenue from external customers in our E&P segment increased by 30.9% to €369 million in HY 2018, from €282 million in HY 2017, primarily due to higher realized crude oil prices, partially offset by lower sales due to the natural decline in oil fields.

Refining

Revenue from external customers in our Refining segment increased by 26.4% to €2,535 million in HY 2018, from €2,005 million in HY 2017, primarily due to higher prices of crude oil and refined petroleum products, partially offset by the depreciation of the U.S. dollar against the euro.

Marketing

Revenue from external customers in our Marketing segment increased by 28.2% to €6,880 million in HY 2018, from €5,365 million in HY 2017, primarily due to higher prices in oil and petroleum products as well as an increase in sales of bunker fuel and asphalts compared to HY 2017.

Petrochemicals

Revenue from external customers in our Petrochemicals segment increased by 7.7% to €1,324 million in HY 2018, from €1,229 million in HY 2017, primarily due to higher sales for the phenol business line and surfactants business lines (primarily LAB) as well as a general increase in prices for petrochemical products which followed the performance of raw materials.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress increased to €111 million in HY 2018, from €15 million in HY 2017, driven primarily by higher volumes and increased prices.

Procurements

Procurements increased by 35.0% to €9,102 million in HY 2018, from €6,741 million in HY 2017, primarily due to increased crude oil prices during HY 2018 compared to HY 2017.

Staff costs

Staff costs increased by 2.1% to €296 million in HY 2018, from €290 million in HY 2017, primarily due to higher variable staff costs, partially offset by a reduction in the average number of employees.

Other operating costs

Other operating costs increased by 2.0% to €1,006 million in HY 2018, from €986 million in HY 2017, primarily due to the full consolidation of CGC in HY 2018 and an increase in duties on oil and gas sales.

Amortization charge

Amortization charge decreased by 11.6% to €283 million in HY 2018, from €320 million in HY 2017, primarily due to higher levels of exploration activity in HY 2017, principally in Suriname and Malaysia.

Impairment and gains or losses on disposals of non-current assets

Impairment and gains or losses on disposals of non-current assets increased to a gain of €18 million in HY 2018, from a loss of €(108) million in HY 2017, primarily due to the disposal of a crude oil tanker and certain offices in HY 2018 as well as impairments recognized in HY 2017 relating to E&P assets in Singapore.

Share in profit of companies accounted for using the equity method

Share in profit of companies accounted for using the equity method increased to €15 million in HY 2018, from €7 million in HY 2017, primarily due to negative results in HY 2017 from Nueva Generadora del Sur, S.A. and the change of the consolidation method for CGC, which became fully consolidated from 1 January 2018.

Finance income

Finance income increased by 56.3% to €25 million in HY 2018, from €16 million in HY 2017, primarily due to a gain on financial instruments measured at fair value.

Finance costs

Finance costs increased to €(77) million in HY 2018, from €(19) million in HY 2017, primarily due to the increase in net debt resulting from the acquisition of our interest in the SARB and Umm Lulu Concessions and rising interest rates, primarily on debt denominated in U.S. dollars. Finance costs in HY 2017 were affected by an increase in net exchange differences reflecting favorable exchange rate movements.

Comparison of Results of Operations for FY 2017 and FY 2016

The following discussion and analysis of our results of operations for FY 2017 and FY 2016 is based on our Financial Statements. The following table sets forth our results of operations for FY 2017 and FY 2016.

	Fiscal Year	
	2017	2016
	(€ million)	
Sales of goods and rendering of services	18,212	15,455
Excise tax on oil and gas charged on sales	2,605	2,493
Revenue	**20,817**	**17,949**
Changes in inventories of finished goods and work in progress	128	(151)
In-house work on non-current assets	36	39
Procurements	(13,840)	(11,566)
Other operating income	55	76
Staff costs	(611)	(613)
Changes in operating allowances	(10)	334
Other operating costs		
Excise tax on oil and gas	(2,609)	(2,496)
Other costs	(2,011)	(1,891)
Amortization charge	(680)	(700)
Allocation to profit or loss of grants related to non-finance assets and other grants	30	41
Impairment and gains or losses on disposals of non-current assets	(275)	(82)
Operating profit (loss)	**1,030**	**938**
Share in profit of companies accounted for using the equity method	48	(59)
Finance income	144	85
Finance costs	(176)	(144)
Impairment and gains or losses on disposals of finance instruments	8	(1)
Consolidated profit (loss) before tax	**1,054**	**819**
Income tax	(295)	(203)
Consolidated profit (loss) for the year from continuing operations	**759**	**617**
Consolidated profit (loss) for the year from discontinued operations	—	—
Consolidated profit (loss) for the year	**759**	**617**
Attributable to:		
Equity holder of the Parent (or NIAT)	743	602
Non-controlling interests	16	15

Revenue

Revenue increased by 17.8% to €18,212 million in FY 2017, from €15,455 million in FY 2016, predominantly due to the increase in price of crude oil and refined products and a recovery in domestic demand, which resulted in increased sales. This increase was partially offset by the depreciation of the U.S. dollar against the euro, as a significant portion of our sales generate revenue denominated in or linked to U.S. dollars.

The following table sets forth our revenue in FY 2017 and FY 2016 for each of our reporting segments:

Revenue	Fiscal Year 2017	Fiscal Year 2016
	(€ million)	
E&P		
from external customers	589	534
intra-group	270	306
Refining		
from external customers	4,051	3,691
intra-group	6,185	5,351
Marketing		
from external customers[1]	11,067	9,047
intra-group	21	(15)
Petrochemicals		
from external customers	2,458	2,149
intra-group	1,027	749
Corporation		
from external customers	46	35
intra-group	55	54
Total	**25,770**	**21,900**
Total intra-group[2]	**(7,558)**	**(6,445)**
Revenue[3]	**18,212**	**15,455**

Note: Segmental figures for FY 2017 and FY 2016 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(1) Excluding excise tax on oil and gas charged on sales.

(2) Total intra-group reflects the elimination of the total intra-group balances between our reporting segments.

(3) Revenue without excise tax on oil and gas.

E&P

Revenue from external customers in our E&P segment increased by 10.3% to €589 million in FY 2017, from €534 million in FY 2016, primarily due to higher crude oil sales prices, partially offset by lower sales due to the natural decline in oil fields, and the deferred marketing of production from our RKF field in Algeria.

Refining

Revenue from external customers in our Refining segment increased by 9.8% to €4,051 million in FY 2017, from €3,691 million in FY 2016, primarily due to higher prices of crude oil and refined petroleum products.

Marketing

Revenue from external customers in our Marketing segment increased by 22.3% to €11,067 million in FY 2017, from €9,047 million in FY 2016, driven primarily by higher prices in oil and petroleum products as well as higher sales compared to the prior year. Higher sales were primarily due to an increase in the number of service stations in our network, an increase in sales of aviation fuel and asphalts as well as an increase in direct sales.

Petrochemicals

Revenue from external customers in our Petrochemicals segment increased by 14.4% to €2,458 million in FY 2017, from €2,149 million in FY 2016, driven primarily by higher sales and increased margins for the phenol business line as well as a general increase in prices for petrochemical products which followed the performance of raw materials. This increase was partially offset by lower sales in the surfactants business line (primarily LAB) and solvents business line and the divestment of the polyester line in 2016. For further information, see "*—Divestments of Non-Core Assets*" above.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress increased to €128 million in FY 2017, from €(151) million in FY 2016, driven primarily by higher volumes and increased prices.

Procurements

Procurements increased by 19.7% to €13,840 million in FY 2017, from €11,566 million in FY 2016, as a result of increased crude oil prices during FY 2017 compared to FY 2016.

Staff costs

Staff costs slightly decreased to €611 million in FY 2017 from €613 million in FY 2016, primarily due to a reduction in the average number of employees, partially offset by higher variable staff costs.

Other operating costs

Other operating costs increased by 6.3% to €2,011 million in FY 2017 from €1,891 million in FY 2016, primarily due to increases in costs related to transportation and freight and outside services received.

Amortization charge

Amortization charge slightly decreased in FY 2017 to €680 million, from €700 million in FY 2016.

Impairment and gains or losses on disposals of non-current assets

Impairment and losses on disposals of non-current assets increased to €275 million in FY 2017, from €82 million in FY 2016, largely as a result of impairments amounting to €129 million, primarily relating to E&P assets in South East Asia.

Share in profit of companies accounted for using the equity method

Share in profit of companies accounted for using the equity method increased to €48 million in FY 2017, from €(59) million in FY 2016, driven primarily by impairments recognized in FY 2016 in respect of APICO and ADOC and the partial reversal of such impairments in FY 2017 due to increasing crude oil futures prices as well as the reimbursement of losses as a result of the favorable outcome of certain legal proceedings.

Finance income

Finance income increased by 69.4% to €144 million in FY 2017, from €85 million in FY 2016, primarily due to an increase in net exchange differences reflecting favorable exchange rate movements and interest accrued as a result of a favorable judicial decision.

Finance costs

Finance costs increased by 22.2% to €176 million in FY 2017, from €144 million in FY 2016, predominantly due to losses on financial instruments used for hedging foreign exchange rates as well as rising interest rates.

Comparison of Results of Operations for FY 2016 and FY 2015

The following discussion and analysis of our results of operations for FY 2016 and FY 2015 is based on our Financial Statements. The following table sets forth our results of operations for FY 2016 and FY 2015.

	Fiscal Year	
	2016	2015
	(€ million)	
Sales of goods and rendering of services	15,455	17,452
Excise tax on oil and gas charged on sales	2,493	2,440
Revenue	**17,949**	**19,892**
Changes in inventories of finished goods and work in progress	(151)	(281)
In-house work on non-current assets	39	42
Procurements	(11,566)	(13,234)
Other operating income	76	72
Staff costs	(613)	(586)
Changes in operating allowances	334	161
Other operating costs		
Excise tax on oil and gas	(2,496)	(2,444)
Other costs	(1,891)	(2,331)
Amortization charge	(700)	(1,004)
Allocation to profit or loss of grants related to non-finance assets and other grants	41	33
Impairment and gains or losses on disposals of non-current assets	(82)	(3,384)
Operating profit (loss)	**938**	**(3,065)**
Share in profit of companies accounted for using the equity method	(59)	(77)
Finance income	85	88
Finance costs	(144)	(184)
Impairment and gains or losses on disposals of finance instruments	(1)	304
Consolidated profit (loss) before tax	**819**	**(2,934)**
Income tax	(203)	1,883
Consolidated profit (loss) for the year from continuing operations	**617**	**(1,052)**
Consolidated profit (loss) for the year from discontinued operations	—	4
Consolidated profit (loss) for the year	**617**	**(1,047)**
Attributable to:		
Equity holder of the Parent (or NIAT)	602	(1,040)
Non-controlling interests	15	(7)

Revenue

Revenue decreased by 11.4% to €15,455 million in FY 2016, from €17,452 million in FY 2015, predominantly due to a decrease of revenue in our Marketing and E&P segments due to a decrease in crude oil production and lower prices and a decrease in revenue in our Refining segment due to lower margins, partially offset by greater operational efficiency and higher exports.

The following table sets forth our revenue in FY 2016 and FY 2015 for each of our reporting segments:

Revenue	Fiscal year 2016	Fiscal year 2015
	(€ million)	
E&P		
from external customers	534	706
intra-group	306	359
Refining		
from external customers	3,691	3,871
intra-group	5,351	5,765
Marketing		
from external customers[1]	9,047	10,555
intra-group	(15)	43
Petrochemicals		
from external customers	2,149	2,313
intra-group	749	947
Corporation		
from external customers	35	7
intra-group	54	64
Total	**21,900**	**24,630**
Total intra-group[2]	**(6,445)**	**(7,178)**
Revenue[3]	**15,455**	**17,452**

Note: Segmental figures for FY 2016 and FY 2015 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(1) Excluding excise tax on oil and gas charged on sales.

(2) Total intra-group reflects the elimination of the total intra-group balances between our business segments.

(3) Revenue without excise tax on oil and gas.

E&P

Revenue from external customers in our E&P segment decreased by 24.4% to €534 million in FY 2016, from €706 million in FY 2015, driven primarily by lower crude oil prices.

Refining

Revenue from external customers in our Refining segment decreased by 4.6% to €3,691 million in FY 2016, from €3,871 million in FY 2015, primarily due to lower crude oil and refined petroleum product prices.

Marketing

Revenue from external customers in our Marketing segment decreased by 14.3% to €9,047 million in FY 2016, from €10,555 million in FY 2015, largely as a result of lower prices, lower exports in FY 2016, partially offset increased sales in the Spanish market.

Petrochemicals

Revenue from external customers in our Petrochemicals segment decreased by 7.1% to €2,149 million in FY 2016, from €2,313 million in FY 2015, predominantly due to the sale of our Guadarranque polyester plant in FY 2016, which was partially offset by increased sales in the surfactants business line (primarily LAB) and phenol business line. For further information, see "*—Divestments of Non-Core Assets*" above.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress decreased by 46.3% to €(151) million in FY 2016, from €(281) million in FY 2015, largely as a result of the decrease in crude oil and refined petroleum product prices.

Procurements

Procurements decreased by 12.6% to €11,566 million in FY 2016, from €13,234 million in FY 2015, predominantly due to decreased crude oil prices during FY 2016 compared to FY 2015.

Staff costs

Staff costs increased by 4.6% to €613 million in FY 2016, from €586 million in FY 2015, driven primarily by increased wages and salaries, despite a reduction in the overall number of employees in FY 2016 compared to FY 2015.

Other operating costs

Other operating costs decreased by 18.9% to €1,891 million in FY 2016, from €2,331 million in FY 2015, as a result of cost reduction initiatives implemented in FY 2016, primarily affecting expenses related to outsourcing, operations and maintenance and marketing.

Amortization charge

Amortization charge decreased by 30.3% to €700 million in FY 2016, from €1,004 million in FY 2015, driven primarily by the significant amount of impairments recognized in respect of certain E&P assets in FY 2015, after which we reviewed and revised our amortization charge schedule as required under IFRS-EU.

Impairment and gains or losses on disposals of non-current assets

Impairment and losses on disposals of non-current assets decreased by 97.6% to €82 million in FY 2016, from €3,384 million in FY 2015, largely as a result of significant impairments recognized in respect of certain E&P assets located in Thailand in FY 2015.

Share in profit of companies accounted for using the equity method

Share in profit of companies accounted for using the equity method increased by 23.4% to €(59) million in FY 2016, from €(77) million in FY 2015, reflecting increased results in Nueva Generadora del Sur, S.A. and Medgaz, partially offset by lower results in APICO and ADOC.

Finance income

Finance income decreased by 3.4% to €85 million in FY 2016, from €88 million in FY 2015, driven primarily by lower income from equity investments, partially offset by a gain on financial instruments measured at fair value.

Finance costs

Finance costs decreased by 21.7% to €144 million in FY 2016, from €184 million in FY 2015, primarily driven by lower net exchange differences reflecting favorable exchange rate movements and lower other financial costs.

Underlying Performance

Underlying Adjustments

We apply certain adjustments to the EBITDA and NIAT reported in our statutory financial statements to provide a view of our underlying financial performance that we believe is more comparable between periods. Such underlying adjustments relate to certain inventory holding gains and losses and certain non-recurring items, which, due to their nature or size, are disclosed separately to give a more comparable view of period-to-period underlying financial performance. See Note 5(c) to our Interim Financial Statements and Note 6(c) to our Annual Financial Statements. In addition to our reported EBITDA and reported NIAT, we present these underlying adjustments to reach Adjusted EBITDA and Adjusted NIAT to remove extraordinary effects that we

believe are not indicative of our underlying operating performance. The following table sets forth such underlying adjustments:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
			(unaudited) (€ million)		
EBITDA	**900**	**966**	**1,978**	**1,719**	**1,317**
CCS	(140)	(24)	(105)	(168)	444
Non-recurring items	—	1	1	(2)	5
Underlying adjustments	(140)	(23)	(104)	(171)	449
Adjusted EBITDA	760	**943**	**1,874**	**1,549**	**1,766**
NIAT	**441**	**412**	**743**	**602**	**(1,040)**
CCS	(103)	(18)	(79)	(129)	329
Non-recurring items	(3)	72	221	80	1,307
Underlying adjustments	(106)	54	141	(49)	1,636
Adjusted NIAT	**335**	**466**	**884**	**553**	**596**

Note: For the definitions and reconciliations of the items presented in this table, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs—Underlying Performance*".

Current cost of supplies (CCS)

CCS is a non-cash adjustment to exclude the timing effects of changes in inventory valuation on the balance sheet dates that are required under IFRS-EU. The adjustments in the period are re-calculated to the cost of supply that would have been incurred in the same period (based on the replacement cost of our inventory at the time of sale), rather than the historic 12 months weighted average cost of goods sold that is reported under IFRS-EU. This is intended to reduce the distorting effect of historical inventory price volatility on business activity in the current reporting period. The historic price of inventory for IFRS-EU (12 months weighted average cost of supply) will lag behind the current market valuation, in part, due to our average inventory holding period (on average between 45 to 50 days depending on our margin optimization strategy) as well as the levels of inventories we are required to hold as part of Spain's strategic reserves. In addition, the value of the adjustment also depends on the "quality" of inventories. For example, if a significant portion of our inventories are purchases which are in transit, the adjustment will be lower as the historic price (the calculation of which is dependent on the bill of lading) will be closer to the replacement cost than if such inventories were held in tanks. The value of the adjustment and the extent of the lag will be dependent on the relative periods of price volatility and when inventory volumes have been built and/or drawn across the reporting period. For example, if inventory prices are rising over a reporting period, the gross margin as measured under IFRS-EU may be significantly higher than current blending and processing margins as it includes a benefit of purchasing and manufacturing inventory prior to the reporting period at a lower value. In this instance, the CCS will increase the charge to the income statement for inventory to the charge that would have arisen based on replacement cost. Conversely if prices are falling across a reporting period, gross margin as measured under IFRS-EU may be significantly lower than current blending and processing margins. In this instance, the CCS adjustment will decrease the charge to our income statement for inventory to the charge that would have arisen based on replacement cost.

Non-recurring items

Non-recurring items refers to costs or profits that have been recognized in a given period which, due to their nature or size, are disclosed separately to give a more comparable view of period-to-period underlying performance. We exclude non-recurring items from our Adjusted EBITDA and Adjusted NIAT. We believe this better reflects our underlying performance and enhances our ability to compare performance across different periods and compare performance with that of our peers. For the periods under review, these items include impairment of assets, significant results of disposals of assets, restructuring costs, exceptional fiscal expenses or income, costs associated with mergers and acquisitions and results of discontinued operations. Such items have impacted in particular our Adjusted NIAT.

In HY 2018, there were no non-recurring items affecting Adjusted EBITDA. The contribution of other non-recurring items affecting Adjusted NIAT totaled €(3) million, primarily reflecting the recognition of temporary differences and non-recurring items in companies accounted for using the equity method.

In FY 2017, the contribution of other non-recurring items affecting Adjusted EBITDA totaled €1 million, primarily reflecting exceptional results from the divestment/revaluation of assets, in particular the sale of a mobile offshore production unit in Singapore, partially offset by the acquisition of additional interests in certain E&P assets in Peru. The contribution of other non-recurring items affecting Adjusted NIAT totaled €221 million, primarily reflecting the impairment of assets in the E&P segment.

In FY 2016, the contribution of other non-recurring items affecting Adjusted EBITDA totaled €(2) million, primarily reflecting results from the sale of our petrochemical plant in Guadarranque, as part of the termination of our polyester line. For further information, see "*—Divestments of Non-Core Assets*" above. The contribution of other non-recurring items affecting Adjusted NIAT totaled €80 million, primarily reflecting the impairment of assets in the E&P segment, as a result of a reduction in expected future prices of crude oil and assessment of oil and gas reserves estimate for certain assets.

In FY 2015, the contribution of other non-recurring items affecting Adjusted EBITDA totaled €5 million, primarily reflecting results from the sale of our petrochemical plant in Montreal, as part of the termination of our polyester line and other costs related to Coastal Energy. The contribution of other non-recurring items affecting Adjusted NIAT totaled €1,307 million, primarily reflecting the significant impairment of E&P assets located in Thailand, as a result of a reduction in expected future prices of crude oil and assessment of oil and gas reserves estimate for certain assets.

Underlying Performance for HY 2018 and 2017

The following table sets forth our Adjusted EBITDA and Adjusted NIAT including the underlying adjustments in HY 2018 and HY 2017 for each of our reporting segments:

	HY 2018			HY 2017		
	Reported	Underlying adjustments[1]	Adjusted	Reported	Underlying adjustments[1]	Adjusted
	(unaudited) (€ million)					
EBITDA[2]						
E&P	264	—	264	242	—	242
Refining	377	(131)	245	425	—	425
Marketing	139	6	144	200	(9)	191
Petrochemicals	143	(15)	128	128	(15)	113
Corporation	(23)	—	(23)	(28)	—	(28)
Total EBITDA	**900**	**(140)**	**760**	**967**	**(23)**	**943**
NIAT						
E&P	130	(5)	125	15	68	83
Refining	188	(97)	91	220	3	223
Marketing	69	6	75	126	(7)	119
Petrochemicals	69	(9)	60	70	(11)	60
Corporation	(16)	—	(16)	(19)	—	(19)
Total NIAT	**441**	**(106)**	**335**	**412**	**54**	**466**

(1) Reflects CCS and certain non-recurring items. For the definitions and reconciliations of these items, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

(2) For a reconciliation of the reported EBITDA by segment, see Note 5(c) to our Interim Financial Statements.

Our total reported EBITDA decreased by 6.9% to €900 million in HY 2018, from €967 million in HY 2017, primarily due to lower refining margins and the depreciation of the U.S. dollar against the euro, partially offset by the increase in crude oil prices.

After including underlying adjustments, our total Adjusted EBITDA decreased by 19.4% to €760 million in HY 2018 from €943 million in HY 2017. Underlying adjustments were €(140) million in HY 2018 and €(24) million in HY 2017, reflecting negative adjustments for CCS.

Our total reported NIAT increased by 7.0% to €441 million in HY 2018, from €412 million in HY 2017, driven primarily by the factors discussed for reported EBITDA above.

After including underlying adjustments, our total Adjusted NIAT decreased by 28.1% to €335 million in HY 2018 from €466 million in HY 2017. Underlying adjustments were €(106) million in HY 2018 and €54 million in HY 2017, reflecting an increased adjustment for CCS in HY 2018 (negative €103 million) compared to HY 2017 (negative €18 million) as well as adjustments for impairments and non-recurring items in certain Group companies in HY 2017.

E&P

Reported EBITDA in our E&P segment increased by 9.1% to €264 million in HY 2018, from €242 million in HY 2017, driven primarily by increasing crude oil prices, which reached and average of U.S.$64.5/bbl in HY 2018 compared to U.S.$50.7/bbl in HY 2017, partially offset by a decline in our net entitlement production of crude oil. As there were no underlying adjustments in the period, Adjusted EBITDA in our E&P segment also increased by 9.1% to €264 million in HY 2018, from €242 million in HY 2017.

Reported NIAT in our E&P segment increased to €130 million in HY 2018, from €15 million in HY 2017, driven primarily by the factors discussed for reported EBITDA above as well as impairments of certain E&P assets located in Thailand and Singapore in the prior period. The increase in Reported NIAT is also driven by lower investments in exploratory assets as well as lower costs due to optimization, efficiency and cost savings programs implemented in prior years.

After including underlying adjustments, Adjusted NIAT in our E&P segment increased by 50.6% to €125 million in HY 2018 from €83 million in HY 2017. Underlying adjustments were €(5) million in HY 2018 and €68 million in HY 2017, reflecting the recognition of temporary differences as well as the impairment of certain E&P assets and the corresponding tax effect in HY 2017.

Refining

Reported EBITDA in our Refining segment decreased by 11.3% to €377 million in HY 2018, from €425 million in HY 2017, driven primarily by lower refining margins of U.S.$5.5/bbl in HY 2018 compared to U.S.$7.2/bbl in HY 2017.

After including underlying adjustments, Adjusted EBITDA in our Refining segment decreased by 42.4% to €245 million in HY 2018, from €425 million in HY 2017. Underlying adjustments were €(131) million in HY 2018 and nil in HY 2017, reflecting a negative CCS adjustment in HY 2018.

Reported NIAT in our Refining segment decreased by 14.5% to €188 million in HY 2018, from €220 million in HY 2017, driven primarily by decreasing refining margins as discussed above.

After including underlying adjustments, Adjusted NIAT in our Refining segment decreased by 59.2% to €91 million in HY 2018, from €223 million in HY 2017. Underlying adjustments were €(97) million in HY 2018 and €3 million in HY 2017, reflecting a negative CCS adjustment in HY 2018 and non-recurring items with respect to companies accounted for using the equity method and impairment of financial instruments in HY 2017.

Marketing

Reported EBITDA in our Marketing segment decreased by 30.5% to €139 million in HY 2018, from €200 million in HY 2017, driven primarily by the reimbursement of certain losses as a result of the favorable outcome of certain legal proceedings in the prior period, partially offset by increased sales of bunker fuel and asphalt in HY 2018.

After including underlying adjustments, Adjusted EBITDA in our Marketing segment decreased by 24.6% to €144 million in HY 2018, from €191 million in HY 2017. Underlying adjustments were €6 million in HY 2018 and €(9) million in HY 2017, reflecting a positive CCS adjustment in HY 2018 and a negative CCS adjustment in HY 2017.

Reported NIAT in our Marketing segment decreased by 45.2% to €69 million in HY 2018, from €126 million in HY 2017, driven primarily by the factors discussed for reported EBITDA above as well as the financial income received in prior period from the legal proceedings discussed above.

After including underlying adjustments, Adjusted NIAT in our Marketing segment decreased by 37% to €75 million in HY 2018, from €119 million in HY 2017. Underlying adjustments were €6 million in HY 2018

and €(7) million in HY 2017, reflecting a positive CCS adjustment in HY 2018 and a negative CCS adjustment in HY 2017.

Petrochemicals

Reported EBITDA in our Petrochemicals segment increased by 11.7% to €143 million in HY 2018, from €128 million in HY 2017, driven primarily by higher sales for the phenol business line and surfactants business lines (primarily LAB) as well as a general increase in prices for petrochemical products which followed the performance of raw materials.

After including underlying adjustments, Adjusted EBITDA in our Petrochemicals segment increased by 13.3% to €128 million in HY 2018, from €113 million in HY 2017. Underlying adjustments were €(15) million in HY 2018 and €(15) million in HY 2017, reflecting negative CCS adjustments in both periods.

Reported NIAT in our Petrochemicals segment decreased by 1.4% to €69 million in HY 2018, from €70 million in HY 2017, driven primarily by negative results of subsidiaries consolidated using the equity method as well as lower financial results compared to the prior period, partially offset by the factors discussed for reported EBITDA above.

After including underlying adjustments, Adjusted NIAT in our Petrochemicals segment was stable at €60 million in HY 2018, from €60 million in HY 2017. Underlying adjustments were €(9) million in HY 2018 and €(11) million in HY 2017, reflecting negative CCS adjustments in both periods.

Underlying Performance for FY 2017, 2016 and 2015

The following table sets forth our Adjusted EBITDA and Adjusted NIAT including the underlying adjustments in FY 2017, 2016 and 2015 for each of our reporting segments:

	FY 2017			FY 2016			FY 2015		
	Reported	Underlying adjustments[1]	Adjusted[*]	Reported	Underlying adjustments[1]	Adjusted[*]	Reported	Underlying adjustments[1]	Adjusted[*]
					(unaudited) (€ million)				
EBITDA[2]									
E&P	497	—	497	444	—	444	545	4	549
Refining	970	(96)	874	863	(194)	669	385	396	782
Marketing	302	12	314	254	19	273	373	(3)	370
Petrochemicals	259	(20)	239	220	5	225	87	51	138
Corporation	(50)	—	(50)	(62)	—	(62)	(72)	—	(72)
Total EBITDA[*]	**1,978**	**(104)**	**1,874**	**1,719**	**(171)**	**1,549**	**1,317**	**449**	**1,766**
NIAT									
E&P[*]	(71)	216	145	(67)	79	12	(1,566)	1,560	(6)
Refining[*]	549	(68)	481	486	(145)	341	417	(6)	411
Marketing[*]	175	7	182	121	17	138	196	—	196
Petrochemicals[*]	125	(14)	111	111	—	111	(35)	82	47
Corporation[*]	(34)	0	(34)	(48)	—	(48)	(52)	—	(52)
Total NIAT[*]	**743**	**141**	**884**	**602**	**(49)**	**553**	**(1,040)**	**1,636**	**596**

Note: Segmental figures for FY 2017, FY 2016 and FY 2015 have derived from the HY 2018 Interim Financial Statements to give effect to our new segmental presentation. For additional information, see "*Presentation of Financial and Other Information—Presentation of Financial Information*".

(*) Indicates unaudited figures contained in our HY 2018 Interim Financial Statements, which have been subject to a limited review. Other items presented in this table have neither been audited nor reviewed. See "*—Presentation of Financial Information*" above and Note 5(c) to our Interim Financial Statements.

(1) Reflects CCS and certain non-recurring items. For the definitions and reconciliations of the items in this table, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures and APMs—Underlying Performance*" and "*Selected Financial and Operating Information—Non-IFRS Financial Information and APMs*".

(2) For a reconciliation of the reported EBITDA by segment, see Note 5(c) to our Interim Financial Statements.

Our total reported EBITDA increased by 15.1% to €1,978 million in FY 2017, from €1,719 million in FY 2016, primarily due to increased crude oil prices and higher refining margins. In FY 2016, our total reported EBITDA increased by 30.5% to €1,719 million in FY 2016, from €1,317 million in FY 2015, as a result of cost reduction initiatives implemented in FY 2016, primarily affecting expenses related to outsourcing, operations and maintenance and marketing.

After including underlying adjustments, our total Adjusted EBITDA increased by 21.0% to €1,874 million in FY 2017 from €1,549 million in FY 2016. Underlying adjustments affecting EBITDA were €(104) million in FY 2017 and €(171) million in FY 2016, reflecting negative adjustments for CCS. In FY 2016, our total Adjusted EBITDA decreased by 12.3% to €1,549 million in FY 2016 from €1,766 million in FY 2015. Underlying adjustments were €(171) million in FY 2016 and €449 million in FY 2015, reflecting a negative adjustment for CCS in FY 2016 and a positive adjustment for CCS in FY 2015.

Our total reported NIAT increased by 23.4% to €743 million in FY 2017, from €602 million in FY 2016, driven primarily by the factors discussed for reported EBITDA above as well as increases in share of profits of companies accounted for using the equity method and in net exchange differences, partially offset by the impairments recorded in FY 2017 and an increase in income tax, resulting from a change in tax rates and other non-deductible expenses and income. See "*—Comparison of Results of Operations for FY 2017 and FY 2016*" above. In FY 2016, our total reported NIAT increased to €602 million in FY 2016, from €(1,040) million in FY 2015, driven by significant impairments recognized in respect of certain E&P assets in FY 2015. See "*—Comparison of Results of Operations for FY 2016 and FY 2015*" above.

After including underlying adjustments, our total Adjusted NIAT increased by 59.9% to €884 million in FY 2017 from €553 million in FY 2016. Underlying adjustments were €141 million in FY 2017 and €(49) million in FY 2016, reflecting increased adjustments for impairments and non-recurring items in certain Group companies in FY 2017 as well as a greater CCS adjustment in FY 2016 (negative €129 million) compared to FY 2017 (negative €79 million). In FY 2016, our total Adjusted NIAT decreased by 7.2% to €553 million in FY 2016 from €596 million in FY 2015. Underlying adjustments were €(49) million in FY 2016 and €1,636 million in FY 2015, reflecting adjustments for significant impairments of certain E&P assets in FY 2015.

E&P

Reported EBITDA in our E&P segment increased by 11.9% to €497 million in FY 2017, from €444 million in FY 2016, driven primarily by increasing crude oil prices, which reached an average of U.S.$54.3/bbl in FY 2017 compared to U.S.$43.7/bbl in FY 2016, partially offset by a decline in our net entitlement production of crude oil. In FY 2016, reported EBITDA decreased by 23.6% to €444 million, from €545 million in FY 2015, driven primarily by declining crude oil prices which fell to an average of U.S.$43.7/bbl in FY 2016 compared to U.S.$52.5/bbl in FY 2015, partially offset by the implementation of cost reduction programs.

After including underlying adjustments, Adjusted EBITDA in our E&P segment increased by 11.9% to €497 million in FY 2017 from €444 million in FY 2016. Underlying adjustments were nil in FY 2017 and FY 2016. In FY 2016, Adjusted EBITDA decreased by 19.1% to €444 million in FY 2016 from €545 million in FY 2015. Underlying adjustments were nil in FY 2016 and €4 million in FY 2015, reflecting adjustments for costs relating to the acquisition of Coastal Energy.

Reported NIAT in our E&P segment decreased by 6.0% to €(71) million in FY 2017, from €(67) million in FY 2016, driven primarily by the factors discussed for reported EBITDA above as well as an increase in impairments of certain E&P assets located in Thailand and Singapore and the corresponding tax effect, the decrease in depreciation due to impairments recognized in the prior period and exchange differences. In FY 2016, reported NIAT increased by 95.7% to €(67) million in FY 2016, from €(1,566) million in FY 2015, driven by significant impairments recognized in respect of certain E&P assets located in Thailand and Singapore in FY 2015 (as a result of a reduction in expected future prices of crude oil and assessment of oil and gas reserves estimate for certain assets) and the corresponding tax effect as well as the decrease in depreciation in FY 2016 due to the impairments recognized in FY 2015.

After including underlying adjustments, Adjusted NIAT in our E&P segment increased to €145 million in FY 2017 from €12 million in FY 2016. Underlying adjustments were €216 million in FY 2017 and €79 million in FY 2016, reflecting the impairment of certain E&P assets and the corresponding tax effect. In FY 2016, Adjusted NIAT increased to €12 million in FY 2016 from €(6) million in FY 2015. Underlying adjustments were €79 million in FY 2016 and €1,560 million in FY 2015, reflecting adjustments for impairments and the corresponding tax effect, particularly in FY 2015.

Refining

Reported EBITDA in our Refining segment increased by 12.4% to €970 million in FY 2017, from €863 million in FY 2016, driven primarily by increasing refining margins which reached an average of U.S.$7.5/bbl in FY 2017 compared to U.S.$5.6/bbl in FY 2016. In FY 2016, reported EBITDA increased to €863 million in FY

2016, from €385 million in FY 2015, driven by efficiency measures and improved management of crude supplies in terms of quality and premiums, partially offset by declining refining margins.

After including underlying adjustments, Adjusted EBITDA in our Refining segment increased by 30.6% to €874 million in FY 2017 from €669 million in FY 2016. Underlying adjustments were €(96) million in FY 2017 and €(194) million in FY 2016, reflecting negative CCS adjustments. In FY 2016, Adjusted EBITDA decreased by 14.5% to €669 million in FY 2016 from €782 million in FY 2015. Underlying adjustments were €(194) million in FY 2016 and €396 million in FY 2015, reflecting a negative CCS adjustment in FY 2016 and a positive CCS adjustment in FY 2015.

Reported NIAT in our Refining segment increased by 13.0% to €549 million in FY 2017, from €486 million in FY 2016, driven primarily by increasing refining margins as discussed above. In FY 2016, reported NIAT increased by 16.5% to €486 million in FY 2016, from €417 million in FY 2015, as a result of the factors discussed for reported EBITDA above, partially offset by increasing depreciation due to the completion of certain projects which were in progress during the prior period.

After including underlying adjustments, Adjusted NIAT in our Refining segment increased by 41.1% to €481 million in FY 2017 from €341 million in FY 2016. Underlying adjustments were €(68) million in FY 2017 and €(145) million in FY 2016, reflecting negative CCS adjustments in both years and non-recurring items with respect to companies accounted for using the equity method in FY 2017. In FY 2016, Adjusted NIAT decreased by 17.0% to €341 million in FY 2016 from €411 million in FY 2015. Underlying adjustments were €(145) million in FY 2016 and €(6) million in FY 2015, reflecting a negative CCS adjustment in FY 2016 and a positive CCS adjustment in FY 2015, partially offset in FY 2015 by the divestment of our interests in CLH. For further information, see "*—Divestments of Non-Core Assets*" above.

Marketing

Reported EBITDA in our Marketing segment increased by 18.9% to €302 million in FY 2017, from €254 million in FY 2016, driven primarily by increased sales, driven by the expansion of our service station network and increased aviation fuel sales, as well as reimbursement of certain losses as a result of the favorable outcome of certain legal proceedings. In FY 2016, reported EBITDA decreased by 31.9% to €254 million in FY 2016, from €373 million in FY 2015, due to lower prices, particularly within aviation, wholesale, retail operations in Portugal and bunker.

After including underlying adjustments, Adjusted EBITDA in our Marketing segment increased by 15.0% to €314 million in FY 2017 from €273 million in FY 2016. Underlying adjustments were €12 million in FY 2017 and €19 million in FY 2016, reflecting positive adjustments for CCS. In FY 2016, Adjusted EBITDA decreased by 26.2% to €273 million in FY 2016 from €370 million in FY 2015. Underlying adjustments were €19 million in FY 2016 and €(3) million in FY 2015, reflecting a positive CCS adjustment in FY 2016 and a negative CCS adjustment in FY 2015.

Reported NIAT in our Marketing segment increased by 44.6% to €175 million in FY 2017, from €121 million in FY 2016, driven primarily by the factors discussed for reported EBITDA above. In FY 2016, reported NIAT decreased by 38.3% to €121 million in FY 2016, from €196 million in FY 2015, driven by the factors discussed for reported EBITDA above.

After including underlying adjustments, Adjusted NIAT in our Marketing segment increased by 31.9% to €182 million in FY 2017 from €138 million in FY 2016. Underlying adjustments were €7 million in FY 2017 and €17 million in FY 2016, primarily reflecting positive adjustments for CCS. In FY 2016, Adjusted NIAT decreased by 29.6% to €138 million in FY 2016 from €196 million in FY 2015. Underlying adjustments were €17 million in FY 2016 and nil in FY 2015, primarily reflecting a positive CCS adjustment in FY 2016 and, with respect to FY 2015, a negative CCS adjustment offset by an impairment recognized in respect of certain service stations.

Petrochemicals

Reported EBITDA in our Petrochemicals segment increased by 17.7% to €259 million in FY 2017, from €220 million in FY 2016, driven primarily by increased sales and margins in the phenol business line and as well as a general increase in prices for petrochemical products, partially offset by lower sales in our solvents business line and the termination of our polyester line in the prior period. In FY 2016, reported EBITDA increased to €220 million in FY 2016, from €87 million in FY 2015, driven by increased sales volumes and margins for the phenol and solvents business lines, partially offset by the termination of our polyester line in the first quarter of 2016. For further information on the termination of our polyester line, see "*—Divestments of Non-Core Assets*" above.

After including underlying adjustments, Adjusted EBITDA in our Petrochemicals segment increased by 6.2% to €239 million in FY 2017 from €225 million in FY 2016. Underlying adjustments were €(20) million in FY 2017 and €5 million in FY 2016, reflecting a negative CCS adjustment in FY 2017 and a positive CCS adjustment in FY 2016, offset by losses on disposal of assets relating to the termination of our polyester line. For further information on the termination of our polyester line, see "*—Divestments of Non-Core Assets*" above. In FY 2016, Adjusted EBITDA increased by 63.0% to €225 million in FY 2016 from €138 million in FY 2015. Underlying adjustments were €5 million in FY 2016 and €51 million in FY 2015, reflecting positive adjustments for CCS.

Reported NIAT in our Petrochemicals segment increased by 12.6% to €125 million in FY 2017, from €111 million in FY 2016, driven primarily by the factors discussed for reported EBITDA above. In FY 2016, reported NIAT increased to €111 million in FY 2016, from €(35) million in FY 2015, driven by the factors discussed for reported EBITDA above.

After including underlying adjustments, Adjusted NIAT in our Petrochemicals segment remained stable at €111 million in FY 2017 from €111 million in FY 2016. Underlying adjustments were €(14) million in FY 2017 and nil in FY 2016, primarily reflecting a negative CCS adjustment in FY 2017. In FY 2016, Adjusted NIAT increased to €111 million in FY 2016 from €47 million in FY 2015. Underlying adjustments were nil in FY 2016 and €82 million in FY 2015, primarily reflecting adjustments in FY 2015 for positive CCS and the termination of our polyester line. For further information on the termination of our polyester line, see "*—Divestments of Non-Core Assets*" above.

Liquidity and Capital Resources

Our liquidity requirements arise primarily from the need to fund our net working capital requirements and operating expenses as well as for maintenance and growth capital expenditures, for acquisitions in pursuit of our strategy, and to meet our ongoing debt service requirements.

Our principal sources of liquidity have been net cash from operating activities, short and long-term committed and uncommitted lending, overdraft facilities, and existing cash and cash equivalents. We finance our long-term capital needs through various debt facilities and currently fund our working capital requirements through short-term credit facilities and existing cash and cash equivalents. In addition, following Admission we may opportunistically access public debt markets to refinance our existing debt facilities and operations.

Going forward, sources of funding used for our acquisitions will depend on their size. For smaller acquisitions, we may rely on available credit facilities or retained cash. For larger transactions, we may use a combination of drawings under our available credit facilities, retained cash and new debt.

We believe that net cash from operations together with amounts available under short-term credit facilities and existing cash and cash equivalents will be sufficient to fund our currently anticipated working capital needs for at least 12 months following the date of this Prospectus.

We are not currently subject to any restrictions on the use of capital resources that could materially affect our present or future operations. However, please see "*Risk Factors—20. We are subject to certain financial risks, including currency, liquidity, interest rate, credit risk and default risk, and related operational risks*" and "*—24. We may not be able to finance our planned capital expenditures*".

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
	(unaudited)				
			(€ million)		
Total cash flows from operating activities	639	299	1,092	1,355	1,659
Total cash flows from investing activities	(1,627)	(396)	(608)	(153)	(896)
Total cash flows from financing activities	1,181	(565)	(1,226)	(1,141)	(929)
Net increase in cash and cash equivalents	193	(662)	(743)	62	(165)
Effect of changes in foreign exchange rates	1	(7)	(11)	4	17
Cash and cash equivalents at the beginning of the period	546	1,300	1,300	1,234	1,383
Cash and cash equivalents at the end of the period	**740**	**630**	**546**	**1,300**	**1,234**

Note: For the full consolidated statement of cash flows, see "*Selected Financial and Operating Information—Consolidated Statement of Cash Flows Data*".

Cash Flows from Operating Activities

Our cash flows from operating activities comprise cash generated from operations net of interest, income tax and dividends.

Cash flows from operating activities increased to €639 million in HY 2018, from €299 million in HY 2017, primarily due to the lower use of working capital in HY 2018, partially offset by lower EBITDA compared to the prior period.

Cash flows from operating activities decreased by 19.4% to €1,092 million in FY 2017, from €1,355 million in FY 2016, driven primarily by greater consumption of working capital towards the end of the year due to increased crude oil prices and related products as well as greater commercial activity, which translated into increased sales, increased inventories at deposits, refineries and petrochemical plants, and less utilization of factoring instruments and securitization.

Cash flows from operating activities decreased by 18.3% to €1,355 million in FY 2016, from €1,659 million in FY 2015, driven primarily by a major decrease in working capital variation, resulting from movements in our inventories, which was partially offset by variations in trade payables and trade receivables.

Cash Flows used in Investing Activities

Cash flows used in investing activities increased to €1,627 million in HY 2018, from €396 million in HY 2017, primarily as a result of the acquisition of a 20% interest in the SARB and Umm Lulu Concessions.

Cash flows used in investing activities increased to €608 million in FY 2017, from €153 million in FY 2016. This was primarily the result of the cash flows from the divestments of our interests in CLH and the Guadarranque Polyester plant during the prior period. For further information, see "*—Divestments of Non-Core Assets*" above.

Cash flows used in investing activities decreased by 82.9% to €153 million in FY 2016, from €896 million in FY 2015, driven primarily by reduced investments in our E&P and Petrochemicals segments and increased collections from divestments, primarily due to the divestment of our interests in CLH and the Guadarranque polyester plant in FY 2016 as well as the divestment of the Montreal polyester plant in the prior period. For further information, see "*—Divestments of Non-Core Assets*" above.

Cash Flows from (used in) Financing Activities

Cash flows from financing activities increased to €1,181 million in HY 2018, from €(565) million used in financing activities in HY 2017, as a result of an increase in investing activities, primarily related to the acquisition of a 20% interest in the SARB and Umm Lulu Concessions.

Cash flows used in financing activities increased by 7.4% to €(1,226) million in FY 2017, from €(1,141) million in FY 2016, primarily due to lower financing obtained as well as lower debt repayments.

Cash flows used in financing activities increased by 22.8% to €(1,141) million in FY 2016, from €(929) million in FY 2015, driven primarily by the reduction in net debt due to inflows from operating and net investing activities.

Inventories

The following table shows the breakdown of our inventories at 30 June 2018 and 31 December 2017.

	Half Year 2018 (unaudited)	Fiscal Year 2017
	(€ million)	
Crudes	661	604
Other raw material	138	132
Spare parts	83	97
Finished goods	1,123	1,035
Other supplies	132	62
Impairment	(4)	(5)
Total	**2,132**	**1,926**

Under applicable Spanish regulations, we are required to maintain minimum inventories of oil products as strategic reserves equivalent to 92 days of sales of the preceding 12 months in the domestic market, excluding sales to other wholesalers, of which we hold 50 days of sales in our inventories. For inventories of raw materials and goods purchased for resale, we use the average cost method. For further information, see "*—Critical Accounting Policies and Forthcoming Changes—Inventories*" below.

Working Capital

The following table shows our working capital adjusted for CCS for the periods presented.

	Half Year	Fiscal Year		
	2018	2017	2016	2015
		(unaudited) (€ million)		
Decrease / (increase) in inventories—IFRS	(194)	(321)	11	593
Cash adjustment[1]	140	104	(173)	(604)
Decrease / (increase) in inventories—Adjusted	(54)	(217)	(161)	(11)
Decrease / (increase) in trade receivables and other receivables	(275)	(622)	(287)	952
Decrease / (increase) in other current financial assets	12	48	(6)	(38)
Decrease / (increase) in trade and other payables	246	60	497	(734)
Decrease / (increase) in other changes	(29)	184	(3)	9
Total changes in operating working capital	**(101)**	**(547)**	**40**	**178**

(1) Cash adjustments consist of the difference in valuation and replacement cost relating to inventory changes in the amount of €(140) million in HY 2018 and €(104) million, €173 million and €600 million in FY 2017, FY 2016 and FY 2015, respectively, and cost of collective dismissal/cost of business combination of €4 million in FY 2015.

In the opinion of the Board of Directors, for and on behalf of the Company, our working capital is sufficient for our present requirements for at least 12 months following the date of this Prospectus.

Loans, Credit Facilities and Other Financing Obligations

Overview

The following table sets forth our total indebtedness and cash balances for the periods indicated, as well as a reconciliation of total financial debt to net financial debt:

	As at 30 June 2018 (unaudited)	As at 31 December 2017	2016	2015
		(€ million)		
Non-current finance debt				
Bank borrowings related to finance leases	—	1	1	—
Other bank borrowings[1]				
Variable rate	3,046	1,243	1,968	2,278
Fixed rate	353	344	391	626
Other finance liabilities	41	42	55	84
Total non-current finance debt	**3,441**	**1,628**	**2,415**	**2,989**

	As at 30 June 2018	As at 31 December		
		2017	2016	2015
	(unaudited)	(€ million)		
Current finance liabilities				
Bank borrowings related to finance leases	2	1	2	3
Other bank borrowings				
Variable rate	277	618	974	1,143
Other finance liabilities	21	20	18	22
Total current finance debt	**300**	**639**	**993**	**1,168**
Total finance debt	**3,741**	**2,268**	**3,409**	**4,157**
Less cash and cash equivalents	(740)	(546)	(1,300)	(1,234)
Net financial debt	**3,001**	**1,722**	**2,109**	**2,923**

Note: All debt presented in the table as at 30 June 2018 is senior unsecured, with the exception of one of the BRL Facilities, as described below.

(1) As at 30 June 2018, this item includes the Dollar Club Deal, Euro Club Deal, Euro/U.S. Dollar Bilateral Facilities, RMB Facilities and BRL Facilities, each as described below.

As at 30 June 2018, we had €3,741 million outstanding debt under various facilities, and €1,958 million remaining borrowing capacity. In HY 2018 and FY 2017, our average accumulated cost of gross debt was 2.45% and 2.09%, respectively.

On 1 October 2018, we sold our 42% stake in Medgaz to the Selling Shareholder, subject to certain conditions precedent. When completed, the sale is expected to reduce our net financial debt by approximately €500 million. For further information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

Below is a summary of our material financing arrangements as at 30 June 2018.

Syndicated Facilities: Dollar Club Deal and Euro Club Deal

Dollar Club Deal

We entered into a multicurrency term and revolving facilities agreement (the **Dollar Club Deal**) on 11 March 2014 (as most recently amended and restated on 10 March 2017 and further amended on 26 April 2018) with several international financial institutions (including, amongst others, BBVA, Banco Santander, BNP Paribas, CaixaBank, Citibank Europe Plc London Branch, FAB, Société Générale and Unicredit Bank Austria AG) providing for a total borrowing capacity of U.S.$1,600 million. Further to the early cancellation of the original term loan tranche, this facility is now a revolving credit facility (**RCF**).

Amounts drawn under the Dollar Club Deal have been used to finance certain permitted acquisitions and for general corporate purposes. As at 30 June 2018, our borrowings under the Dollar Club Deal were equivalent to €1,287 million.

The Dollar Club Deal amortizes in March 2023, with the final repayment of 100% of the outstanding balance being paid on the final maturity date. Subject to certain conditions, we may voluntarily prepay by giving not less than five business days' notice. The Dollar Club Deal requires mandatory prepayment in full or in part in certain circumstances, including, among others: (i) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations; and (ii) following the occurrence of a change of control.

The Dollar Club Deal bears interest on each utilization at a rate equal to Libor (or in relation to any loan denominated in euro, Euribor) plus the applicable margin, ranging from 0.35% to 1.20% determined by reference to our leverage ratio. We are also requested to pay certain commitment and utilization fees to the lenders in connection with this facility.

The Dollar Club Deal contains customary covenants and exemptions as well as a financial covenant, pursuant to which we are required to ensure compliance with a leverage ratio of not more than 3.50:1 (as determined in accordance with the Dollar Club Deal terms). This financial covenant is tested and certified by the Company annually. As at the date of this Prospectus, the Company is in compliance with this financial covenant.

The Dollar Club Deal contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, among others, non-payment; breach of financial covenant; breach of other obligations; misrepresentation; cross-acceleration with respect to indebtedness; insolvency and insolvency proceedings; creditor's process; unlawfulness; repudiation; cessation of business, and acceleration.

Euro Club Deal

We entered into a euro RCF (the **Euro Club Deal**) on 23 June 2018 with four financial entities (BNP Paribas, Sucursal en España, CaixaBank, BBVA and Mizuho Bank Europe Plc) providing for a total borrowing capacity of €1,500 million (which remained fully available as of 30 June 2018) with a maturity date of June 2021. The Euro Club Deal reflects the terms and conditions of the Dollar Club Deal, and includes similar financial conditions to the Dollar Club Deal in terms of prepayment, financial covenant and events of default. The Euro Club Deal bears interest on each loan at a rate equal to Euribor plus the applicable margin, ranging from 0.35% to 1.20% determined by reference to our leverage ratio. We are also requested to pay certain commitment and utilization fees to the lenders in connection with this facility.

Euro/U.S. Dollar Bilateral Facilities

We also have various bilateral euro/U.S. dollar denominated term loans, revolving credit and overdraft facilities, as described below (the **Euro/U.S. Dollar Bilateral Facilities**).

Bilateral Term Loans

As a part of our financing strategy, we have 16 bilateral term loan agreements (the **Bilateral Term Loans**) with leading Spanish banks (including Banco Santander, BBVA, CaixaBank, Banco Sabadell, S.A., Bankinter, S.A. and KutxaBank, S.A.) and with EU official institutions, such as the European Investment Bank (the **EIB**). As at 30 June 2018, the total outstanding amount under the Bilateral Term Loans was €1,725 million.

The Bilateral Term Loans have maturities ranging from January 2019 to April 2033 and are either fixed rate or benchmarked to Euribor or Libor (depending on the base currency) with spreads ranging from 0% (subsidized) to 1.10%. All amounts drawn under the Bilateral Term Loans are available to finance certain permitted acquisitions and/or working capital requirements, and for general corporate purposes.

The Bilateral Term Loans generally have similar financial conditions, including customary events of default, and do not typically contain specific financial covenants. Four of the Bilateral Term Loans do include a financial covenant pursuant to which we are required to ensure compliance with a leverage ratio of not more than 3.50:1, and one of these agreements also includes an additional interest coverage ratio of a minimum of 4:1, in each case as determined in accordance with the relevant agreement. The four Bilateral Term Loans which include financial covenants are long-term facilities, two of which are granted by the EIB. These covenants are tested and certified by the Company in two of these cases annually, whilst in the other two cases (with the EIB as lender) they are tested by the Company on a semiannual basis. As at the date of this Prospectus, the Company is in compliance with these financial covenants.

Bilateral Revolving Credit Facilities

As of 30 June 2018, we have seven bilateral revolving credit facilities (**Bilateral RCFs**) amounting to a total borrowing capacity of approximately €687 million, with leading Spanish banks (including Banco Santander and CaixaBank). As at 30 June, our borrowings under the Bilateral RCFs amounted to €242 million.

The Bilateral RCFs have maturities ranging from February 2019 to March 2023 and are benchmarked to Euribor or Libor (depending on the base currency) with spreads ranging from 0.35% to 0.60%. All of the amounts drawn under the Bilateral RCFs are available to finance certain permitted acquisitions and/or working capital requirements, and for general corporate purposes.

Bilateral Overdraft Facilities

As of 30 June 2018, we have 17 overdraft facilities (the **Bilateral Overdraft Facilities**) with leading Spanish banks (including Banco Santander, BBVA and CaixaBank) with a borrowing capacity equivalent to €382 million. As at 30 June 2018, the total outstanding amount under the Bilateral Overdraft Facilities was €74 million.

The Bilateral Overdraft Facilities have maturities between July 2018 (renewed for an additional year as at the date of this Prospectus) to June 2019 and are benchmarked to Euribor or Libor (depending on the base currency) with spreads ranging from 0.30% to 0.60%. The amounts drawn under the Bilateral Overdraft Facilities are available to finance certain permitted acquisitions and/or working capital requirements, and for general corporate purposes.

RMB Facilities

As of 30 June 2018, we are a several guarantor for 75% of the payment obligations of our Chinese subsidiary, CEPSA Chemical Shanghai Co. Ltd (**CEPSA CS**), for one syndicated loan and five working capital facilities, which amount up to RMB 1,897 million and RMB 1,400 million, respectively (the **RMB Facilities**). As at 30 June 2018, the total outstanding amount under the RMB Facilities was equivalent to €385 million.

The RMB Facilities have maturities between December 2018 and April 2024 and are benchmarked to PBOC with cost (funding base plus spreads) ranging from 80% to 110% of PBOC official rates. The amounts drawn under the RMB Facilities are available to finance certain permitted investments and/or working capital requirements of CEPSA CS, and for general corporate purposes.

For the syndicated loan, and subject to certain conditions, CEPSA CS may voluntarily prepay the loan by giving not less than ten business days' notice. The syndicated loan requires mandatory prepayment in full or in part in certain circumstances, including: (i) if it becomes unlawful for a lender to perform any of its obligations under the agreement (and the unlawfulness has not been cured within a period of 30 days); and (ii) in the event of the sale or disposal of all or substantially all the assets of the project, upon request by the lenders.

The RMB Facilities contain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, among others, non-payment; misappropriation; misrepresentations; violation of other obligations; default by the guarantor; cross-default; insolvency; liquidation and bankruptcy; significant disputes; equity transfer; creation of equity pledge; financial ratios; and change to the project).

BRL Facilities of Detén Química S.A.

As of 30 June 2018, Detén Química S.A. (of which we own 71.44%) has three BRL term loans and three BRL/U.S. Dollar export finance facilities with a borrowing capacity equivalent to €21 million and €77 million, respectively (together, the **BRL Facilities**). As at 30 June 2018, the total outstanding amount under the BRLFacilities was equivalent to €27 million. These facilities are not guaranteed by CEPSA; however, one facility (equivalent to €3.8 million) is secured. The BRL Facilities have maturities between October 2018 and December 2025 and BRL fixed prices ranging from 6.5% to 8.82%.

Capital Expenditures

In this Prospectus, we have classified our capital expenditures into five major categories:

- Maintenance & HSE capital expenditure relates to investment to ensure the ongoing compliance, safety and reliability of our assets, including with respect to health, safety and environment.
- Sustainability & Efficiency capital expenditure relates to investment to improve the efficiency and sustainability of our operations. Examples of sustainability & efficiency capital expenditure include improvements or upgrades to our plants or assets (including to increase capacity, improve performance or reduce costs) and the acquisition, construction or modification of assets to maintain market share and the sustainability of the business.
- Growth capital expenditure relates to investment to grow our businesses, either through the construction of new facilities or through the acquisition of companies or participations in other companies.
- Development capital expenditure relates to investment to develop oil and gas fields within our E&P segment.
- Exploration capital expenditure relates to investment in the exploration of oil and gas fields within our E&P segment.

Our capital expenditures, divided into the categories explained above, are set forth in the following table for the periods indicated:

	Half Year		Fiscal Year		
	2018	2017	2017	2016	2015
			(unaudited) (€ million)		
Maintenance & HSE	101	87	238	223	252
Sustainability & Efficiency	88	62	152	102	87
Growth	25	288	341	74	171
M&A[1]	1,320	—	—	—	—
Development	87	31	105	133	378
Exploration	2	41	52	39	164
Other	5	—	—	—	—
Total capital expenditures	**1,628**	**510**	**888**	**572**	**1,051**

(1) For HY 2018, M&A capital expenditure has been presented separately from growth capital expenditure for clarity.

In HY 2018, capital expenditure increased to €1,628 million from €510 million in HY 2017. This increase was primarily due to the acquisition of our interest in the SARB and Umm Lulu Concessions, which amounted to €1,212 million. In FY 2017, capital expenditure increased by 55% to €888 million from €572 million in FY 2016. This increase was primarily due to our decision to reduce capital expenditures during the prior period due to the low crude oil price experienced in 2016. In FY 2016, capital expenditure decreased by 46% to €572 million from €1,051 million in FY 2015. This decrease was primarily due to our decision to reduce capital expenditures due to the low crude oil price experienced in 2016.

We have a detailed investment project plan covering the next three to five years, and we expect that our capital expenditure over this period should amount to approximately €1,000 million per year, primarily driven by sustainability & efficiency and growth capital expenditure. For further detail on our medium-term targets for capital expenditures, see "*Business—Medium-Term Targets*".

We plan to fund our budgeted capital expenditures with cash flow from operations. The amount of our future capital expenditures will depend on a number of factors, including any acquisitions we may complete, environmental and other regulatory requirements and general economic conditions and growth prospects.

Certain Other Contractual Commitments

The table below shows the breakdown by maturity of all financial liabilities for the periods indicated.

	Half Year	Fiscal Year		
	2018	2017	2016	2015
	(unaudited)			
		(€ million)		
Bank borrowings relating to finance leases	1	2	3	4
Other bank borrowings[1]				
Variable rate	3,323	1,861	2,942	3,421
Fixed rate	353	344	391	626
Trade payables	2,883	2,801	2,344	1,843
Derivatives[2]	26	18	23	92
Other finance liabilities[3]	62	61	73	106
Total	**6,650**	**5,087**	**5,776**	**6,092**
Scheduled maturities				
Year 1	3,057	3,259	3,359	3,098
Year 2	170	204	292	365
Year 3	189	430	124	766
Year 4	1,218	653	384	63
Year 5	1,542	106	1,099	770
Year 6 and following	472	435	519	1,029
Total	**6,650**	**5,087**	**5,776**	**6,092**

(1) Includes the Dollar Club Deal, Euro/U.S. Dollar Bilateral Facilities (excluding subsidized loans), RMB Facilities and BRL Facilities.

(2) For derivatives, the fair value is presented. We use futures and swaps to mitigate foreign exchange and commodity price risks to which our activities, operations and future cash flows are exposed.

(3) Represents subsidized loans granted by the Ministry of Economy and other public agencies as well as accrued interests.

Off Balance Sheet Arrangements and Contingent Liabilities

We have firm commitments for gas transport pursuant to a ship-or-pay agreement with Medgaz, through which we purchase natural gas through CGC as well as firm commitments to purchase natural gas. The following table shows our long-term firm commitments as reported at 31 December 2017, 2016 and 2015.

	FY 2017			FY 2016			FY 2015		
	LNG	Gas Transport	Total	LNG	Gas Transport	Total	LNG	Gas Transport	Total
					(€ million)				
Year 1	302	45	347	485	44	529	381	43	424
Year 2	297	45	342	506	45	551	396	44	440
Year 3	276	46	323	503	45	549	421	45	465
Year 4	264	47	311	503	46	550	442	45	488
Year 5	254	48	302	503	47	551	442	46	489
Year 6 and following	2,285	437	2,722	3,100	485	3,585	3,130	532	3,662
Total	**3,678**	**669**	**4,347**	**5,601**	**712**	**6,314**	**5,212**	**755**	**5,968**

Note: The commitments for FY 2017, FY 2016 and FY 2015 were quantified using estimates based on Brent crude oil forward price curves prevailing at the end of 31 December 2017, 2016 and 2015, respectively.

As at 30 June 2018, we had commitments regarding intangible assets of €225 million and commitments regarding tangible fixed assets of €1,490 million, primarily related to investments in exploration and production.

Guarantees

As at 30 June 2018, we had total guarantees in the amount of €1,666 million, of which 62% related to letters of credit given in connection with the import of crude oil and guarantees provided to banks for drawdowns against credit facilities granted to Group companies. The remainder of this amount was given principally to public

entities (approximately €331 million, including €255 million in connection with our participation in Medgaz) and to others.

On 1 October 2018, we entered into a sale and purchase agreement with the Selling Shareholder, subject to certain conditions precedent, in order to transfer to the Selling Shareholder the shares we hold in Medgaz. For further information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

Qualitative and Quantitative Disclosures about Market Risk

General

The risks inherent in our business are the potential loss from credit risk, liquidity risk and market risk (including foreign currency risk, commodities price risk and interest rate risk). The Board of Directors, through the ACE Board Committee or the Risks Committee, other specific committees, together with the Directors of each of our business segments, supervise and monitor these risks on a regular basis, adapting their profile to the prevailing circumstances, where appropriate.

Credit Risk

Credit risk arises from the potential failure of a counterparty to meet its contractual obligations. We are exposed to credit risk from our operating activities (primarily trade receivables) and from our financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Our credit risk on trade receivables is not significantly concentrated as it is spread out among a large number of customers and other counterparties, even considering the exchanges of oil products and trading operations that are soundly guaranteed and involve substantial amounts of trade receivables.

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

We have designed several credit quality measuring models to support our credit risk management. To measure the probability of customer default, we analyze customer solvency and payment habits and group customers into one of the following categories:

- High quality: Preferential customers, which have high credit ratings and financial capacity and have made advance payments in cash or whose payment terms are secured.
- Medium quality: Customers of an average size, with a good reputation and are economically healthy, but have a history of slow payments.
- Low quality: New customers without any credit history, customers who are repeatedly slow in making payments and whose financial position is weak.

The breakdown of this analysis for the categories explained above is set forth in the following table for the periods indicated:

	Fiscal Year		
	2017	2016	2015
		(%)	
High quality	88	95	72
Medium quality	10	3	25
Low quality	2	2	4
Total	**100**	**100**	**100**

We have purchased some credit insurance policies to cover the risk of default on a portion of the past-due receivables that have not been provisioned. In addition, guarantees have been provided that cover another portion thereof.

In order to mitigate credit risk arising from financial debt and cash positions, we seek to transact with reputable, leading Spanish and international financial institutions. Additionally, we continuously monitor our exposure to counterparty risk in investments and financial instruments contracts.

Liquidity Risk

Liquidity risk is the risk involved with obtaining financing at reasonable market prices, to cover the financing needs of our business activities.

We monitor our risk of a shortage of funds using a liquidity planning tool. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, and bank loans, factoring and securitization. We have a conservative financial policy based on which we maintain amounts available in cash and other equivalent liquid assets, as well as undrawn committed credit lines, sufficient to cover debt maturities for a period of 24 months avoiding the need to turn to the markets to obtain new financing or the refinancing of existing lines. In addition, our liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

As at 30 June 2018, we had approximately €740 million in cash and cash equivalents and over €1,958 million available undrawn committed credit lines to meet planned growth and working capital requirements.

The table below provides a breakdown of available credit lines and liquidity for the periods indicated.

	Half Year 2018	Fiscal Year 2017
	(€ million)	
Liquidity Maturity		
Year 1	296	188
Year 2	70	146
Year 3	1,500	53
Year 4	5	245
Year 5 and following	86	1,216
Total	**1,958**	**1,848**
Cash and cash equivalents	740	546
Total liquidity adjusted	**2,698**	**2,394**

Tax strategy and management

The energy sector is subject to a unique tax framework. Specific taxes on profits, production or consumption of products are common in the Upstream and Downstream sectors. Our tax strategy is aimed at ensuring compliance with the applicable tax regulations by all the companies of the Group in their areas of activity. One of the main principles we have established, is to not utilize companies registered in tax havens unless their presence in said territories is a result of valid economic motives or because they were directly or indirectly acquired as a consequence of the acquisition of a group of companies.

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. We are exposed to several types of market risks which affect our financial results, including price risk relating to raw materials, exchange rate risk and interest rate risk.

Our exposure to market risk principally arises from the nature of the oil sector and from our use of financial instruments. 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. Financial instruments affected by market risk include financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, short-term deposits, borrowings and certain other financial instruments.

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 us at each year end.

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 foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities (when revenue or expense are denominated in a different currency from our functional currency) and the translation of foreign subsidiaries, both in our consolidated results and in our equity net value.

We are exposed to transaction risk because our revenue and expenses are denominated not only in euro but also in the U.S. dollar and to a lesser extent in Chinese Yuan and the Brazilian Real. Accordingly, the relative movements of the exchange rate of the euro against any of these non-euro currencies can significantly affect our results of operations.

The difference sources of exchange rate risk and our actions to mitigate such risks can be summarized as follows:

- From an operational point of view, the US dollar is the currency in which a multitude of our commercial transactions are denominated (e.g., crude oil supply). We seek to minimize the impact of exchange rate risk on these transactions by centralizing and managing the net global position of cash flows in US dollars from the different Group companies.
- We seek to mitigate the risk relating to the net value of consolidated equity investments in foreign subsidiaries by maintaining debt in the currency in which each investment is denominated, applying net investment hedges to such subsidiaries.
- We seek to mitigate the risk related to Group companies obtaining cash flows in a currency different from its functional currencies by obtaining financing in the same currency in which the cash flows are denominated.

As at 30 June 2018, approximately 78% of our indebtedness was denominated in U.S. dollars, nearly all of such debt denominated in U.S. dollars is allocated to hedging transactions, mainly to net investment hedges (90.3%), to fair value hedge (7.3%) and to a lesser extent to cash flow hedges (2.1%).

With respect to the sensitivity of the financial instruments held by the Group to the appreciation or depreciation of the U.S. dollar, the following table shows the impact on net income and equity.

	Fiscal Year			
	2017		2016	
Effect of fluctuations in the euro against the U.S. dollar	**+0.05 USD/EUR**	**–0.05 USD/EUR**	**+0.05 USD/EUR**	**–0.05 USD/EUR**
	(€ million)			
Impact on profit or loss after taxes	(9.1)	9.8	(32.0)	35.1
Impact on equity after taxes	39.3	(42.7)	72.4	(79.6)

Commodities Price Risk

Our earnings, cash flow and liquidity can be significantly affected by a variety of factors beyond our control, including, among others, the price of oil and natural gas, the price of petroleum and petrochemical products, the price of electricity and the price of emission allowances. We seek to mitigate the effects of economic cycles and their specific impact on our consolidated results through our strategy of vertical integration.

Fluctuations in crude oil prices also have an effect on our refining and marketing segments, opposite to the effect of the area of E&P whose scale depends, among other factors, on the speed with which price changes in energy products or base petrochemical products sourced is relayed to the international and local finished goods markets.

The exposure to all these prices is constantly monitored, and in certain cases, we purchase financial derivatives with the aim of reducing our exposure to variability in these prices. While such derivatives are an economic hedge of our results, they are not always considered hedges for accounting purposes.

Considering only these financial instruments held by the Group, the following table shows the sensitivity of net income and equity to the effect of a 10% increase or decrease in crude prices:

	Fiscal Year			
	2017		2016	
	+10%	**–10%**	**+10%**	**–10%**
	(€ million)			
Impact on profit or loss after taxes	(1.2)	1.2	2.8	(2.8)
Impact on equity after taxes	(3.2)	3.2	—	—

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our borrowings at floating rates, primarily LIBOR. Our policy is to manage our debt portfolio with the aim of minimizing long-term interest costs. In order to manage

and mitigate this risk, when deemed appropriate, we obtain financing at a fixed rate or purchase interest rate swaps for hedging purposes.

The following table shows the sensitivity of our net income and equity to reasonably possible changes in interest rates, assuming all other variables remain unchanged.

The sensitivity analysis excludes all fixed rate financial instruments carried at amortized cost, as well as those loans at variable rate which, through transactions with derivatives, results 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.

	Fiscal Year			
	2017		2016	
	+50bps	–50bps	+50bps	–50bps
	(€ million)			
Impact on profit or loss after taxes	(6.7)	5.9	(9.6)	8.6
Impact on equity after taxes	4.1	(4.2)	5.5	(5.7)

Critical Accounting Policies and Forthcoming Changes

The most significant accounting policies applied in our consolidated financial statements, according to International Financial Reporting Standards (IFRS), as adopted by the European Union, are the following:

E&P assets

Exploration and Evaluation Costs

Prior to well drilling, exploration costs are charged to profit and loss as incurred. Acquisitions of exploration rights are capitalized and feasibility analyses and impairment tests, where warranted, are performed periodically for each cash generating unit (**CGU**) based on the results of exploration. Exploration rights are amortized over a period not exceeding the term of the contract. In cases of discovery of proven reserves, the carrying amount is transferred to Property, Plant and Equipment (**PP&E**). Units of production method of depreciation are used, once the development is over and production begins.

Drilling costs are capitalized temporarily until it is determined whether proven reserves have been discovered, in which case they are transferred to PP&E. Conversely, if the outcome is negative, they are charged to the statement of profit and loss. The transfer of an intangible asset to PP&E asset occurs at the point in time when governmental authorization is obtained for the commercial exploitation of a field during a specific period.

Oil and Gas Assets in Production Phase

At the beginning of each year, investments relating to the acquisition of proven reserves are capitalized as PP&E and depreciated over the estimated life of the field, based on the proven and probable recoverable reserves extracted (unit-of-production method). This excludes proven reserves arising in a business combination, the development of fields and the construction of production plants, as well as the estimated present value of abandonment costs.

The calculation for joint production contracts is based on the proportion of production and reserves assigned to us, taking account of the estimates based on the contractual clauses.

Impairment tests are performed periodically for each CGU. Any impairment losses are recognized in the statement of profit and loss.

Impairment of Non-current Assets

We evaluate at each accounting closing date, or whenever there are circumstances that may trigger indicators of impairment of the value of any tangible or intangible asset, and investments in associates and interests in joint ventures, and if applicable, to estimate the recoverable amount thereof.

Additionally, regardless of the existence of any indication, for intangible assets with an indefinite useful life and for goodwill, their carrying amount is compared with their recoverable amount at least once a year.

In accordance with IAS 36, 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.

For these purposes, assets are grouped in 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.

- Petrochemicals: each CGU corresponds to one of the industrial plants.
- E&P: each CGU corresponds to one of the different contractual areas commonly known as "blocks"; as an exception, in cases where the cash flows generated by several blocks are interdependent with each other, these blocks are grouped into a single CGU, as is the case of the Algerian CGU.
- Refining and Marketing: it is considered a single CGU due to the interrelation of cash flows that exists throughout its production process. Within the Refining segment, only in the area of G&P each plant corresponds to a CGU since they have an individual retribution by the Spanish Government.

In order to perform the aforementioned impairment test, the carrying amount of the CGU will:

- 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; and
- not include the carrying amount of any recognized liability, unless the recoverable amount of the CGU cannot be determined without consideration of this liability. Regarding E&P assets, the liabilities for dismantling are aggregated both to the book value and to the value in use of the assets.

Nevertheless and considering that the Refining and Marketing segments are smaller than the abovementioned CGU, for goodwill impairment tests we have considered only cash flow from the segments.

The recoverable amount of each CGU is determined as the higher of the value in use and the fair value less cost to sell or dispose of the asset, which would be obtained from the CGU's assets.

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 for which the estimates of future cash flows have not been adjusted, using assumptions which are consistent with the our 2018-2022 strategic 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 1% based on the business under analysis and expected long-term CPI. 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.

Valuations of E&P assets use cash flow projections for a period that covers the economically productive lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts (12 years duration as an average). The general principles applied to determine the variables that most affect the cash flows of the E&P segment are described below:

Oil and gas sales prices

Estimated crude oil prices used to project cash flows of each of the assets are similar to those used in our 2018–2022 strategic plan. These estimates are based on estimates made by various international organizations. The quoted Brent crude oil price is used as the basis, and the remaining international prices are calculated with the use of differentials to reflect the different properties of the relevant crude oil. In particular, Brent prices referenced were estimated at 30 June 2018 at U.S.$64.5/bbl for 2018, U.S.$66.7/bbl for 2019, U.S.$68.2/bbl for 2020, U.S.$69.7/bbl for 2021, U.S.$71.3/bbl for 2022 and U.S.$72.7/bbl for 2023, beyond which prices are increased by a CPI of 2%.

Reserves and production schedules

For each asset a long-term development plan is established with an annual production schedule. This production schedule takes probable reserves into account as well as the best estimate for contingent resources, weighted by associated risk factors. The estimates for reserves and resources are made in accordance with the guidelines established by the PRMS-SPE. These profiles are revised every two years by independent experts.

Operating expenses and capital expenditure

The development plan established for each asset takes into account the investments necessary for production of the estimated reserves and resources. Both investments and operating expenses are estimated using an annual inflation rate between 1.1% and 2.3%, depending on the country where the asset is located.

For the non-upstream CGUs assets which exhibit signs of potential impairment, valuation takes into account cash flow projections covering a five-year period plus terminal value, with an annual increase of between 1.9% and 2.5%.

For the purpose of calculating the present value of these cash flows, a discount rate is used that reflects the weighted average cost of capital employed, adjusted according to the country and business risk corresponding to each asset or CGU. The table below sets forth the post-tax discount rates used for the analyzed CGU's grouped in FY 2017:

	FY 2017
	(%)
E&P	8.0 – 11.0
Refining & Marketing	7.0 – 8.0
Petrochemicals	7.0 – 11.0
G&P	6.0 – 6.5

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

- Risk-free Bond: American and German 20/10-year due date Bond respectively.
- Company risk-premium: 5.0%
- Country risk-premium of the location of the asset
- Beta: based on comparable companies for each business segment
- After taxes Cost of Debt plus Spread based on comparable Oil and Gas integrated companies
- Net equity—Debt ratio: sector average

These WACCs have been calculated considering local currencies of the CGUs except for E&P and our Petrochemical operations in Indonesia, which are calculated in U.S. dollars.

The post-tax discount rates (**WACCs**) used for the CGU in the countries where signs of impairment existed in FY 2017 are as follows:

	FY 2017
	(%)
E&P	
Colombia	7.8–9.0
Thailand	9.0
Malaysia	9.5
Algeria	11.0
Abu Dhabi	8.0
Peru	9.0
Petrochemicals	
Brazil	9.0
China	8.5
Indonesia	9.0

In the case of those assets or CGUs for which we perform an impairment test as a result of identifying indications of impairment, we analyze 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 or CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these reasonably foreseeable changes would not have a material impact. In the case of those assets or CGUs for which the margin is below this threshold, we perform sensitivity analyses 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 analyses performed, for all the CGUs, have been the following:

	FY 2017	
	Increase in the impairment losses net of tax impact	
	(%)	(€ million)
Sensitivity analysis		
Discount rate increase (50 bps)	3	8
Decrease in price of crude oil (10%)	29	83
Average exchange rate decrease USD/EUR (0.05 USD/EUR)	5	15

Based on the price curves posted by reputed analysts and forward prices of Brent oil, we consider the price utilized by the company for the calculation of the recoverable value in the impairment tests performed to be reasonable.

The sensitivity analysis disclosed above represents a scenario which we consider to be "non-probable" due to the assumption that the events occur (i) on an isolated basis (with no positive event occurring to offset the negative effect), and (ii) in a continuous manner (for example, the analysis assumes a decrease in crude oil prices or exchange rates lasting the whole period considered in the long-term plan used for the impairment test).

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, its value is reduced to its recoverable amount and an impairment loss is recognized as an expense, under "Impairment and gains or losses on disposals of non-current assets" in the accompanying Consolidated Statement of Profit or Loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU), 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 recognized for the asset (or CGU) in prior years.

Inventories

Crude oil, oil derivatives and petrochemical products, acquired as raw materials, are measured at the lower of weighted average cost and net realizable value. Replacement parts and supplies and other inventories are measured at the lower of average acquisition or production cost or net realizable value.

The cost of production includes those of direct materials and, where applicable, direct labor costs and general manufacturing costs.

We assess the net realizable value of the inventories at the end of each year and recognize the appropriate impairment if this value is lower than the carrying amount. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. Inventory impairment or excess is included in "trade provisions impairment" in the statement of profit or loss.

Costs are allocated to refined products in proportion to the selling price thereof (isomargin method) due to the complexity of assigning production costs to each product.

It should be noted that inventories cost estimated in accordance with the procedure described above (weighted average cost) are not used under CCS, where the replacement cost is used for valuation of the inventories. See "*—Underlying Performance—Current cost of supplies (CCS)*" above.

Recent and Forthcoming Changes

The following recent and forthcoming IFRS-EU changes have or are expected to have a material impact on our Financial Statements. For further information, see Note 2(b) to our Financial Statements included in or incorporated by reference in this Prospectus.

IFRS 16 Leases

This standard eliminates the dual accounting model for lessees, which distinguishes between the finance lease contracts recognized on the balance sheet and the operating lease contracts, for which future lease payments are not required to be recognized. Instead, a single model is established, in the balance sheet, similar to the current

finance lease model. There are optional exemptions to recognize assets and liabilities for short-term leases and leases of low-value assets.

This new standard will be applicable to all entities for annual periods beginning on or after 1 January 2019 and will supersede all previous lease standards (IAS 17). We expect a material impact on the balance sheet which will entail an increase in assets for the right of use of leased assets and at the same time an increase in borrowings for the same amount. We expect the impact of IFRS 16 will be less than €1 billion.

IFRS 9 Financial Instruments

IFRS 9 covers classification and measurement of financial assets and liabilities, hedge accounting, and impairment of financial assets, substituting IAS 39 from 1 January 2018. We have applied IFRS 9 prospectively and the impacts according to the previous sections have been the following:

Classification and measurement: Applying the measurement and classification requirements of IFRS 9 did not entail significant impact on our financial statements. The financial assets measured at fair value through profit or loss under IAS 39 continue to be measured at fair value under IFRS 9. This category, in practice, is limited to derivatives. With regard to unlisted equity instruments, we apply the option of presenting the corresponding changes in fair value through profit or loss. This change did not have any significant initial impact on our financial statements.

Impairment: Under IFRS 9, we are required to recognize expected credit impairment for all its debt securities, loans, and trade receivables, regardless of whether for a twelve-month time horizon or more. We evaluated the impact as at 31 December 2017 to be:

- Trade receivables (with the exception of the securitization sub-portfolio): the impairment provision has increased from €140 million under IAS 39 to €147 million under IFRS 9, based on gross trade receivables at amortized cost totaling €1,865 million.
- Non-trade receivables: the impairment provision has increased from €27 million under IAS 39 to €30 million under IFRS 9, based on a gross amount totaling €354 million.

Hedge accounting: We consider that we will be able to continue qualifying all existing hedging relationships, currently designated as effective hedges, as hedges in accordance with IFRS 9. Thus, we do not expect any impact resulting from the initial application of this standard.

Refinancing of financial liabilities: In application of the IASB's 2017 interpretation on the treatment of the refinancing of financial liabilities under IFRS 9, contractual cash flows of refinanced debt must be discounted at the original effective interest rate, revised with the associated commissions, instead of the new rate resulting from the refinancing operation. The difference obtained will have an impact on our consolidated statement of profit or loss as an expense or income at the date of the refinancing, although, given the retrospective nature of this interpretation, for those transactions carried out prior to 1 January 2018, the existing difference has been recorded against reserves. The impact of this interpretation involves an initial reserve of approximately €10 million (net of tax effect), as well as a reduction in the amount of debt to approximately €13 million. This lower debt amount is, and will be, reclassified to the consolidated statement of profit or loss as a higher financial cost in order to record the debt at the original effective interest rate during future periods.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was published in May 2014, and modified in 2016, and establishes a new five-step model applicable to measurement of revenue arising from contracts with customers. In accordance with IFRS 15, the revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled when provided goods or services to a client. This new standard derogates all previous standards relating to income recognition. Retroactive application is required, either complete or partial, for the years starting from 1 January 2018 or subsequently, and early application is allowed.

We have adopted the new standard at the stipulated effective date using the modified total retroactive method with the corresponding accumulated effect at the moment of initial application of this standard. There has been no impact on our consolidated statement of balance sheet or our consolidated statement of profit or loss but only a change in the systematic record of certain operations.

Spanish corporate law is mainly regulated by the restated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 (*Real Decreto Legislativo 1/2010, de 2 de julio, que aprueba el Texto Refundido de la Ley de Sociedades de Capital*) (the **Spanish Companies Act**), which is the principal legislation under which the Company operates. In order to adapt to requirements for listed companies set by the Spanish Companies Act and to the corporate good governance requirements and to practices of listed companies in line with the recommendations of the Corporate Governance Code (*Código de Buen Gobierno*) approved by the CNMV in February 2015 (the **Corporate Governance Code**), the Board of Directors, at its meeting held on 17 September 2018, approved the new regulations that govern its functioning (the **Board of Directors Regulations**) and approved the internal conduct regulations in the stock markets (*Reglamento Interno de Conducta*) (the **Internal Conduct Regulations**), which will become effective upon Admission. Similarly, on 17 September 2018 the sole shareholder: (i) amended the Articles of Association and approved a new restated text thereof; (ii) approved the regulations that shall govern the functioning of the General Shareholders' Meeting (the **General Shareholders' Meeting Regulations**); and (iii) acknowledged the approval of the Board of Directors Regulations, as well as the Internal Conduct Regulations approved by the Board of Directors.

Board of Directors

Spanish corporate law provides that a Spanish incorporated company's board of directors is responsible for the management, administration and representation of the company in all matters concerning its business, subject to the provisions of such company's articles of association (*estatutos*), except for those matters expressly reserved for the General Shareholders' Meeting.

The governance principles of the Board of Directors are established by means of the Board of Directors Regulations. In addition, the rules of conduct set out in the Board of Directors Regulations will be applicable to the members of the Company's senior management, insofar as such rules are compatible with the specific nature of their relationship with the Company, subject to the applicable employment laws or regulations.

The Articles of Association and the Board of Directors Regulations provide for a Board of Directors that consists of between five and 15 members. As of Admission, by virtue of the decision of the sole shareholder of the Company dated 17 September 2018, the number of members of the Board of Directors will be set at ten. Notwithstanding the foregoing, one of the Board seats has been left vacant until we find an optimal candidate to hold the office of Independent Director. Therefore, upon Admission, only nine members will be effectively appointed to the Board.

According to the Articles of Association and the Board of Directors Regulations, our Directors are elected by the General Shareholders' Meeting to serve for a maximum term of four years and may be re-elected to serve for an unlimited number of terms of the same duration (save that no Independent Director can serve for more than twelve years and still be considered as independent). If a Director does not serve out his or her term, the Board of Directors may fill the vacancy by appointing a replacement Director to serve until the next General Shareholders' Meeting is held contingent upon subsequent approval at a General Shareholders' Meeting (*nombramiento por cooptación*), subject to the opinion of the NCC Board Committee or, in the case of Independent Directors, following proposal from the NCC Board Committee, in conformity with the provisions contained in applicable law, the Articles of Association, and the Board of Directors Regulations.

Any natural or legal person may serve on the Board of Directors, except for persons specifically prohibited by applicable law, the Articles of Association or the Board of Directors Regulations. A Director may be removed from office by the shareholders at a General Shareholders' Meeting, even if such removal is not included on the agenda for that General Shareholders' Meeting.

The Board of Directors is responsible for our management and establishes, among other things, our strategic, organizational, financing and tax policies. Under Spanish law, the Board of Directors may delegate its powers to an executive committee or other delegated committee or to one or more chief executive officers. However, further to any other matters as may be provided by law, the following matters cannot be delegated under any circumstances by the Board of Directors: (a) the supervision of the effective operation of any constituted committees and of the performance of any appointed delegated and management bodies; (b) determining our general policies and strategies; (c) the authorization or waiver of the Directors' duty of loyalty in accordance with the law; (d) the internal organization and operation of the Board of Directors; (e) the preparation of the annual accounts, the management report, and the proposed allocation of financial results, as well as the consolidated accounts and management report, for the submission thereof to the General Shareholders' Meeting; (f) the preparation of any kind of report of the Board of Directors required by law, provided the

operation to which the report refers cannot be delegated; (g) the appointment, removal, and approval of the termination agreements of the Chief Executive Officer (*Consejero Delegado*) (the **CEO**), as well as the prior approval of the contracts that are to be concluded between the Company and the Directors to whom executive duties are attributed; (h) the nomination or removal of senior managers who report directly to the Board of Directors or to any of its members, as well as approving the remuneration policy for the Company's senior management and the basic terms and conditions of their contracts and termination agreements and, if any, those of the CEO, subject to the opinion of the NCC Board Committee; (i) the approval of the remuneration of each Director, subject to the proposal of the NCC Board Committee, within the statutory framework and on the basis of the remuneration policy approved by the General Shareholders' Meeting; (j) the conveyance of the General Shareholders' Meeting, as well as the publication of announcements related thereto, the drafting of the agenda, and the proposal of resolutions; (k) the approval and execution of the treasury stock policy, within the framework of the authorization of the General Shareholders' Meeting; and (l) any powers that the General Shareholders' Meeting has vested to the Board of Directors, unless the Board of Directors has explicitly authorized that they may be sub-delegated.

In addition, listed companies' boards of directors cannot delegate the decision on the following specific matters: (a) approval of the strategic or business plan, the annual budget and management objectives, the investment and financing policy, the corporate social responsibility policy, and the dividends policy; (b) determination of the risk control and management policy, including tax-related, and the oversight of the internal information and control system; (c) determination of the corporate governance policy of the company and its group, as well as its organization and operation; (d) approval of the financial information that the company must periodically publicly report due to our status as a listed company; (e) definition of the structure of the group of which the Company is the controlling entity; (f) approval of investments, divestments, or transactions of any kind, which due to their high amount or special characteristics, are of a strategic nature or particularly entail a tax risk, unless the approval thereof rests with the general shareholders' meeting; (g) approval of the creation or acquisition of units in special-purpose entities or entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature, which due to their complexity, could undermine the transparency of the group; (h) approval, subject to the opinion of the audit committee, of related-party transactions as defined by applicable law at all times, except in cases in which the authority is legally attributed to the general shareholders' meeting; and (i) the determination of the tax strategy. In the event of emergency circumstances, which must be duly justified, the delegated bodies or persons may take decisions corresponding to the matters above, which must be submitted for ratification at the first Board of Directors' meeting held following the adoption of such decision.

According to Spanish law, the Board of Directors Regulations and the Articles of Association, the Chairperson of the Board of Directors and, where appropriate, the Deputy Chairperson, who acts as Chairperson in the event of the Chairperson's absence or incapacity, shall be elected from among the members of the Board of Directors. Pursuant to Article 529 *septies* of the Spanish Companies Act, applicable upon Admission, and to the Board of Directors Regulations, if the Chairperson is an Executive Director, the Board of Directors shall appoint a co-ordinating Director from among the Independent Directors, with the abstention of the Executive Directors. As of Admission, by virtue of the resolutions of the sole shareholder of the Company dated 17 September 2018, Mr Musabbeh Al Kaabi will be the Chairman of the Board of Directors. Since he is not an Executive Director, no co-ordinating Director has been appointed.

If appointed at any point in time, the co-ordinating Director shall have the power to (a) request the Chairperson of the Board of Directors to call such body when deemed appropriate; (b) request the inclusion of agenda items for Board meetings; (c) co-ordinate, gather, and convey the concerns of the non-Executive Directors; (d) conduct the periodic evaluation of the Chairperson of the Board of Directors and co-ordinate his or her succession plan; (e) preside over the Board of Directors in the absence of the Chairperson and Deputy Chairpersons, as applicable; and (f) maintain contacts with investors and shareholders to know their points of view in order to form an opinion on their concerns, particularly in relation to our corporate governance. The Secretary and, where appropriate, the Deputy Secretary, of the Board of Directors do not need to be Directors, in which case they will have the right to voice their views but not the right to vote in relation to decisions of the Board of Directors.

The Articles of Association and Board of Directors Regulations provide that the Chairperson of the Board of Directors may call a meeting whenever he or she considers such a meeting necessary or suitable. The Chairperson of the Board of Directors is also required to call a meeting at the request of at least one-third of the members of the Board of Directors. According to the Articles of Association, the Board of Directors shall meet once every quarter, in compliance with the Spanish Companies Act. However, according to the Board of Directors Regulations, the Board of Directors shall meet eight times per year, in line with the recommendations

of the Corporate Governance Code. The Articles of Association and the Board of Director Regulations provide that a majority of the total number of existing Directors (i.e. half plus one of the existing Directors) (represented in person or by proxy by another member of the Board of Directors) shall attend a meeting, personally or by proxy, in order to constitute a quorum. Except as otherwise provided by law or specified in the Articles of Association or in the Board of Directors Regulations, resolutions of the Board of Directors are passed by an absolute majority of the Directors attending a meeting whether personally or by proxy (i.e. with more than half of the possible votes). In case of a tie, the Chairperson shall have a casting vote, unless the Chairperson is an Executive Director. The Articles of Association and the Board of Directors Regulations do not contain any special majorities to pass any resolution different from those that are established by the legislation in force as of the date of this Prospectus.

According to the Spanish Companies Act, Directors may contest resolutions passed by the Board of Directors or by any other management body, within thirty days of their adoption. Similarly, such agreements may be contested by any shareholder or shareholders who, in the case of listed companies, represent 0.1% of the share capital, within thirty days of becoming aware of said resolutions and provided not more than one year has elapsed since their adoption. The causes, processing and effects of these challenges shall be subject to the same as established for challenges to General Shareholders' Meeting resolutions (see "*Description of Share Capital—Shareholders' Meetings and Voting Rights*"), with the special provision that, in this case, they shall also be processed for breach of the Board of Directors Regulations.

Directors

Until Admission, when the appointments made by the Company's sole shareholder on 17 September 2018 will become effective, the Board of Directors of the Company is comprised by one Executive Director, five Proprietary Directors, and one Independent Director.

On such date, the Company's sole shareholder resolved the following in relation to the composition of the Board of Directors, in each case with effect as of Admission only:

- to set the number of members of the Board of Directors at ten;
- to accept the resignation of H.E. Suhail Mohamed Faraj Al Mazrouei, Mr Abdullah Al Dhaheri and Mr Abdul Munim Al Kindy as members of the Board of Directors;
- to re-appoint, for a period of four years, Mr Musabbeh Al Kaabi (Proprietary Director), Ms Alyazia Al Kuwaiti (Proprietary Director) and Mr Ángel Corcóstegui Guraya (Independent Director) as members of the Board of Directors;
- to appoint, for a period of four years and with the category of Proprietary Directors, Mr Ahmed Saeed Al Calily, Mr Saeed Al Mazrouei and Mr Bakheet Al Khateeri as new members of the Board of Directors;
- to appoint, for a period of four years and with the category of Independent Directors, Mr Juan María Nin Génova and Mr Ismael Clemente Orrego as new members of the Board of Directors;
- to leave the remaining office of Director, to be occupied by an Independent Director, vacant but not amortized until an optimal candidate is selected; and
- to appoint Mr Musabbeh Al Kaabi as Chairman of the Board of Directors.

As of the date of this Prospectus, the resignation of H.E. Suhail Mohamed Faraj Al Mazrouei, Mr Abdullah Al Dhaheri and Mr Abdul Munim Al Kindy as members of the Board of Directors, the acceptance of their renewal by Mr Musabbeh Al Kaabi, Ms Alyazia Al Kuwaiti and Mr Ángel Corcóstegui Guraya, the acceptance of their appointments by Mr Ahmed Saeed Al Calily, Mr Bakheet Al Khateeri, Mr Juan María Nin Génova and Mr Ismael Clemente Orrego, and the appointment of Mr Musabbeh Al Kaabi as Chairman of the Board of Directors, are subject to Admission and therefore pending to be filed with the Madrid Commercial Register. Mr Pedro Miró's position as Director, Deputy Chairman and CEO, was not affected by the resolutions adopted by the Company's sole shareholder and shall remain effective upon Admission.

The categories of Directors have been determined by applying the definitions set out in the Spanish Companies Act. As of the date of this Prospectus, the category assigned to each Director has not been confirmed by the NCC Board Committee. It is expected that the NCC Board Committee will confirm, at its first meeting following Admission, the assigned categories in accordance with applicable law and the Board of Directors Regulations.

The table below shows the composition of the Board of Directors upon Admission:

Name	Title	Position held since	Term Expires	Shareholder represented	Category / status
Musabbeh Al Kaabi	Chairman	26 April 2017	October 2022[1]	Selling Shareholder	Proprietary
Pedro Miró Roig	Deputy Chairman & CEO	31 January 2012[2]	January 2022	N/A	Executive
Alyazia Al Kuwaiti	Board member	18 January 2016	October 2022	Selling Shareholder	Proprietary
Ahmed Saeed Al Calily	Board member	October 2018	October 2022	Selling Shareholder	Proprietary
Bakheet Al Khateeri	Board member	October 2018	October 2022	Selling Shareholder	Proprietary
Saeed Al Mazrouei	Board member	October 2018	October 2022	Selling Shareholder	Proprietary
Ángel Corcóstegui Guraya	Board member	1 February 2016	October 2022	N/A	Independent
Juan María Nin Génova	Board member	October 2018	October 2022	N/A	Independent
Ismael Clemente Orrego	Board member	October 2018	October 2022	N/A	Independent

(1) Exact date depends on the final date of Admission, which is currently expected to occur on or about 18 October 2018.

(2) Although a member of the Board of Directors since 31 January 2012, the position of CEO is held since 17 September 2013.

In March 2015, the Company, in accordance with Article 249.3 of the Spanish Companies Act and following approval of the Board of Directors, entered into a Director's service agreement with the Chief Executive Officer. This service agreement was amended on 17 September 2018. See "*Management, Board of Directors and Employees—Compensation*" below.

In addition, on 17 September 2018, the Board of Directors of the Company unanimously resolved to dissolve the Executive Committee (*Comisión Ejecutiva*), as this body is no longer operative since the Company currently holds a single Chief Executive Officer structure.

The Secretary non-Director of the Board of Directors upon Admission will be Mr Ignacio Pinilla Rodríguez and the Deputy Secretary non-Director of the Board of Directors will be Mr José Aurelio Téllez Menchén.

All members of the Board of Directors designate the Company's registered address as their professional address for the purpose of this Prospectus.

Biographical information for each of the members of the Board of Directors upon Admission, including a brief description of each Director's business experience and education, is presented below.

Mr Musabbeh Al Kaabi—Chairman

Mr Musabbeh Al Kaabi has been a member of the Board of Directors since 2017 and was appointed Chairman of the Board of Directors, subject to Admission, on 17 September 2018. He is currently the CEO of Petroleum and Petrochemicals at MIC, overseeing the development and management of its portfolio of oil, gas and chemical businesses. Prior to this role, he was CEO of Mubadala Petroleum, a company he joined in 2013 after spending 16 years working with ADNOC, where he held a number of positions before becoming manager of the exploration division. Mr Al Kaabi has been an active member of a number of professional bodies and committees and is currently a member of the executive committees of various recently-created joint ventures in Abu Dhabi. He also serves as vice chairman of the board of directors of Mubadala Petroleum and NOVA Chemicals and as a board member of Dolphin Energy, Cosmo Energy Holdings, and Borealis.

He holds a Bachelor's degree in Geophysical Engineering from the Colorado School of Mines (USA) and a Master's degree in Petroleum Geoscience from Imperial College, UK.

Mr Pedro Miró Roig—Deputy Chairman & Chief Executive Officer

Mr Pedro Miró Roig has been the CEO of the Company since 2013 and the Deputy Chairman of the Board of Directors since 2014, having been a Board member since 2012. With more than 40 years of experience, he has held managerial positions in several different areas of the Company, such as Chief Operating Officer, VP Exploration & Production, VP Technical Operations, Technology Director and Head of Corporate Research Centre. He joined the Company in 1976 as a trainee.

He is a member of the Management Committee (*Comité de Dirección*) of the Company and the chairman of the board of trustees (*patronato*) of Fundación Cepsa. He is also a board member of Abu Dhabi National Oil Company for Distribution PJSC and a *patrón* of Fundación Línea Directa.

He actively serves in a number of Spanish and international associations, including as a member of the boards of trustees of the Princess of Asturias Foundation as well as FUNSEAM (*Fundación para la Sostenibilidad Energética y Ambiental*).

He holds a Chemical Bachelor's Degree from the University of Barcelona (Spain).

Ms Alyazia Al Kuwaiti—Board Member

Ms Alyazia Al Kuwaiti has been a member of the Board of Directors since 2016. With approximately 15 years of experience in the energy sector, she is the Executive Director of Upstream and Integrated Business at Mubadala Investment Company. Most recently, Ms Al Kuwaiti was the Director of Midstream and Upstream Investments Department at the International Petroleum Investment Company (IPIC), where she started in 2007 as Manager of Evaluation and Execution. Previously, she worked at Abu Dhabi Gas Industries Ltd. (GASCO) from 2003.

In addition to her experience and in-depth knowledge of the industry, she holds board positions in Austria's largest listed industrial company OMV and Mubadala Petroleum. Her achievements within the sector were recognized in 2013, by the Emirates Women's Awards, in which she won the Career Achievement Category.

Ms Al Kuwaiti earned her Bachelor's degree in Accounting and Finance from Portobello College, Dublin, and she holds a Masters in International Business from the University of Wollongong, Dubai.

Mr Ahmed Saeed Al Calily—Board Member

Mr Ahmed Saeed Al Calily is the Chief Strategy and Risk Officer (CSRO) of Mubadala Investment Company. Prior to his appointment as CSRO, Mr Al Calily was the CEO of the Energy platform at Mubadala where he oversaw the company's energy assets. He was also formerly the Director General of the Abu Dhabi Technology Development Committee and the CEO & Managing Director of the Abu Dhabi Ports Company.

Mr Al Calily's diverse professional experience includes several leadership positions as well as board positions in various companies including the boards of MHC, Mubadala Petroleum and Abu Dhabi Future Energy Company (Masdar).

Mr Al Calily holds a Bachelor of Economics and Political Science degree from Boston University.

Dr Bakheet Al Khateeri—Board Member

Dr Bakheet Al Katheeri is the Chief Executive Officer of Mubadala Petroleum. Prior to his appointment in March 2017, he held the positions of Chief Growth Officer, responsible for all new business development and M&A activities, and Chief Operating Officer, overseeing both operated and non-operated assets, and UAE gas supply.

He brings with him over 20 years of diverse operating and management experience in the oil and gas industry. Before joining Mubadala Petroleum, Dr Bakheet had a 12-year career with ADNOC, which included managing production and facilities engineering for five of its operating companies covering all offshore operators in Abu Dhabi and managing aggregated production of more than one million barrels per day.

Dr Bakheet holds BSc degree in Petroleum Engineering and applied Mathematics from the University of Tulsa (Oklahoma, USA) and MSc in Environmental Science from UAE University. He also holds an Executive MBA from HCT, UAE and a Doctorate of Business Administration from the College of Business and Economics, UAE University.

Mr Saeed Al Mazrouei—Board Member

Mr Saeed Al Mazrouei is the Executive Director of Mergers and Acquisitions unit within Mubadala Investment Company since 2017. Before his current position, he was seconded from Mubadala to oversee the Debt Management Office (DMO) within the Abu Dhabi Department of Finance. In 2009, he spearheaded the launch and establishment of the DMO and led the office strategic direction.

Prior to that Mr Al Mazrouei served in Mubadala Acquisitions Unit for two years and worked in The National Investor for two years in the field of investment banking. Mr Al Mazrouei has served as a board member in Aldar Properties and Abu Dhabi Fund for Development. Currently, he is a board member of Aabar Investments and Mubadala Medical Company. Mr Al Mazrouei was a member of the Project Management Office that was responsible for the MDC and IPIC merger.

Mr Al Mazrouei holds a BSc in Finance from Suffolk University, US, an MSc in International Securities Investment and Banking from the University of Reading, UK, and an MSc in National Security and Strategic Studies from National Defense College, UAE.

Mr Ángel Corcóstegui Guraya—Board Member

Mr Ángel Corcóstegui Guraya has been a member of the Board of Directors since 2016. He is a founding partner of Magnum Capital, a leading private equity firm exclusively devoted to Spain & Portugal. Prior to founding Magnum in 2006, he served as first vice chairman and CEO of Banco Santander Central Hispano, currently Banco Santander, from 1994 to 2002. From 1987 to 1994, he was a board member and general manager of Banco Bilbao Vizcaya (BBV). He has also held positions as Senior Economist at Chase Econometrics, Chase Manhattan Bank (USA) and Financial Analyst at the World Bank in Washington D.C.

Additionally, Mr Corcóstegui is chairman or board member of companies controlled by Magnum Capital in Spain or Portugal and a member of the board of governors of The Lauder Institute for Management & International Studies (University of Pennsylvania and The Wharton Business School in the United States). From 1995 to 2002, he was a member, and subsequently vice chairman, of the Board of Directors and Executive Committee of the Company, representing one of its core shareholders at that time, Banco Santander Central Hispano.

He holds a Ph.D. in Finance and an MBA from The Wharton Business School (USA) and a Master of Science degree in Civil Engineering from the University of Santander, Spain.

Mr Juan María Nin Génova—Board Member

Mr Juan María Nin Génova is member of the Board of Société Générale, Azvi, Azora, and Chairman of Habitat, Operating Partner of Corsair Capital, Senior Advisor to Permira and CBRE Real Estate and Mutualidad de la Abogacía; and member of Deusto University and Esade Business Schools Counsels.

Mr Nin's career path has focused on the banking industry. He had a key role in one of the most important bank merger processes in Spain. During the restructuring of the Spanish financial system, he led several mergers and acquisitions as well as the complex transformation of a savings bank into one of the leading financial institutions in the country's banking industry. He is former CEO of La Caixa, Banco Sabadell and General Manager of Banco Santander, he has also been a member of the Board of Repsol and Gas Natural.

Since joining the Spanish ministry team that negotiated the accession of Spain to the European Communities (1978–1980), he has been a staunch supporter of the European project. He is also one of the foremost advocates of the advantages of the free trade agreement between the US and the EU (the TTIP) and, as former Chairman of the US-Spain Council Foundation, is an expert in bilateral relations between those countries.

Mr Nin graduated in Law and Economics from the University of Deusto Bilbao, Spain and obtained a Master in Laws from the London School of Economics and Political Sciences, London, UK.

Mr Ismael Clemente Orrego—Board Member

Mr Ismael Clemente Orrego is the Vice Chairman and Chief Executive Officer of Merlin Properties Socimi, S.A.

Mr Clemente has over 20 years' experience as a real estate professional. He has worked at Garrigues, Bankers Trust REIB, DB Real Estate and RREEF, as Managing Director.

During this period, Mr Clemente has participated in transactions with an aggregate volume of approximately €5 billion across all property sectors. These include the sale and leaseback of the Tree Portfolio, the largest real estate transaction executed in Europe in 2009.

During his tenure at RREEF, he was responsible for a team managing an asset portfolio of more than €3 billion, representing the full range of global funds advised by RREEF. This team also raised seven investment vehicles, of which two are still active, representing approximately €500 million of equity on behalf of Spanish private clients and family offices.

Since Merlin Properties' listing with the Spanish Stock Exchanges, he has led two of the most relevant real estate transactions in Spain: the acquisition of Testa and the integration of Metrovacesa. These transactions have led Merlin to become a leading real estate company in Spain with assets in excess of €10 billion and annual rents from lease agreements of €465 million.

He holds a degree in Law and Business Administration from Universidad Pontificia Comillas, Spain (ICADE, E-3).

Managerial Positions and Shareholdings

The table below sets out all entities (except the Company's subsidiaries, those family-owned asset-holding companies not relevant to the Company's business and non-significant stakes in listed companies) in which the members of the Board of Directors have been appointed as members of the administrative, management or supervisory bodies, or in which they have held shareholdings at any time during the five year period preceding the date of this Prospectus, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities:

Name	Company	Position/Title	Sector	In office
Musabbeh Al Kaabi	Mubadala Investment Company	Chief Executive Officer, Petroleum & Petrochemicals	Holding company	Yes
	Mubadala Petroleum	Chairman of the Board of Directors	Oil and gas	Yes
	Nova Chemicals Corporation	Vice-chairman of the Board of Directors	Chemicals	Yes
	Dolphin Energy Limited	Director	Gas	Yes
	Borealis AG	Director	Chemicals	Yes
	Cosmo Oil Company, Limited	Director	Petrochemicals	Yes
	Mubadala Petroleum	Chief Executive Officer	Oil and gas	No
	Mubadala Petroleum	Chief Growth Officer	Oil and gas	No
	ADNOC	Manager	Oil and gas	No
Pedro Miró Roig	Compañía Logística de Hidrocarburos CLH, S.A.	Director	Transportation and storage of petroleum products	No
	ADNOC Distribution	Director	Distribution of petroleum products	Yes
	Nova Chemicals Corporation	Director	Chemicals	No
	Fundación Cepsa	Member of the Board of Trustees	Non-profit	Yes
Alyazia Al Kuwaiti	Mubadala Investment Company	Executive Director, Upstream and Integrated Business	Holding company	Yes
	OMV Aktiengesellschaft	Director	Oil and gas	Yes
	Mubadala Petroleum	Director	Oil and gas	Yes
	Senaat General Holding Corporation	Director	Industrial investment holding company	Yes
	NPCC (National Petroleum Construction Co.)	Director	Construction engineering	Yes
	Khalifa Fund	Director	Socio-economic development company	Yes
	SCA (Securities & Commodities Authority)	Director	UAE Market Supervisor	Yes
	Abu Dhabi Fund for Development	Director	Foreign aid	Yes
	Gulf Energy Maritime (GEM)	Director	Product/chemical tanker company	No
	Aabar Investments PJS	Director	Petroleum investment company	No
Ahmed Saeed Al Calily	Mubadala Investment Company	Chief Strategy and Risk Officer	Holding company	Yes
	MHC	Director	Oil and gas	Yes
	Mubadala Petroleum	Director	Oil and gas	Yes
	Abu Dhabi Future Energy Company (Masdar)	Director	Renewables	Yes
	Pure Harvest Smart Farms LLC	Shareholder	Agricultural	Yes
	Boston Oncology LLC	Shareholder	Health	Yes
	Mubadala Development Company	Chief Executive Officer of the Energy platform	Oil and gas investment	No
	Abu Dhabi Technology Development Committee	Director general	Technology	No
	Abu Dhabi Ports Company	Chief Executive Director and managing director	Ports	No
Bakheet Al Khateeri	Mubadala Petroleum	Chief Executive Officer	Oil and gas	Yes
	Emirates Liquefied Natural Gas (LNG) LLC	Chairman of the Board of Directors	Gas	No
	Dolphin Energy Limited	Chairman of the Project Review Committee	Gas	Yes
	Mukhaizna Oil Field (Oman)	Member of the Management Committee	Oil and gas	Yes
	Oil Search Limited	Director	Oil and gas	Yes

Name	Company	Position/Title	Sector	In office
Saeed Al Mazrouei	Mubadala Investment Company	Executive Director, Acquisitions Unit	Holding company	Yes
	Aldar Properties	Board member	Real Estate	No
	Debt Management Office (Department of Finance of Abu Dhabi)	Director	Public authority	No
	Abu Dhabi Fund for Development	Board member	Sovereign fund	No
	Aabar Investments PJS	Director	Petroleum investment company	Yes
	Mubadala Medical Company	Board member	Healthcare	Yes
	Modon Properties	Director	Real Estate	Yes
Ángel Corcóstegui Guraya .	Magnum Industrial Partners, S.L.	Founding partner	Private equity	Yes
Juan María Nin Génova . . .	CaixaBank, S.A.	Vice-chairman and Chief Executive Officer	Banking	No
	Société Générale, S.A.	Director	Banking	Yes
	AzorALTUS,lS.A.L.	Director	Investment fund	Yes
	Distribuidora Internacional de Alimentación, S.A.	Director	Retail	No
	Grupo de Empresas Azvi, S.L.	Director	Construction	Yes
	Naturhouse Health, S.A.	Director	Health products	Yes
	Indukern Group, S.L.	Director	Pharmaceutical	No
	Promociones Habitat, S.A.	Chairman of the Board of Directors	Construction	Yes
	Corsair Capital LLC	Operating Partner	Private equity	Yes
Ismael Clemente Orrego . . .	Merlin Properties Socimi, S.A.	Chief Executive Officer and CEO Attorney	Real Estate	Yes
	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Joint and several director	Real Estate	Yes
	Merlin Retail, S.L.U.	Joint and several director	Real Estate	Yes
	Merlin Oficinas, S.L.U.	Joint and several director	Real Estate	Yes
	Merlin Logística, S.L.U. Pº Castellana 257	Joint and several director	Real Estate	Yes
	Merlin Logística II, S.L.U.	Joint and several director	Real Estate	Yes
	Obraser, S.A.U.	Joint and several director	Real Estate	Yes
	La Vital Centro Comercial y De Ocio S.L.	Joint and several director	Real Estate	Yes
	Varitelia Distribuciones S.L.U.	Joint and several director	Real Estate	Yes
	Metroparque, SAU	Joint and several director	Real Estate	Yes
	Metropolitana Castellana, SLU	Joint and several director	Real Estate	Yes
	Acoghe, SLU	Joint and several director	Real Estate	Yes
	Holding Jaureguizahar 2002, SAU	Joint and several director	Real Estate	Yes
	Merlin Parques Logisticos, S.A.U.	Joint and several director	Real Estate	Yes
	Parc Logistic De La Zona Franca, S.A.	Director	Real Estate	Yes
	Merlin Properties Adequa, SLU	Joint and several director	Real Estate	Yes
	Sadorma 2003, SLU	Director's attorney	Real Estate	Yes
	Paseo Comercial Carlos III, S.A.	Director's attorney	Real Estate	Yes
	Sevisur Logistica, SAU	Joint and several director and Attorney	Real Estate	Yes
	Belkyn West Company, S.L.	Joint and several director and Attorney	Real Estate	Yes
	Global Murex Iberia, S.L.	Attorney	Real Estate	Yes
	Global Carihuela Patrimonio Comercial, S.L.	Attorney	Real Estate	Yes
	Centro Intermodal de Logística S.A. SME	Director's attorney	Real Estate	Yes
	Gescentesta, S.L.	Attorney	Real Estate	Yes
	Gesfitesta, S.L.	Attorney	Real Estate	Yes
	Testa Hoteles S.A.	Attorney	Real Estate	Yes
	Magic Real Estate, S.L.	Joint and several director	Strategic Consulting	Yes
	Magic Real Estate S.L. y Cia. Sociedad Regular Colectiva	Joint and several director	Asset Holding Company	Yes
	Magic Kingdom, S.L.	Joint and several director	Strategic Consulting and Real Estate	Yes
	Aedas Homes, S.A.	Attorney	Real Estate	Yes

Name	Company	Position/Title	Sector	In office
	MPEP—Properties Escritórios Portugal, S.A.	Director	Real Estate	Yes
	MPCVI Compra e Venda Imobiliária, S.A.	Director	Real Estate	Yes
	VFX Logistica, S.A.	Director	Real Estate	Yes
	MP Torre A, S.A.	Director	Real Estate	Yes
	MP Monumental, S.A.	Director	Real Estate	Yes
	Praça de Marques—Servicios Auxiliares, S.A.	Director	Real Estate	Yes
	Promosete—Investimentos Imobiliários, S.A.	Director	Real Estate	Yes

In accordance with the resolutions adopted by the Company's sole shareholder on 17 September 2018 and as reflected in this section, upon Admission, the Board of Directors will have ten members, although one of the seats has been left vacant. Therefore, upon Admission, only nine out of the ten members will have been effectively appointed.

Board Committees

In compliance with the Articles of Association and the Board of Directors Regulations, the Board of Directors has set up an audit, compliance and ethics committee (the **ACE Board Committee**) and a nomination, and compensation committee (the **NCC Board Committee**), which are governed by the Articles of Association, the Board of Directors Regulations and their own internal regulations. On 17 September 2017, the Board of Directors resolved, with effects upon Admission, to adapt the functioning of the ACE Board Committee and the NCC Board Committee (which already existed prior to such date as internal committees) to the relevant corporate governance requirements set out under the Spanish Companies Act for listed companies, as well as to modify the composition of such committees as provided below.

The following is a brief description of the principal characteristics of the committees of the Board of Directors, which conforms to the Articles of Association, the Board of Directors Regulations and their respective internal regulations.

ACE Board Committee

The Board of Directors has established an ACE Board Committee. The composition, responsibilities and rules of the ACE Board Committee are to be governed by the Articles of Association, the Board of Directors Regulations and its internal regulations (the **ACE Board Committee Regulations**).

The ACE Board Committee shall have at least three members, with a maximum of five members, all of whom must be non-Executive Directors and the majority of whom must be Independent Directors appointed by the Board of Directors at the proposal of the NCC Board Committee. Each member of the ACE Board Committee must be able to read and understand financial statements, or must be able to do so within a reasonable period of time after their appointment to the ACE Board Committee. In addition, at least one ACE Board Committee member shall have (a) an understanding of generally accepted accounting principles and financial statements; (b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities; (d) an understanding of internal control over financial reporting; and (e) an understanding of finance and audit committee functions.

The Chairperson of the ACE Board Committee is appointed by the Board of Directors from among the independent members of the Committee and for a maximum period of four years. The Chairperson may only be re-elected as Chairperson at least one year after his or her removal, without prejudice to his or her continuation as member of the ACE Board Committee. The office of Secretary of the ACE Board Committee shall be held by the same person who holds such office on the Board of Directors.

A quorum for the ACE Board Committee shall be validly established with the attendance, in person or by proxy, of the majority of the total number of committee members (i.e. half plus one of the committee members) (represented in person or by proxy by another member of the committee), and the committee shall adopt resolutions by an absolute majority of the Directors attending the meeting. In case of a tie, the Chairperson of the ACE Board Committee shall have a casting vote.

The members of the ACE Board Committee, who have been appointed by the Board of Directors following proposal of the NCC Board Committee, will be as follows, with effects upon Admission:

Name	Category	Title
Ángel Corcóstegui Guraya	Independent	Chairman
Alyazia Al Kuwaiti	Proprietary	Board Member
Saeed Al Mazrouei	Proprietary	Board Member
Juan María Nin Génova	Independent	Board Member
Ismael Clemente Orrego	Independent	Board Member

The Secretary of the ACE Board Committee will be Mr Ignacio Pinilla Rodríguez and the Deputy Secretary will be Mr José Aurelio Téllez Menchén.

The ACE Board Committee is responsible for, among other things, the following matters (together with any others that may be attributed to the ACE Board Committee by law):

- informing the General Shareholders' Meeting regarding issues raised by the external auditor in relation to matters coming under the purview of the ACE Board Committee and, in particular, regarding the results of the external audit, explaining how it has contributed to the integrity of financial information and the role that the ACE Board Committee has played in that process;
- overseeing the effectiveness of the internal control and risk management systems, as well as discussing with the external auditor any significant weaknesses of the internal control systems identified throughout the audit, without compromising its independence. To this end, where appropriate, recommendations and proposals may be submitted to the Board of Directors and the corresponding time frame for follow-up activities;
- supervising the process of preparing and presenting mandatory financial information and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity;
- in relation to proposals for appointment of the external auditor: (i) proposing the selection, appointment, reappointment, and replacement of the external auditor to the Board of Directors for subsequent approval by the General Shareholders' Meeting; (ii) proposing the terms of engagement, including the scope of the audit engagement and fees, to the Board of Directors; and (iii) examining the reasons and circumstances for the resignation of any given external auditor;
- engaging and interacting with the external auditor in order to be appropriately informed on any matter that may compromise their independence, to be examined by the ACE Board Committee, and any other matter relating to the process of auditing the accounts, in addition to any other notifications provided for in statutory audit laws and technical auditing standards. In addition, amongst others, ensuring that the remuneration of the external auditor for their work does not compromise the quality and independence of the work and receiving from the external auditor, on a yearly basis, written confirmation of their independence (both from the audit firm as a whole and from the individual members of the working team), with respect to directly or indirectly related entity or entities, as well as detailed and itemized information about the additional services of any kind and the fees received from these entities by said external auditors, or by the related persons or entities as established in the auditing regulations;
- submitting a yearly report to the Board of Directors, prior to the issuance of the external auditor's final report, stating the ACE Board Committee's opinion on whether the independence of the external auditor or audit firms may be compromised or impaired. In particular, the report shall specifically assess each of the non-audit services provided by the external auditor, or any company of its group, within the previous three years starting 1 January on the first year of their appointment, assessing their independence individually and collectively;
- reporting to the Board of Directors, prior to board meetings, on all matters provided by law, the Articles of Association, the Board of Directors Regulations or the ACE Board Committee Regulations and, in particular, on the following matters: (i) the financial disclosures that the Company must make on a regular basis; (ii) the creation or acquisition of shares in special-purpose vehicles or companies with registered offices in countries or territories regarded as tax havens; and (iii) transactions with related parties;
- overseeing, at least every two years, the analysis of the reserve classification and estimation process for the E&P segment. The Company declares that, in the meeting held on 3 August 2018, the ACE Board Committee reviewed the estimates of the reserves of the E&P segment; and

- any other duties, within the scope of its responsibilities, as it may be entrusted with by the Board of Directors.

Within the ACE Board Committee, the Internal Audit, Compliance and Risk Division will be the usual body for communication between the ACE Board Committee and the rest of the organization regarding specific risk topics, and will be in charge of preparing any information required in meetings covering those matters and providing assistance whenever the ACE Board Committee deems appropriate.

The ACE Board Committee shall meet as often as required to perform its duties and at least four times a year before Board of Directors meetings. Moreover, the ACE Board Committee shall meet every time any annual or interim financial information is published, in the presence of the internal auditor and, if any revision report is published, the external auditor will be invited for the relevant issue included in the agenda. In addition, the ACE Board Committee shall meet every time its chairperson considers it necessary.

NCC Board Committee

The Board of Directors has established a NCC Board Committee. The members of the NCC Board Committee are elected by the Board of Directors among its members. The NCC Board Committee consists of between three and five members, all of whom must be non-Executive Directors. Additionally, the majority of its members must be independent members. The Chairperson of the NCC Board Committee, who must be an Independent Director, is elected by the Board of Directors from among the independent members of the committee. The Secretary of the committee is appointed by the Board of Directors.

Committee meetings will be quorate when the majority (i.e. half plus one) of the committee members are in attendance, whether personally, via video conference, conference call or any other equivalent system which allows direct and simultaneous communication among all attendees, or by proxy. The committee shall adopt resolutions by an absolute majority of those present at the meeting in person or by proxy. In case of a tie, the Chairperson of the Nomination and Compensation Board Committee shall have a casting vote.

The members of the NCC Board Committee, who have been appointed by the Board of Directors, will be as follows, with effects upon Admission:

Name	Category	Title
Juan María Nin Génova	Independent	Chairman
Alyazia Al Kuwaiti	Proprietary	Board Member
Ismael Clemente Orrego	Independent	Board Member

The Secretary non-Director of the NCC Board Committee will be Mr Carlos Morán Moya.

The composition, responsibilities and rules of the NCC Board Committee are to be governed by the Articles of Association, the Board of Director Regulations and its internal regulations (the **NCC Board Committee Regulations**). The primary purpose of this committee is to provide advice and assistance to the Board of Directors in the fulfillment of the responsibilities of the CEO and the members of our senior management. In particular, the NCC Board Committee will be responsible for, among other things, the following (together with any others that may be attributed to the NCC Board Committee by law):

- assessment of the competences, knowledge, and experience required of the Board of Directors. For these purposes, it will establish the duties and skills required for the candidates to cover each vacancy and will assess the time and dedication required to effectively perform the duties of a member;
- establishment of a target for representation of the gender represented in the minority on the Board of Directors and prepare guidelines to achieve that target;
- presentation to the Board of Directors of proposals for the appointment of Independent Directors for their designation by co-option, or for submission to the decision of the General Shareholders' Meeting, as well as the proposals for re-election or removal of these Directors by the General Shareholders' Meeting;
- advising on the proposals for the appointment of the remaining Directors for appointment by co-option, or for submission to the decision of the General Shareholders' Meeting, as well as proposals for re-election or removal by the General Shareholders' Meeting;
- advising on proposals for the appointment and removal of senior managers, proposing the basic terms of their contracts;

- examination and organization of the succession plan for the Chairperson of the Board of Directors and the CEO of the Company and, where appropriate, making proposals to the Board of Directors to ensure that such succession occurs in an orderly and planned manner;
- proposing, supervising and recommending the remuneration policy for Directors and senior managers to the Board of Directors, as well as individual remuneration and other contractual conditions of the Executive Directors, ensuring that they are fulfilled; and
- complying with any other reporting or proposing function that has been assigned by the Board of Directors in general or in particular, or by the NCC Board Committee Regulations.

The NCC Board Committee will meet at least twice a year, and each time the Chairperson requires a report to be issued or proposals to be made.

Internal Conduct Regulations and Corporate Governance Recommendations

Internal Conduct Regulations

The Company has implemented a defined and transparent set of rules and regulations for corporate governance which is compliant with all applicable international and Spanish governance standards.

On 17 September 2018, the Board of Directors adopted the Internal Conduct Regulations, to be effective upon Admission. The purpose of the Internal Conduct Regulations is to establish the rules of conduct to be observed by the Company, its administrative bodies, employees and any other persons in their actions or proceedings in relation to the stock markets, in accordance with MAR, the LMV and any of their corresponding development regulations.

The Internal Conduct Regulations, among other things:

- establish the restrictions on, and conditions for, the purchase or sale of our securities or the Company's other financial instruments by persons subject to the Internal Conduct Regulations and by those who possess material non-public information;
- provide that persons subject to the Internal Conduct Regulations shall not engage in market manipulation with respect to the Company's securities or other financial instruments; and
- provide certain notification obligations of persons subject to the Internal Conduct Regulations in relation to material non-public information.

Corporate Governance Recommendations

The Spanish Companies Act sets out certain legal provisions related to corporate governance mandatorily applicable to Spanish listed companies. The Company believes that it complies with all of these requirements of the Spanish Companies Act.

Additionally, the Corporate Governance Code sets out certain recommendations on corporate governance to be considered ("comply or explain") by companies listed on the Spanish Stock Exchanges. The Company believes that it substantially complies with the recommendations of the Corporate Governance Code. The Company is committed to follow strict corporate governance policies, however, as of the date of this Prospectus, our corporate practices vary from these recommendations in the following ways:

- Recommendation 4: As of the date of the Prospectus, the Company has not approved a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations. However, the Board of Directors Regulations set out that the Company will define and promote such policy. The Company expects to prepare and approve such policy as soon as practicable upon Admission.
- Recommendation 14: As of the date of the Prospectus, the Company's Board of Directors has not approved a policy for selecting its members. However, the Regulations of the Board of Directors set out that the Board will ensure that the selection procedures of its members favors diversity of gender, experience, and knowledge, and do not suffer from implicit bias that may imply any kind of discrimination, and that they will particularly endeavor to facilitate the appointment of female Directors. The Company expects to approve such policy as soon as practicable upon Admission.
- Recommendation 48: As of the date of the Prospectus, the Company has one Nomination and Compensation Committee. The Board of Directors has not considered it appropriate to split the NCC Board Committee, since it considers that combining the responsibilities of assessing the Directors and their

remuneration in the same Committee, favors coordination and encourages a result-oriented remuneration system.

- Recommendation 54: As of the date of the Prospectus, the Company has not approved a corporate social responsibility policy. However, the Regulations of the ACE Board Committee set out as a duty of such committee the review and proposal of action plans in relation to the main stakeholders of the Company for approval by the Board of Directors, and specifically the Corporate Social Responsibility policy. In this regard, as soon as practicable after Admission, the Company will proceed with the approval of such policy on the grounds of the principles set out in the Regulations of the ACE Board Committee.
- Recommendation 62: As of the date of this Prospectus, the Company considers that the implementation of this recommendation would not be appropriate given the remuneration system currently in place for our CEO, as a member of the Board of Directors. The Company considers that the terms and criteria of the current share compensation scheme adequately promote the principles of alignment of interests and loyalty of the members of the Board of Directors, without it being necessary to establish blocking periods or limits on the transfer of Shares.

Finally, the Board of Directors will prepare an annual corporate governance report and such report will be submitted to the Company's shareholders for informative purposes. The report will be announced through the publication of a relevant fact notice (*hecho relevante*).

Other Commitments

Upon Admission, our website will be adapted to the requirements imposed by the Spanish securities market regulations.

Conflicts of Interest

Pursuant to the Board of Directors Regulations, Directors are obliged to take the necessary measures to avoid their involvement in situations in which their interests, personal or from others, may conflict with the corporate interest and with their duties towards the Company.

In particular, pursuant to Article 229 of the Spanish Companies Act, Directors (and their related parties) should abstain from:

(a) completing transactions with us, except when these are ordinary transactions, made under standard customer conditions and are of scarce relevance (i.e., those transactions that do not need to be communicated in order to fairly express the entity's assets, financial situation or profits);

(b) using or invoking their position as Director to unduly influence the completion of private transactions;

(c) making use of our assets, including confidential information about us, for private ends;

(d) taking advantage of our business opportunities;

(e) obtaining advantages or remuneration from third parties separate to us, related to the fulfillment of their role, unless it refers to simple expressions of courtesy; and

(f) performing activities on their own or others' behalf that entail a current or potential effective competition with us that would otherwise place them in permanent conflict of interest with our interests.

According to Article 231.1 of the Spanish Companies Act, persons related to directors who are individuals are the following: (i) the directors' spouse or persons with analogous relationship; (ii) the director's or his/her spouse's parents, children and siblings; (iii) the spouses of the director's parents, children and siblings; and (iv) companies with which the director, directly or by proxy, is affiliated in any of the manners described in Article 42 of the Spanish Commercial Code. In conformity with Article 231.2 of the Spanish Companies Act, when directors are legal persons, their related parties shall be considered to be the following persons: (i) partners or shareholders who are affiliated with such legal person director in any of the manners described in Article 42, paragraph 1 of the Spanish Commercial Code; (ii) *de jure* or *de facto* directors, liquidators and attorneys who have been granted with general powers of attorney within the legal person director; (iii) companies within the same group and their partners or shareholders; and (iv) persons who, pursuant to the aforementioned points (i), (ii) and (iii) and in relation to the individual representing the legal person director, shall be considered as persons related to directors in conformity with Article 231.1 of the Spanish Companies Act.

Each member of the Board of Directors is required to report to the Board of Directors the existence of any conflicts of interest, whether direct or indirect, that they or persons related to them may have, as well as refrain from intervening as a representative of us in any transaction related to the conflict, with the exceptions established by applicable law (including, in particular, where the Board of Directors or the General Shareholders' Meeting, as applicable, approve a waiver in accordance with the Spanish Companies Act). In particular, the authorization of the Board of Directors will not be deemed necessary in related-party transactions that simultaneously meet the following three conditions: (i) they are performed under contracts whose conditions are standardized and applied *en masse* to a large number of customers; (ii) they are carried out at prices or rates established generally by whoever acts as supplier of the good or service in question; and (iii) their amount does not exceed 1.0% of the Company's annual revenues.

In addition, the Company will inform, when applicable and in accordance with the Law, regarding any case of conflict of interest in which the Directors (or persons related to them) have been found during their tenure. All conflicts of interest involving Directors will be disclosed in the financial statements.

Directors Mr Musabbeh Al Kaabi, Ms Alyazia Al Kuwaiti, Mr Ahmed Saeed Al Calily and Dr Bakheet Al Katheeri have informed the Company that there may be particular circumstances of a transactional nature where their positions as Chief Executive Officer of Mubadala Petroleum (in respect of Dr Bakheet Al Katheeri), and/or their position as Director in Nova Chemicals, OMV, Masdar, Oil Search Limited or Mubadala Petroleum (in respect of the other three Directors) may give rise to specific transactional conflicts of interest affecting specific decisions to be taken by the Board of Directors of the Company.

In those specific cases, the relevant Directors will have to refrain from deliberating or voting on resolutions or decisions in accordance with the Company's Articles of Association, Board of Directors Regulations and the terms of the Spanish Companies Act. To the best of our knowledge, as at the date of this Prospectus, there are no other potential conflicts, and no actual conflicts, between the particular interests of our Directors and the members of our senior management and our interests.

Framework Relationship Principles

On 17 September 2018, the Selling Shareholder signed the Framework Relationship Principles, which shall govern the relationships between the Group and the Mubadala Group. Pursuant to the Framework Relationship Principles, the Selling Shareholder documented its decision to reaffirm and strengthen the principles and rules that have traditionally governed, and should continue to govern, the relationships of the Group with the Mubadala Group. In particular, by virtue of the Framework Relationship Principles, the Selling Shareholder declares that, following completion of the Offering, it will apply and respect, and procure that any other entities within the Mubadala Group apply and respect, several principles as set out therein.

According to the Framework Relationship Principles, the Selling Shareholder has agreed to maintain and respect: (i) the principle that our corporate interest should guide and be pursued in all our commercial relationships with third parties; (ii) the confidentiality of any information of a sensitive nature that it may receive from us; and (iii) the principle of transparency in the Mubadala Group's commercial, financial and other relationships with us; in each case, in accordance with the terms of the Company's Articles of Association and any and all applicable laws.

The Framework Relationship Principles also state that: (i) all related-party transactions and, in general, any transaction which may pose a conflict of interest affecting us and the Mubadala Group shall be arranged under market conditions that, according to the circumstances, would have been reasonably stipulated by two independent operators. In accordance with the Board of Directors Regulations: (A) the Board of Directors reserves the authorisation of related party transactions (which may be granted, in case of urgency, by the Executive Committee or the Chief Executive Officer (*Consejero Delegado*) subject to subsequent ratification by the Board of Directors), based on a report to be issued by the ACE Board Committee; (B) the Board of Directors shall be entitled to grant generic authorisations for related party transactions that are common or recurrent and fall within the ordinary course of business; and (C) any related party transaction with an amount exceeding 10.0% of the Company's assets will require express approval by the General Shareholders' Meeting; and that (ii) Proprietary Directors appointed by the Mubadala Group entities who are affected by a related-party transaction will strictly comply with the conflict of interest rules set out in the Spanish Companies Act and the Board of Directors Regulations, not taking part in the decision or exercising or delegating their voting rights in connection therewith and leaving the relevant meeting while the Board discusses and votes on such items of the agenda. As of the date of signing of the Framework Relationship Principles, MIC controls certain companies with activities that are concurrent with those of the Group (the **Concurrent Mubadala Companies**). The Framework Relationship Principles set out that the Selling Shareholder guarantees that no sensitive information

received from us will be shared with Concurrent Mubadala Companies. In case of any potential conflict of interest arising from MIC's participation in the Concurrent Mubadala Companies, any decision in the governing bodies of the Company shall be adopted with strict respect of the Spanish Companies Act, the Articles of Association, the Board of Directors Regulations and the General Shareholders Meeting Regulations.

In case the Selling Shareholder decides to unilaterally amend the Framework Relationship Principles such decision will be communicated to the CNMV and to the market through a relevant fact notice (*hecho relevante*).

For more information on our beneficial ownership, see "*Principal and Selling Shareholder*".

Senior Management

The following table lists the members of our senior management team as of the date of this Prospectus. For the avoidance of doubt, such members of senior management are the members of the Management Committee (*Comité de Dirección*) of the Company.

Name	Nationality	Title	Position held since
Pedro Miró Roig	Spain	Chief Executive Officer & Deputy Chairman	2013
Álvaro Badiola Guerra	Spain	Chief Financial Officer	2012
Juan Antonio Vera García	Spain	Chief Operating Officer	2014
Luis Travesedo Loring	Spain	VP—E&P	2008
Antonio Joyanes Díaz	Spain	VP—Refining	2018
Álvaro Díaz Bild	Spain	VP—Marketing	2014
José Manuel Martínez Sánchez	Spain	VP—Petrochemicals	2014
Íñigo Díaz de Espada Soriano	Spain	VP—Communications	2014
Ignacio Pinilla Rodriguez	Spain	General Counsel & Corporate Secretary	2012

Set forth below are the biographies of each of these senior managers, other than those provided above:

Mr Pedro Miró Roig—CEO & Deputy Chairman

Please see Mr Miró's biography under "*Directors—Mr Pedro Miró Roig—CEO & Deputy Chairman*" above.

Mr Álvaro Badiola Guerra—Chief Financial Officer

Álvaro Badiola Guerra has been the Chief Financial Officer (**CFO**) of the Company since 2012. With more than 30 years of experience, he has held several managerial positions in the telecommunications and banking industry. In 2001, he joined Telefónica as CFO of Data Corp., changing responsibilities to controller of Telefónica Perú in 2004, LatAm regional director in 2006, controller for Brazil in 2007 and CEO of Telefonica Peru in 2009. Prior to this, he joined BBVA in 1991, holding several positions as controller of BEX America, head of international internal audit, director of finance department of Argentaria and CFO of Banco de Crédito Local in 1999. He began his professional career as an auditor at Arthur Andersen in 1987.

He is a board member of several companies affiliated with the Company, including Cepsa Business Services and Medgaz.

He holds a Degree in Business & Administration from Universidad Pontificia Comillas (ICADE) in Madrid (Spain) and an MBA from the University of Chicago.

Mr Juan Antonio Vera García—Chief Operating Officer

Juan Antonio Vera García has been the Chief Operating Officer (**COO**) of the Company since 2014. With more than 27 years of experience, he has held several managerial positions, such as Corporate Strategy Manager, General Manager at Medgaz and Ourhoud Asset Manager (Algeria). He joined the Company in 1991, starting his career in the Trading unit where he managed all international trading of refined products for the Company.

He is a board member of several companies and foundations affiliated with the Company, including CEPAD (Japan), SinarmasCepsa (Singapore), Deten (Brazil), Coastal Energy Company, CGC and Fundación Cepsa. He is also the Chairman of Medgaz.

He holds an Energy Engineering degree from the Polytechnic University of Madrid (Spain). He completed graduate studies at the French Petroleum Institute (Paris, France) and at the University of Pennsylvania (Philadelphia, USA). He has also completed an Executive MBA at the IESE School in Spain.

Mr Luis Travesedo Loring—VP—E&P

Luis Travesedo Loring has been the E&P Director of the Company since 2008. With more than 25 years of experience, he has held several positions in the E&P sector and started his career as a Financial Manager at the Company in 1994.

He holds a degree in Business Administration from the Pontificia de Comillas University (ICADE) of Madrid (Spain) and a Program for Executive Development (PDE) from the International Institute for Management Development (IMD) in Switzerland.

Mr Antonio Joyanes Díaz—VP—Refining

Antonio Joyanes Díaz has been the Refining Director of the Company since 2018. With more than 24 years of experience, he has held several managerial positions, such as General Manager at CEPSA Trading, General Manager at CEPSA Chemical Montreal (Canada) and Construction and Commissioning Manager at Medgaz, and he has held several technical positions for the Company, including in Ourhoud (Algeria). He joined the Company in 1996, starting his career as a Process Engineer at the Palos (Huelva) refinery.

He holds a Chemical Engineering degree from the Engineering University of Seville (Spain), a Master's degree in Business Administration and Management from McGill University (Canada) and an EMBA from HEC Montreal (Canada).

Mr Álvaro Díaz Bild—VP—Marketing

Álvaro Díaz Bild has been the Marketing Director of the Company since 2014. With more than 30 years of experience, he has held several positions in the Company, including within the Trading, Marketing, Ourhoud Project (Algeria), e-business manager, IT Planning and Innovation Manager, Bunker & Aviation Manager, Transformation Office Manager and Alcohols Business Manager (Indonesia/Singapore). He joined the Company in 1988 at our former refinery in Tenerife.

Mr Díaz is the Chairman of CEPSA Portuguesa Petróleos, S.A.

He holds a Mining Engineer Degree from the Polytechnic University of Madrid (Spain) and completed Economy Studies at the Universidad Nacional de Educación a Distancia (UNED) (Spain).

Mr José Manuel Martínez Sánchez—VP—Petrochemicals

José Manuel Martínez Sánchez has been the Petrochemical Director of the Company since 2014 and is responsible for our petrochemical operations across Brazil, China, Indonesia, United Kingdom, Italy, the Netherlands, Belgium, Canada, Germany and Spain. With more than 27 years of experience, he has held several positions in operations, engineering, business development and supply chain in Spain, the United States and Northeast Asia. He joined the Company in 1990.

He is a member of the standing committee of FEIQUE (*Federación Empresarial de la Industria Química Española*), the Spanish chemical industry business federation.

He holds an Industrial Engineering degree from the Polytechnic University of Madrid (Spain) and an Executive MBA from San Telmo International Business School in Seville (Spain).

Mr Íñigo Díaz de Espada Soriano—VP—Communications

Íñigo Díaz de Espada Soriano has been the Communications and Institutional Relations Director of the Company since 2014. With more than 35 years of experience, he held several managerial positions such as Supply and Trading Director and Marketing Director. He joined the Company in 1982.

He is Chairman of the Spanish Committee in the World Energy Council (CECME).

He holds a Naval Engineer Degree from the Polytechnic University of Madrid (Spain).

Mr Ignacio Pinilla Rodríguez—General Counsel & Corporate Secretary

Ignacio Pinilla Rodríguez has been the General Counsel of the Company since 2001 and was appointed Secretary of the Board of Directors and of the ACE Board Committee in 2012. With more than 30 years of experience, he served as secretary of the board of directors and director of legal affairs of Iberia Airlines (1996–2001), *Construcciones Aeronáuticas* (1992–1996) and as corporate secretary of Portland Iberia cement

company. Prior to this, he became licensed as state attorney and worked for the Health and Finance & Treasury Ministries of Spain.

He is member of the Management Committee, the Audit Operating Committee, the Compliance and Ethics Operating Committee, the Risk Control Operating Committee and Investment Committee as well as secretary of the board of trustees of *Fundación Cepsa*.

He holds a degree in Law from the Complutense University of Madrid (Spain).

Managerial Positions and Shareholdings

The table below sets out all entities (except the Company's subsidiaries, those family-owned asset-holding companies not relevant to the Company's business and non-significant stakes in listed companies) in which the members of our senior management team have been appointed as members of the administrative, management or supervisory bodies or in which they have held shareholdings at any time during the five year period preceding the date of this Prospectus, indicating whether or not each person is still a member of such bodies or holds any shares in any such entities:

Name	Company	Position/Title	Sector	In office
Pedro Miró Roig	Compañía Logística de Hidrocarburos CLH, S.A.	Director	Oil transportation and storage	No
	ADNOC Distribution	Director	Oil distribution	Yes
	Nova Chemicals	Director	Chemicals	No
	Fundación Cepsa	Member of the Board of Trustees	Non-profit	Yes
Álvaro Badiola Guerra	Compañía Logística de Hidrocarburos CLH, S.A.	Director	Oil transportation and storage	No
	Medgaz, S.A.	Director	Natural gas transportation	Yes
	Fundación Cepsa	Member of the Board of Trustees	Non-profit	Yes
Juan Antonio Vera García	Medgaz, S.A.	Chairman	Natural gas transportation	Yes
	Fundación Cepsa	Member of the Board of Trustees	Non-profit	Yes
Luis Travesedo Loring	—	—	—	—
Antonio Joyanes Díaz	Cepsa Chimie Montréal	General Manager	Chemicals	No
	Entreprise Indorama PTA Montréal	General Manager	Chemicals	No
Álvaro Díaz Bild	—	—	—	—
José Manuel Martínez Sánchez	—	—	—	—
Íñigo Díaz de Espada Soriano	Fundación Cepsa	Member of the Board of Trustees	Non-profit	Yes
Ignacio Pinilla Rodriguez	—	—	—	—

Share Ownership

None of the Directors or members of the Company's administrative, supervisory or management bodies directly hold any Shares as of the date of this Prospectus. The Chief Executive Officer has announced his intention to acquire Employees Tranche Shares under the Employees Tranche. For additional information, see "*Employees Tranche*".

Compensation

References made in this sub-section to "members of senior management" shall be understood to be made to the members of senior management excluding the CEO, the CFO and the COO.

Compensation of Directors

The Articles of Association establish that the office of Director shall be remunerated.

The maximum annual amount of the compensation to be paid to all Directors will be approved by the General Shareholders' Meeting, in accordance with the provisions of the Spanish Companies Act and shall remain unchanged until and unless the General Shareholders' Meeting, in a subsequent resolution, resolves to set a different maximum annual amount. In addition, in accordance with article 529 *novodecies* of the Spanish

Companies Act, the General Shareholders' Meeting shall approve the Directors' remuneration policy as a separate item in the agenda at least every three years.

Allocation of the total compensation among the members of the Board of Directors will be made by the Board of Directors taking into consideration the remuneration policy applicable and, in the case of Directors entrusted with executive duties, the terms and conditions of the contracts entered into for such purposes in accordance with the Spanish Companies Act.

On 17 September 2018, our sole shareholder resolved to approve the remuneration policy applicable to Directors of the Company (the **Remuneration Policy**), which will have effects upon Admission, for its implementation in 2018, 2019 and 2020.

Compensation of Directors for the performance of their general role as Directors

On 17 September 2018, the Company's sole shareholder resolved to approve the maximum annual amount of the Directors' compensation for the performance of their general role as Directors as set out in the Remuneration Policy, which, as stated therein, cannot exceed €2,500,000 per year for an indefinite term as long as the General Shareholders' Meeting does not approve anything to the contrary. Such limit does not include: (a) any salary, compensation of any kind or payment made in any other concept to the Directors in accordance with the Remuneration Policy, the performance of their executive duties or any other concept; (b) the payments of the directors and officers liability policies; and (c) the reimbursement of any out-of-pocket expenses incurred by Directors in relation to the assistance to the meetings of the Board of Directors or its committees. As of the date of this Prospectus, the Board of Directors has not yet determined the amounts assigned to each Director for the performance of their general role as Directors, and such will be resolved by the Board of Directors following Admission and subject to the proposal of the NCC Board Committee.

The Remuneration Policy establishes the objective factors on the basis of which the maximum annual amount will be distributed among the Directors in accordance with the distribution criteria established by the Board of Directors in view of the functions and responsibilities assigned to each of its members, the position held by each in the Board of Directors and its committees and other objective circumstances that the Board of Directors considers relevant.

The Board of Directors and the NCC Board Committee shall take all measures within their power to ensure that the compensation of Directors for the performance of their general role as Directors adequately and sufficiently compensates their dedication and is an incentive to them, without going so far as to jeopardize their independence of judgment.

Compensation of Executive Directors

The compensation of the Company's Executive Directors is regulated in detail in the relevant contract approved by the Board of Directors in accordance with the provisions of articles 249 and 529 section 18 of the Spanish Companies Act. At the date of this Prospectus, the only Director who performs executive duties is Mr Pedro Miró Roig, the Company's CEO.

Any contracts to be entered with Executive Directors shall be in line with the Remuneration Policy, which describes the system of compensation of the Executive Directors, in compliance with the provisions of the Articles of Association and with the Spanish Companies Act.

Executive Directors will be entitled to receive an annual fixed compensation for the performance of their leadership positions, which will reflect, among others, their level of responsibility in the Company and their professional expertise. The Executive Director's fixed compensation will remain unchanged during the term of the Executive Director appointment, unless the Board of Directors agrees to update them following a proposal from the NCC Board Committee. The underlying reasons will be explained in the corresponding annual report on Directors' compensation to be submitted in accordance with article 541, section 4 of the Spanish Companies Act.

With regards to severance pay, the Company's policy is to limit severance pay to a maximum of the equivalent of two years' pay that includes the compensation for the post-contractual non-compete clause.

Compensation of the CEO

On 4 March 2015, in accordance with the relevant provisions of the Director's compensation policy in force at such time, the Board of Directors approved the service agreement entered into between the Company and Mr Pedro Miró Roig which regulates the terms under which he will render services as CEO. This services

agreement has been amended with effects on 17 September 2018 (the **CEO Service Agreement**) setting out the compensation package as described below, which has been designed within the framework of the Remuneration Policy. Mr Pedro Miró Roig is the only member of the Board of Directors entrusted with executive duties as of the date of this Prospectus.

Pursuant to the CEO Service Agreement, the CEO will be entitled to receive the following compensation from the Company:

- a fixed annual base compensation of €917,895 in 2018 and €1,291,871 in 2019 (the **CEO Fixed Compensation Post-Admission**);
- Annual Variable Remuneration (as defined below);
- LTIP (as defined below); and
- compensation in kind (company car, fuel card, medical insurance and accident insurance and pension scheme).

Under the CEO Service Agreement, the CEO does not provide for a post-contractual non-compete obligation or severance pay obligation for the Company, the CEO Service Agreement being subject to the term of the CEO's position as Director. Notwithstanding the foregoing, the Board of Directors will periodically review the terms of the contracts with Executive Directors and incorporate any changes that may be necessary within the framework of the Remuneration Policy and its internal regulations in accordance with the applicable legislation.

In addition, our CEO is a beneficiary of the transaction bonus to be delivered in the context of the Offering (the **CEO Offering Transaction Bonus**).

The amount of the CEO Offering Transaction Bonus is defined as a target percentage of the CEO Fixed Compensation Post-Admission dependent on the Offering Price (the **Offering Value Achieved**). The maximum amount that the CEO will be entitled to receive under the CEO Offering Transaction Bonus is €5,167,484. The CEO Offering Transaction Bonus is to be paid by the Company and the estimated impact of such will be accounted for as a personnel expense in November 2018.

Offering Value Achieved	Percentage of the CEO Fixed Compensation Post-Admission
Threshold	200%
At target	300%
Maximum	400%

As of the date of this Prospectus, the CEO does not receive any compensation, benefits, compensation, etc. other than as detailed in this section, and there are no other members of the Board of Directors entrusted with executive duties by the Board of Directors.

Compensation of the Chief Financial Officer and the Chief Operating Officer

The Board of Directors determines the compensation of the Company's CFO and COO at the proposal of the NCC Board Committee. This committee annually reviews and recommends for approval by the Board of Directors of the remuneration policy applicable to the CFO, the COO (described in this sub-section) and members of senior management (described in the sub-section below). The Company does not expect a significant increase in the fixed remuneration of the CFO and the COO in 2019 in comparison with the fixed remuneration that they are entitled to receive in 2018. Any salary reviews will follow the aforementioned remuneration policy.

The compensation of the CFO and the COO is regulated under the relevant employment agreements entered into between the Company and the CFO and the COO respectively as well as in the relevant internal policies of the Company.

The CFO and the COO will be entitled to receive an annual fixed compensation for the performance of their leadership positions, which will reflect, among others, their level of responsibility in the Company and their professional expertise.

Severance payments will follow the terms and provisions set out under the Royal Legislative Decree 2/2015 (*Estatuto de los Trabajadores aprobado por Real Decreto Legislativo 2/2015, de 23 de octubre*) (the **Spanish Workers Statute**) and by Royal Decree 1382/1985 (*Real Decreto 1382/1985, de 1 de agosto, por el que se regula la relación laboral de carácter especial del personal de alta dirección*).

In addition, the Company's CFO and COO are beneficiaries of the transaction bonus to be delivered in the context of the Offering (the **CFO and COO Offering Transaction Bonus**).

The amount of the CFO and COO Offering Transaction Bonus is defined as a target percentage of the CFO fixed compensation or COO's fixed compensation post-Admission (as the case may be) dependent on the Offering Value Achieved. The maximum aggregate amount that the CFO and the COO will be entitled to receive under the CFO and COO Offering Transaction Bonus is €3,600,984. The estimated impact of the CFO and COO Offering Transaction Bonus will be accounted for as a personnel expense in November 2018.

Offering Value Achieved	Percentage of the CFO or COO Fixed Compensation Post-Admission
Threshold	150%
At target	225%
Maximum	300%

Compensation of members of senior management

The Board of Directors determines the compensation of senior management at the proposal of the NCC Board Committee. This committee annually reviews and recommends for approval by the Board of Directors of the remuneration policy of members of senior management as well as their individual packages.

The compensation of the members of senior management is regulated under the relevant employment agreements entered into between the Company and the members of senior management as well as in the relevant internal policies of the Company.

Members of senior management will be entitled to receive an annual fixed compensation for the performance of their positions, taking into account the responsibilities and individual performance of each member of our senior management, our situation as well as common levels of compensation in Spanish companies of comparable size.

Severance payments will follow the terms and provisions set out under the Spanish Workers Statute.

FY 2017 Directors', CFO's, COO's and members of senior management's compensation

FY 2017 Directors' compensation

During FY 2017, the Directors received the statutory fees corresponding to 2016 membership to the Board of Directors which are shown in the table below:

Director[1]	FY 2017 Fixed compensation (€ thousand)
Pedro Miró Roig	150
Musabbeh Al Kaabi[2]	N/A
Alyazia Al Kuwaiti	143
Ángel Corcóstegui Guraya	137

(1) This table only includes such members of the Board of Directors that held office during FY 2017.

(2) Mr Musabbeh Al Kaabi was appointed as Director on 26 April 2017. Therefore, he has not received any statutory fees in relation to its condition of member of the Board of Directors which are payable in FY 2017.

During FY 2017, the Directors have not received any remuneration from any other Group companies other than the remuneration received from the Company as set out in the table above.

Compensation received during FY 2017 by the CEO, as a member of the Board of Directors and pursuant to the CEO Service Agreement, classified by item, was as follows:

	FY 2017					
Director	Fixed compensation	Variable Compensation[1]	Statutory Fees[2]	Pensions[3]	Benefits[4]	Total
			(€ thousand)			
Pedro Miró Roig	778	1,665	150	556	15	3,164

(1) Variable compensation is comprised of the following amounts: (i) the annual bonus paid in 2017 corresponded to 2016 results and was 161.49% of the target applicable to the CEO (100.0% of fixed compensation), due to corporate objectives' result (124.22%) and individual performance (130.0%); and (ii) the LTIP paid in 2017, which includes the first installment of the LTIP corresponding to 2016 (€346,000), the second installment of the LTIP corresponding to 2015 (€210,000) and the third (and last) of the LTIP corresponding to 2014 (€119,000).

(2) Statutory fees were amended by Board's decision on 18 January 2016.

(3) Pensions include retirement contributions equal to 30.0% of fixed compensation plus annual bonus target (100.0%) and life insurance premiums (death and disability).

(4) The CEO is entitled to receive a company car, fuel card, medical insurance and accident insurance.

FY 2017 CFO's, COO's and members of senior management's compensation

Compensation received during FY 2017 by the CFO, the COO and the members of the senior management, classified by item, was as follows:

	FY 2017				
	Fixed compensation	Variable compensation	Pension	Benefit	Total
		(€ thousand)			
Senior management[1]	2,720	4,711	575	124	8,130

(1) Reflects the compensation received by eight senior managers, excluding those who also are executive members of the Board of Directors (i.e., the CEO of the Company).

HY 2018 CFO's, COO's and members of senior management's compensation

Compensation received during HY 2018 by the CFO, the COO and the members of senior management amounted to €2,627,544.08.

Annual Variable Remuneration

Executive Directors, the CFO, the COO and members of senior management may be entitled to receive a certain percentage or his or her fixed compensation varying from 60% up to 100% of their fixed compensation, which will be specific for each of the beneficiaries of the compensation scheme (the **Annual Variable Remuneration**).

The Annual Variable Remuneration will be subject to the achievement of several predetermined, specific and quantifiable corporate and business targets of a financial, operational and HSE nature set for those purposes (i.e. the pay-out scale), and the relevant performance grading, both being specific to each of the Executive Directors, the CFO, the CFO and the members of senior management (as the case may be). The pay-out scale and the performance grading will be determined under the Remuneration Policy or the relevant internal regulations of the Company (as the case may be).

The form of payment of the Annual Variable Remuneration varies among the different addressees:

- For Executive Directors, the CFO and the COO, the Annual Variable Remuneration shall be paid in cash, in Shares or in a combination of both instruments according to the following rules: (i) for 2018, the amount of the Annual Variable Remuneration will be paid in cash; and (ii) from 2019 onwards, the amount of the Annual Variable Remuneration will be distributed in the following proportion: (a) 50.0% of the Annual Variable Remuneration in cash, paid (A) within the month following the approval of the financial statements (in the case of the Executive Directors); and (B) within the month following the drawing up of the financial statements (in the case of the CFO and the COO); and (b) the remaining 50.0% of the Annual Variable Remuneration, to be paid in Shares, which shall be deferred for a period of three years, subject to the continued services of the Executive Directors, the CFO and the COO (as the case may be) for the Company during the whole accrual period. Likewise, the dividends paid since the date of delivery of the assessment letter addressed to the relevant Executive Director, the CFO or the COO in connection with the Shares finally delivered will be paid in cash at the same time.

- For the members of senior management, the Annual Variable Remuneration shall be paid in cash within the month following the drawing up of the financial statements.

The formula for determining the Annual Variable Remuneration payment is the following:

Amount to be received as Annual Variable Remuneration = Fixed compensation x % Annual Variable Remuneration x pay-out scale assessment x performance x days of service / 365

The final number of Shares awarded to the Executive Directors, the CFO or the COO when the Annual Variable Remuneration is settled will be calculated taking into account: (i) the amount of the Annual Variable Remuneration effectively payable to the Executive Directors, the CFO or the COO; and (ii) the average weighted daily price by volume of the average weighted price of the Shares corresponding to the three months prior to the date of the cash portion payment (the **AVR Reference Price**). In particular, the number of Shares to be received shall be determined in accordance with the following formula:

Shares to hand over = Annual Variable Remuneration / AVR Reference Price

The Executive Directors, the CFO and the COO will not be entitled to receive any amounts as Annual Variable Remuneration in the event of the death of any Group employee as a consequence of a work-related accident which has occurred during the corresponding year.

LTIP

Executive Directors, the CFO, the COO and members of senior management, each under the relevant conditions as set out below, will be entitled to participate in the long-term incentive plans of the Company, which will comprise the following overlapping long-term incentive plans, of three years period each (the **LTIPs** and, individually, an **LTIP**). The LTIPs together with the Annual Variable Remuneration, the CEO Offering Transaction Bonus and the CFO and COO Offering Transaction Bonus will be jointly referred to as the **Variable Remuneration**.

Each LTIP has an annual and a triennial target. Annual targets are evaluated and quantified at the end of the relevant year period, and triennial targets at the end of the relevant three-year period.

Current LTIPs

The current LTIPs are described below:

- LTIP 2016–2018: The annual targets for the year 2016 have already been evaluated and quantified, and the first two annual payments under the plan have been made. However, the last annual payment is pending to be paid and the triennial target is still pending to be evaluated and quantified.
- LTIP 2017–2019: The annual targets for the year 2017 have already been evaluated and quantified, and the first annual payment has been paid. However, the other two annual payments, as well as the triennial targets are still pending to be evaluated and quantified.
- LTIP 2018–2020: Both the annual targets and the triennial targets of this long-term incentive plan are pending to be evaluated and quantified.

<u>LTIP 2016–2018</u>

Once the LTIP 2016–2018 has been accomplished, all outstanding payments under the LTIP 2016–2018 will be paid in cash (A) within the month following the approval of the financial statements (in the case of the Executive Directors); and (B) within the month following the drawing up of the financial statements (in the case of the CFO, the COO and the members of senior management).

<u>LTIP 2017–2019 and LTIP 2018–2020</u>

In relation to LTIP 2017–2019 and LTIP 2018–2020, Executive Directors, the CFO and the COO will be entitled to receive any Outstanding Payments or Outstanding Amounts (as defined below), as the case may be, in the form of Shares as transformed in accordance with the following target formulas:

Number of Shares = Outstanding Payments / Offering Price

Target Number of Shares = Outstanding Amounts x 105% / Offering Price

Outstanding Payments means the outstanding payments under the LTIP 2017–2019.

Outstanding Amounts means the amounts pending to be assessed of the annual targets (annual target of the LTIP 2018–2020) and the triennial targets of both the LTIP 2017–2019 and the LTIP 2018–2020, based on the pre-Admission fixed compensation of the Executive Directors, the CFO or the COO (where applicable).

At the end of each accrual period, the final number of Shares to be awarded for each plan will be determined in accordance with the following formulas:

Final Number of Shares LTIP 2017–2019 = Number of Shares + Target Number of Shares x Average Group Scorecard

Final Number of Shares LTIP 2018–2020 = Target Number of Shares x Average Group Scorecard

For these purposes, **Average Group Scorecard** means the average of the annual evaluation of the Group Scorecard (i.e. the targets set annually for the Group of a financial, operational and HSE nature) for the three years accrual period of each plan determined in accordance with the specific pay-out scale applicable in conformity with the Remuneration Policy or the relevant internal regulations of the Company (as the case may be).

Once the LTIP 2017–2019 and the LTIP 2018–2020 have been accomplished, the Shares will be delivered to (i) the Executive Directors within one month following the approval of the financial statements corresponding to FY 2019 and FY 2020, respectively, by the General Shareholders' Meeting; and (ii) the CFO and the COO within one month following the drawing up of the financial statements corresponding to FY 2019 and FY 2020, respectively, by the Board of Directors. Likewise, any dividends paid since the date of Admission in connection with the Shares finally delivered will be paid in cash at the same time.

Any amounts to be received by members of senior management under the LTIP 2017–2019 or the LTIP 2018–2020 will be made fully in cash within the month following the drawing up of the financial statements.

LTIP 2019–2021

In addition to the foregoing, the Company has in place a future LTIP for Executive Directors, the CFO, the COO and members of senior management: the LTIP 2019–2021.

Pursuant to the LTIP 2019–2021, Executive Directors, the CFO, the COO and members of senior management may receive a long-term incentive in Shares based on the evaluation of the targets in relation to the creation of value for shareholders and to strategic objectives to be established by the Board of Directors. The maximum percentage of the compensation that may be reached will be 150.0% of the fixed compensation of the Executive Directors, the CFO, the COO or the members of senior management (where applicable), depending on the result of the assessment, and applying the relevant pay-out scale as set out in the Remuneration Policy or the relevant internal regulations of the Company (as the case may be).

The formula which determines the amount to be received under the LTIP 2019–2021 is the following:

Amount to be received under the LTIP 2019–2021 = Fixed compensation corresponding to 2019 x Maximum % Long-Term Variable Remuneration (150%)

The final number of Shares delivered to the Executive Directors, the CFO, the COO and members of senior management when the LTIP 2019–2021 is settled will be calculated taking into account: (i) the amount of the LTIP 2019–2021 effectively payable to the Executive Director, the CFO, the COO or the members of senior management; and (ii) the average weighted daily price by volume of the average weighted price of Shares corresponding to the three months prior to the date of the granting of the letter awarding the LTIP 2019–2021 addressed to the relevant Executive Director, the CFO, the COO or the members of senior management (the **LTIP Reference Price**). In particular, the number of Shares to be received and charged to the LTIP 2019–2021 shall be determined in accordance with the following formula:

Shares to hand over = Amount to be received under the LTIP 2019–2021 / LTIP Reference Price

The accrual requirements, assessment of the targets, as well as the requirements applicable to the Shares regarding its transformation, lock-up periods, dividends and other applicable conditions to any of the long-term incentive plans, will be determined by the Board of Directors following the proposal of the NCC Board Committee.

Once the LTIP 2019–2021 has been accomplished, the Shares will be delivered to (i) the Executive Directors within one month following the approval of the financial statements corresponding to FY 2021 by the General Shareholders' Meeting; and (ii) the CFO, the COO and members of senior management within one month following the drawing up of the financial statements corresponding to FY 2021 by the Board of Directors.

Likewise, the dividends paid since the date of the letter awarding the LTIP 2019–2021 addressed to the relevant Executive Director, the CFO, the COO or the members of senior management in connection with the number of Shares finally delivered will be paid in cash at the same time.

Variable Remuneration terms and conditions

The Variable Remuneration will be subject to the following terms and conditions:

- The Executive Directors, the CFO, the COO and member of senior management shall be entitled to sell any shares received under the Variable Remuneration at any time after their delivery, as provided in the Remuneration Policy or the relevant internal regulations of the Company (as the case may be).
- The maximum number of Shares that can be annually delivered to the beneficiaries of the Variable Remuneration will be the following:
  - Executive Directors may be entitled to receive, annually, a maximum of 250,000 Shares under the Variable Remuneration (100,000 Shares under the Annual Variable Remuneration and 150,000 Shares under the LTIPs);
  - the CFO and the COO may be jointly entitled to receive a maximum of 405,579 Shares under the Variable Remuneration, as follows:
    - 69,513 Shares under the Annual Variable Remuneration, which will result from dividing €980,143 by an Offering Price at the mid-point of the Offering Price Range;
    - 95,397 Shares under the LTIP 2017–2019, which will result from dividing €1,345,110.55 by an Offering Price at the mid-point of the Offering Price Range;
    - 112,975 Shares under the LTIP 2018–2020, which will result from dividing €1,592,955.00 by an Offering Price at the mid-point of the Offering Price Range;
    - 127,694 Shares under the LTIP 2019–2021, which will result from dividing €1,800,492 by an Offering Price at the mid-point of the Offering Price Range; and
  - the members of senior management may be entitled to receive a maximum of 202,010 Shares under the LTIP 2019–2021, which will result from dividing €2,848,350 by an Offering Price at the mid-point of the Offering Price Range.

  For clarification purposes, the maximum number of Shares that can be annually delivered to the beneficiaries of the Variable Remuneration has been calculated assuming that the Average Group Scorecard is at its maximum level.
- The maximum annual amount that the CFO and the COO may be jointly entitled to receive in cash under the LTIPs is €980,143. For clarification purposes, such maximum cash amount is calculated assuming that maximum targets and performance levels are achieved.
- In order to align the compensation system of the Executive Directors, the CFO, the COO's and the members of senior management with the principles of good corporate governance in terms of compensation, the amounts that may be received as Variable Remuneration will be subject to clauses that allow the Company to claim reimbursement of the variable components of the compensation when the payment has not been adjusted to performance conditions or when they have been paid based on data or information (e.g. individual performance data, economic or business metrics, etc.) which is substantially confirmed to be inaccurate. Following a report from the NCC Board Committee, the Board of Directors will determine whether such circumstances have occurred and whether any Variable Remuneration shall be reimbursed. For the avoidance of doubt, the terms and conditions set out under the Remuneration Policy or the relevant employment agreements (as the case may be) in relation to any claw-back provisions will be applicable.

D&O insurance policy

As of the date of this Prospectus, the Group maintains directors' and officers' insurance policies which protect Directors, senior managers and decision-making employees of the Group, from liabilities incurred as result of actions or decisions taken in their capacity as such. The aggregate limit of said coverage is €50 million per insurance policy, subject to the terms and conditions of the relevant policies.

Family Relationships

There are no family relationships and no "close relatives" (as defined in applicable regulations for related party transactions and, in particular, in Order EHA/3050/2004, of 15 September 2004, on information to be disclosed by listed companies regarding related party transactions) amongst the Directors and other members of the Group's senior management or the members of the Group's senior management.

No Convictions and Other Negative Statements

None of the Directors or members of the Group's senior management have, in the five years preceding the date of this Prospectus: (i) been convicted in relation to fraudulent offences; (ii) acted as directors of entities affected by bankruptcy, receivership or liquidation; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities or from acting in the management or conduct of the affairs of any issuer.

Employees, Diversity and Culture

We pursue a defined strategy with respect to our employees promoting an integrated culture, embracing diversity in all its dimensions and enhancing diverse talent in the organization. In accordance with our values, culture and strategy, we also seek to provide continuous training to our professionals based on job requirements and leadership needs, managing their career development, individually evaluating their performance and measuring and creating an optimal work environment at all our offices and units.

We aim to create and manage programs, policies and processes for our employees that nurture talent and we have developed a recruiting strategy based on our business objectives and current and future talent requirements.

We have received various awards certifying excellence in employment conditions in Spain such as the "Top Employer Certificate" from the Top Employers Institute in 2015, 2016 and 2017, which recognizes the best practices in HR management, and the "EFR Certificate" from *Fundación Más Familia* in 2015, the most recent date such certificate was granted with the next being due in September 2018, and which recognizes measures put in place to support equal opportunities, balancing work and family life and professional development.

As at 30 June 2018, we had 10,243 employees. The following table sets forth the number of employees broken down by business segment and country.

	Half Year	Fiscal Year		
	2018	2017	2016	2015
	(number of employees)			
Segmental Breakdown				
E&P	668	654	689	721
Refining	2,396	2,192	2,056	2,395
Marketing	5,184	4,913	5,006	5,051
Petrochemicals	826	816	832	1,078
G&P[1]	N/A	65	65	62
Trading and Bunker[2]	N/A	102	98	100
Corporate	1,169	1,095	1,077	1,105
Total	**10,243**	**9,837**	**9,823**	**10,512**
Country Breakdown				
Spain	8,712	8,359	8,357	8,982
Portugal	648	592	561	588
Colombia	228	232	241	256
Brazil	183	194	206	209
Algeria	118	117	112	114
Other	354	343	346	363
Total	**10,243**	**9,837**	**9,823**	**10,512**
Professional Category Breakdown				
Administrative Staff	199	179	153	183
Assistants	149	133	173	157
Management	97	96	97	110
Specialist	5,973	5,713	5,704	6,204
Head of Department	634	638	615	631
Mid-Level Technician	1,345	1,365	1,406	1,516
Senior Technician	1,846	1,713	1,675	1,711
Total	**10,243**	**9,837**	**9,823**	**10,512**

(1) In 2018, we incorporated G&P into the Refining segment.

(2) In 2018, we incorporated Trading into the Refining segment and Bunker into the Marketing segment.

We consider that the number of temporary employees in the Group is non-significant.

Pensions and Post-retirement Benefits

Pensions: In general terms, our employee pension plans entitle participants to receive benefits for retirement or, where appropriate, death or disability, as specified in the plans. The plans are hybrid and combine defined contribution plans, which cover retirement whereby we, as the sponsor, make 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 we undertake to make the contributions corresponding to the pension plans. The accrued amount of the contingency we assume is covered each year through the annual contribution, which is recognized under "Staff costs" in the statement of profit of loss in the Financial Statements.

Life insurance: In general terms, Life Insurance is structured as a defined contribution obligation arranged through an insurance policy which establishes the right of the insured to receive retirement benefits or, where appropriate, benefits for death or disability. The contributions made by the policyholder are made as a supplement to the pension plan, or because the commitments to employees exceed the maximum contributions to pension plans. The contributions are recognized under "Staff costs" in the statement of profit of loss in the Annual Financial Statements.

In FY 2017, costs related to pension plans to our employees amounted to €10.9 million and costs related to life insurance policies to our employees amounted to €6.7 million.

PRINCIPAL AND SELLING SHAREHOLDER

As of the date of this Prospectus, the Company's share capital is €267,574,941.00, consisting of 535,149,882 Shares of €0.50 par value each. The Shares conform a single class of shares, with the same voting rights. Each Share gives the right to one vote. Consequently, shareholders do not have different voting rights. Further details relating the Company's share capital are set out in "*Description of Share Capital*". As a result of the Offering, the Selling Shareholder will sell up to 133,787,471 Initial Offered Shares (assuming no exercise of the Over-Allotment Option) and up to 153,855,591 Initial Offered Shares (assuming full exercise of the Over-Allotment Option).

All the Shares rank, and will rank after the Offering, *pari passu* in all respects with each other's including for voting purposed and for all distribution of profits and proceeds from liquidation.

As of the date of this Prospectus, CEPSA Holding LLC is the sole shareholder of the Company. CEPSA Holding LLC is a limited liability company duly incorporated on 11 January 2018 and existing under the laws of the United Arab Emirates, holder of commercial license number CN-2479044, having its registered office at P.O. Box 45005, Al Mamoura Building A, Abu Dhabi, United Arab Emirates.

The following table sets forth certain information with respect to the ownership of the Shares (i) prior to the Offering and (ii) after the Offering, assuming that all the Initial Offered Shares are sold in the Offering and full exercise/no exercise of the Over-Allotment Option:

	Actual (direct) ownership of, and voting rights in, the Company		
Shareholder	**Immediately prior to the Offering**	**Upon completion of the Offering (assuming no exercise of Over-Allotment Option and sale of the full Initial Offered Shares)**	**Upon completion of the Offering (assuming full exercise of Over-Allotment Option and sale of the full Initial Offered Shares)**
		(%)	
CEPSA Holding LLC	100.0	75.00	71.25
Free float	—	25.00	28.75

We are not aware of any arrangements the operation of which may at a subsequent date result in a change of our control.

Beneficial Ownership of the Company

CEPSA Holding LLC is the sole shareholder of the Company. In turn, CEPSA Holding LLC is owned, in 99% by MDC, and in 1% by MDC's 100% subsidiary, Liwa Energy Limited. MDC is wholly owned by Mubadala Investment Company PJSC, a public joint stock company duly incorporated on 21 March 2017 and existing under the laws of the United Arab Emites, holder of commercial license number CN-2302788 (**MIC**). Therefore, MIC is the ultimate indirect parent company of CEPSA Holding LLC.

MIC is wholly owned by the government of Abu Dhabi in the UAE.

RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. Material related party transactions entered into during the period covered by the Financial Statements and up to the date of this Prospectus are set out below.

For IFRS purposes, a "related party" is a person or entity that is related to the entity that is preparing its financial statements. We are required to report all related party transactions, as defined in IAS24 "Related Party Transactions", in accordance with IFRS. For additional information on our related party transactions, see Note 14 to our HY 2018 Interim Financial Statements, Note 31 to our FY 2017 and FY 2015 Annual Financial Statements and Note 32 to our FY 2016 Annual Financial Statements, each of which are included in or incorporated by reference in this Prospectus.

As provided for in the Board of Directors Regulations, in the event that we decide to carry out a transaction with the Directors and/or with shareholders possessing stock considered significant pursuant to regulations applicable to stock markets at any given time or with shareholders that have proposed, where appropriate, the appointment of any of our Directors (or with the respective related persons), the transactions will be subject to authorization of the Board of Directors, or, in case of urgency, of the Chief Executive Officer or the Executive Committee (in the event that it has been set up), subject to confirmation by the Board of Directors, in both cases upon prior report from the ACE Board Committee. The authorization of the Board of Directors will not be deemed necessary in related-party transactions that simultaneously meet the following three conditions: (i) they are performed under contracts whose conditions are standardized and applied *en masse* to a large number of customers; (ii) they are carried out at prices or rates established generally by whoever acts as supplier of the good or service in question; and (iii) their amount does not exceed one per cent of our annual revenues.

All related party transactions executed during the period covered by the Financial Statements and up to the date of this Prospectus have been carried out at an arm's length within the ordinary course of the Company's business.

Related Party Transactions with the Sole Shareholder

During the period covered by the Financial Statements, we have entered into the following significant transactions with the Company's sole shareholder:

Shareholder	Group Company	Description	Type of Transaction	HY 2018	FY 2017	FY 2016	FY2015
					(€ million)		
IPIC	CEPSA	Dividends and other distributed profit	Corporate	161	332	332	327
IPIC	CEPSA	Purchases, services and sundry costs	Commercial	—	4	—	3
IPIC	CEPSA	Sales and other services	Commercial	—	0.5	—	—

Additionally, in HY 2018, we maintained guarantees granted to Medgaz (considered a joint venture) amounting to €255 million which secures the loan that Medgaz has with the EIB. In FY 2017 and FY 2016, such guarantees amounted to €262 million and €281 million, respectively.

On 17 September 2018, the Company declared an interim dividend of €189,978,208.11, which will be paid to the Selling Shareholder prior to Admission.

On 1 October 2018, we entered into a sale and purchase agreement with the Selling Shareholder, subject to certain conditions precedent, in order to sell to the Selling Shareholder the shares we hold in Medgaz. For further information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

Transactions with the members of the Board of Directors and Senior Management

During the period covered by the Financial Statements, neither any Director or senior manager nor their related parties carried out transactions with the Group, other than any remuneration received by virtue of their positions. For further information on compensation of Directors and members of Senior Management, see "*Management, Board of Directors and Employees—Compensation*".

During said period, the Directors and their related parties have not incurred in any conflicts of interest requiring disclosure in accordance with Article 229 of the Spanish Companies Act, except as described in "*Management, Board of Directors and Employees—Conflicts of Interest*".

Other Related Party Transactions with Group Companies

During the period covered by the Financial Statements, we have entered into the following significant transactions with our associates and joint ventures:

	Half Year	Fiscal Year		
	2018	2017	2016	2015
		(€ million)		
Consolidated Balance Sheet				
Trade and other receivables	34	62	11	22
Current and non-current loans	129	148	187	134
Trade and other payables	31	83	100	118
Borrowings	7	—	—	—
Total	201	294	298	274
Consolidated Statement of Profit or Loss				
Revenue	78	531	485	725
Other operating income	—	—	—	(1)
Procurements	33	240	234	299
Other operating costs	16	131	119	238
Finance income	6	13	11	12
Finance costs	—	—	—	—
Total	133	915	848	1,273

For further information, including a breakdown of these items by associates, joint ventures and other related parties, see Note 14 to our Interim Financial Statements, Note 31 to our FY 2017 Financial Statements and Note 32 to our FY 2016 Financial Statements.

Related Party Transactions with other related parties

As of 30 June 2018, we signed a 40-year concession contract with ADNOC, acquiring a 20% stake in the SARB and Umm Lulu Concessions in the territorial waters of Abu Dhabi (UAE), pursuant to which we invested U.S.$1,500 million in connection with the signing of the contract.

DESCRIPTION OF SHARE CAPITAL

The following summary provides information concerning the Company's share capital and briefly describes certain significant provisions of its Articles of Association (*estatutos sociales*) and Spanish corporate law, the Spanish Companies Act, Spanish Act 3/2009, of 3 April, on Structural Amendments of Private Companies (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*), the LMV and Royal Decree 878/2015, of 2 October, on clearing, settlement and registry of negotiable securities in book-entry form, on the legal framework of central depositaries and central counterparties, and on transparency requirements for issuers of securities admitted to trading on an official secondary market (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*).

This summary does not purport to be complete and is qualified in its entirety by reference to the Company's Articles of Association, the Spanish Companies Act and other applicable laws and regulations. Copies of the Company's Articles of Association will be available (in Spanish with an English translation for information purposes) at our principal headquarters and on our website (www.cepsa.com/en/investors) from Admission, as well as at CNMV's offices.

General

The Company was incorporated as a public limited company (*sociedad anónima*) for an indefinite term under a public deed dated 26 September 1929, with the corporate name "COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, SOCIEDAD ANÓNIMA".

The Company's main corporate purpose is to perform, in Spain and abroad, all manner of extractive, industrial, commercial, service, corporate, or promotional activities mainly referring to crude oil and other hydrocarbons in solid, liquid, or gaseous form; to petroleum, petrochemical, chemical, and associated products; to polymers, fibers, and other derivatives, compounds, and synthetic materials; to all manner of mineral or hydrocarbon reserves, subterranean structures, rocks and geological or mining resources and, additionally, any other raw materials, substances, products, energy, or waste which are associated, connected, substitution, derived, supplementary, or related to the above. The Company may carry out the aforementioned activities, directly or through the creation of or the acquisition of shares or stakes in other companies with an identical or similar purpose, on its own account or through third parties.

At the date of this Prospectus, the Company's issued share capital consists of €267,574,941.00 divided into a single series of 535,149,882 Shares, with a par value of €0.50 each and with ISIN Code ES0132580004 allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV. All Shares are fully subscribed and paid-up. Non-residents of Spain may hold Shares and vote, subject to the restrictions described under "*Restrictions on Foreign Investment*".

On 17 September 2018 the Company's sole shareholder resolved, in anticipation of the Offering, to split the previously existing 267,574,941 shares, with a par value of €1.00 each into 535,149,882 shares with par value of €0.50 each, without amending the total share capital figure. During the period covered by the Financial Statements, there have been no other changes to the Company's share capital.

At the date of this Prospectus there are no convertible securities, exchangeable securities or securities with warrants issued by the Company.

The Shares are represented by book entries and the entity responsible for maintaining the corresponding accounting records is *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (**Iberclear**), with registered office at Plaza de la Lealtad, 1, 28014 Madrid, Spain.

Dividend and Liquidation Rights

Holders of Shares have the right to participate in distributions of profits made by the Company and proceeds from liquidation, proportionally to their paid-up share capital. However, there is no right to receive a minimum dividend.

Payment of dividends is proposed by the Board of Directors and must be authorized by the Company's shareholders at a General Shareholders' Meeting. Holders of Shares participate in such dividends from the date agreed by the General Shareholders' Meeting. Additionally, interim dividends (*dividendos a cuenta*) may also

be distributed among shareholders directly upon approval by the Board of Directors provided that: (i) there is sufficient liquidity to pay the interim dividend; and (ii) the amount distributed does not exceed the amount resulting from deducting from the earnings booked since the end of the previous year, the sum of previous years' losses, the amounts earmarked for the legal or statutory reserves, and the estimated tax due on the aforesaid earnings. The Spanish Companies Act requires each company to allocate at least 10.0% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20.0% of such company's issued share capital. A company's legal reserve is not available for distribution to its shareholders except upon such company's liquidation. While a company's legal reserve does not reach the 20.0% threshold, it can only be used to offset losses, provided that there are no distributable reserves available for that purpose. As of 31 December 2017, the Company's legal reserve amounted to €53,605,259 equivalent to 20.03% of the Company's share capital.

According to the Spanish Companies Act, dividends may only be paid out of net profits or distributable reserves (after the compulsory allocation to mandatory reserves, including the legal reserve, and only if the value of the Company's net worth is not, and as a result of distribution would not be, less than the share capital). In addition, no net profits may be distributed unless the amount of distributable reserves is at least equal to the amount of the research and development expenses recorded as an asset on the balance sheet. Accordingly, the Company's ability to make a distribution to shareholders will depend on the Company's ability to generate net profits in future periods in order to achieve sufficient distributable reserves. See "*Capitalization and Indebtedness*".

According to article 25 of the Articles of Association, the General Shareholders' Meeting may resolve that dividends are paid in kind, provided that the goods or securities distributed are homogeneous, admitted to trading in an official market when the agreement becomes effective or the procurement of liquidity is duly guaranteed within a maximum period of one year and they are not distributed for a lower value than such that they have in the balance sheet.

In accordance with Article 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the relevant company if it is not claimed within five years after it becomes payable.

We are not aware of any restriction on the collection of dividends by non-resident shareholders. All holders will receive dividends through Iberclear and its member entities, without prejudice to potential withholdings on account of the Non-Resident Income Tax that may apply. See "*Taxation*".

In the event of liquidation, the Company's shareholders would be entitled to receive proportionately any assets remaining after payment of debts and all applicable taxes and expenses.

The Company's ability to distribute dividends in the near future will depend on a number of factors, including (but not limited to) the amount of distributable profits and reserves and its investment plans, earnings, level of profitability, cash flow generation, restrictions on payment of dividends under local laws applicable to other Group entities (both on us and on any Group entity), and such other factors as the Board of Directors or the shareholders may deem relevant from time to time.

Shareholders' Meetings and Voting Rights

Pursuant to the Articles of Association, the General Shareholders' Meeting Regulations and the Spanish Companies Act, Ordinary General Shareholders' Meetings shall be held annually, during the first six months of each financial year on a date fixed by the Board of Directors. Extraordinary General Shareholders' Meetings may be called by the Board of Directors whenever it deems appropriate, or at the request of shareholders representing at least 3.0% of the Company's issued share capital. Following Admission, notices of all General Shareholders' Meetings will be published in the Official Gazette of the Commercial Registry (*Boletín Oficial del Registro Mercantil*) or in one of the newspapers of widest circulation in Spain, on our corporate website and on the website of CNMV, at least one month prior to the date when the meeting is to be held, except as discussed in the following paragraph.

In addition, upon Admission, if we offer the Company's shareholders the ability to vote by electronic means accessible to all of them, Extraordinary General Shareholders' Meetings may be called on 15 days' notice. The decision to permit such reduction of the call period should be taken by a majority of not less than two thirds of the voting capital represented in an Ordinary General Shareholders' Meeting, and the authorization shall be granted for a term which shall not exceed the date of the subsequent Ordinary General Shareholders' Meeting.

Action is taken at Ordinary General Shareholders' Meetings on, at least, the following matters: (i) approval of the management carried out by the Board of Directors during the previous financial year, (ii) approval of the financial statements for the previous financial year, and (iii) application of the previous financial year's income

or loss. All other matters can be considered at either an Extraordinary or an Ordinary General Shareholders' Meeting if the matter is within the authority of the meeting and is included on the agenda (with certain exceptional items which do not need to be included on the agenda to be validly passed, like dismissal of Directors and the decision to bring a liability action against them). Liability actions against Directors shall be brought by the Company pursuant to a General Shareholders' Meeting resolution, which may be adopted at the request of any shareholder even where not included on the agenda. A company's articles of association cannot require a qualified or reinforced majority for the adoption of such resolution. The General Shareholders' Meeting may consent or waive such action at any time, unless an objection is raised thereto by shareholders representing 5.0% of the share capital (3.0% in case of listed companies). The decision to bring an action or reach a settlement shall entail the removal of the relevant Director. The approval of the financial statements shall not preclude action for liability nor constitute a waiver of an action agreed or brought.

According to the Spanish Companies Act—and in addition to the matters referred to in the previous paragraph and any other matters as provided by law—, the following matters fall within the authority of the General Shareholders' Meeting: (a) appointment and removal of the members of the Board of Directors, liquidators and auditors, as well as bringing a corporate action for liability against any of them; (b) amendments to the Articles of Association; (c) increase or reduction of the share capital—or granting to the Board of Directors authority to increase the share capital—; (d) exclusion or limitation of shareholders' preferential subscription rights—or granting to the Board of Directors authority to exclude or limit them—; (e) transformation, merger, spin-off, transfer of all assets and liabilities or moving of the registered offices abroad; (f) dissolution and the approval of transactions that have an equivalent effect; (g) approval of the final winding up balance sheet; (h) acquisition, disposal or contribution of core assets (*activos esenciales*) to another company; (i) transfer of core activities previously carried out by the parent company to subsidiaries, even if retaining full control of the activities; and (j) approval of the Directors' remuneration policy in the terms provided by law. An activity or asset will be deemed to be core if the transaction volume exceeds 25% of the total assets recorded in the most recently approved balance sheet.

Also, General Shareholders' Meetings shall vote separately on substantially independent matters. Even if included in the same item on the agenda, the following shall be voted separately: (i) appointment, re-election, ratification or separation of Directors; (ii) the advisory vote on the Annual report on Directors' remuneration; and (iii) each substantially independent article or group of articles when voting on amendments to the Articles of Association.

Each Share entitles its holder to one vote and there is no limit as to the maximum number of voting rights that may be held by each shareholder or by companies of the same group. Shareholders who hold 1,000 shares, whose ownership appears in the corresponding book-entry record five days before the date when the General Shareholders' Meeting is scheduled and are up-to-date in payment of the pending disbursements, will be entitled to attend General Shareholders' Meetings. The notice calling the General Shareholders' Meeting shall indicate, among others, the date on which Shares must be held by a shareholder in order for the latter to participate in a General Shareholders' Meeting and to vote in respect of his/her Shares.

Any Share may be voted by proxy. Proxies must be in writing or in electronic form acceptable under the Articles of Association, and are valid for a single General Shareholders' Meeting. Proxies may be given to any person, whether or not a shareholder. Under the Spanish Companies Act, proxies must specifically refer to a given General Shareholders' Meeting, except as provided in Article 187 of the Spanish Companies Act. A proxy may be revoked by giving notice to the Company prior to the meeting or by the shareholder attending the meeting in person.

Proxy holders will be required to disclose any conflict of interest prior to their appointment. In the event a conflict of interest arises after the proxy holder's appointment, such conflict of interest must be immediately disclosed to the relevant shareholder. In both cases, the proxy holder shall not exercise the shareholder's rights unless the latter has given specific voting instructions for each resolution in respect of which the proxy holder is to vote on behalf of the shareholder. In any case, unless expressly indicated with precise instructions from the represented party to the contrary, if the proxy is involved in a conflict of interest, the represented party will be understood to have designated as proxies, jointly and successively, the Chairperson of the General Shareholders' Meeting, and, should he or she be involved in a conflict of interest, the Secretary of the General Shareholders' Meeting, and, should they in turn be involved in a conflict of interest, the Deputy Secretary of the Board of Directors, should one have been appointed. A conflict of interest in this context may in particular arise where the proxy holder is: (i) a controlling shareholder, or another entity controlled by such shareholder; (ii) a member of the Board of Directors, management or supervisory body of the Company, or of a controlling shareholder or another entity controlled by such shareholder; (iii) an employee or auditor or an employee or

auditor of a controlling shareholder or another entity controlled by such shareholder; (iv) an individual (*persona física*) related to those mentioned in (i) to (iii) above.

A person acting as a proxy holder may hold a proxy from more than one shareholder without limitation as to the number of shareholders so represented. Where a proxy holder holds proxies from several shareholders, he/she will be able to cast votes for a shareholder differently from votes cast for another shareholder.

Entities appearing as holders of Shares in the book-entry records but acting on behalf of different persons shall always be entitled to exercise voting rights in a divergent manner in order to comply with conflicting voting instructions received from their clients. These entities may also delegate voting rights to each of the indirect holders or their nominees, without limits on the number of delegations.

Pursuant to the General Shareholders' Meeting Regulations and the Spanish Companies Act, on the first call of an Ordinary or Extraordinary General Shareholders' Meeting, attendance in person or by proxy of shareholders representing at least 25.0% of the voting capital will constitute a quorum. If the meeting is not quorate on the first call, the meeting can be reconvened on second call (provided the meeting notice included both first and second call), which according to the Spanish Companies Act requires no quorum. However, according to the Spanish Companies Act, a resolution in a General Shareholders' Meeting to increase or decrease the share capital or otherwise modify the Articles of Association, issue bonds and securities whose competence is not legally attributed to any other corporate bodies, suppress or limit the pre-emptive subscription right over new shares, transform, merge, spin-off, transfer of all assets and liabilities, moving of the registered offices abroad, requires attendance in person or by proxy of shareholders representing at least 50.0% of the voting capital on first call, and attendance in person or by proxy of shareholders representing at least 25.0% of the voting capital on second call. In the case of attendance in person or by proxy of shareholders representing more than 50.0% of the voting capital, an absolute majority shall suffice to pass the aforementioned resolutions. On second call, and in the event that less than 50.0% of the voting capital attends in person or by proxy, such resolutions may only be passed upon the vote of shareholders representing two-thirds of the attending share capital. The interval between the first and the second call for a General Shareholders' Meeting must be at least 24 hours. Resolutions in all other cases are passed by a simple majority of the votes (i.e. more votes for than against the relevant resolution) corresponding to the attending share capital.

Under the Spanish Companies Act, shareholders who voluntarily aggregate their Shares so that the share capital so aggregated is equal to or greater than the result of dividing the total share capital by the number of Directors have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the members of the Board of Directors (disregarding fractions). Shareholders who exercise this right may not vote on the appointment of other Directors.

A resolution passed at a General Shareholders' Meeting is binding on all shareholders, although a resolution which is (i) contrary to law, the Articles of Association or the General Shareholders' Meeting Regulations, or (ii) prejudicial to the interest of the Company and beneficial to one or more shareholders or third parties, may be contested. Damage to Company's interest is also caused when the resolution, without causing damage to corporate assets, is imposed in an abusive manner by the majority. An agreement is understood to have been imposed in an abusive manner when, rather than responding reasonably to a corporate need, the majority adopts the resolution in their own interests and to the unjustifiable detriment of the other shareholders. In the case of listed companies, the required fraction of share capital needed to be able to contest is 1/1000. The right to contest would apply to those who were shareholders at the time when the resolution was taken (provided they hold at least 0.1% of the share capital), Directors and interested third parties. In the event of resolutions contrary to public order, the right to contest would apply to any shareholders (even if they acquired such condition after the resolution was taken), and any Director or third party.

In certain circumstances (such as change or significant amendment of the corporate purpose, transformation or transfer of registered address abroad), the Spanish Companies Act gives dissenting or absent shareholders (including non-voting shareholders) the right to withdraw from the company. If this right were exercised, the Company would be obliged to purchase the relevant Shares at the average market price of the Shares in the last quarter in accordance with the procedures established under the Spanish Companies Act.

The Articles of Association and internal regulations do not include any provision that would have the effect of delaying, deferring or preventing a change of control.

Pre-emptive rights and Increases of Share Capital

Pursuant to the Spanish Companies Act and the Articles of Association, shareholders have pre-emptive rights to subscribe for any new Shares issued against monetary contributions and for any new bonds convertible into

Shares. Such pre-emptive rights may be excluded when so required by the corporate interest under special circumstances by a resolution passed by the General Shareholders' Meeting or by the Board of Directors (in the case of listed companies and when the General Shareholders' Meeting delegates to the Board of Directors the right to increase the share capital or issue convertible bonds excluding pre-emptive rights), in accordance with articles 308, 417, 504, 505, 506 and 511 of the Spanish Companies Act. In such cases, the resolution authorizing the exclusion of pre-emptive rights will only be valid if, amongst other requirements: (i) a report is issued by the Board of Directors justifying the relevant proposal; (ii) a report is issued by an independent expert appointed by the Commercial Register (*Registro Mercantil*) stating, amongst other elements, the reasonable market value (*valor razonable*) of the shares (quotation price in case of listed companies unless other arrangements can be justified) and determining the theoretical value (*valor teórico*) of the pre-emptive rights and, in case of listed companies, also the net book value (*valor neto patrimonial*) of the shares; and (iii) the nominal value and issue premium of the newly issued shares is equivalent to the reasonable value assigned to such shares in the aforementioned independent expert's report (in case the General Shareholders' Meeting delegates to the Board of Directors the right to increase the share capital or issue convertible bonds excluding pre-emptive rights, in conformity with article 506 of the Spanish Companies Act) or any price provided that such is equal or higher than the net book value of the shares, as determined by the independent expert's report (in case of no delegation to the Board of Director for these purposes).

Furthermore, pre-emptive rights, in any event, will not be available in share capital increases against non-cash contributions, by means of capitalization of credit rights, to meet conversion requests for bonds convertible into shares or in a merger or spin-off in which shares are issued as consideration. Pre-emptive rights are transferable, may be traded on the AQS and may be of value to existing shareholders because new Shares may be offered for subscription at prices lower than prevailing market prices.

Also, holders of Shares have the right of free allotment recognized in the Spanish Companies Act in the event of capital increase against reserves.

As at the date of this Prospectus, there are no acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the share capital and there are no members of the Group, the share capital of which is under option or agreed conditionally or unconditionally to be put under option.

Mandatory tender offers

During the last financial year and the current financial year, no mandatory tender offers over the Shares have occurred. There are not any special rules regulating mandatory tender offers relating to the Shares other than those deriving from the rules on mandatory tender offers set out in articles 128 et seq. of the LMV and Royal Decree 1066/2007, of 27 July on tender offers (*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores*) which implement Directive 2004/25/EC of the European Parliament and of the Council of 21 April. For information on the rules on mandatory tender offers, see "*Market Information—Tender Offers*" below.

Shareholder information rights

Until the fifth day before the General Shareholders' Meeting is due to be held, shareholders may request in writing from the Directors, any information or clarification they deem necessary regarding the items on the agenda, being obligated the Directors to facilitate the information in writing by the day on which the General Shareholders' Meeting is held.

In addition, shareholders may request, in writing and within the same deadline or verbally during the General Shareholders' Meeting itself, any clarification they deem necessary from the Directors, regarding information available to the public that the Company may have supplied to the CNMV since the last General Shareholders' Meeting as well as information related to auditors' reports.

During the General Shareholders' Meeting, shareholders may verbally request any information or clarification they deem necessary, regarding the items of the agenda; and if it were not possible at that point, Directors must provide the requested information in writing within seven days of the General Shareholders' Meeting having taken place. The answers given in writing by the Directors to the shareholders will be published on the corporate website.

The Directors will not be obliged to provide the previous information if deemed unnecessary for the purposes of the shareholders' information right or if there were objective reasons to consider that the information was going to be used for reasons detrimental to the Company's best interests or that may prejudice the Company.

However, the requested information may not be withheld when shareholders representing at least 25.0% of the share capital have made such request.

Shareholder Actions

Under the Spanish Companies Act, Directors are liable to the Company, shareholders and creditors for their acts or omissions that are illegal or violate the Articles of Association and for willfully or faulty failure to carry out their legal duties.

Under Spanish law, shareholders must generally bring actions against Directors as well as any other actions against the Company or challenging corporate resolutions before the courts of the judicial district of our registered address (currently Madrid, Spain). See "*Management, Board of Directors and Employees*" and "*—Shareholders' Meetings and Voting Rights*" above.

Registration and Transfers

Shares are in registered book-entry form and are indivisible. Joint holders of one share must designate a single person to exercise their shareholders' rights, but they are jointly and severally (*solidariamente*) liable to the Company for all the obligations arising from their status as shareholders. Iberclear, which manages the clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of Shares held by each of its member entities (*entidades participantes*). Each member entity, in turn, maintains a registry of the owners of such Shares.

Shares are freely transferable in accordance with the Spanish Companies Act, the LMV and any implementing regulation.

As a general rule, transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Stock Exchange. Brokerage firms, or dealer firms, Spanish credit entities, investment services entities authorized in other EU member states and investment services entities authorized by their relevant authorities and in compliance with the Spanish regulations are eligible to be members of the Spanish Stock Exchanges. See "*Market Information*". Transfer of shares quoted on the Spanish Stock Exchanges may be subject to certain fees and expenses.

Restrictions on Foreign Investment

Exchange controls and foreign investments were, with certain exceptions, completely liberalized by Royal Decree 664/1999, of 23 April (*Real Decreto 664/1999, de 23 de abril*), which was approved in conjunction with Law 18/1992, of 1 July (the **Spanish Foreign Investment Law**), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the European Union.

According to regulations adopted under the Spanish Foreign Investment Law, and subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls). Foreign investors who are not resident in a tax haven are only required to file a notification with the Spanish Registry of Foreign Investments maintained by the General Bureau of International Commerce and Investments (*Dirección General de Comercio Internacional e Inversiones*) within the Ministry of Industry, Commerce and Tourism *(Ministerio de Industria, Comercio y Turismo*) following an investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares (in book-entry form) have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991, of 5 July), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after consummating the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market;
- investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50.0% of the capital of the Spanish company in which the investment is made.

Additional regulations to those described above apply to investments in some specific industries, including air transportation, national defense, radio, television, telecommunications and gambling. These restrictions do not

apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defense sector or the manufacturing and sale of weapons.

The Spanish Council of Ministers (*Consejo de Ministros*), acting on the recommendation of the Ministry of Economy and Enterprise, may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such a suspension would be subject to prior authorization from the Spanish government, acting on the recommendation of the Ministry of Economy and Enterprise.

Law 19/2003, of 4 July, on the establishment of a regulatory regime relating to capital flows and economic transactions abroad and certain provisions on the prevention of money laundering (**Law 19/2003**), generally provides for the liberalization of the regulatory environment with respect to acts, businesses, transactions and other operations between Spanish residents and non-residents in respect of which charges or payments abroad will occur, as well as money transfers, variations in accounts or financial debit or credits abroad. These operations must be reported to the Ministry of the Economy and Enterprise and the Bank of Spain only for informational and statistical purposes. The most important developments resulting from Law 19/2003 are the obligations on financial intermediaries to provide to the Spanish Ministry of Economy and Enterprise and the Bank of Spain information corresponding to client transactions.

Exchange Control Regulations

Pursuant to Royal Decree 1816/1991, of 20 December, relating to economic transactions with non-residents as amended by Royal Decree 1360/2011 of 7 October, and EC Directive 88/361/EEC, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or another financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency), if made in cash or by check payable to bearer, must be notified to the Spanish exchange control authorities.

Reporting Requirements

Pursuant to Royal Decree 1362/2007, of 19 October, any individual or legal entity which, by whatever means, purchases or transfers shares which grant voting rights in the Company, must notify the Company and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a threshold of 3.0%, 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 30.0%, 35.0%, 40.0%, 45.0%, 50.0%, 60.0%, 70.0%, 75.0%, 80.0% and 90.0% of the Company's total voting rights.

The individual or legal entity obliged to carry out the notification must serve the notification by means of the form approved by the CNMV from time to time for such purpose, within four trading days from the date on which the individual or legal entity acknowledged or should have acknowledged the circumstances that generate the obligation to notify (Royal Decree 1362/2007 deems that the obliged individual or legal entity should have acknowledged the aforementioned circumstance within two trading days from the date on which the transaction was entered into, regardless of the date on which the transaction takes effect).

The reporting requirements apply not only to the purchase or transfer of shares, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information reported to the CNMV and disclosed by it. In such a case, the transaction is deemed to be acknowledged within two trading days from the date of publication of the relevant fact notice (*hecho relevante*) regarding such transaction.

Regardless of the actual ownership of the Shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the Shares, and any individual or legal entity which acquires, transfers or holds, whether directly or indirectly, other securities or financial instruments which grant a right to acquire Shares with voting rights, will also have an obligation to notify the Company and the CNMV of the holding of a significant stake in accordance with applicable regulations.

Should the person or group effecting the transaction be resident in a tax haven (as defined in Royal Decree 1080/1991, of 5 July), the threshold that triggers the obligation to disclose the acquisition or transfer of Shares is reduced to 1.0% (and successive multiples thereof).

All members of the Board of Directors must report to the Company and the CNMV any percentage of voting rights in the Company held by them at the time of becoming or ceasing to be a member of the Board of Directors within five trading days. Furthermore, all members of the Board of Directors must report any change in the percentage of voting rights they hold, regardless of the amount, as a result of any acquisition or disposition of Shares or voting rights, or financial instruments which carry a right to acquire or dispose of Shares which have voting rights attached, including any stock-based compensation that they may receive pursuant to any of the Company's compensation plans. Members of senior management must also report any stock-based compensation that they may receive pursuant to any of the Company's compensation plans or any subsequent amendment to such plans.

In addition, pursuant to Article 19 of the MAR, persons discharging managerial responsibilities and any persons having a close link (*vínculo estrecho*) with any of them must similarly report to the Company and the CNMV any acquisition or disposal of Shares, derivative or financial instruments linked to Shares regardless of the size, within three business days after the date on which the transaction is made. The notification of the transaction must include particulars of, among others, the type of transaction, the date of the transaction and the market in which the transactions were carried out, the number of shares traded and the price paid.

Under the MAR, a person discharging managerial responsibilities' means a person within an issuer, an emission allowance market participant or another entity referred to in Article 19(10) of the MAR, who is (a) a member of the administrative, management or supervisory body of that entity; or (b) a senior executive who is not a member of the bodies referred to in point (a), who has regular access to inside information relating directly or indirectly to that entity and power to take managerial decisions affecting the future developments and business prospects of that entity.

In certain circumstances established by Royal Decree 1362/2007, the notification requirements on the acquisition or transfer of shares also apply to any person or legal entity that, directly or indirectly, and independently of the ownership of the shares or financial instruments, may acquire, transmit or exercise the voting rights granted by those shares or financial instruments, provided that the aggregated proportion of voting rights reaches, increases above or decreases below, the percentages set forth by Spanish law.

Moreover, pursuant to Article 30.6 of Royal Decree 1362/2007, in the context of a tender offer, the following transactions should be notified to the CNMV: (i) any acquisition reaching or exceeding 1.0% of the voting rights, and (ii) any increase or decrease in the percentage of voting rights held by holders of 3.0% or more of the voting rights. The CNMV will immediately make public this information.

Shareholders' Agreements

The LMV and articles 531, 533 and 535 of the Spanish Companies Act require parties to disclose certain types of shareholders' agreements that affect the exercise of voting rights at a General Shareholders' Meeting or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares of listed companies.

If the Company's shareholders enter into such agreements with respect to Shares, they must disclose the execution, amendment or extension of such agreements to the Company and to the CNMV, file such agreements with the appropriate Commercial Registry and publish them through a relevant fact notice (*hecho relevante*). Failure to comply with these disclosure obligations renders any such shareholders' agreement unenforceable.

Such shareholders' agreement will have no effect with respect to the regulation of the right to vote in General Shareholders' Meetings and restrictions or conditions on the free transferability of shares and bonds convertible into shares until such time as the aforementioned notifications, deposits and publications are made.

Upon request by the interested parties, the CNMV may waive the requirement to report, deposit and publish the agreement when publishing the shareholders' agreement could cause significant harm to the affected company.

Net Short Positions

In accordance with Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), net short positions on shares listed on the Spanish Stock Exchanges equal to, or in excess of, 0.2% of the relevant issuer's share capital and any increases or reductions thereof by 0.1% are required to be disclosed to the CNMV. If the net short position reaches 0.5%, and also at every 0.1% above that, the CNMV will disclose the net short position to the public.

The notification or disclosure mentioned above shall be made not later than at 15:30 (Madrid time) on the following trading day.

Notification is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Regulation. The information will be published, where appropriate, on a web page operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, where the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the European Securities and Markets Authority (**ESMA**), take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the fees requested for such lending; and
- restrict short selling activity by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10.0% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to ESMA in order to take measures similar to the ones described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several EU member states and the competent authorities of these member states have not taken adequate measures to address it.

Share Repurchases

Pursuant to the Spanish Companies Act, the Company may repurchase its own Shares within certain limits and in compliance with the following requirements (in addition to other cases where it may repurchase its own Shares as provided by applicable law):

- the repurchase must be authorized by the General Shareholders' Meeting in a resolution establishing the maximum number of Shares to be acquired, the titles for the acquisition, the minimum and maximum acquisition price and the duration of the authorization, which may not exceed five years from the date of the resolution;
- the repurchase, including the Shares already acquired and currently held by the Company, or any person or company acting in its own name but on the Company's behalf, must not bring the Company's net worth below the aggregate amount of its share capital plus any reserves which, according to the law or the Articles of Association, are not distributable. For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly allocated to such net worth, and adding the amount of share capital subscribed but not called and the face value of the share capital and issue premium recorded in the Company's accounts as liabilities;
- the aggregate value of the Shares directly or indirectly repurchased, together with the aggregate face value of the Shares already held by the Company, must not exceed 10.0% of the Company's share capital; and
- Shares repurchased for valuable consideration must be fully paid-up. A repurchase shall be considered null and void if (i) the Shares are partially paid-up, except in the case of free repurchase, or (ii) the Shares entail ancillary obligations.

Treasury shares do not have voting rights or economic rights (for example, the right to receive dividends and other distributions and liquidation rights). Such economic rights except the right to receive bonus shares, will accrue proportionately to all other shareholders. Treasury shares are counted for purposes of establishing the

quorum for General Shareholders' Meetings as well as majority voting requirements to pass resolutions at General Shareholders' Meetings.

MAR establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence in those markets. This regulation maintains an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an EU Member State. Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, implements MAR with regard to the regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures. According to the provisions included in the Delegated Regulation, in order to benefit from the exemption, an issuer implementing a buy-back program must comply with the following requirements:

(a) Prior to the start of trading in a buy-back program, the issuer must ensure the adequate disclosure of the following information:

- the purpose of the program. According to Article 5.2 of Regulation 596/2014, the buy-back program must have as its sole purpose (a) to reduce the capital of the issuer; (b) to meet obligations arising from debt financial instruments convertible into equity instruments; or (c) to meet obligations arising from share option programs, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer or of an associate company;
- the maximum pecuniary amount allocated to the program;
- the maximum number of shares to be acquired; and
- the period for which authorization for the program has been granted.

(b) The issuer must ensure that the transactions relating to the buy-back program meet the conditions included on Article 3 of the Delegated Regulation. Specifically, that the purchase price is not higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Furthermore, issuers must not purchase on any trading day more than 25.0% of the average daily volume of shares on the corresponding trading venue.

(c) Issuers shall not, for the duration of the buy-back program, engage on (a) selling of own shares; (b) trading during the closed periods referred to in Article 19. 11 of Regulation 596/2014; and (c) trading where the issuer has decided to delay the public disclosure of inside information.

On 26 April 2017, the CNMV issued Circular 1/2017 setting out the requirements to be met by liquidity contracts entered into by issuers with financial institutions for the management of their treasury shares to constitute an accepted market practice and, therefore, be able to rely on a safe harbor for the purposes of market abuse regulations.

If an acquisition or series of acquisitions of Shares reaches or exceeds or causes the Company and its affiliates' holdings to reach or exceed 1.0% of the voting shares, the Company must notify the final holding of treasury shares to the CNMV. If such threshold is reached as a result of a series of acquisitions, such reporting obligation will only arise after the closing of the acquisition which, taken together with all acquisitions made since the last of any such notifications, causes the Company and its affiliates' holdings to exceed 1.0% of the voting shares. Sales and other transfers of treasury shares will not be deducted in the calculation of such threshold. This requirement would also apply if the Shares were acquired by one of the Company's majority-owned subsidiaries.

Moreover, pursuant to Spanish Companies Act, the audited financial statements of a company must include a reference to any treasury shares.

In addition, on 18 July 2013, the CNMV published certain guidelines for securities issuers and financial intermediaries acting on their behalf regarding the "discretionary transactions with treasury shares" (outside of the buy-back program regulation). These guidelines are in line with the buy-back program regulation in respect of price, limits and volumes and include certain restricted periods and a rule of separated management of the trading activity.

As of the date of this Prospectus, neither the Company nor any other Group entity holds Shares of the Company. The Board of Directors has been authorized by the Company's sole shareholder for the derivative acquisition of treasury shares according to and within the restrictions and requirements established in the Spanish Companies Act.

MATERIAL CONTRACTS

The contracts set out below (not being contracts entered into in the ordinary course of business) have (a) been entered into by us or any entity within the Group within the two years immediately preceding the date of this Prospectus and are, or may be, material to us; or (b) been entered into at any time by any entity within the Group and contain provisions under which any entity within the Group has an obligation or entitlement which is, or may be, material to the Group as of the date of this Prospectus.

Medgaz Sale and Purchase Agreement

On 1 October 2018, the Company, as seller, and the Selling Shareholder, as purchaser, entered into a share transfer agreement (the **STA**) relating to the sale of the 42.09% stake held by the Company in the Spanish gas transportation company, Medgaz, S.A. (**Medgaz**). The transfer of this non-core asset will be implemented through a locked-box structure with a valuation date of 1 June 2018 (irrespective of the date on which closing takes place) and an agreed purchase price of €500 million, payable in cash on completion (plus accrued interest between 1 June 2018 and completion at a rate of the higher of (a) a rate of one-month EURIBOR plus 0.65% per annum, compounding monthly, with the rate of EURIBOR fixed on the first business day of each month per annum and (b) 1% per annum simple interest. Any dividends or distributions received by the Company from Medgaz with respect to the period after the valuation date shall be for the account of the purchaser, resulting in a euro-for-euro reduction in the amount to be received by the Company at completion. Completion is subject to the satisfaction of certain conditions precedent (including certain third-party consents and the admission to listing of the Company's Shares) on or before the agreed long-stop date for the satisfaction of all the conditions, 31 March 2019. Therefore, the Company expects to receive payment for the agreed consideration of €500 million on or around such date. We intend to use the proceeds of sale to reduce our net debt and improve our leverage ratio.

As a transfer among affiliates, and to comply with the provisions of the shareholders' agreement relating to Medgaz (to which the Company is, at the date of this Prospectus, a party) (the **Medgaz SHA**), the STA includes a binding and enforceable provision that would obligate the Selling Shareholder to transfer back the Medgaz shares to the Company at fair market value if, and only if, the Company and the Selling Shareholder cease to be affiliates of one another. In such circumstances, the Company would have the right to dispose of the Medgaz shares to the Selling Shareholder at fair market value, subject to the right of first refusal set forth in the Medgaz SHA in favor of the other Medgaz shareholders.

Material contracts relating to the Offering

For a description of the material contracts relating to the Offering, see "*Plan of Distribution*".

TAXATION

The following summary describes certain Spanish and U.S. federal income tax consequences of the purchase, ownership and disposition of the Shares. It is not a complete description of all the possible tax consequences of such purchase, ownership or disposition. This summary is based on the laws as of the date of this Prospectus and is subject to changes to those laws subsequent to the date of this Prospectus. You should consult your own advisors as to the tax consequences of the acquisition, ownership and disposition of the Shares in light of your particular circumstances, including, in particular, the effect of any state, regional or local tax laws.

Spanish Tax Considerations

The following section is a general description of certain Spanish tax implications of the acquisition, ownership and disposal of the Shares by Spanish and non-Spanish tax resident shareholders. The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and its interpretation and application.

This summary does not address all tax considerations that may be relevant to all categories of potential purchasers, some of whom may be subject to special rules. In particular, this tax section does not address the Spanish tax consequences applicable to "look-through" entities (such as estates) that may be subject to special tax rules. This analysis does not cover all possible tax consequences of the transactions applicable to all categories of shareholders, some of which (e.g., financial institutions, collective investment schemes, cooperatives, etc.) may be subject to special rules. Furthermore, this summary does not take into account the regional tax regimes in force applicable in the Historical Territories of the Basque Country and the Historical Autonomous Region of Navarre, or the regulations adopted by the Spanish Autonomous Regions.

The description of Spanish tax laws set forth below is based on law currently in effect in Spain as of the date of this Prospectus, and on the administrative interpretations thereof made public to date. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

Potential shareholders should consult their own tax advisors concerning the specific Spanish, state, regional and local tax consequences of the acquisition, ownership and disposal of the Shares in light of their particular circumstances as well as any consequences arising under the laws of any other taxing jurisdiction.

Spanish Tax Resident Individuals

Taxation of Dividends

In accordance with the Spanish Personal Income Tax Law 35/2006, of 28 November (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*) (hereinafter **PIT Law**), income received by a Spanish shareholder in the form of dividends, shares in profits, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of the Shares and any other income received in his or her capacity as shareholder is subject to tax as capital income (*rendimientos de capital mobiliario*).

Gross capital income shall be reduced by any administration and custody expenses (but not by those incurred in individualized portfolio management); the net amount shall be included in the relevant Spanish shareholder's savings taxable base. For the tax year 2018, the general savings taxable base rates are: 19% for taxable income up to €6,000; 21% for taxable income between €6,001 and €50,000; and 23% for taxable income exceeding €50,000.

Spanish shareholders shall be subject to a PIT withholding tax at the tax rate applicable from time to time (currently 19%) on the gross income obtained. Such withholding tax is creditable from the PIT payable; if the amount of tax withheld is greater than the amount of the net PIT payable, the taxpayer is entitled to obtain a refund of the excess withheld in accordance with the PIT Law.

Taxation of Capital Gains

Gains or losses realized by a Spanish individual as a result of the transfer of the Shares qualify for the purposes of the PIT Law as capital gains or losses (*ganancias y pérdidas patrimoniales*) and are subject to capital gains taxation. The amount of capital gains or losses shall be determined as the difference between the Shares' acquisition value (plus any fees or taxes incurred) and the transfer value, which is the listed value of the Shares as of the transfer date or, if higher, the agreed transfer price, less any fees or taxes incurred.

Where the taxpayer owns other securities of the same kind, the acquisition price of the transferred shares is based on the principle that those acquired first are sold first (FIFO).

Capital gains or losses realized are included in the Spanish shareholder's savings tax base corresponding to the period when the transfer takes place; any gain resulting from the compensation between such gains and losses is taxed at a flat rate of 19% for the first €6,000; 21% between €6,001 and €50,000; and 23% for any amount in excess of €50,000.

Capital gains arising from the transfer of the Shares are not subject to withholding tax on account of PIT. Losses arising from the transfer of shares admitted to trading on certain official stock exchanges (including the Spanish Stock Exchanges) will not be treated as capital losses if securities of the same kind have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, the capital losses are included in the savings taxable base upon the transfer of the remaining shares of the taxpayer.

Taxation of Pre-emption Rights

Distributions to Spanish shareholders of pre-emption rights to subscribe new Shares are not treated as income under Spanish law. The exercise of such pre-emption rights is not considered a taxable event under Spanish law.

The proceeds obtained by a PIT taxpayer from the transfer of pre-emption rights derived from shares admitted to trading on specific official stock exchanges (including the Spanish Stock Exchanges), such as the Shares, will be regarded as a capital gain and subject to the PIT corresponding to the period when the transfer takes place (in the manner described under "—*Taxation of Capital Gains*" above). The amount received in the transfer of pre-emption rights will be subject to Spanish withholding tax on account of PIT at the tax rate applicable from time to time (currently 19%), to be levied by the depositary entity (or, in its absence, by the corresponding financial intermediary or notary public that intervenes in the transfer).

Taxation of Share Premium Distributions

A distribution of share premium will not in itself constitute taxable income but will instead reduce the acquisition value of the Shares to the extent that they are admitted to trading on certain official stock exchanges (including the Spanish Stock Exchanges). If the amount of the share premium received exceeds the acquisition value of the shares held by a Spanish shareholder, such excess would constitute a taxable income to be included in the savings taxable base and subject to taxation at a flat rate of 19% for the first €6,000; 21% between €6,001 and €50,000; and 23% for any amount in excess of €50,000. No withholding would be applicable on share premium distributions.

Spanish Exit Tax

Individual Spanish shareholders that lose their tax residency status in Spain as a result of a change of residence will be subject to PIT in Spain on the capital gains corresponding to the appreciation in value of the Shares, to the extent that the relevant requirements, circumstances and thresholds established in the PIT Law are met.

Wealth Tax

Individual Spanish shareholders are subject to Spanish Wealth Tax on all their assets (such as the Shares).

Spanish Wealth Tax Law 19/1991, of 6 June (*Ley 19/1991, de 6 de junio, del Impuesto sobre el Patrimonio*) provides that the first €700,000 of net wealth owned by an individual Spanish shareholder will be exempt from taxation, while the rest of the net wealth will be taxed at a rate ranging between 0.2% and 2.5%. However, this may vary depending on the autonomous region of residency of the taxpayer. As such, prospective shareholders should consult their own tax advisors.

A shareholder who is required to file a Spanish Wealth Tax return should value the Shares at their average trading price in the last quarter of the year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

In accordance with Article 73 of the General State Budget Law for 2018 (*Ley 6/2018, de 3 de julio, de Presupuestos Generales del Estado para el año 2018*), as from year 2019, a full exemption on Spanish Wealth Tax applies (*bonificación del 100%*), and therefore from year 2019 and onwards, individuals resident in Spain would be released from formal and filing obligations in relation to this Spanish Wealth Tax. However, prospective shareholders should consult their own tax advisors concerning Spanish Wealth Tax in light of

particular circumstances as well as any consequences arising under potential future amendments of the applicable rules.

Spanish Inheritance and Gift Tax

Individuals resident in Spain for tax purposes who acquire the Shares by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax (**IGT**) in accordance with the Inheritance and Gift Tax Law 29/1987, of 18 December (*Ley 29/1987, de 18 de diciembre, del Impuesto sobre Sucesiones y Donaciones*) (the **IGT Law**), without prejudice to the specific legislation applicable in each autonomous region where the individuals are resident for tax purposes. The applicable general tax rates as of the date of this Prospectus range between 7.65% and 34%, although the final effective tax rate may range from 0% to 81.6% after applying certain relevant factors (such as the specific regulations imposed by each Spanish autonomous region, the amount of the pre-existing assets of the taxpayer and the degree of kinship with the deceased or donor). Some tax benefits may reduce the effective tax rate.

Spanish Transfer Tax

The acquisition and transfers of the Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such acquisition and transfers.

Spanish Corporate Resident Shareholders

Taxation of Dividends

Dividends from the participation in our profits received by corporate Spanish shareholders, as a consequence of the ownership of the Shares, minus any expenses inherent to holding the Shares, shall constitute taxable income and should be included in the Corporate Income Tax (**CIT**) base according to the rules included in the Spanish Corporate Income Tax Law 27/2014, of 27 November (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*) (the **CIT Law**). The general CIT rate is currently 25%.

However, CIT taxpayers will be entitled to apply a participation exemption regime for dividends received from Spanish companies if certain requirements are met, mainly that (i) the participation, directly or indirectly, of at least 5% in our share capital (or acquisition cost exceeding €20 million) and (ii) such participation has been held for at least one year prior to the relevant distribution date or it commits to hold the participation for the time needed to complete such one-year holding period, provided that the remaining requirements that need to be analyzed on a case by case basis are duly fulfilled.

In the case that more than 70% of our revenue derives from dividends and capital gains arising from transfers of the Shares, the application of the participation exemption is subject to particularly complex restrictions, substantially requiring that the shareholder holds an indirect participation of at least 5% in the share capital of our subsidiaries (specific rules could also apply if, in general, we hold stakes in other entities). Shareholders are urged to consult their tax advisors regarding compliance with the requirements for application of the aforesaid participation exemption.

As a general rule, dividends will be subject to withholding tax on account of the shareholder's final CIT liability at the rate applicable from time to time (currently 19%). However, no withholding tax will apply on dividends payable to a shareholder who is entitled to apply the participation exemption mentioned above and who is able to provide the necessary documentation to this respect. If the amount of tax withheld is greater than the amount of the net CIT payable, the taxpayer will be entitled to a refund of the excess withheld in accordance with the CIT Law and regulations.

Taxation of Capital Gains

Any gain realized on the transfer or disposal of the Shares or from any other divestment relating to such Shares shall be included in the tax base of CIT taxpayers, and subject to taxation generally at the current rate of 25%. As regards losses resulting from the transfer of the Shares, the CIT deductibility of the losses may be subject to temporary or permanent restrictions (for instance, if the capital gains potentially obtained on such transfer would have been entitled to benefit from the Spanish participation exemption regime, indicated below), pursuant to Royal Decree-Law 3/2016. Shareholders who are CIT taxpayers must consult their tax advisors regarding the CIT impact for them of these rules.

However, CIT taxpayers will be entitled to apply the participation exemption regime for capital gains arising on the transfer of Spanish companies shares if (i) the stake held in the company, directly or indirectly, represents at least 5% in the share capital of the company (or the acquisition cost exceeds €20 million) and (ii) such

participation is held for at least one year prior to the transfer, provided that the remaining requirements that need to be analyzed on a case by case basis are duly fulfilled.

In the case that more than 70% of our revenue comes from dividends and capital gains deriving from the transfer of the Shares, the application of the participation exemption is subject to particularly complex restrictions, substantially requiring that the shareholder holds an indirect participation of at least 5% in the share capital of our subsidiaries (specific rules could also apply as if, in general, we hold stakes in other entities). Shareholders are urged to consult their tax advisors regarding compliance of the requirements for application of the aforesaid participation exemption.

Capital gains deriving from the disposal of the Shares will not be subject to withholding tax on account of CIT.

Taxation of Pre-emption Rights

Distributions to CIT taxpayers of pre-emption rights to subscribe for new Shares are not treated as income under Spanish law. The exercise of such pre-emption rights is not considered a taxable event under Spanish law. However, if these pre-emption rights are transferred by a CIT taxpayer, any accounting income that may arise from the transfer will be included in the CIT tax base and subject to taxation at the general CIT tax rate, currently of 25%. Shareholders who are CIT taxpayers must consult their tax advisors regarding the possibility to apply the Spanish participation exemption on this income.

Taxation of Share Premium Distributions

Distributions of share premium will not in itself constitute taxable income but will instead reduce the acquisition value of the Shares. If the amount of the share premium received exceeds the acquisition value of the Shares held by a CIT taxpayer, such excess would constitute a taxable income, generally subject to taxation at the general CIT tax rate of 25%. Shareholders who are CIT taxpayers must consult their tax advisors regarding the possibility to apply the Spanish participation exemption on this income. In any event, no withholding would be applicable upon such distribution.

Spanish Wealth Tax

Not applicable.

Spanish Inheritance and Gift Tax

Not applicable.

Spanish Transfer Tax

The acquisition and transfers of the Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such acquisition and transfers.

Shareholders who are not Resident for Tax Purposes in Spain

Non-Spanish Tax Resident Shareholders Not Acting through a Permanent Establishment in Spain

Taxation of dividends

Dividends paid to non-Spanish tax resident shareholders not acting through a permanent establishment in Spain are subject to Spanish Non-Residents Income Tax (**NRIT**) under the consolidated text of the Spanish Non-Resident Income Tax Law, passed by Royal Legislative Decree 5/2004, of 5 March (*Ley del Impuesto sobre la Renta de No Residentes aprobado por Real Decreto Legislativo 5/2004, de 5 de marzo*) (the **NRIT Law**) at the general withholding tax rate of 19%. This taxation can be eliminated or reduced as per the application of (i) the NRIT exemption implementing the EU Parent-Subsidiary Directive or (ii) the benefits of a convention for the avoidance of double taxation (**DTT**).

Under the EU Parent-Subsidiary Directive exemption, no Spanish withholding taxes should be levied on the dividends distributed by a Spanish subsidiary to its EU parent company, to the extent that the following requirements are met:

(i) the EU parent company maintains a direct or indirect holding in the capital of the Spanish subsidiary of at least 5% or its acquisition cost exceeds €20 million. The holding must have been maintained uninterruptedly during the year prior to the date on which the distributed profit is due or, failing that, be maintained for the time required to complete such period (in the latter case, the withholding tax must be levied, although it would be refundable once the year has been completed);

(ii) the EU parent company is incorporated under the laws of a EU member state, under one of the corporate forms listed in Annex I, Part A, of the EU Parent-Subsidiary Directive, and is subject to a Member State Corporate Income Tax (as listed in Annex I, Part B, of the EU Parent-Subsidiary Directive), without the possibility of being exempt; and

(iii) the dividends distributed do not derive from the subsidiary's liquidation.

The aforesaid exemption will not be applicable if the dividend is obtained through a territory that is defined as a tax haven by Spanish regulations.

The aforesaid exemption will be applicable, subject to the compliance of the relevant requirements, to dividends distributed by a Spanish subsidiary to its EEA parent company provided that there is an effective exchange of tax information with such EEA parent company's country.

The exemption includes an anti-abuse provision whereby the exemption described above shall not apply in the event that the majority of the voting rights in the shareholder are directly or indirectly held by individuals or entities who are not resident in the EU Member State or in a State included in the European Economic Area (**EEA**) which has ratified an information exchange agreement in relation to tax matters, except if the EU entity has been incorporated and is operated for valid business reasons and substantial entrepreneurial reasons.

Shareholders resident in certain countries may be entitled to the benefits of a DTT in force between Spain and their country of tax residence. Such shareholders may benefit from a reduced tax rate under an applicable DTT with Spain, subject to the satisfaction of any conditions specified in the relevant DTT, including providing evidence of the tax residence of the shareholder by means of a certificate of tax residence duly issued by the tax authorities of the country of tax residence of the shareholder stating that the shareholder is resident for tax purposes in the relevant jurisdiction within the meaning of the DTT or, as the case may be, the equivalent document specified in the Spanish Order which further supplements the applicable DTT. Tax residence certificates issued by a foreign tax authority (or equivalent documents) are generally valid for Spanish tax purposes for one year as from their date of issuance.

According to the Order of the Ministry of Economy and Competitiveness of 13 April 2000, upon distribution of a dividend, we or our paying agent will withhold an amount equal to the tax amount required to be withheld according to the general rules set forth above, transferring the resulting net amount to the depositary. For this purpose, the depositary is the financial institution with which the non-Spanish tax resident shareholder has entered into a contract of deposit or management with respect to the Shares held by such shareholders. If the corresponding depositary in Spain provides timely evidence of the non-Spanish tax resident shareholder's right to obtain the DTT-reduced rate or the exemption in the manner set out in the Order of the Ministry of Economy and Competitiveness of 13 April 2000, it will immediately receive the surplus amount withheld, which will be credited to the non-Spanish tax resident shareholder (the **Quick Refund Procedure**). For these purposes, the non-Spanish tax resident shareholder shall provide the applicable depositary with the relevant certificate of residence (or equivalent DTT form) stating that the non-Spanish tax resident shareholder is a resident of such country within the meaning of the DTT before the tenth day following the end of the month in which the dividends were paid. The tax certificate is generally valid only for a period of one year from the date of issuance. The Quick Refund Procedure will only be applicable to the extent that the depositary of the Shares held by the non-Spanish tax resident shareholder is resident, domiciled or represented in Spain.

If this certificate of tax residence, or as the case may be, the equivalent document referred to above, is not provided to the relevant Spanish depository within this time period, the non-Spanish tax resident shareholder may subsequently obtain a refund of the amount withheld in excess from the Spanish tax authorities, following the standard refund procedure established by the NRIT Regulation, approved by Royal Decree 1776/2004 of 30 July 2004 (*Reglamento del Impuesto sobre la Renta de no Residentes, aprobado por Real Decreto 1776/2004, de 30 de julio*), and the Order of the Ministry of Finance and Taxation EHA/3316/2010, of 17 December,

that approves forms 210, 211 and 213 or the equivalent regional provisions applicable. To pursue the refund claim, the non-Spanish shareholder is required to file:

(a) the corresponding Spanish Tax Form (currently, Form 210);

(b) the certificate of tax residence or equivalent document referred to above;

(c) a certificate issued by the withholding agent stating that Spanish NRIT was withheld with respect to such non-Spanish tax resident shareholder;

(d) a proof of beneficial ownership; and

(e) documentary evidence of the bank account in which the excess amount withheld should be paid.

For further details, prospective investors should consult their own tax advisors.

Taxation of capital gains

Capital gains obtained by a non-Spanish tax resident shareholder as a consequence of transferring shares of Spanish company are generally subject to Spanish NRIT at the tax rate of 19% although no withholding taxes will be imposed on capital gains. Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

However, capital gains derived from the Shares will be exempt from taxation in Spain in either of the following cases:

(a) Capital gains derived from the transfer of the Shares carried out on an official Spanish secondary stock market (such as the Spanish Stock Exchanges) by any non-Spanish tax resident shareholder who is tax resident of a country that has entered into a DTT with Spain containing an "exchange of information" clause. This exemption is not applicable to capital gains obtained by a non-Spanish tax resident shareholder through a country or territory that is defined as a tax haven by Spanish regulations.

(b) Capital gains obtained directly by any non-Spanish tax resident shareholder which is resident of another EU member state or indirectly through a permanent establishment of such non-Spanish tax resident shareholder in a EU member state other than Spain. This exemption is not applicable to capital gains obtained through a country or territory that is defined as a tax haven by Spanish regulations. Additionally, this exemption will not apply:

    (i) if our assets mainly consist of, directly or indirectly, real estate property located in Spain;

    (ii) if the non-resident transferor is an individual that during the preceding 12 months has held a direct or indirect interest of at least 25% in our capital or net equity; and

    (iii) if the non-resident transferor is an entity and the transfer of the Shares does not comply with the requirements to apply the CIT domestic participation exemption regime (see "*—Spanish Corporate Resident Shareholders—Taxation of Capital Gains*").

(c) Capital gains realized by non-Spanish tax resident shareholders who benefit from a DTT entered into by their country of tax residence and Spain that provides for taxation of capital gains only in the non-resident shareholder's country of residence.

The non-Spanish tax resident shareholders must submit a Spanish Tax Form (currently, Form 210) within the time periods set out in the applicable Spanish regulations to pay the corresponding tax or qualify for an exemption. In order for the exemptions mentioned above to apply, a non-Spanish tax resident shareholder must provide a certificate of tax residence issued by the tax authority of its country of residence (which, if applicable, must state that, to the best knowledge of such authority, the non-Spanish tax resident shareholder is resident of such country within the meaning of the relevant DTT) or equivalent document meeting the requirements of the Order which further develops the applicable DTT, together with the Spanish Tax Form. The non-Spanish tax resident shareholder's tax representative in Spain and the depositary of the Shares are also entitled to carry out such filing.

The certificate of tax residence mentioned above will be generally valid for a period of one year after its date of issuance.

Shareholders should consult their own tax advisors to obtain detailed information regarding NRIT filings they may be required to make before the Spanish Tax Authorities.

Taxation of pre-emption rights

Distributions to non-Spanish tax resident shareholders of pre-emption rights to subscribe for new Shares are not treated as income under Spanish NRIT Law. The exercise of such pre-emption rights is not considered a taxable event under Spanish NRIT Law.

The proceeds derived from a transfer of pre-emption rights by a NRIT taxpayer (without permanent establishment in Spain) will be regarded as a capital gain and subject to Spanish NRIT in the manner described under "—*Taxation of capital gains*" above.

Taxation of share premium distributions

A distribution of dividends out of the share premium will not in itself constitute taxable income but will instead reduce the acquisition value of the Shares to the extent that they are admitted to trading on certain official stock exchanges (including the Spanish Stock Exchanges). If the amount of the share premium received exceeds the acquisition value of the Shares held by a non-resident shareholder, such excess would constitute a taxable income subject to NRIT at a flat rate of 19%, unless otherwise provided by a DTT (although this income would not be subject to withholding tax in Spain).

Spanish Wealth Tax

Non-Spanish tax resident individuals are subject to the Spanish Wealth Tax on the assets or rights that are located or can be exercised in Spain. Spanish Wealth Tax Law provides that the first €700,000 of assets or rights owned in Spain by non-Spanish tax resident individuals will be exempt from taxation, while the rest of the Spanish wealth will be taxed at a rate ranging between 0.2% and 2.5%. For Spanish Wealth Tax valuation purposes, the Shares should be valued at their average trading price during the last quarter of such year. Such average trading price is published on an annual basis by the Spanish Ministry of Finance and Public Administration.

Non-Spanish tax resident individuals who benefit from a DTT that provides that net wealth taxation is only applicable in the shareholder's country of residence will not be subject to Spanish Wealth Tax.

Non-Spanish tax resident individuals who are resident in an EU or EEA member state may apply the rules approved by the autonomous region where the assets and rights with more value are located, can be exercised or must be fulfilled. As such, prospective investors should consult their own tax advisors.

In accordance with Article 73 of the General State Budget Law for 2018 (*Ley 6/2018, de 3 de julio, de Presupuestos Generales del Estado para el año 2018*), as from year 2019, a full exemption on Spanish Wealth Tax applies (*bonificación del 100%*), and therefore from year 2019 and onwards, individuals resident in Spain would be released from formal and filing obligations in relation to this Spanish Wealth Tax. However, prospective shareholders should consult their own tax advisors concerning Spanish Wealth Tax in light of particular circumstances as well as any consequences arising under potential future amendments of the applicable rules.

Non-Spanish resident legal entities are not subject to Wealth Tax.

Inheritance and gift tax

Unless otherwise provided under an applicable DTT, transfers of the Shares as a result of the death of the owner or by gift to non-Spanish tax resident individuals are subject to Spanish IGT if such Shares are located (registered for regulation purposes) in Spain at the time of death or gift regardless of the residence of heir or the beneficiary. The applicable tax rates as at the date of this Prospectus range between 7.65% and 34%, although the final effective tax rate may range from 0% to 81.6% after applying certain relevant factors (such as the specific regulations imposed by each Spanish autonomous region, the amount of the pre-existing assets of the taxpayer and the degree of kinship with the deceased or donor).

Generally, non-Spanish tax resident individuals are subject to Spanish IGT according to the rules set forth in the IGT Law. However, if the deceased, heir or the donee is resident in an EU or EEA member state, depending on certain circumstances, the applicable rules may be those corresponding to the relevant autonomous region. As such, prospective shareholders should consult their own tax advisors.

Gifts granted to non-Spanish tax resident corporations are not subject to IGT but are subject to NRIT as capital gains under the general rules at a 19% rate on the fair market value of such Shares.

If the non-Spanish tax resident corporation receiving the gift is resident in a country with which Spain has entered into a DTT, the provisions of such DTT will apply. In general, DTTs provide for the taxation of this type of income in the country of residence of the beneficiary.

Non-Spanish Tax Resident Shareholders Acting through a Permanent Establishment in Spain

The acquisition, holding and disposal of the Shares by shareholders who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the non-resident operating in Spain through a permanent establishment will be subject to NRIT. The NRIT rules establish that income (including dividends, capital gains, pre-emption rights, and share premium distributions) obtained by Spanish permanent establishments from such Shares are the same rules as those set out for legal entities with tax residence in Spain. Please refer to the section "*—Spanish Corporate Resident Shareholders*" above.

Spanish Transfer Tax

The acquisition and transfers of the Shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such acquisition and transfers.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the United States federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the United States federal tax treatment of the Shares. Prospective investors should seek their own advice based on their particular circumstances from independent tax advisers.

The following describes certain United States federal income tax consequences of the purchase, ownership and disposition of the Shares as of the date hereof to United States Holders and Non-United States Holders (as defined below). Except where noted, this discussion deals only with initial purchasers of Shares that are United States Holders and that will hold the Shares as capital assets by a United States Holder. As used herein, the term "United States Holder" means a beneficial owner of Shares that is for United States federal income tax purposes:

(i) an individual citizen or resident of the United States;

(ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

(iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or

(iv) a trust if it (A) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (B) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

A **Non-United States Holder** is a beneficial owner of Shares that is neither a partnership nor a United States Holder.

This discussion does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;

- a person holding the Shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person who owns or is deemed to own 5% or more of the Company's voting stock;
- a person that has ceased to be a U.S. citizen or a lawful permanent resident of the United States;
- a U.S. citizen or a lawful permanent resident living abroad; or
- a United States Holder whose 'functional currency' is not the United States dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the **Internal Revenue Code**), and regulations, rulings and judicial decisions thereunder as of the date hereof as well as on the income tax treaty between the United States and Spain as currently in force (the **Treaty**), and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below.

If an entity or arrangement treated as a partnership for United States federal income tax purposes holds the Shares, the tax treatment of a partner in the entity or arrangement treated as a partnership for United States federal income tax purposes will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Shares, you should consult your tax advisers.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the alternative minimum tax or Medicare tax on net investment income or the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of the Shares, you should consult your own tax advisers concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

Taxation of Dividends

Subject to the passive foreign investment company (**PFIC**) rules discussed below, the gross amount of distributions on the Shares (including any amounts withheld to reflect Spanish withholding taxes) will be taxable as dividends to the extent paid out of the current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including any withheld taxes) generally will be includable in your gross income as ordinary income on the day actually or constructively received by you. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code.

To the extent that the amount of any distribution exceeds the Company's current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. The Company does not expect to determine earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

With respect to certain non-corporate United States Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is (i) eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision and (ii) not a PFIC in the taxable year of the distribution and in the preceding year. The United States Treasury Department has determined that the Treaty meets these requirements, and the Company believes it will be eligible for the benefits of that Treaty provided the Shares are substantially and regularly traded for purposes of the Treaty, though no assurances can be given. In addition, as discussed below, the Company does not believe that it is, for United States federal income tax purposes, a PFIC, and the Company expects to operate in such a manner so as not to become a PFIC. However, non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Internal Revenue Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

The amount of any dividend paid in euros will equal the United States dollar value of the euros received calculated by reference to the exchange rate in effect on the date the dividend is received by you, regardless of whether the euros are converted into United States dollars. If the euros received as a dividend are converted into United States dollars on the date they are received, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the euros received as a dividend are not converted into United States dollars on the date of receipt, you will have a basis in the euros equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the euros will be treated as United States source ordinary income or loss. Investors should consult their own tax advisers concerning any potential foreign currency gain or loss in connection with the conversion or other disposition of euros received as a dividend after the date of receipt.

Subject to certain conditions and limitations, Spanish withholding taxes on dividends may be treated as foreign taxes eligible for credit against, or deduction in computing, your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the Shares will be treated as income from sources outside the United States and will generally constitute passive category income. However, in certain circumstances, if you have held the Shares for less than a specified minimum period during which you are not protected from risk of loss, or you are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the Shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisers regarding the availability of the foreign tax credit under your particular circumstances.

Passive Foreign Investment Company Rules

In general, a corporation organised or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75 per cent. of its gross income is classified as "passive income" or (ii) at least 50 per cent. of the average quarterly value attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the Offering, and the present composition of its assets and sources of income, the Company believes that it was not a PFIC for the year ending on 31 December 2017 and does not expect to become a PFIC for the current year or for any future taxable year. There can be no assurances, however, that the Company will not be considered a PFIC for any particular year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually. If the Company is classified as a PFIC in any year that a United States Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that United States Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above. If the Company were a PFIC in any taxable year, United States Holders could be subject to materially negative U.S. tax consequences, including but not limited to special tax rules relating to dividends and certain distributions and gains on sale. United States Holders should consult their own tax adviser about the application of the PFIC rules.

Taxation of Capital Gains

Subject to the PFIC rules discussed above, for United States federal income tax purposes, you generally will recognize taxable gain or loss on any sale or exchange of the Shares in an amount equal to the difference between the amount realized for the Shares and your tax basis in the Shares. Such gain or loss will generally be capital gain or loss. Capital gains of certain non-corporate United States Holders (including individuals) derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. Accordingly, you may not be able to use the foreign tax credit arising from any foreign tax imposed on the sale or exchange of the Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

A United States Holder that receives non-United States currency from a sale or disposition of Shares generally will realize an amount equal to the United States dollar value of the non-United States currency on the date of sale or disposition or, if such United States Holder is a cash basis or electing accrual basis taxpayer and the Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. A United States Holder that determines its amount realized based on the United States dollar value of the non-United States currency on the date of sale or disposition will recognize foreign currency gain or loss to the extent of any difference between the United States dollar amount realized on the date of disposition and the

United States dollar value of the currency received at the spot rate on the settlement date. A United States Holder that converts the non-United States currency received on the settlement date into United States dollars generally will not recognize foreign currency gain or loss on the conversion. If the non-United States currency received is not converted into United States dollars on the settlement date, the United States Holder will have a basis in the non-United States currency equal to the United States dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the non-United States currency generally will be treated as ordinary income or loss to such United States Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Investors should consult their own tax advisers concerning any potential foreign currency gain or loss in connection with the sale or exchange of the Shares for a cash amount paid in euros or other non-United States currency.

Non-United States Holders

Subject to the backup withholding rules described below, a Non-United States Holder generally should not be subject to United States federal income or withholding tax on any payments on the Shares or gain from the sale, redemption or other disposition of the Shares unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-United States Holder of a trade or business in the United States, and if required by an applicable income tax treaty, that payment and/or gain is attributable to a permanent establishment or fixed base that such Non-United States Holder maintains in the United States; or (ii) in the case of any gain realized on the sale or exchange of a share by an individual Non-United States Holder, that Non-United States Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Backup Withholding and Information Reporting

In general, information reporting will apply to dividends in respect of the Shares and the proceeds from the sale, exchange or redemption of the Shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to otherwise comply with the backup withholding requirements. Non-United States Holders may be required to comply with applicable certification procedures to establish that they are not United States Holders in order to avoid the application of such information reporting requirements and backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the United States Internal Revenue Service.

Certain United States Holders that own "specified foreign financial assets" that meet certain United States dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Shares generally will constitute specified foreign financial assets subject to these reporting requirements unless the Shares are held in an account at certain financial institutions. United States Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Shares.

MARKET INFORMATION

*Prior to the Offering, there has been no public market for the Shares. We will apply to list the Shares on the Spanish Stock Exchanges and to have them quoted on the Automated Quotation System or "mercado continuo" (the **AQS** or **Mercado Continuo**) of the Spanish Stock Exchanges. The Spanish securities market for equity securities comprises four stock exchanges located in Madrid, Barcelona, Bilbao and Valencia. We expect the Shares (including the Offered Shares) will be listed on the Spanish Stock Exchanges and quoted on the AQS on or about 18 October 2018 under the symbol "CEP".*

Automated Quotation System

The AQS links the Spanish Stock Exchanges, providing any equity securities listed on it with a uniform continuous market in order to eliminate certain differences arising among the various local exchanges. The principal feature of the system is the computerized matching of bid and offer orders at the time of placement. Each order is completed as soon as a matching order occurs, but can be modified or cancelled until completion. The activity of the market can be continuously monitored by investors and brokers. The AQS is operated and regulated by Sociedad de Bolsas, S.A. (**Sociedad de Bolsas**), a company owned by the companies that manage the Spanish Stock Exchanges. All trades on the AQS must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of one of the Spanish Stock Exchanges.

In a pre-opening session held each trading day from 8:30 a.m. to 9:00 a.m. (Madrid time), an opening price is established for each equity security traded on the AQS based on a real-time auction in which orders can be placed, modified or cancelled, but not completed. During this pre-opening session, the system continuously displays the price at which orders would be completed if trading were to begin. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer prices. If an auction price cannot be determined, the best bid and offer prices and their respective associated trading volumes are disclosed instead. The auction terminates with a random 30-second period in which the shares are allocated. Until the allocation process has finished, orders cannot be placed, modified or cancelled. In exceptional circumstances (including the admission of new securities to trade in the AQS) and subject to prior notice to the CNMV, Sociedad de Bolsas may fix an opening price disregarding the reference price (which is the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price and modify the reference price.

The computerized trading hours, known as the open session, range from 9:00 a.m. to 5:30 p.m. (Madrid time). The AQS sets out two ranges of prices for each security named "static" and "dynamic" in order to monitor the volatility of the trading price of each security. During the open session, the trading price of a security may fluctuate within a certain predetermined percentage above and below the "static" price (which is the price resulting from the closing auction of the previous trading day or the immediately preceding volatility auction in the current open session) (the **static range**). In addition, the trading price may range within a certain predetermined percentage above and below the "dynamic" price (the trading price of the immediately preceding trade of the same security) (the **dynamic range**). If, during the open session, there are matching bid and offer orders for a security within the computerized system which exceed any of the above "static" and/or "dynamic" ranges, trading on the security is automatically suspended and a new auction, known as volatility auction, is held where a new reference price is set, and the "static" and "dynamic" ranges will apply over such new reference price. The "static" and "dynamic" ranges applicable to each specific security are set up and reviewed periodically by Sociedad de Bolsas. From 5:30 p.m. to 5:35 p.m. (Madrid time), known as the closing auction, orders can be placed, modified and cancelled, but no trades can be completed.

Between 5:30 p.m. and 8:00 p.m. (Madrid time), trades may occur outside the computerized matching system without prior authorization of Sociedad de Bolsas (provided such trades are however disclosed to Sociedad de Bolsas) at a price within the range of 5.0% over the higher of the average price and the closing price for the trading day and 5.0% below the lower of the average price and closing price for the trading day provided that: (i) there are no outstanding bids or offers in the computerized system matching or improving the terms of the proposed off-system transaction; and (ii) among other requirements, the trade involves more than €300,000 and more than 20.0% of the average daily trading volume of the relevant security during the preceding three months. These off-system trades must also relate to individual orders from the same person or entity and shall be reported to Sociedad de Bolsas before 8:00 p.m. (Madrid time).

Trades may take place at any time (with the prior authorization of Sociedad de Bolsas) and at any price if:

- they involve more than €1,500,000 and more than 40.0% of the average daily trading volume of the relevant securities during the preceding three months;

- the transaction results from a merger, spin-off or the restructuring of a group of companies;
- the transaction is carried out for the purposes of settling a litigation process or completing a complex set of sale and purchase agreements; or
- for any other reason which justifies the authorization of such transaction at the discretion of Sociedad de Bolsas.

Information with respect to computerized trades, which take place between 9:00 a.m. and 5:30 p.m. (Madrid time), is made public immediately. On the other hand, information with respect to off-system trades is reported to Sociedad de Bolsas by the end of the trading day and is also published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

Clearing, Settlement and Book-Entry System

The Spanish clearing, settlement and book-entry system has been recently adapted by Act 11/2015, of June 18, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversion*) and Royal Decree 878/2015, of October 2, (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*) to the provisions set forth in Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012. Following the implementation of this reform transactions carried out on the AQS continue to be settled by Iberclear, as central securities depository, and are cleared by BME Clearing, S.A., as central counterparty (**BME Clearing**). Investors are urged to contact their agent or custodian in Spain as soon as possible to make the arrangements necessary for registering the shares in their name on the Transaction Date.

Iberclear and BME Clearing are owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a listed holding company which also holds a 100.0% interest in each of the Spanish official secondary markets.

Shares of listed Spanish companies are represented in book-entry form. The book-entry system is a two-tier level registry: the keeping of the central book-entry register corresponds to Iberclear and the keeping of the detail records correspond to the participating entities in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorized to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorized central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorized to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects: (i) one or several proprietary accounts which will show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of such shares.

According to the above, Spanish law considers the owner of the shares to be:

- the participating entity appearing in the records of Iberclear as holding the relevant shares in its own name.
- the investor appearing in the records of the participating entity as holding the shares; or
- the investor appearing in the records of Iberclear as holding shares in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO, receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

Obtaining legal title to shares of a company listed on the Spanish Stock Exchanges requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorized under Spanish law to record the transfer of shares. To evidence title to shares, at the owner's request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding shares in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the shares held in their name.

Euroclear and Clearstream, Luxembourg

Shares deposited with depositaries for Euroclear Bank, S.A./N.V., as operator of the Euroclear System (**Euroclear**), and Clearstream Banking, Société Anonyme (**Clearstream**), and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream, will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System (as amended from time to time), the Management Regulations of Clearstream and the instructions to Participants of Clearstream (as amended from time to time), as applicable. Subject to compliance with such regulations and procedures, those persons on whose behalf accounts are kept at Euroclear or Clearstream and to whom shares have been credited (**investors**), will be entitled to receive a number of shares equal to that amount credited in their accounts.

With respect to shares deposited with depositaries for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees (as described below), if any, and once the relevant recording in the book-entry records kept by the members of Iberclear has occurred.

Under Spanish law, only the shareholder of record in Iberclear's registry is entitled to dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear (or its nominees) or Clearstream (or its nominees) will, respectively, be the sole record holders of the shares that are deposited with any depositaries for Euroclear and Clearstream until investors exercise their rights to withdraw such shares and record their ownership rights over them in the book-entry records kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction of any applicable withholding taxes, in accordance with the applicable regulations and procedures for Euroclear and Clearstream. See "*Taxation*" above.

Euroclear and Clearstream will endeavor to inform investors of any significant events of which they become aware affecting the shares recorded in the name of Euroclear (or its nominees) and Clearstream (or its nominees) and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at their discretion, take such action, as they deem appropriate in order to assist investors in exercising their voting rights in respect of the shares. Such actions may include: (i) acceptance of instructions from investors to grant or to arrange for the granting of proxies, powers of attorney or other similar certificates; or (ii) exercise by Euroclear or its nominees and Clearstream or its nominees of voting rights in accordance with the instructions provided by investors.

In case we offer or cause to be offered to Euroclear or its nominees and Clearstream or its nominees, acting in their capacity as record holders of the Shares deposited with the depositaries for Euroclear and Clearstream, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will, respectively, endeavor to inform investors of the terms of any such rights of which they become aware in accordance with the applicable provisions in the aforementioned regulations and procedures. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or, alternatively, such rights may be sold and, in such event, the net proceeds will be credited to the cash account kept on behalf of the investor with Euroclear or Clearstream.

Tender Offers

Tender offers are governed in Spain by Articles 128 et seq. of the LMV and Royal Decree 1066/2007, of 27 July, on the regime applicable to tender offers (*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores*) which implement Directive 2004/25/EC of the European Parliament and of the Council of 21 April. Other than the referred tender offer regulation, there is no other special regulation in Spain which may govern mandatory tender offers over the Shares.

Tender offers in Spain may qualify as either mandatory or voluntary.

Mandatory tender offers must be launched for all the shares of the target company and all other securities that might directly or indirectly entitle to acquire or subscribe such shares (including, without limitation, convertible and exchangeable notes) at an equitable price when any person or entity acquires control of a Spanish listed company, whether such control is obtained:

- by means of the acquisition of shares or other securities that directly or indirectly entitle to subscribe or acquire voting shares in such company;
- through shareholder agreements with shareholders or other holders of said securities; or
- as a result of other situations of equivalent effect as provided in the applicable Spanish regulation on tender offers (which constitute indirect control acquired through mergers, share capital decreases, changes in the target's treasury stock).

A person or entity is deemed to have control over a target company, either individually or jointly with other parties acting in concert, whenever:

- it acquires, directly or indirectly, a percentage of the company's voting rights equal to or greater than 30.0%; or
- it has acquired a percentage that is less than 30.0% of the voting rights and appoints, during the 24-month period following the date of acquisition of said percentage, a number of directors that, together with those already appointed by it (if any), represents more than half of the members of the target company's board of directors. The Spanish regulation on tender offers also sets forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

For the purposes of calculating the percentages of voting rights acquired, the Spanish regulation establishes the following rules:

- percentages of voting rights corresponding to: (i) companies belonging to the same group as the bidder; (ii) members of the board of directors of the bidder or of companies of its group (unless evidence to the contrary is provided); (iii) persons acting in concert with or on behalf of the bidder; (iv) voting rights which may be exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of their specific instructions with respect thereto; and (v) shares held by a nominee (such nominee being a third-party whom the bidder totally or partially covers against the risks related to acquisitions or transfers of the shares or the possession thereof), will be deemed to be held by the bidder;
- both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or under any other contractual title, will also be deemed to be held by the bidder;
- the percentage of voting rights shall be calculated based on the entire number of the company's shares with voting rights, even if the exercise of such rights has been suspended. Treasury stock held directly or indirectly by the target company (according to the information available on the date of calculation of the percentage of voting rights held by the bidder) shall be excluded from the calculation. Non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and
- acquisitions of securities or other financial instruments which entitle the holder to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the applicable Spanish regulation on tender offers, the CNMV will conditionally exempt a person or entity from the obligation to launch a mandatory bid when another person or entity not acting in concert with the potential bidder, directly or indirectly holds an equal or greater voting percentage in the target company.

Spanish regulations establish certain exceptions where control is obtained but no mandatory tender offer is required, including, among others:

- Subject to the CNMV's approval, acquisitions or other transactions resulting from the conversion or capitalization of claims into shares of listed companies if their financial feasibility is subject to serious and imminent danger provided that such transactions are intended to ensure the company's financial recovery in the long-term. The approval of the CNMV will not be required if the acquisition takes place in the context of a refinancing agreement under Additional Disposition Fourth of Act 22/2003, of 9 July, on insolvency (*Ley 22/2003, de 9 de julio, concursal*).
- In the event of a merger, provided that those acquiring control did not vote in favor of the merger at the relevant general shareholders' meeting of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose.
- When control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50.0% of the voting rights to which the bid was directed (excluding voting rights already held by the bidder and those belonging to shareholders who entered into an agreement with the bidder regarding the tender offer).

The price of the mandatory tender offer is deemed to be equitable when it is at least equal to the highest price paid by the bidder or any person acting in concert therewith for the same securities during the 12 months preceding the announcement of the tender offer. Other rules used to calculate such equitable price are set forth in the applicable Spanish regulation. However, the CNMV may change the price determined pursuant to said rules in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched as soon as possible and at any event within one month from the acquisition of the control of the target company.

Voluntary tender offers may be launched in those cases in which a mandatory offer is not legally required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the articles of association or adoption of certain resolutions by the general shareholders' meeting of the target company, acceptance of the offer by a minimum number of shares of the target company, approval of the offer by the general shareholders' meeting of the bidder; and any other condition deemed by the CNMV to be in accordance with law), provided that the fulfillment of such conditions may be verified by the end of the offer acceptance period; and
- they may be launched at a price other than an equitable price.

The price in a voluntary tender offer must be the higher of (i) the equitable price and (ii) the price resulting from an independent valuation report, and must at least consist of cash as an alternative if certain circumstances have occurred during the two years prior to the announcement of the offer (basically, the trading price for the shares being affected by price manipulation practices, market or share prices being affected by natural disasters, force majeure, or other exceptional events, or the target company being subject to expropriation or confiscation resulting in significant impair of the company's real value).

The Spanish regulation on tender offers sets forth further relevant provisions, including, amongst others:

- the board of directors of the target company will be exempt from the prohibition to carry out frustrating or defensive actions against a foreign bidder provided the latter's board of directors is not subject to equivalent passivity rules and subject to prior approval by the company's general shareholders' meeting within the 18-month period before the date of the public announcement of the tender offer;
- defensive measures included in a listed company's articles of association and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders decide otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected shall be entitled to compensation at the target company's expense); and
- squeeze-out and sell-out rights will apply provided that following a mandatory tender offer (or as a result of a voluntary offer for all the of the target's share capital) the bidder holds shares representing at least 90% of the target company's voting share capital and the tender offer has been accepted by the holders of securities representing at least 90.0% of the voting rights over which the offer was launched.

PLAN OF DISTRIBUTION

Underwriting Agreement

The Company, the Selling Shareholder and the Managers are expected to enter into an underwriting agreement (the **Underwriting Agreement**) with respect to the Institutional Tranche Shares upon the finalization of the book-building period (expected to be on or about 16 October 2018 and the Underwriting Agreement to be entered into on or about the same date). Subject to the satisfaction of certain conditions set out in the Underwriting Agreement, each Manager will agree, severally and not jointly, to procure purchasers for or, failing which, to purchase such percentage of the total number of Initial Institutional Tranche Shares (excluding the Additional Shares) as is set forth opposite its name in the following table:

Managers	Registered Address	Underwriting Commitment of Initial Institutional Tranche Shares[1]
Banco Santander, S.A	Calle Gran Vía de Hortaleza 3, Edificio Pedreña, Planta 1ª, 28033, Madrid, Spain	12.00%
Citigroup Global Markets Limited	Canada Square, Canary Wharf, London E14 5LB, United Kingdom	20.00%
Merrill Lynch International	2 King Edward Street, London EC1A 1HQ, United Kingdom	20.00%
Morgan Stanley & Co. International plc	25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom	20.00%
Barclays Bank PLC	5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom	6.50%
BNP Paribas	16 boulevard des Italiens, 75009 Paris, France	6.50%
First Abu Dhabi Bank PJSC	FAB Building, Khalifa Business Park—Al Qurm District, P.O. Box 6316, Abu Dhabi, UAE	2.75%
Société Générale	29 Boulevard Haussmann, 75009 Paris, France	2.75%
UBS Limited	5 Broadgate, London EC2M 2QS, United Kingdom	6.50%
Banco Bilbao Vizcaya Argentaria, S.A.	Plaza San Nicolás, 4, 48005 Bilbao, Spain	1.50%
CaixaBank, S.A.[2]	Calle Pintor Sorolla, 2-4, 46002 Valencia, Spain	1.50%

(1) The percentages in this column refer to the Initial Institutional Tranche Shares only. Additional Shares, if any, would be distributed among the Managers following the same proportion.

(2) It is expected that Banco Português de Investimento, S.A. through an agreement with CaixaBank, S.A. will take part in the marketing activities of the Offering, although it will not be a party to the Underwriting Agreement and it will not receive any commission from the Company or the Selling Shareholder.

If one or more of the Managers shall fail on the Transaction Date (expected to be on or about 17 October 2018) or, where applicable, on the relevant date of delivery of Additional Shares, to procure purchasers for or purchase the Institutional Tranche Shares which it or they are obliged to purchase pursuant to the Underwriting Agreement (the **Defaulted Shares**), the Joint Global Coordinators shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Managers, or any other Managers, to procure purchasers for, or to itself purchase all, but not less than all, of the Defaulted Shares in such amounts as may be agreed upon and upon the terms set forth in the Underwriting Agreement. If, however, the Joint Global Coordinators shall not have completed such arrangements within such 24-hour period, then (i) if the number of Defaulted Shares does not exceed 15.00% of the number of Institutional Tranche Shares to be purchased on such date, each of the non-defaulting Managers shall be obliged, acting severally and not jointly, to procure purchasers for, or to itself purchase the full amount thereof in the proportions that their respective underwriting commitments bear to the underwriting commitments of all non-defaulting Managers; or (ii) if the number of Defaulted Shares exceeds 15.00% of the number of Institutional Tranche Shares to be purchased on such date, the Underwriting Agreement, or, with respect to the relevant date of delivery of Additional Shares which occurs after the Closing Time (as defined below), the obligation of the Managers to procure purchasers for or themselves purchase and the Selling Shareholder to sell the Additional Shares to be purchased and sold on the date of delivery, shall terminate without liability on the part of any non-defaulting Manager, and the Offering, in case of termination of the Underwriting Agreement, will therefore be revoked. See "—*Withdrawal and Revocation of the Offering—Revocation of the Offering*" below.

No action taken pursuant to the paragraph above shall relieve any defaulting Manager from liability in respect of its default. In the event of any such default which does not result in a termination of the Underwriting Agreement or, in the case of the date of delivery of the Additional Shares which is after the Closing Time, which does not result in a termination of the obligation of the Managers to purchase, and the Selling Shareholder to sell, the relevant Additional Shares, as the case may be, either the Joint Global Coordinators or the Company and the Selling Shareholder shall have the right to postpone the Closing Time or the date of delivery of the Additional Shares, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Prospectus, the pricing information or in any other documents or arrangements.

Pursuant to the Underwriting Agreement, the Selling Shareholder will grant the Joint Global Coordinators on behalf of the Managers, acting severally and not jointly, the Over-Allotment Option, exercisable in whole or in part on one occasion only during 29 days after Admission to purchase up to 20,068,120 Additional Shares (representing 15.00% of the Initial Offered Shares) at the Offering Price. See "*—Over-Allotment Option*" below.

In consideration of the agreement by the Managers to procure purchasers for or, failing which, to purchase the Institutional Tranche Shares, the Selling Shareholder will pay to the Managers a base fee totaling 0.75% of the aggregate Offering Price of the Institutional Tranche Shares sold by the Selling Shareholder in the Offering. In addition, the Selling Shareholder may, at the Selling Shareholder's sole discretion, pay to the Managers a discretionary fee of up to 1.25% of the aggregate Offering Price of the Institutional Tranche Shares sold in the Offering to be distributed among the Managers as determined by the Selling Shareholder. Furthermore, the Selling Shareholder will agree to reimburse the Managers for certain expenses.

The Underwriting Agreement provides that (i) the obligations of the Managers are subject to certain customary conditions precedent; (ii) the Company and the Selling Shareholder will give the Managers customary representations and warranties in the Underwriting Agreement; and (ii) the Underwriting Agreement may be terminated under certain scenarios. See "*—Withdrawal and Revocation of the Offering—Revocation of the Offering*" below.

The Underwriting Agreement will also provide that the Company will, subject to certain exceptions, indemnify the Managers against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

The identity and number of Managers and the exact number of Initial Institutional Tranche Shares to be underwritten by each of them shall be fixed if and when the Underwriting Agreement is entered into, subject in each case to such adjustments as the Joint Global Coordinators in their discretion shall make to eliminate any sales or purchases of fractional Initial Institutional Tranche Shares or, in the case of the Additional Shares, subject to such adjustments as the Stabilization Manager in its discretion shall make to eliminate any sales or purchases of fractional Additional Shares.

Pursuant to the Underwriting Agreement, the Selling Shareholder shall grant the Over-allotment Option to the Joint Global Coordinators on behalf of the Managers, as further described in "*—Over-Allotment Option*" below.

The Offering

The Selling Shareholder is offering up to 133,787,471 Initial Offered Shares, with a nominal value of €0.50 per share, representing 25.0% of the total issued ordinary share capital of the Company, which results in an offer up to €66,893,735.50 of nominal value, assuming no exercise of the Over-Allotment Option.

In addition, the Selling Shareholder has granted Merrill Lynch International, in its capacity as Stabilization Manager, acting on behalf of the Managers, the Over-Allotment Option, exercisable within 29 calendar days from the date on which the Shares commence trading on the Spanish Stock Exchanges, pursuant to which the Stabilization Manager may require the Selling Shareholder to sell at the Offering Price up to up to 15% of the Initial Offered Shares, to cover over-allotments or short positions, if any, in connection with the Offering. The Over-Allotment Option is exercisable by the Stabilization Manager, on behalf of the Managers, upon notice to the Selling Shareholder, on one occasion in whole or in part, only for the purpose of covering over-allotments (if any) and to cover any short positions resulting from stabilization transactions (if any), no later than 29 calendar days after the date of commencement of trading of the Shares on the Spanish Stock Exchanges.

We expect that the Offering will take place according to the tentative calendar set out below:

Action	Estimated Date[1]
Registration of this Prospectus with the CNMV	2 October 2018
Commencement of the book-building period in which proposals are made by Qualified Investors	2 October 2018
Finalization of book-building period and setting of the Offering Price	16 October 2018
Setting of the Offering Price	16 October 2018
Execution of the Underwriting Agreement	16 October 2018
Publication of a relevant fact notice (*hecho relevante*) with the final size and price of the Offering and the Offering Price	16 October 2018
Selection of offers to buy Initial Institutional Tranche Shares	16 October 2018
Confirmation of offers to buy Initial Institutional Tranche Shares	17 October 2018
Final allocation of Initial Institutional Tranche Shares	17 October 2018
Transaction Date of the Offering and publication of relevant fact notice (*hecho relevante*)	17 October 2018
Admission and commencement of Stabilization Period (on or about)[1]	18 October 2018
Payment by the final investors for the Initial Offered Shares	19 October 2018
Settlement Date (on or about)	19 October 2018
End of Stabilization Period	16 November 2018

(1) Each of the times and dates is subject to change without prior notice. Any change, including in particular any lengthening or shortening of the book-building period, will be publicized, including by filing of a relevant fact notice (*hecho relevante*) with the CNMV. For relevant dates in connection with the Employees Tranche, see "*Employees Tranche*".

The Offering, except for the Employees Tranche, will be conducted through a book-building process. During the book-building period, which is expected to start on 2 October 2018 after the registration of this Prospectus with the CNMV, and end on 16 October 2018 (both inclusive), the Managers will market the Institutional Tranche Shares among investors in accordance with, and subject to, the selling and transfer restrictions set forth in this Prospectus. Investors may make their purchase proposals during this period, indicating the number of Institutional Tranche Shares they would be interested to acquire and the potential purchase price at which they would be interested in acquiring them.

The book-building period may be reduced or extended by agreement by us, the Selling Shareholder and the Joint Global Coordinators if, in the first case, the book of demand is sufficiently covered in their view before the end of the book-building period or, in the second case, if they understand that an extension of the book-building period for up to one additional week is convenient to ensure the success of the Offering. In the event there is such a reduction or extension of the book-building period, the Company will inform the market through the publication of a relevant fact notice (*hecho relevante*) and the subsequent steps in the tentative calendar of the Offering may be postponed or brought forward accordingly.

Purchase proposals made by institutional investors during the bookbuilding period will constitute only an indication of interest of the institutional investors in the Institutional Tranche Shares and shall accordingly not be binding with respect to the amount in euro sought to be invested in the purchase of the Institutional Tranche Shares and, if applicable, the price per Institutional Tranche Share, neither for the investor nor for the Selling Shareholder. Following determination of the Offering Price and allocation of the Initial Institutional Tranche Shares among institutional investors, allocatees will be notified by any of the Managers of both the Offering Price and the number of Initial Institutional Tranche Shares allocated to them and will be asked to confirm their purchase proposals. Once a purchase proposal has been confirmed by an institutional investor it becomes irrevocable. The Company will bear any expenses payable to the Spanish Stock Exchanges and Iberclear deriving from the registration of the Institutional Tranche Shares under the name of the relevant institutional investors.

The Company and the Selling Shareholder have discussed with the Joint Global Coordinators their principles for allocation, the factors they believe to be relevant to the allocation and pricing of the Institutional Tranche Shares and have agreed the objectives and process for the allocation and pricing of the Institutional Tranche Shares. The Joint Global Coordinators will take into account their prudential responsibilities to manage the risk properly when agreeing to the allocation, pricing and timing. The final decision on the allocation of the Institutional Tranche Shares shall be made by the Company and the Selling Shareholder, after consultation with the Joint Global Coordinators (on behalf of themselves and the other Managers) on the date of pricing of the Offering, which is expected to occur on or about 16 October 2018.

Prior to the Offering, there has been no public market for the Shares.

Offering Price and Number of Offered Shares

The Offering Price is expected to be in the range of €13.10 to €15.10 (inclusive) per Offered Share (with the applicable discount in the case of the Employees Tranche Shares).

The Offering is made for a maximum of 133,787,471 Offered Shares (assuming no exercise of the Over-Allotment Option), which represent 25.00% of the total outstanding share capital of the Company, and for a maximum of 153,855,591 Offered Shares (assuming full exercise of the Over-allotment Option), which represent 28.75% of the total outstanding share capital of the Company.

The final number of Employees Tranche Shares will be determined on or about 15 October 2018. All Initial Offered Shares not allocated as Employees Tranche Shares on such date will be considered Initial Institutional Tranche Shares. For further information, see "*Employees Tranche*".

Considering the high-point and low-point of the Offering Price Range, the total amount of the Offering is expected to range from €2,019,382,737 to €1,751,914,825, in case of no exercise of the Over-allotment Option, and from €2,322,411,349 to €2,014,807,197, in case of full exercise of the Over-allotment Option. Total capitalization immediately following the Offering would therefore range from €8,080,763,218 (assuming the Offering is made at the high-point of the Offering Price Range) to €7,010,463,454 (assuming the Offering is made at the low-point of the Offering Price Range). For the avoidance of doubt, the aforementioned calculations assume that 535,149 Employees Tranche are Shares being priced at a 10% discount over the applicable Offering Price.

The Offering Price and the exact number of Initial Institutional Tranche Shares will be determined on the basis of a book-building process. The Offering Price may be set within, above or below the Offering Price Range. The Offering Price Range is an indicative price range. The Offering Price and the exact number of Institutional Tranche Shares offered will be determined by the Company and the Selling Shareholder, after consultation with the Joint Global Coordinators and the Financial Advisor after the end of the Offering Period and without consulting any independent experts, including any acceleration or extension, on the basis of the book-building process and taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offered Shares, and other factors deemed appropriate.

The Offering Price, the exact number of Institutional Tranche Shares and Employees Tranche Shares to be sold and the maximum number of Additional Shares will be announced by the Company through the publication of a relevant fact notice (*hecho relevante*) reported to the CNMV.

Expenses and Taxes Charged to the Investor

Purchasers of Shares may be required to pay stamp taxes and other charges in compliance with the laws and practices of their country of purchase in addition to the Offering Price.

In addition, purchasers will have to bear the commissions payable to the financial intermediaries through which they will hold the Shares offered, including those commissions related to the administration and security custody which are freely set by the relevant financial intermediaries and notified to CNMV or the Bank of Spain (*Banco de España*), as the case may be.

Agent

Banco Santander, S.A., a Spanish company with its corporate address at Paseo de Pereda, 9–12. 39004, Santander, Spain, as the agent bank (the **Agent Bank**), will be responsible for, among other things: maintaining the Offered Shares deposited in the securities accounts held with it by the Selling Shareholder or the Joint Global Coordinators, as the case may be, until settlement of the Offering; instructing the entities participating in the Offering on the procedures applicable to its execution; receiving and processing information on the selection and confirmation of purchase proposals and collaborating in the allocation of the Institutional Tranche Shares to the final institutional investors; and cooperating with the Company in the Admission process. In addition, Banco Santander S.A. is acting as sole processing bank and sole placing entity in relation to the Employees Tranche.

Withdrawal and Revocation of the Offering

Withdrawal of the Offering

The Company and the Selling Shareholder expressly reserve the right to withdraw the Offering, postpone it, defer it or suspend it temporarily or indefinitely for any reason at any time before the setting of the Offering

Price. The Company will notify the CNMV, the Agent Bank and the Joint Global Coordinators of the withdrawal of the Offering on the date that the withdrawal takes place or as soon as practicable.

Revocation of the Offering

The Offering will be revoked (i) if the Underwriting Agreement is not signed on or before 11:59 p.m. (Madrid time) on 16 October 2018 or any postponement thereof duly notified to the CNMV; (ii) if the Offering is suspended or withdrawn by any judicial or administrative authority; (iii) if our Shares are not admitted to listing on the Spanish Stock Exchanges before 11:59 p.m. (Madrid time) on 31 October 2018, or (iv) if the Underwriting Agreement is terminated by the Joint Global Coordinators (on behalf of the Managers) (after consulting with the us and the Selling Shareholder, if reasonably practicable in the circumstances), upon the occurrence of the following customary termination events set forth in the Underwriting Agreement at any time prior to the time that a special stock exchange transaction (*operación bursátil especial*) takes place on the Transaction Date (as defined below) to effect closing of the Offering (the **Closing Time**):

- if since the time of execution of the Underwriting Agreement, or the date of which information is given in this Prospectus or the relevant fact notice (*hecho relevante*) published with the final size of the Offering and the Offering Price, there has been any material adverse change, or any development reasonably likely to result in a material adverse change in the business, financial condition prospects, results of operations or assets of the Company and its subsidiaries;
- if there has occurred (A) any material adverse change in the financial markets in the Kingdom of Spain, the United States, the United Kingdom, in any member state of the European Economic area (EEA) or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, or currency exchange rates;
- if trading generally on the Spanish Stock Exchanges, the London Stock Exchange or the New York Stock Exchange has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the regulatory authorities of the Kingdom of Spain, the United States, the United Kingdom or any other governmental or self-regulatory authority, or a material disruption has occurred in commercial banking or shares settlement or clearance services in the Kingdom of Spain, the United Kingdom, the United States or in any member state of the EEA;
- if a banking moratorium has been declared by the authorities of any of the United Kingdom, the United States, the State of New York, the Kingdom of Spain, or any other member state of the EEA;
- there has been a material breach by us or the Selling Shareholder of any of the representations and warranties set out in the Underwriting Agreement or a material breach by us or the Selling Shareholder of any of the covenants, obligations or undertakings under the Underwriting Agreement;
- there has arisen any matter requiring publication of an amendment or supplement to this Prospectus;

in each case the effect of which is such as to make it in the judgement of the Joint Global Coordinators, impracticable or inadvisable to proceed with the Offering.

In case of withdrawal or revocation of the Offering, all offers to purchase shall be cancelled and all purchase orders related to the Offering shall be terminated. Additionally, the Selling Shareholder shall have no obligation to deliver the Institutional Tranche Shares and the investors (including for the purposes of this section, the Managers on behalf of the final investors) shall have no obligation to purchase, as the case may be, the Institutional Tranche Shares.

Settlement

In particular, the closing date of the Offering (*fecha de operación bursátil especial*) (the **Transaction Date**) is expected to be on or about 17 October 2018. We will publish the Offering Price through a relevant fact notice (*hecho relevante*). On the Transaction Date, institutional investors' payment orders will be processed via the Spanish Stock Exchanges and Iberclear and, assuming the Managers have not exercised the termination rights contained in the Underwriting Agreement, investors will become unconditionally bound to pay for and shall be entitled to receive the relevant Institutional Tranche Shares purchased by them in the Offering.

The settlement date of the Offering (the **Settlement Date**) will fall no later than the second business day (being days on which the Spanish Stock Exchanges are open for trading (*días hábiles bursátiles*) after the Transaction Date. Payment for the Initial Institutional Tranche Shares shall be made by the final purchasers thereof, or

failing which, by the Managers, in euros at the Offering Price by no later than 9.30 (Madrid time) on the Settlement Date.

The Shares are expected to be listed on the Spanish Stock Exchanges and quoted on the AQS on or about 18 October 2018, under the symbol "CEP".

Authorizations of the Offering

On 17 September 2018, the Selling Shareholder, acting as sole shareholder of the Company and exercising the authority of the General Shareholders' Meeting, resolved to carry out the Offering and to request Admission. On the same date, the Board of Directors also resolved to carry out the Offering and to apply for Admission. If there is any change on the proposed Admission date this will be announced through publication of a relevant fact notice (*hecho relevante*).

For the avoidance of doubt, no application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any exchange other than the Spanish Stock Exchanges and the AQS. We know and accept the conditions and requirements for admission to trading, permanence and exclusion of the Shares in accordance with legislation in force as well as the requirements of the relevant securities markets authorities. In addition, we declare that we do not intend to issue any Shares between the date of this Prospectus and Admission.

No pre-emptive subscription and/or acquisition rights are applicable in relation to the Offering, taking into account that the Offered Shares are freely transferrable.

The Offering is not subject to any administrative approval or authorization besides the regime applicable to the approval by the CNMV of this document as a prospectus for the purposes of the Offering and the subsequent Admission in accordance with the Securities Market Act and related regulation.

Stabilization

In connection with the Offering, Merrill Lynch International, or any of its agents, as Stabilization Manager, acting on behalf of the Manager, may (but will be under no obligation to) to the extent permitted by applicable law, engage in transactions that stabilize, support, maintain or otherwise affect the price, as well as over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Any stabilization transactions shall be undertaken in accordance with applicable laws and regulations, in particular, MAR and Regulation 2016/1052.

Stabilization transactions may start on the date of commencement of trading of the Shares and will end no later than 29 days after the date of commencement of trading of the Shares on the Spanish Stock Exchanges and the AQS.

For this purpose, the Stabilization Manager may carry out an over-allotment of Shares in the Offering. In doing so, the Stabilization Manager shall act as principal and not as agent for the Company or the Selling Shareholder and any loss resulting from stabilization shall be borne by the Stabilization Manager on behalf of itself and the other Managers in the manner agreed between them, and any profit arising therefrom shall be remitted to the Selling Shareholder by the Stabilization Manager. The Stabilization Manager is not required to enter into such transactions and such transactions may be effected on a regulated market and may be taken at any time during the Stabilization Period. However, there is no obligation that the Stabilization Manager or any of its agents effect stabilizing transactions and there is no assurance that the stabilizing transactions will be undertaken. Such stabilization, if commenced, may be discontinued at any time without prior notice and shall in any event be brought to any end after a limited period, without prejudice of the duty to give notice to the CNMV of the details of the transactions carried out under Regulation 2016/1052. In no event will measures be taken to stabilize the market price of the Shares above the Offering Price. In accordance with Article 5.5 of MAR and Article 6.2 of Regulation 2016/1052, the details of all stabilization transactions will be notified by the Stabilization Manager to the CNMV no later than closing of the seventh daily market session following the date of execution of such stabilization transactions.

Additionally, in accordance with Article 6.3 of Regulation 2016/1052, the following information will be disclosed to the CNMV by the Stabilization Manager within one week of the end of the Stabilization Period: (i) whether or not stabilization transactions were undertaken; (ii) the date on which stabilization transactions started; (iii) the date on which stabilization transactions last occurred; and (iv) the price range within which the stabilization transaction was carried out, for each of the dates during which stabilization transactions were carried out.

Liquidity Providers

There are no entities that have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates.

Over-Allotment Option

In connection with the Offering, the Selling Shareholder will grant to Merrill Lynch International, in its capacity as Stabilization Manager, acting on behalf of the Managers, the Over-Allotment Option to purchase up to the maximum number of 20,068,120 Additional Shares at the Offering Price, which represent 15.00% of the total number of Initial Offered Shares. The Over-Allotment Option is exercisable by the Stabilization Manager, on behalf of the Managers, upon notice to the Selling Shareholder, on one occasion in whole or in part, only for the purpose of covering over-allotments (if any) and to cover any short positions resulting from stabilization transactions (if any), no later than 29 calendar days after the date of commencement of trading of the Shares on the Spanish Stock Exchanges.

The maximum number of Additional Shares over which the Over-allotment Option may be exercised by the Stabilization Manager shall be reduced by the number of Shares that have been acquired by the Stabilization Manager in the market in the context of the stabilization transactions by the end of the Stabilization Period.

The exercise of the Over-Allotment Option is not subject to any conditions.

Lock-up

The Company, pursuant to the Underwriting Agreement, will agree that during a period from the date on which the Underwriting Agreement is signed to and including 180 days from the Settlement Date, neither the Company nor any of its affiliates nor any person acting on its or their behalf (other than the Managers and the Selling Shareholder, as to whom the Company will give no undertaking) will, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed, and except as required to acquire and deliver the relevant Employees Tranche Shares to the addressees of the Employees Tranche, (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company or its Subsidiaries, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or its Subsidiaries, or publicly file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any of the Shares or other shares of the Company or its Subsidiaries held by the Company or its affiliates, whether any such transaction described in (A) above or this (B) is to be settled by delivery of Shares or other securities, in cash or otherwise or (C) publicly announce such an intention to effect any such transaction described in (A) or (B) above. The foregoing sentence shall not apply to: (i) issuances or transfers of Shares in connection with the implementation by the Company of the Offering or any employee benefit or incentive plan to the extent described in this Prospectus or the relevant fact notice (*hecho relevante*) published with the final size of the Offering and the Offering Price; (ii) any inter-company transfers of Shares by any affiliate of the Company (a **Transferring Affiliate**) in favor of any affiliate, controlled companies of, or entities under common control (direct or indirectly) with, that Transferring Affiliate, including for the avoidance of doubt any person who directly or indirectly is managed or advised by the same manager or advisor as that Transferring Affiliate; and (iii) the transfer of the Shares to the offeror in the context of a tender offer for the acquisition of the Company, provided that in the case of (ii) above (A) the recipients of the Shares shall enter into a letter agreement in favor of the Joint Global Coordinators prior to any such transfer or disposal agreeing to be bound, *mutatis mutandis*, by the restrictions contained in the Underwriting Agreement for the then remaining duration of the lock-up period and (B) such transfers of Shares shall be performed on terms and conditions that do not conflict with the Offering.

The Selling Shareholder, pursuant to the Underwriting Agreement, will agree that during a period from the date on which the Underwriting Agreement is signed to and including 180 days after the Settlement Date, neither the Selling Shareholder nor any of its affiliates nor any person acting on its or any of their behalf (other than the Managers and the Company, as to whom the Selling Shareholder will give no undertaking) will, without the prior written consent of the Joint Global Coordinators, such consent not to be unreasonably withheld or delayed, (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise

transfer or dispose of any Shares or other shares of the Company or its Subsidiaries or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or its Subsidiaries or request or demand that the Company publicly file any prospectus under the Prospectus Directive and the Prospectus Rules or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of the ownership of any Shares or other shares of the Company or its Subsidiaries held by the Company or its Affiliates, whether any such transaction described in (A) or (B) above is to be settled by delivery of Offered Shares or such other securities of the Company or its Subsidiaries, in cash or otherwise. The foregoing sentence shall not apply to (i) any sale of Institutional Tranche Shares pursuant to the Offering or any sale of Employees Tranche Shares in relation to the Employees Tranche; (ii) any transfer of Shares held by the Selling Shareholder to the Stabilization Manager pursuant to the Stock Lending Agreement; (iii) any inter-company transfers of Shares by the Selling Shareholder or an affiliate of the Selling Shareholder in favor of their respective affiliates, controlled companies or entities under common control (direct or indirectly), and any affiliate of the foregoing, (iv) the transfer of the Shares to the offeror in the context of a tender offer for the acquisition of the Company, and (v) any disposal of Shares pursuant to any offer by the Company to purchase its own securities which is made on identical terms to all holders of Shares, (vi) any disposal by and/or allotment and issue of shares to the Selling Shareholder pursuant to any capital reorganization in respect of any Shares beneficially owned, held or controlled by the Selling Shareholder, provided that any shares issued to or otherwise acquired by the Selling Shareholder pursuant to such capital reorganization shall be subject to the restrictions of the Underwriting Agreement; or (vii) any transfer or disposal of Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them or between the Company and its shareholders of any class of them which is agreed to by the creditor or shareholders and (where required) sanctioned by any applicable authority, provided that in the case of (iii) above (A) the recipients of the Shares shall enter in each case into a letter agreement in favor of the Joint Global Coordinators prior to any such transfer or disposal agreeing to be bound, *mutatis mutandis*, by the restrictions contained in this paragraph for the then remaining duration of the lock-up period, and (B) such transfers of Shares shall be performed on terms and conditions that do not conflict with the Offering.

Other Relationships

Each of the Managers is a full service financial institution engaged in various activities, which may include the provision of investment banking, commercial banking and financial advisory services. The Managers and their respective affiliates in the ordinary course of business have in the past engaged in investment banking and/or commercial banking transactions with the Company, the Selling Shareholder and their respective affiliates from time to time for which they have received customary fees and reimbursement of expenses and may in the future, from time to time, engage in transactions with and perform services for the Company, the Selling Shareholder and their respective affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

It is expected that Banco Português de Investimento, S.A. through an agreement with CaixaBank, S.A. will take part in the marketing activities of the Offering, although it will not be a party to the Underwriting Agreement and it will not receive any commission from the Company or the Selling Shareholder.

In the ordinary course of their various business activities, the Managers and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) in the Company, the Selling Shareholder and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

In addition, certain of the Managers or their affiliates are, or may in the future be, lenders, and in some cases agents or managers for the lenders, under certain of the credit facilities and other credit arrangements of the Company, the Selling Shareholder or their respective affiliates. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company, the Selling Shareholder or their respective affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, certain of the Managers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical such hedging strategy would include these Managers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities.

The Managers do not consider any of the arrangements describe above to be material in the context of the Offering.

In addition, we are not aware of (i) any person intending to acquire Shares representing more than 5.00% of the Initial Offered Shares (ii) of any other interest, including conflicting ones, that is material to the Offering. Likewise, the Company is not privy to whether any of its Directors or senior managers, intend to acquire Initial Offered Shares in the Offering, except the commitment of our Chief Executive Officer to acquire Employees Tranche Shares under the Employees Tranche.

Offering expenses

The following table is for illustrative purposes only and sets forth the estimated expenses payable by the Selling Shareholder or the Company (as indicated below) in relation to the Offering, in each case excluding any taxes, in particular VAT, which shall be added where applicable:

Action	Euros
Underwriting commissions[(1)]*	46,302,773
Iberclear fee**	70,000
Spanish Stock Exchanges fee**	550,000
CNMV fee[(2)]**	71,407
Legal expenses and others (publishing, legal and financial advice, Agent Bank and others)*	6,500,000
Total	53,494,180

(1) Offered Shares underwriting commissions will be paid by the Selling Shareholder. Assuming that (i) the Offering Price is at the high-point of the Offering Price Range, that is €15.10; (ii) all the Offered Shares (including all Additional Shares) have been placed or purchased by each of the Managers and (iii) the discretionary fee, as the case may be, is paid in full. If the Over-Allotment option is not exercised and, therefore, no Additional Shares are sold, the total underwriting commissions payable by the Selling Shareholder would amount to €40,242,201.

(2) Assumes that (i) the Offering Price is at the high-point of the Offering Price Range, that is €15.10; and (ii) all the Offered Shares (excluding any Additional Shares) have been placed or purchased by the Managers. For clarification purposes, the CNMV fee is made up of two tariffs: (i) approximately €25 thousand, related to registration of the Prospectus, which will not be charged if Admission occurs within 6 months from the date of the Prospectus); and (ii) approximately €71 thousand, related to Admission and calculated on the basis of the expected value of the Offering.

* Expenses to be paid mainly by the Selling Shareholder.

** Expenses to be paid mainly by the Company.

The approximate expenses payable by the Selling Shareholder would total €50,494,180 which accounts for 2.17% of the total amount of the Offering. The approximate expenses payable by the Company would amount to €3,000,000, which represents 0.13% of the total amount of the Offering.

EMPLOYEES TRANCHE

Overview of the Employees Tranche

The Selling Shareholder is initially offering up to 535,149 Initial Offered Shares (the **Employees Tranche Shares**) to employees of the Company, and its Spanish subsidiaries, that comply with certain requirements described below (**Relevant Employees**). The initially offered Employees Tranche Shares represent approximately 0.40% of the total Initial Offered Shares.

Relevant Employees will be entitled to place orders (each, an **Employee Order**), for a minimum amount of €1,000 and a maximum amount of €50,000. Employee Orders may be made from the date of registration of this Prospectus up to (and including) 11 October 2018 (three business days prior to the finalization of the bookbuilding process for the Institutional Tranche Shares, which is expected to occur on 16 October 2018) (the **Employee Orders Period**), will be irrevocable (except in certain limited circumstances described below where a supplement to the Prospectus is published) and will be accepted in their entirety.

If, after conclusion of the Employee Orders Period, there is oversubscription of the Employees Tranche, the Company and the Selling Shareholder will increase the number of Employees Tranche Shares to cover all shares ordered by the Relevant Employees. If, on the contrary, the total Employee Orders fail to cover the initial offered number of Employees Tranche Shares, the remainder will be considered Institutional Tranche Shares for all purposes in the Offering. Allocation of Employees Tranche Shares will be subject to rounding to the extent required to avoid allocation of fractional shares. Given that all orders will be accepted entirely, no *pro rata* allocation (*prorrateo*) will be applicable to the Employees Tranche Shares in any scenario.

The Employees Tranche Shares will be sold to the Relevant Employees at the lower of: (i) €13.59 (the equivalent to the high-point of the Offering Price Range after application of an up-front 10% discount) (the **Employees Maximum Offering Price**), or (ii) the Offering Price, after application of an up-front 10% discount (the 10% discount, in either of the alternatives above, is referred to as the **Employees Discount**). The lower of (i) or (ii) will be referred to as the **Employees Offering Price** and will be announced by the Company through a relevant fact notice (*hecho relevante*) simultaneously with the announcement of the Offering Price.

The Employees Tranche Shares will be delivered to the securities accounts of the Relevant Employees on the Settlement Date.

In consideration of the Employees Discount, each Relevant Employee acquiring Employees Tranche Shares will agree in the relevant contractual documentation to a lock up period of six months (starting on the Settlement Date, which is expected to take place on or about 19 October 2018) (the **Employees Lock-Up Period**) during which the relevant Employees Tranche Shares will be blocked.

Banco Santander, S.A. is acting as sole processor bank in relation to the Employees Tranche (in such capacity, the **Processor Bank**).

For the avoidance of doubt, informative materials distributed by the Company and the Processor Bank to Relevant Employees prior to or after the date of this Prospectus are consistent with the contents of this Prospectus, although they have not been reviewed, verified or approved by the CNMV.

Relevant Employees

In order to qualify as a Relevant Employee, an individual needs to comply with the following requirements:

(a) being an employee of the Company or any of its Spanish subsidiaries with at least one-year seniority as of 31 August 2018;

(b) having his or her tax residence in Spain; and

(c) having completed the process to open the required securities accounts and a cash account with the Processor Bank, following instructions received in this respect from the Company and the Processor Bank prior to the date of this Prospectus (between 17 September and 28 September 2018).

Although not technically an employee of the Company or its Spanish subsidiaries, the Selling Shareholder has resolved to extend the offering of Employees Tranche Shares to the Chief Executive Officer. The Chief Executive Officer has confirmed his intention to acquire Employees Tranche Shares for the maximum amount available to Relevant Employees (i.e. €50,000), on his own account and at the Offering Price (i.e. without considering the Employees Discount).

Likewise, the Selling Shareholder has resolved to extend the offering of Employees Tranche Shares to the three employees of the *Fundación Cepsa*, a non-profit organization closely linked to the Group. The employees of the *Fundación Cepsa* will acquire Employees Tranche Shares, if any, at the same price offered to Relevant Employees.

For all purposes in this Prospectus, references made to Relevant Employees shall be deemed to also include the additional addressees mentioned in the two preceding paragraphs, except where the context requires otherwise.

The cash accounts opened by the Relevant Employees with the Processor Bank will be free of opening, closing and maintenance fees. Other services, such as wire transfers and checks cashing, will be charged as per market standards. The securities accounts opened by Relevant Employees will be free of opening and closing fees. Shares of the Company deposited in the securities accounts will not bear custody fees (other securities deposited in the accounts, if any, will bear custody fees as per market standards). Other services related to Shares of the Company and other securities deposited in the securities accounts (such as dividends cashing and/or transfers of securities to other entities) will be charged.

Timetable of the Employees Tranche

The following table reflects the key milestones in relation to the Employees Tranche:

Action	Estimated Date[1]
Information period and accounts opening period	from 17 September 2018 to 28 September 2018
Registration of this Prospectus with the CNMV including the Employees Maximum Offering Price	2 October 2018
Commencement of the Employee Orders Period	2 October 2018
Finalization of the Employee Orders Period	11 October 2018
Employees Tranche final sizing	15 October 2018
Setting of the Employees Offering Price and allocation of Employees Tranche Shares	16 October 2018
Publication of a relevant fact notice (*hecho relevante*) with the final Offering Price and Employees Offering Price	16 October 2018
Transaction Date of the Offering and publication of a relevant fact notice (*hecho relevante*)	17 October 2018
Admission (on or about)	18 October 2018
Settlement Date (on or about)	19 October 2018
End of Employees Lock-up Period	19 April 2019

Each of the dates in the above timetable is subject to change, without prior notice, in which case the Company will file a relevant fact notice (*hecho relevante*) with the CNMV.

Employee Orders

Relevant Employees will be entitled to submit Employee Orders during the Employee Orders Period, which will last from 2 October 2018 to 11 October 2018, both inclusive (eight business days).

Employee Orders will indicate the maximum euro amount which each Relevant Employee is willing to invest, from a minimum of €1,000 to a maximum of €50,000. Employee Orders for any amount over €50,000 will not be accepted for processing by the system and therefore will be considered as not placed in their entirety.

Employee Orders may contain two different types of requests:

Flexible remuneration system (FRS) purchase requests

These requests will be made through the Company's intranet, "Mi". Subsequently, the Processor Bank will download all requests directly from the intranet.

The Employees Tranche Shares object of this type of request will be considered remuneration in kind (*retribución en especie*) paid to the Relevant Employee by the Company within the Company's existing flexible remuneration program. Therefore, on the Settlement Date, the Company will pay the Selling Shareholder the amount necessary to cover these requests and the Processor Bank (on behalf of the Selling Shareholder) will deliver the Employees Tranche Shares to the Company's securities account open with the Processor Bank and, thereafter, transfer them to each of the Relevant Employee's securities account.

An amount equivalent to the value of the Employees Tranche Shares delivered pursuant to a FRS request (calculated as the number of Employees Tranche Shares delivered under such request multiplied by the Employees Offering Price) will be deducted from the Relevant Employee's total gross salary, in accordance with the Flexible Remuneration System agreement in force between each Relevant Employee placing FRS purchase requests and the Company.

Transfers of Shares from the Selling Shareholder and/or the Company to the Relevant Employees are services included in the Processor Bank's mandate as Agent Bank and Employees Tranche Processor Bank, therefore Relevant Employees will not be charged any fees for the transfers of securities to be made in the context of the Offering.

Own account purchase requests

These requests will be made by each Relevant Employee through the Processor Bank's electronic banking system, Supernet.

Employees Tranche Shares ordered under this alternative will be paid for by the Relevant Employee on his or her own account. In order to make payment, each Relevant Employee will have to ensure that the necessary amount (in euros) is transferred to and available at his or her current account opened at the Processor Bank no later than 15 October 2018 (the **Employees Pre-funding Date**), otherwise the request will be cancelled and relevant Employees Tranche Shares will be re-allocated and considered Institutional Tranche Shares for all purposes in the Offering. Once the confirmation is made, the funds will be blocked by the Processor Bank until the Transaction Date.

On the Transaction Date, the Processor Bank (on behalf of the Selling Shareholder) will charge each Relevant Employee's cash account an amount equivalent to the number of Employees Tranche Shares allocated to such Relevant Employee under an own account order, multiplied by the Employees Offering Price. The relevant Employees Tranche Shares will be delivered to the securities accounts of the Relevant Employees on the Settlement Date. Any funds in excess of the amount charged will then be available to the Relevant Employee in his or her cash account with the Processor Bank.

Each Relevant Employee placing own account requests is responsible for procuring that the necessary funds to make payment for the allocated Employees Tranche Shares remain available in his or her current account with the Processor Bank from the Employees Pre-funding Date until the Transaction Date. If, for any reason, there are no sufficient funds available on the Transaction Date to make full payment, the Processor Bank will irrespectively make the required charge to ensure full payment to the Selling Shareholder, even if this results in an overdraft. In such event, the Relevant Employee will be liable towards the Processor Bank for the defaulted amount plus customary interests and penalties applicable to overdrafts.

Limits applicable to purchase requests

The two types of requests described above are non-exclusive and can be placed cumulatively as explained below:

(a) a Relevant Employee shall be entitled to place a FRS request only up to the lower of (i) €12,000, or (ii) 30.0% of the Relevant Employee's annual gross remuneration (the **Relevant Employee FRS Limit**) jointly with any other benefit received by the Relevant Employee under the flexible remuneration program; and

(b) if a Relevant Employee wishes to make a request exceeding the Relevant Employee FRS Limit, it shall also be entitled to place an own account purchase request for any additional amount that it wishes to invest; provided that the total amount of both types of request for any Relevant Employee never exceeds €50,000.

Alternatively, a Relevant Employee may choose to make only an own account purchase request, for any amount from €1,000 up to €50,000. However, in such scenario, the Relevant Employee would not benefit from the tax exemption described below under "—*Taxation of Employees Tranche Shares requests*".

In order to determine the exact number of Shares allocated to each Employee Order, the Processor Bank will divide: (i) the total amount requested in euros by each Relevant Employee, by (ii) the Employees Maximum Offering Price, not taking into account the 10.0% discount. The resulting number of Shares will be subject to rounding, when necessary, to avoid allocation of fractional Shares, and will determine the number of Shares allocated to that Relevant Employee. Such allocated Shares will be acquired by the Relevant Employee upon completion of the Offering, at the lower of the Employees Maximum Offering Price or the final Offering Price

after applying the Employees Discount. Subject to compliance with applicable terms and conditions, all requests received will be accepted in their entirety.

After all Employees Tranche Shares have been allocated pursuant to the calculation referred to in the preceding paragraph, the final number of Employees Tranche Shares will be determined. The initial potential number of Relevant Employees as of 17 September 2018, the date on which the accounts opening period started, was 7,615. From 17 September to 28 September 2018 (the last day of the accounts opening period), the Processor Bank received instructions to open the required securities and cash accounts from 1,987 Relevant Employees.

In the scenario, which the Company does not consider probable as of the date hereof, that all of the Relevant Employees that have requested to open the required securities and cash accounts (1,987 Relevant Employees) place Employee Orders for the maximum amount (€50,000), this would imply a total of 6,579,470 Employees Tranche Shares, which would represent 4.92% of the Initial Offered Shares considering the high-point of the Offering Price Range to calculate the number of Shares.

Assuming that the final Offering Price is equal to the high point of the Offering Price Range (i.e., €15.10), Relevant Employees would be acquiring Employees Tranche Shares at the Employees Maximum Offering Price. In such scenario, if the final number of Employees Tranche Shares is 6,579,470 (the maximum theoretical number of Employees Tranche Shares), the total aggregate difference between the market price of the Employees Tranche Shares (calculated as the final Offering Price multiplied by the number of Employees Tranche Shares) and the consideration to be effectively paid to the Selling Shareholder by the Company and the Relevant Employees, as applicable (such difference being referred to as the **Aggregate Employees Benefit**), would amount to €9,935,000 (equivalent to the 10% discount) and the total consideration to be received by the Selling Shareholder for the Employees Tranche Shares would be €89,414,997 (equivalent to 90% of their market value). In the scenario that the final number of Employees Tranche Shares is 535,149, representing 0.40% of the total Initial Offered Shares, the Aggregate Employees Benefit would amount to €808,075, and would increase in increments of €1.51 per additional Employees Tranche Share.

If the final Offering Price is set above the high-point of the Offering Price Range, Relevant Employees would still acquire the Employees Tranche Shares at the Employees Maximum Offering Price. Under such assumption and in the scenario that the final number of Employees Tranche Shares is 535,149, representing 0.40% of the total Initial Offered Shares, the Aggregate Employees Benefit would increase in €535,149 per each €1 increase in the Offering Price above the high-point of the Offering Price Range and decrease in €53,515 per each €1 decrease below the high-point of the Offering Price Range.

Given that the conditions of the Employees Tranche were approved as part of the resolutions passed by the Company's sole shareholder on 17 September 2018, the estimated impact of the Aggregate Employees Benefit, amounting to €755,000 (equivalent to the 10% discount assuming 535,149 shares are sold as Employees Tranche Shares and that the Offering Price is set at the mid-point of the Offering Price Range), has been accounted for as a personnel expense in the quarterly financial statements of the Company for the period closed on 30 September 2018.

In case of under-subscription, all Initial Offered Shares initially allocated to the Employees Tranche which are not required to meet Employee Orders will be considered Institutional Tranche Shares.

Employee Orders will be irrevocable, except in the exceptional case where a supplement to this Prospectus is published. In such event, in accordance with section 40.1.f) of Royal Decree 1310/2005, Relevant Employees would be granted the possibility to revoke their Employee Orders for a minimum term of two business days from the date of publication of the supplement. According to article 22 of Royal Decree 1310/2005, a supplement will be published only in case of existence of a new significant factor, or a material inaccuracy or error in the information included in this Prospectus which, in each case (i) can have an impact on the assessment of the value of the Shares, and (ii) is known or arises between the date of publication of the Prospectus and Admission.

Employees Lock-up Period

The Employees Discount is granted in consideration for the assumption by each Relevant Employee acquiring Employees Tranche Shares of a lock-up commitment during the Employees Lock-up Period. During the Employees Lock-up Period, all Employees Tranche Shares (whether acquired pursuant to FRS requests or own account requests) will be blocked in the Relevant Employees' securities accounts with the Processor Bank.

Trading on the Employees Tranche Shares after expiry of the Employees Lock-up Period, or trading, generally, by employees, on Shares of the Company or other securities that may be issued by the Company in the future, will be subject to the restrictions set out in applicable laws and internal regulations, particularly those dealing

with insider trading. These legal provisions are developed in the Company's Internal Conduct Regulations, which all Relevant Employees should review with due care and comply with at all times. The corporate unit in charge of supervising compliance with these restrictions will be the Ethics and Compliance Office. Please see "*Management, Board of Directors and Employees—Directors*" elsewhere in this Prospectus for further details on the provisions of the Internal Conduct Regulations.

Taxation of Employees Tranche Shares requests

The following summary describes certain Spanish personal income tax consequences of the delivery of the Employees Tranche Shares to the Relevant Employees. This summary is based on the laws and criteria of the Spanish tax authorities as of the date of this Prospectus and is subject to changes to those laws and criteria subsequent to the date of this Prospectus. You should consult your own advisors as to the tax consequences of the delivery of the Employees Tranche Shares in light of your particular circumstances.

According to the PIT Law, the delivery of Employees Tranche Shares by the corresponding company to the Relevant Employees, shall be considered salary in kind and subject to PIT as labor income, to be included in the general taxable base, on the difference between the fair market value of the Employee Tranche Shares on the acquisition date (the Offering Price) and the purchase price (the Employees Offering Price). The employing company will apply PIT withholding tax/payment on account on such amount at the applicable tax rate as per the personal situation of the corresponding employee.

Notwithstanding the above, a tax exemption up to €12,000 (or up to 30.0% of the Relevant Employee's annual gross remuneration, jointly with any other benefit received under the flexible remuneration program, in case of being lower than €12,000) may apply if the employee is active and all of the following requirements are met:

(a) the shares delivered are either (i) of the employing company; (ii) of the shares in the parent company of the group (for mercantile purposes) to the employees of any company of the group; (iii) of shares in any company of the group to the employees of any company within the same sub-group in which the company whose shares are offered is included;

(b) the offer is made under the same conditions for all the employees, and contributes to the employees' participation in the company. Notwithstanding the foregoing, this requirement will be considered fulfilled if the shares are offered only to employees with a minimum seniority, or to employees who are Spanish PIT taxpayers;

(c) the employee (along with his/her spouse or family members up to the second degree) does not own a direct or indirect stake higher than 5.0% in the employing company or any of the companies of its group;

(d) the shares are not transferred by the employee during the three-year period following their acquisition; and

(e) the employee is not subject to the special PIT regime for workers displaced to the Spanish territory for work purposes.

Failure to respect the minimum shareholding period described in paragraph (d) above will result in the obligation of the employee to file a complementary self-assessment, increased by corresponding delay interest, in the period between the date on which such requirement has been breached and the statutory deadline set for the relevant tax return. Relevant Employees who transfer Employees Tranche Shares acquired pursuant to a FRS request before the three-year holding period may consequently be subject to additional taxation and to the obligation to pay delay interest.

This exemption will be applicable to the Employees Tranche Shares acquired through FRS requests, including also for these purposes the Employees Discount, which should also be exempt and computed for the purposes of determining the €12,000 threshold.

In this respect, the Relevant Employee will sign a document with its employing company by which the composition of its remuneration will be amended, allowing the employing company to assign part of its monetary remuneration to the delivery of the Employees Tranche Shares under the FRS.

With regards to Employees Tranche Shares acquired by Relevant Employees on their own account, only the Employees Discount may benefit from this tax exemption and shall be computed for the purposes of determining the €12,000 threshold.

This tax exemption will not be applicable to any excess above the €12,000 threshold, and such excess shall be subject to PIT as labor income, as indicated above.

Employees of *Fundación Cepsa* will not be entitled to the tax exemption associated to the Employees Tranche Shares delivered pursuant to the Employees Tranche.

With regards to the main Spanish tax implications of the acquisition, ownership and disposal of the Employees Tranche Shares by the Relevant Employee, please see section "*Taxation—Spanish Tax Considerations—Spanish Tax Resident Individuals*" elsewhere in this Prospectus.

Withdrawal and Revocation of the Offering

For the avoidance of doubt, if, as described in section "*Plan of Distribution—Withdrawal and Revocation of the Offering*", the Offering is withdrawn, postponed, deferred or suspended temporarily or indefinitely for any reason, the offering of the Employees Tranche Shares will also be automatically withdrawn, postponed, deferred or suspended, as the case may be. In such event, all Employee Orders will be cancelled and terminated. Additionally, the Selling Shareholder shall have no obligation to deliver the Employees Tranche Shares and the Relevant Employees shall have no obligation to purchase the Employees Tranche Shares.

SELLING AND TRANSFER RESTRICTIONS

General

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase, any securities other than the securities to which it relates or any offer or invitation to sell, or any solicitation of any offer to purchase, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Shares, or possession or distribution of this Prospectus (or any other Offering or publicity material relating to the Shares), in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Shares may be offered sale or purchase or be delivered, and this Prospectus and any other Offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

For the avoidance of doubt, this Prospectus is valid for the offering of the Employees Tranche Shares to the Relevant Employees in Spain, in accordance with the Prospectus Rules.

United States

Due to the following restrictions, purchasers of Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Shares.

Restrictions under the Securities Act

The Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Managers may offer Shares (i) in the United States only through their U.S. registered broker affiliates to persons reasonably believed each to be a QIB (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act or (ii) outside the United States in compliance with Regulation S.

In addition, until 40 days after the later of the commencement of the Offering and the last transaction date of the Offering, any offer or sale of Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act.

Regulation S

Each purchaser of the Shares outside the United States will be deemed by its acceptance of the Shares to have represented and agreed, on its own behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Shares, that neither the Company or any of the Company's affiliates nor any of the Managers, nor any person representing the Company, any of its affiliates or any of the Managers, has made any representation to it with respect to the Offering or sale of any Shares, other than the information contained in this Prospectus, which Prospectus has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Shares, it has had access to such financial and other information concerning the Company and the Shares as it has deemed necessary in connection with its decision to purchase any of the Shares, and that (terms defined in Regulation S shall have the same meanings when used in this section):

(a) the purchaser understands and acknowledges that the Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and may not be offered, sold or otherwise transferred except pursuant from an exception from, or in a

transaction not subject to, the registration requirements of the Securities Act and any other applicable securities law;

(b) the purchaser, and the person, if any, for whose account or benefit the purchaser is acquiring the Shares, is acquiring the Shares in an "offshore transaction" meeting the requirements of Regulation S and was located outside the United States at the time the buy order for the Shares was originated;

(c) the purchaser is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Prospectus;

(d) the Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S; and

(e) the Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above stated restrictions.

CaixaBank, S.A. and Banco Bilbao Vizcaya Argentaria, S.A. are only participating in the Offering outside the United States under Regulation S of the Securities Act. CaixaBank, S.A. and Banco Bilbao Vizcaya Argentaria, S.A. are not broker-dealers registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

Rule 144A

Each purchaser of the Shares within the United States will be deemed by its acceptance of the Shares to have represented and agreed on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Shares, that neither the Company nor any of the Company's affiliates nor any of the Managers, nor any person representing the Company, any of its affiliates or any of the Managers, has made any representation to it with respect to the Offering or sale of any Shares, other than the information contained in this Prospectus, which Prospectus has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Shares, that it has had access to such financial and other information concerning the Company and the Shares as it has deemed necessary in connection with its decision to purchase any of the Shares, and that (terms defined in Rule 144A shall have the same meanings when used in this section):

(a) the purchaser acknowledges that the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(b) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made in reliance on Rule 144A, and (iii) is acquiring such Shares for its own account or for the account of a QIB;

(c) the purchaser is aware that the Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;

(d) if, prior to the date that is one year after the later of the date of the Offering and the last date on which the Shares were acquired from the Company or any of the Company's affiliates (the **Resale Restriction Termination Date**), the purchaser decides to offer, resell, pledge or otherwise transfer such Shares, such Shares may be offered, sold, pledged or otherwise transferred only (A) (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act, (ii) in an "offshore transaction" complying with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), and (B) in accordance with all applicable securities laws of the states of the United States and any other jurisdiction and agrees to give any subsequent purchaser of such Shares notice of any restrictions on the transfer thereof;

(e) the Shares have not been offered to it by means of any general solicitation or general advertising;

(f) the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Shares;

(g) the purchaser will not deposit or cause to be deposited such Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(h) the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **U.S. SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THIS SECURITY; and

(i) the Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above stated restrictions.

Each purchaser acknowledges that the Company and the Managers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agrees that if any of the acknowledgements, representations or agreements deemed to have been made by such purchaser by its purchase of Shares are no longer accurate, it shall promptly notify the Company and the Managers; if it is acquiring Shares as a fiduciary or agent for one or more investor accounts, each purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Terms defined in Rule 144A or Regulation S shall have the same meanings when used in this section.

Each purchaser of the Shares will be deemed by its acceptance of the Shares to have represented and agreed that it is purchasing the Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) no Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to legal entities which are Qualified Investors as defined in the Prospectus Directive;
- by the Managers to fewer than 150 natural or legal persons (other than Qualified Investors as defined in the Prospectus Directive) per Relevant Member State subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or a Supplement to the prospectus pursuant to Article 16 of the EU Prospectus Directive and each person who initially acquires any Shares or to whom an offer is made will be deemed to have represented, warranted and agreed to and with the Managers, us and the Selling Shareholder that it is a Qualified Investor within the meaning of the law in that Relevant Member State implementing Article 2(e) of the Prospectus Directive.

For the purpose of the expression an "offer of any shares to the public" in relation to any Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient

information on the terms of the offer and the Shares to be offered, so as to enable an investor to decide to acquire any Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to Qualified Investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. We, the Selling Shareholder, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Joint Global Coordinators of such fact in writing may, with the prior consent of the Joint Global Coordinators, be permitted to acquire Shares in the Offering.

In this section, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

For the avoidance of doubt, this Prospectus is valid for the offering of the Employees Tranche Shares to the Relevant Employees in Spain, in accordance with the Prospectus Rules.

United Kingdom

No Shares are being offered to the public in the United Kingdom using this Prospectus.

In the United Kingdom, this document is only being distributed to and is only directed at (1) Qualified Investors, as that term is defined in the Prospectus Directive (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **Order**) and or (ii) who are high net worth entities within the categories described falling within Article 49(2)(a)-(d) of the Order and (2) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The Shares are only available in the United Kingdom, and any invitation, offer or agreement to purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with the relevant persons. Any person in the United Kingdom who is not a relevant person should not act or rely on this document or any of its contents.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) in connection with the issue or sale of any Shares will be communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply to us.

All applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom have been, and will be, complied with.

Australia

This document is not a prospectus, product disclosure statement or other disclosure document under Chapter 6D or Part 7.9 of the Corporations Act 2001 (Cth) (**Corporations Act**) and has not been and will not be lodged with the Australian Securities and Investments Commission (**ASIC**). This document does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under Chapter 6D or Part 7.9 of the Corporations Act. The Offering is made only to persons to whom it is lawful to offer shares in Australia without disclosure to investors under Chapter 6D of the Corporations Act.

As no formal prospectus, product disclosure statement or other disclosure document will be lodged with ASIC, any offer in Australia of the Shares may only be made to persons who are 'sophisticated investors' within the meaning of section 708(8) of the Corporations Act) or 'professional investors' (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the Shares without disclosure to investors under Chapter 6D of the Corporations Act. If any recipient of the document is not a 'sophisticated investor' or a 'professional investor' and does not otherwise fall within one or more of the exemptions contained in section 708 of the Corporations Act, no offer of, or invitation to apply for, the Shares shall be deemed to be

made to such recipient and no applications for the Shares will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient.

In addition, the Shares must not be offered for sale in Australia in the period of 12 months after the date of allotment under Offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. An Investor acquiring Shares must observe such Australian on-sale restrictions.

This Prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

By applying for Shares under the document, each person to whom Shares are issued (an **Investor**):

(a) confirms that they are a 'sophisticated investor' (within the meaning of section 708(8) of the Corporations Act), a 'professional investor' (within the meaning of section 708(11) of the Corporations Act) or otherwise permitted to invest in the Shares pursuant to one or more exemptions contained in section 708 of the Corporations Act, and (b) a 'wholesale client' (within the meaning of section 761G of the Corporations Act;

(b) acknowledges that if any Investor on-sells Shares within 12 months from their issue, the Investor will be required to lodge prospectus, product disclosure statement or other a disclosure document with ASIC unless either:

  (i) that sale is to another 'sophisticated investor' or 'professional investor' or is otherwise permitted pursuant to one or more exemptions contained in section 708 of the Corporations Act; or

  (ii) the sale offer is received outside Australia; and

(c) undertakes not to sell the Shares in any circumstances other than those described in paragraphs (b)(i) and (ii) above for 12 months after the date of issue of such Shares.

This document is not, and under no circumstances is to be construed as, an advertisement or public offering of the Shares in Australia.

The document may only be distributed to investors in Australia and any offer of Shares may only be made to investors in Australia, in each case subject to the conditions set out above, on behalf of each Manager by its affiliate holding an Australian Financial Services License permitting such license holder to distribute the document and to offer the Shares to investors in Australia.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No 25 of 1948, as amended (the **FIEA**)). This Prospectus is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity, organized under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEA and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other Offering or marketing material relating to the Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other Offering or marketing material relating to the Offering, we or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will

not be filed with, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (**FINMA**), and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (**CISA**). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (**DFSA**). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Shares offered should conduct their own due diligence on the Shares. If you do not understand the contents of this Prospectus you should consult an authorized financial advisor.

VALIDITY OF THE SHARES AND LEGAL MATTERS AND INDEPENDENT AUDITORS

The validity of the Shares offered and certain matters relating to the Offering will be passed upon for the Company by Allen & Overy (with respect to Spanish law) and Allen & Overy LLP (with respect to United States federal law and English law). Certain legal matters relating to the Offering will be passed upon for the Managers by Clifford Chance, S.L.P. (with respect to Spanish law) and Clifford Chance LLP (with respect to United States federal law and English law).

The 2015 and 2017 Annual Financial Statements, as well as the Interim Financial Statements of Compañía Española de Petróleos, S.A.U., included in or incorporated by reference in this Prospectus, have been audited or, with respect to the Interim Financial Statements, subject to limited review by Ernst & Young, S.L., Raimundo Fernández Villaverde 65 - Torre Azca, 28003, Madrid, Spain, holder of tax identification number B-78970506 and registered with the Official Registry of Accounting Auditors (ROAC) under the number S0530 and in the Commercial Registry of Madrid under Volume 9,364, page 68 and sheet 87,690-1, independent auditors, as stated in their reports included in or incorporated by reference herein. The Interim Financial Statements have not been audited but have been subject to limited review by Ernst & Young, S.L.

The 2016 Annual Financial Statements of Compañía Española de Petróleos, S.A.U., incorporated by reference in this Prospectus, have been audited by PricewaterhouseCoopers Auditores, S.L., Paseo de la Castellana 259 B, 28046 Madrid, Spain, holder of tax identification number B-79031290 and registered with the Official Registry of Accounting Auditors (ROAC) under the number S0242 and in the Commercial Registry of Madrid under Volume 9,267, page 75 and sheet 87250-1, independent auditors, as stated in their reports incorporated by reference herein.

On 7 April 2016, the Selling Shareholder, acting as sole shareholder of the Company and exercising the authority of the General Shareholders' Meeting, decided to appoint PricewaterhouseCoopers Auditores, S.L to audit the 2016 Annual Financial Statements for the year ended 31 December 2016 due to the number of years (five years) the previous auditor (Ernst & Young, S.L.) had served, and the recommendations of the EU in regards to this matter.

On 13 July 2017, the Selling Shareholder, acting as sole shareholder of the Company and exercising the authority of the General Shareholders' Meeting, decided to remove PricewaterhouseCoopers Auditores, S.L. and re-appoint Ernst & Young, S.L. to audit the Annual Financial Statements for the years ending 31 December 2017, 2018 and 2019, due to our integration into the group controlled by MIC, which is itself audited by Ernst & Young.

Upon conclusion of the initial period for which Ernst & Young, S.L. was re-appointed, such appointment made could be revoked in the General Shareholders' Meeting for the subsequent Financial Statements in accordance with the legal standards in force at each time.

ADDITIONAL INFORMATION

Information on the Company

The Company was incorporated in Spain in 1929 for an unlimited period of time.

The Company holds Spanish tax identification number A28003119 and is registered with the Madrid Mercantile Register under Volume 588 of the Companies Book, Sheet 35, Page M-12689. The Legal Entity Identifier (LEI) code of the Company is 549300E1NH9FOTLIFI22.

The principal legislation under which the Company operates, and under which the Shares were created, is the Spanish Companies Act and the regulations made thereunder.

The registered office the Company is at Torre CEPSA, Paseo de la Castellana, 259 A., 28046 Madrid, Spain and its phone number is +34 91 377 6000.

The financial year end of the Company is 31 December.

The Company is domiciled in Madrid (Spain) and resident in Spain for tax purposes.

The Company's Interim Financial Statements are included in Annex I of this Prospectus and the Company's Annual Financial Statements are incorporated by reference herein.

Interest of Major Shareholders

As at the date of this Prospectus CEPSA Holding LLC holds 100% of the Company's issued share capital.

Company's subsidiaries

The Company is the parent company of the following entities, which comprise the consolidated Group as of the date of this Prospectus, shown in the following table:

Entity	Shareholding (%)	Business	Registered Office
Cepsa, S.A.*	100	Holding	Spain
Cepsa Business Services, S.A.*	100	Corporate Services	Spain
Cepsa International, B.V.	100	Finance—Treasury	Netherlands
Cepsa EP, S.A.U.	100	E&P	Spain
Cepsa EP Asia, S.L.U.*	100	E&P	Spain
Cepsa EP España, S.L.U.*	100	E&P	Spain
Cepsa Colombia, S.A.*	100	E&P	Spain
Cepsa Perú, S.A.U.	100	E&P	Spain
Cepsa Suriname, S.L.U.	100	E&P	Spain
Cepsa Sea, S.L.U.	100	E&P	Spain
Cepsa Peruana, S.A.C.*	100	E&P	Peru
Cepsa Óleo e Gas Do Brazil, Ltda.*	100	E&P	Brazil
Cepsa (Rhourde el Rouni) Limited	100	E&P	Cayman Isl.
Coastal Energy Company*	100	E&P	Cayman Isl.
CEC International, Ltd.*	100	E&P	Cayman Isl.
Coastal Energy Company (Khorat) Ltd.*	100	E&P	Cayman Isl.
CEC Services (Thailand) Ltd.*	100	E&P	Thailand
Coastal Energy KBM, Sdn. Bhd.*	70	E&P	Malaysia
Coastal Energy Malaysia, Sdn. Bhd.*	100	E&P	Malaysia
Nucoastal (Thailand) Limited*	100	E&P	Thailand
Mopu Holdings (Singapore) Pte. Ltd.*	100	E&P	Singapore
Ocean 66, Ltd.*	100	E&P	Mauritius
Spanish Intoplane Services, S.L.U.	100	Refining	Spain
Cepsa Aviación, S.A.*	100	Refining	Spain
CMD Aeropuertos Canarios, S.L.	60	Refining	Spain
Petróleos de Canarias, S.A.	100	Refining	Spain
Cepsa Comercial Petróleo, S.A.U.	100	Marketing	Spain
Cepsa Card, S.A.U.*	100	Marketing	Spain
Cepsa Disco, S.L.U.*	100	Marketing	Spain

Entity	Shareholding (%)	Business	Registered Office
Cedipsa, Compañía Española Distribuidora de Petróleos, S.A.*	100	Marketing	Spain
Red Española de Servicios, S.A.U.*	100	Marketing	Spain
Atlas, S.A. Combustibles y Lubricantes*	100	Marketing	Spain
Cepsa Bioenergía San Roque, S.L.U.	100	Marketing	Spain
CEPSA Portuguesa Petróleos, S.A.*	100	Marketing	Portugal
Propel-Productos de Petróleo, Lda.*	100	Marketing	Portugal
Cepsa Química, S.A.*	100	Petrochemicals	Spain
Cepsa Química China, SA*	75	Petrochemicals	Spain
Petresa Participaçoes, Ltda.*	100	Petrochemicals	Brazil
Detén Química S.A.*	71.44	Petrochemicals	Brazil
Cepsa Chimie Bécancour, Inc.*	100	Petrochemicals	Canada
Cepsa Chemical (Shanghai) Co. Ltd.*	75	Petrochemicals	China
Cepsa Italia, S.p.A.*	100	Petrochemicals	Italy
Cepsa UK Ltd.*	100	Petrochemicals	UK
Cepsa Trading, S.A.U.	100	Trading	Spain
Cepsa Marine Fuels, DMCC	100	Marine Fuels suppliers	UAE
Cepsa Panamá, S.A.	100	Supplier of bunker fuels	Panama
Cepsa Gas y Electricidad, S.A.U.	100	G&P	Spain
Generación Eléctrica Peninsular, S.A.*	70	G&P	Spain
Servicios Energéticos de Alta Eficiencia, S.A.U.	100	G&P	Spain
Suresa Retama, S.L.U.*	100	G&P	Spain
Cepsa Gas Comercializadora, S.A.(1)	70	G&P	Spain

(1) In January 2018, we acquired 35% of the share capital in CGC, which increased our stake to 70%. The acquisition did not have a material impact on our financial statements.

* Indicates subsidiaries in which the shareholding of the Company is held partially or wholly indirectly through other Group companies.

Working Capital

In the opinion of the Company, the working capital available to the Company (total current assets less total current liabilities), which as of 30 June 2018 amounted to €1,936 million, is sufficient for the Company's present requirements and, in particular, is sufficient for at least the next 12 months from the date of this Prospectus. This will continue to be the case following completion of the Offering.

No Significant Change

Significant changes in the Group's financial or trading position since 30 June 2018, the end of the last financial period for which financial information has been published, are described below:

On 17 September 2018, the Board of Directors approved the distribution of an interim dividend of €189,978,208.11, which will be paid to the Selling Shareholder prior to Admission.

On 1 October 2018, we entered into a sale and purchase agreement with the Selling Shareholder in order to transfer to the Selling Shareholder our 42% stake in Medgaz, subject to certain conditions precedent. For further information, see "*Material Contracts—Medgaz Sale and Purchase Agreement*".

There is no significant new product and/or service that has been recently introduced or under development by the Company or by any member of the Group other than in the ordinary course of business.

Dilution

As all of the Offering is secondary, it will have no dilutive effect. The voting interest of the Selling Shareholder will be reduced as a consequence of the sale of the Offered Shares, to a minimum of 71.25% (assuming that the Over-Allotment Option is exercised in full and that all Initial Offered Shares are sold in full).

Information on Holdings

The Company does not hold a proportion of capital in any undertakings outside of the Group which are likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

General

Documents on Display

Copies of the following documents will be available for inspection in physical form from the date of this Prospectus during business hours on weekdays at CEPSA's offices at CEPSA Tower, Paseo de la Castellana, 259 A, 28046 Madrid, Spain:

(a) deed of incorporation of the Company;

(b) Articles of Association of the Company (which, following Admission, will also be available on CEPSA's website at www.cepsa.com/en/investors);

(c) Board of Directors Regulations, General Shareholders' Meeting Regulations, Internal Conduct Regulations (which, following Admission, will also be available on the CNMV's website at www.cnmv.es and on CEPSA's website at www.cepsa.com/en/investors);

(d) Audited Consolidated Financial Statements of Compañía Española de Petróleos, S.A.U. and its subsidiaries as of and for the years ended 31 December 2017, 2016 and 2015 and Unaudited Interim Consolidated Financial Statements of Compañía Española de Petróleos, S.A.U. and its subsidiaries as of and for the six months ended 30 June 2018 (which, following Admission, will also be available on the CNMV's website at www.cnmv.es and on CEPSA's website at www.cepsa.com/en/investors);

(e) this Prospectus (which will also be available on the CNMV's website at www.cnmv.es and, following its registration with the CNMV, on CEPSA's website at www.cepsa.com/en/investors); and

(f) certificate of the resolutions approved by the sole Selling Shareholder, in its capacity as sole shareholder of the Company, and by the Board of Directors in connection with the Offering.

The documents referred to in (a) to (f) above will also be available for inspection in physical form at the CNMV's premises at: Edison 4, 28006 Madrid, Spain.

Enforcement of Civil Liabilities

CEPSA is a Spanish company, and its assets are located within Spain. In addition, most of its Directors and executive officers, as well as those of the Selling Shareholder, reside or are located outside the United States, mainly in the UAE and Spain. As a result, investors may not be able to effect service of process upon the Company or these persons or to enforce judgments obtained against it or these persons in foreign courts predicated solely upon the civil liability provisions of U.S. securities laws.

DOCUMENTS INCORPORATED BY REFERENCE

Each of the following documents which are incorporated by reference into this Prospectus are available on our website (www.cepsa.com/en/investors) and on the CNMV's website (www.cnmv.es):

(i) Audited Consolidated Financial Statements of Compañía Española de Petróleos, S.A.U. and its subsidiaries as of and for the year ended 31 December 2017, and corresponding audit report with unqualified audit opinion issued by Ernst & Young, S.L.

(ii) Audited Consolidated Annual Accounts of Compañía Española de Petróleos, S.A.U. and its subsidiaries as of and for the year ended 31 December 2016, and corresponding audit report with unqualified audit opinion issued by PricewaterhouseCoopers Auditores, S.L.

(iii) Audited Consolidated Financial Statements of Compañía Española de Petróleos, S.A.U. and its subsidiaries as of and for the year ended 31 December 2015, and corresponding audit report with unqualified audit opinion issued by Ernst & Young, S.L.

(iv) Detailed cash flow tables attached to the report of Ryder Scott Company, LP dated as of 1 July 2018.

ANNEXES

ANNEX I—UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

Report on Limited Review

COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U., AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements for the six-month period ended June 30, 2018

Ernst & Young, S.L.
C/ Raimundo Fernández Villaverde, 65
28003 Madrid

Tel.: 902 365 456
Fax.: 915 727 300
ey.com

REPORT ON LIMITED REVIEW OF ICONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Sole Shareholder of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U., at the request of at the request of the Company's directors:

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (hereinafter the interim financial statements) of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. AND SUBSIDIARIES, which consists of the balance sheet at June 30, 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow and the explanatory notes thereto, all of which have been condensed and consolidated, for the six-month period then ended. The directors are responsible for the preparation of the Company's interim financial statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information and for such internal control as they determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on said interim financial statements based on our limited review.

Scope of the review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing audit regulations in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances should be considered an audit of financial statements, nothing came to our attention that would lead us to conclude that the accompanying interim financial statements for the six-month period ended at June 30, 2018 are not prepared, in all material respects, in conformity with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim financial statements.

Emphasis of matter

We draw attention to the matter described in accompanying explanatory note 2, which indicates that the abovementioned interim financial statements do not include all the information that would be required for complete financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2017. This matter does not modify our conclusion.

Domicilio Social: C/Raimundo Fernández Villaverde, 65. 28003 Madrid-Inscrita en el Registro Mercantil de Madrid, tome 9.364 general, 8.130 de la sección 3' del Libro, de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1', Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Interim consolidated management report

The accompanying interim consolidated management report for the six-month period ended June 30, 2018 contains such explanations as the parent's directors consider necessary regarding significant events which occurred during this period and their effect on these interim financial statements, of which it is not an integral part. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended on June 30, 2018. Our work is limited to verifying the interim consolidated management report in accordance with the scope described in this paragraph, and does not include the review of information other than that obtained from the accounting records of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and its subsidiaries.

Restriction on distribution and use

This report was prepared at the request of Compañía Española de Petróleos, S.A.U. in connection with the private sale by its sole shareholder of a percentage of ownership of said company for the purpose of issuing the International Offering Circular and the verification and registration of the prospectus for admission to trading of the Company's shares, through the Spanish Stock Market Interconnection System, on the Madrid, Valencia, Barcelona, and Bilbao Stock Exchanges, as well as for any other type of financing that would require disclosure in these interim financial statements, and therefore should not be used for any other purpose, or published in any other prospectus or similar document other than the International Offering Circular or any other document that might be published in the event of another type of financing, without our written consent.

We will not accept any responsibility from any third parties different to the addressees of this report.

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

ERNST & YOUNG, S.L.

Francisco Rahola Carral

2018 Núm. 01/18/15410
SELLO CORPORATIVO: 30,00 EUR
Informe sobre trabajos distintos a la auditoría de cuentas

August 3, 2018

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

Interim Condensed Consolidated Balance Sheet

as of June 30, 2018 and December 31, 2017

Assets	Notes	2018	2017
		(Unaudited)	(Audited)
		Thousands of euros	
Non-current assets			
Intangible assets			
Intangible assets and rights		4,223,598	4,216,500
Amortization charge and Impairment losses		(3,559,961)	(3,610,366)
Total intangible assets	Note 7	**663,637**	**606,134**
Consolidated Goodwill	Note 8	119,837	122,708
Property, plant and equipment			
Tangible assets and rights		15,173,131	13,632,411
Amortization charge and Impairment losses		(9,538,748)	(9,287,702)
Total property, plant and equipment	Note 9	**5,634,383**	**4,344,709**
Investments in associates and joint ventures	Note 6	453,609	447,132
Non-current financial assets	Note 12	202,094	122,042
Deferred tax assets		844,980	761,723
Total non-current assets		***7,918,540***	***6,404,448***
Current assets			
Inventories	Note 10	2,132,266	1,925,666
Trade and other receivables		2,371,688	2,179,884
Current income tax assets		76,099	75,284
Other current financial assets	Note 12	136,244	205,348
Other current assets		31,996	9,954
Cash and cash equivalents		739,544	545,637
Total current assets		***5,487,837***	***4,941,773***
Total assets		***13,406,377***	***11,346,221***

Shareholder's Equity and Liabilities	Notes	2018	2017
		Thousands of euros	
Equity	Note 11		
Shareholder's equity			
Share capital		267,575	267,575
Share premium		338,728	338,728
Revaluation reserve		90,936	90,936
Retained earnings		3,882,811	3,485,672
Profit attributable to equity holders of the parent		440,885	742,600
Interim dividend		—	(189,978)
Total Shareholder's equity		***5,020,935***	***4,735,533***
Adjustments for changes in value			
Translation reserve		735,892	614,039
Cash Flow Hedge Reserve		(3,725)	(4,733)
Net Investment Hedge Reserve		(521,336)	(429,310)
Total adjustments for changes in value		***210,831***	***179,996***
Total equity attributable to shareholders of the parent		***5,231,766***	***4,915,529***
Non-controlling interest			
Equity and translation reserves attributed to non-controlling interests		111,098	94,152
Profit attributable to non-controlling interests		5,396	16,032
Total non-controlling interests		***116,494***	***110,184***
Total equity		***5,348,260***	***5,025,713***
Non-current liabilities			
Bank borrowings	Note 16	3,441,419	1,628,425
Deferred tax liabilities		333,587	296,017
Capital grants		40,535	30,598
Employee defined benefit liabilities		10,214	10,097
Provisions	Note 13	529,160	515,244
Other non-current liabilities	Note 16	151,152	199,965
Total non-current liabilities		***4,506,067***	***2,680,346***
Current liabilities			
Bank borrowings	Note 16	298,656	639,348
Trade and other payables	Note 16	3,167,683	2,973,814
Current income tax liabilities		72,128	15,136
Other current liabilities		13,583	11,864
Total current liabilities		***3,552,050***	***3,640,162***
Total equity and liabilities		***13,406,377***	***11,346,221***

(The accompanying Notes 1 to 18 are an integral part of this Interim Condensed Consolidated Balance Sheet)

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

Interim Condensed Consolidated Statement of Profit or Loss

for the six-month periods ended June 30, 2018 and 2017 (Unaudited)

	Notes	2018	2017(*)
		Thousands of euros	
Sales of goods and rendering of services		11,111,368	8,890,925
Excise tax on oil and gas charged on sales		1,279,256	1,260,476
Revenue from contracts with customers	***Note 5***	***12,390,624***	***10,151,401***
Changes in inventories of finished goods and work in progress		111,213	14,641
In-house work on non-current assets		8,960	13,941
Procurements		(9,102,124)	(6,740,742)
Other operating income		37,170	59,501
Staff costs		(295,512)	(290,342)
Changes in operating allowances		8,204	(3,453)
Other operating costs:			
Excise tax on oil and gas		(1,282,339)	(1,261,895)
Other costs		(1,006,318)	(986,046)
Amortization charge		(283,119)	(319,687)
Allocation to profit or loss of grants related to non-Finance assets and other grants		16,413	14,068
Impairment and gains or losses on disposals of non-current assets		17,603	(107,637)
Operating profit		***620,775***	***543,750***
Share in profit of companies accounted for using the equity method	Note 6	14,810	7,304
Finance income		24,533	15,635
Finance costs		(76,918)	(19,448)
Impairment and gains or losses on disposals of Finance instruments		(89)	13,643
Consolidated profit before tax		***583,111***	***560,884***
Income tax	Note 17	(136,830)	(142,540)
Consolidated profit for the period from continuing operations		***446,281***	***418,344***
Consolidated profit for the period		***446,281***	***418,344***
Attributable to:			
Equity holder of the Parent		440,885	412,170
Non-controlling interests		5,396	6,174
		Euros	
Earnings (loss) per share:			
Basic		1.65	1.54
Diluted		1.65	1.54

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

(The accompanying Notes 1 to 18 are an integral part of this Interim Condensed Consolidated Statement of Profit or Loss)

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

Interim Condensed Consolidated Statement of Comprehensive Income

for the six-month periods ended June 30, 2018 and 2017 (Unaudited)

	2018	2017(*)
	Thousands of euros	
Consolidated profit for the period	**446,281**	**418,344**
Items to be reclassified to profit or loss:		
Gains and (losses) arising during the period	**9,956**	**(24,112)**
Net (losses) gains on cash flow hedges	(19,130)	41,653
Net (losses) gains on Net Investment hedge	(122,714)	118,634
Exchange gains (losses) on translation of foreign operations	119,545	(144,327)
Tax effect	32,256	(40,072)
Reclassification during the period to statement of profit/loss	**18,571**	**(4,645)**
Cash flow hedges	18,690	(6,193)
Tax effect	(119)	1,548
Other comprehensive income/loss for the period, net of tax	***28,527***	***(28,757)***
Total consolidated comprehensive income/loss	***474,808***	***389,587***
a) Attributable to equity holders of the Parent	471,720	389,151
b) Attributable to non-controlling interests	3,088	436

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

(The accompanying Notes 1 to 18 are an integral part of this Interim Condensed Consolidated Statement of Comprehensive Income)

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

Interim Condensed Consolidated Statement of Changes in Equity

for the six-month periods ended June 30, 2018 and 2017 (Unaudited)

	Equity attributable to equity holders of the parent								
	Share Capital	Share premium	Revaluation reserve	Retained Earnings	Translation Reserve	Cash Flow Hedge Reserve	Net Investment Hedge Reserve	Non-controlling interest	Total
	Thousands of euros								
Balance at 01/01/2018	***267,575***	***338,728***	***90,936***	***3,947,358***	***614,039***	***(4,733)***	***(429,310)***	***110,184***	***5,025,713***
—Opening Balance Impact of IFRS 9	—	—	—	5,062	—	—	—	(691)	4,372
Balance at 01/01/2018 after Impact of IFRS 9	***267,575***	***338,728***	***90,936***	***4,043,356***	***614,039***	***(4,733)***	***(429,310)***	***109,493***	***5,030,085***
Consolidated profit or loss for the period	—	—	—	440,885	—	—	—	5,396	446,281
Other comprehensive income for the period	—	—	—	—	121,853	1,008	(92,026)	(2,308)	28,527
Total consolidated comprehensive income	**—**	**—**	**—**	**440,885**	**121,853**	**1,008**	**(92,026)**	**3,088**	**474,808**
Changes due to transactions with shareholders									
—Dividend paid	—	—	—	(160,545)		—	—	—	(160,545)
Other changes in equity									
—Sale/acquisition of non-controlling interest	—	—	—	—	—	—	—	3,913	3,913
Total shareholder transactions	**—**	**—**	**—**	**(160,545)**	**—**	**—**	**—**	**3,913**	**(156,633)**
Balance at 06/30/2018	***267,575***	***338,728***	***90,936***	***4,323,696***	***735,892***	***(3,725)***	***(521,336)***	***116,494***	***5,348,260***

	Equity attributable to equity holders of the parent								
	Share Capital	Share premium	Revaluation reserve	Retained Earnings	Translation Reserve	Cash Flow Hedge Reserve	Net Investment Hedge Reserve	Non-controlling interest	Total
Balance at 01/01/2017	***267,575***	***338,728***	***90,936***	***3,627,487***	***828,030***	***(10,376)***	***(570,449)***	***111,021***	***4,682,952***
Consolidated profit or loss for the period	—	—	—	412,170	—	—	—	6,174	418,344
Other comprehensive income for the period	—	—	—	—	(138,589)	26,595	88,975	(5,738)	(28,757)
Total consolidated comprehensive income	**—**	**—**	**—**	**412,170**	**(138,589)**	**26,595**	**88,975**	**436**	**389,587**
Changes due to transactions with shareholders									
—Dividend paid	—	—	—	(141,815)	—	—	—	(2,932)	(144,747)
Other changes in equity									
—Sale/acquisition of non-controlling interest	—	—	—	—	—	—	—	—	—
Total shareholder transactions	**—**	**—**	**—**	**(141,815)**	**—**	**—**	**—**	**(2,932)**	**(144,747)**
Balance at 06/30/2017(*)	***267,575***	***338,728***	***90,936***	***3,897,842***	***689,441***	***16,219***	***(481,474)***	***108,525***	***4,927,791***

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

(The accompanying Notes 1 to 18 are an integral part of this Interim Condensed Consolidated Statement of changes in equity)

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

Interim Condensed Consolidated Statement of Cash Flows

for the six-month periods ended June 30, 2018 and 2017 (Unaudited)

	Notes	2018	2017(*)
		Thousands of euros	
Cash Flows from operating activities			
Profit before tax from continuing operations		583,111	560,884
Depreciation and amortisation charge and impairment losses		265,486	427,320
Changes in provisions for contingencies and costs		20,805	8,360
Grants related to assets and other deferred income		(16,413)	(13,609)
Impairment and gains or losses on disposals of Finance instruments		89	(13,737)
Change in operating allowances		(7,785)	3,453
Finance result		46,238	(1,715)
Share in profit of companies accounted for using the equity method		(14,810)	(7,304)
Other changes		18,574	(6,192)
Cash flows generated from operating activities before changes in operating working capital	Note 5	***895,295***	***957,460***
Changes in operating working capital		***(240,261)***	***(634,961)***
Interest paid		(45,809)	(38,658)
Interest received		6,471	16,300
Dividends received	Note 6	23,590	21,015
Income tax paid		(275)	(22,092)
Other cash flows used in operating activities	Note 5	***(16,023)***	***(23,435)***
Total cash flows generated from operating activities		***639,011***	***299,064***
Cash Flows used in investing activities			
Payments			
Intangible assets		(16,497)	(7,147)
Property, plant and equipment		(1,589,054)	(317,853)
Finance assets			
Associates and other investments	Note 6	(1,834)	(22,905)
Other Finance assets		(15,795)	(36,406)
Acquisition of subsidiary, net of cash acquired	Note 4	(41,805)	(19,491)
Grants received		389	6
Total payments		***(1,664,596)***	***(403,796)***
Collections			
Intangible assets		1,578	994
Property, plant and equipment		29,751	1,089
Finance assets		5,852	5,574
Total collections		***37,181***	***7,657***
Total cash flows used in investing activities	*Note 5*	***(1,627,415)***	***(396,139)***
Cash Flows from financing activities			
Dividends paid			
To equity holders of the Parents	Note 11	(160,545)	(141,815)
To non-controlling interests		—	(2,932)
Total dividends paid		**(160,545)**	**(144,747)**
Proceeds from borrowings		1,651,638	75,415
Repayment of borrowings		(309,969)	(495,746)
Payments of Finance lease liabilities		—	—
Total cash flows from bank borrowings	Note 16	**1,341,669**	**(420,331)**
Total cash flows used in financing activities		**1,181,124**	**(565,078)**
Net increase (decrease) in cash and cash equivalents		***192,720***	***(662,153)***
Effect of changes in foreign exchange rates		1,187	(7,487)
Cash and cash equivalents at beginning of the period		***545,637***	***1,299,733***
Cash and cash equivalents at the end of the period		***739,544***	***630,093***
Detail of changes of operating working capital			
Inventories		(193,957)	(65,610)
Trade and other receivables		(274,902)	(275,337)
Other current Finance assets		11,842	41,356
Trade and other payables		245,963	(405,343)
Other changes		(29,207)	69,975
Total changes in operating working capital		***(240,261)***	***(634,961)***

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

(The accompanying Notes 1 to 18 are an integral part of this Interim Condensed Consolidated Statement of Cash Flows)

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Compañía Española de Petróleos, S.A.U. and subsidiaries (Cepsa Group)

Explanatory Notes to the Interim Condensed Consolidated Financial Statements

for the six-month period ended June 30, 2018

1. CEPSA Group activities

Compañía Española de Petróleos, S.A.U. ("CEPSA"), whose registered office is at Paseo de la Castellana 259A, Madrid (Spain), was incorporated for an unlimited period of time on September, 26, 1929 and is registerd in the Madrid Mercantile Register in Volume 588 of the Companies book, Sheet 35, Page M-12689. Its tax identification number is A-28003119.

In 2017, Mubadala Investment Company (the ultimate parent of the Company) instructed International Petroleum Investment Company (100% direct owner of the Company) to transfer its entire ownership in the Company to an entity under common control namely CEPSA Holding LLC. Hence, CEPSA Holding LLC is the direct 100% shareholder of the Company as at 30 June 2018.

CEPSA and its subsidiaries (together "the CEPSA Group" or "the Group") are composed of an integrated business Group which operate in the oil and gas industry in Spain and abroad. The Group also engages in business activities relating to the exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants, polymers, the distribution and marketing thereof, the distribution of gas and the generation of electricity, and trading activities relating thereto.

These interim condensed consolidated financial statements for the six months ended 30 June 2018 were authorized for issue by Board of Directors on March 15, 2018.

2. Basis of presentation and other information

a) Basis of presentation

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July, 19, 2002, all companies governed by the law of a European Union Member State must present their Consolidated Financial Statements for the years beginning on or after January, 1, 2005 in accordance with International Financial Reporting Standards as previously adopted by the European Union (IFRSs).

The Group's Consolidated Financial Statements for 2017 were formally issued by the Board of Directors in accordance with International Financial Reporting Standards as adopted by the European Union, applying the consolidation bases, accounting policies and measurement bases described in Notes 2 and 3 to the aforementioned Consolidated Financial Statements and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2017 and the consolidated results of its operations, the changes in its consolidated equity and its consolidated cash flows in the year then ended.

These Interim Condensed Consolidated Financial Statements are presented in accordance with IAS 34, Interim Financial Reporting, and they were issued by the Group's Board of Directors on August 3, 2018.

These interim condensed consolidated financial statements have been presented in Euro, which is the functional and presentation currency of the Company.

In accordance with IAS 34, the interim financial information is prepared exclusively to update the content of the last annual Consolidated Financial Statements prepared by the Group, focusing on new activities, events and circumstances arising during the six-month period, and does not duplicate the information previously reported in the Consolidated Financial Statements for 2017. Consequently, in order to be able to properly comprehend the information included in these Interim Condensed Consolidated Financial Statements, they should be read together with the Group's Consolidated Financial Statements for 2017.

b) Changes on accounting policies

1) EU-approved standards and interpretations applicable in the period.

The accounting policies applied in the preparation of the Consolidated Financial Statements for the interim period ended June 30, 2018 are the same as those applied in the preparation of the Consolidated Financial Statements for the year ended December 31, 2017, except for the application of the new effective Standards as of January 1, 2018.

2. Basis of presentation and other information (Continued)

The Group intends to adopt standards, interpretations and amendments issued by the IASB that are not obligatory in the EU at the date these Interim Condensed Consolidated Financial Statements were authorized for issue. However, they will be applied when they come into force.

No new standard, interpretation or amendment applicable for the first time in this period has had any impact on the Group apart from the following:

IFRS 15—"Revenue from Contracts with Customers"

IFRS 15 was published in May 2014, and modified in 2016, establishes a new five-step model applicable to measurement of revenue arising from contracts with customers. In accordance with IFRS 15, the revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled when provided goods or services to a client.

This new standard derogates all previous standards relating to income recognition. Retroactive application is required, either complete or partial, for the years starting from January 1, 2018 or subsequently, and early application is allowed. The Group has adopted the new standard at the stipulated effective date using the modified total retroactive method with the corresponding accumulated effect at the moment of initial application of this standard.

There has been no impact on the consolidated statement of balance sheet or the Consolidated Statement of Profit or Loss but only a change in the systematic record of certain operations. The evaluation of the impact on the application of IFRS 15 is as follows:

(a) Sale of goods

This standard have no impact on those contracts with customers in which sales are generally the only contractual obligation. Recognition of revenue is registered when control is transferred to the customer, in general when the goods are delivered.

(b) Services rendered

In general, the Group's products are sold via contracts under INCOTERMS. Based on the specific INCOTERM, the sale and transport of the product is included. The income from the product sale is recognized at the moment control is transferred (as described in section "(a) Sale of goods") and income from the remaining obligations, mainly transportation, are recognized to the extent control is being transferred. In some instances, it is appropriate to recognize income from transportation services when the goods are delivered. However, in other cases, said income is recognized as the service is being rendered.

The disclosure requirements prescribed in IFRS 15 are detailed by categories, as defined in the Note of Segments reporting. (Note 5)

Any impairment loss recognized (in accordance with IFRS 9) on any trade receivables or contract assets arising from the contracts of an entity with customers, will be disclosed separately from the impairment losses of other contracts.

IFRS 9—Financial Instruments

The IFRS 9 covers classification and measurement of financial assets and liabilities, hedge accounting, and impairment of financial assets, substituting IAS 39 from January 1, 2018. The Group has applied IFRS 9 prospectively and the impacts according to the previous sections have been the following:

(a) Classification and measurement

Applying the measurement and classification requirements of IFRS 9 did not entail significant impact on the Group´s financial statements.

2. Basis of presentation and other information (Continued)

The financial assets measured at fair value through profit or loss under IAS 39 continue to be measured at fair value under IFRS 9. This category, in practice, is limited to derivatives.

With regard to unlisted equity instruments, the Group applies the option of presenting the corresponding changes in fair value through profit or loss. This change did not have any significant initial impact on the Group financial statements.

With respect to loans and commercial debt, the business model test was performed based on two sub-portfolios as follows:

- Securitization:

The Company's business model for the securitization sub-portfolio involves maintaining it, either for obtaining contractually agreed upon cash flows or cash flows from their sale. The corresponding assets are classified as "Financial assets at fair value through other comprehensive income".

Thus, this sub-portfolio will no longer be measured at amortized cost, under IAS 39, but at fair value against equity, under IFRS 9.

At December, 31, 2017, this sub-portfolio reflects a balance of 329.4 million euros, whereas its fair value account for 329.2 million euros. The negative impact on equity as a result of calculating at fair value has been two hundred thousand euros.

- Other:

The Company's business model for the remaining loans and commercial debt, which does not form part of the securitization portfolio, is to maintain them in order to obtain contractually agreed upon cash flows. These items will be measured at amortized cost with no impact on interim condensed consolidated balance sheet and interim condensed consolidated statement of profit or loss.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit impairment for all its debt securities, loans, and trade receivables, regardless of whether for a twelve-month time horizon or more.

In order to assess its impact, the Group developed a methodology, the general guidelines of which are as follows:

- Trade receivables:

The Group applies the simplified model for trade receivables, recognizing expected losses for all trade debtors. Calculation of PD (Probability of Default) was carried out based on the historical data available to the Group regarding bad debts (fully impaired) of the last three years, for each of the different time periods established for the age of debt, based on the following groupings:

- the company that owns the financial asset
- the business unit to which the debtor belongs
- the age of the debt

If appropriate, PD may include an adjustment based on a prospective variable which could be calculated based on the PP5 (Strategic plan) of the business area and/or macroeconomic variables.

- Non-trade receivables:

The methodology applied to this group of specific financial assets was based on the general three-stage approach established in IFRS 9 (in contrast to the simplified approach applied to trade receivables mentioned above), and considering the default status of the debt. Assigning expected PD for the following 12 months to stage 1, expected PD for the entire life of the asset to stage 2, and a 100% PD to stage 3 considering the debt an incurred loss.

2. Basis of presentation and other information (Continued)

The PD to be assigned to the debt included in stages one and two was obtained using the historical probabilities of non-payment published annually by S&P, and based on the risk of the debtor (high, medium, low).

Based on this methodology, the Group evaluated the impact as at December, 31, 2017, obtaining the following results:

1. Regarding trade receivables (with the exception of the securitization sub-portfolio), the impairment provision has increased from 140 million euros under IAS 39 to a 147 million euros under IFRS 9, based on gross trade receivables at amortized cost totaling 1,864.6 million euros.
2. With respect to non-trade receivables, the impairment provision has increased from 27 million euros under IAS 39 to 30 million euros under IFRS 9, based on a gross amount totaling 354 million euros.

(c) Hedge accounting

The Group considers that it will be able to continue qualifying all existing hedging relationships, currently designated as effective hedges, as hedges in accordance with IFRS 9. Thus, the Group does not expect any impact resulting from the initial application of this standard.

(d) Refinancing of financial liabilities

In application of the IASB's 2017 interpretation on the treatment of the refinancing of financial liabilities under IFRS 9, contractual cash flows of refinanced debt must be discounted at the original effective interest rate, revised with the associated commissions, instead of the new rate resulting from the refinancing operation.

The difference obtained will have an impact on the Consolidated Statement of Profit or Loss as an expense or income at the date of the refinancing, although, given the retrospective nature of this interpretation, for those transactions carried out prior to 1 January 2018, the existing difference has been recorded against Reserves.

The impact on the Cepsa Group of this Interpretation involves an initial reserve of approximately 10 million euros (net of tax effect), as well as a reduction in the amount of debt to approximately 13 million euros. This lower debt amount will be reclassified to the Consolidated Statement of Profit or Loss as a higher financial cost in order to record the debt at the original effective interest rate during future periods.

2. Basis of presentation and other information (Continued)

The impact of the application of IFRS 9 on the statement of the balance sheet as at 31 December 2017 is explained in more detail below:

Adjustement IFRS 9

Assets	Dec 31, 2017 As originally presented	IFRS 9 Impact	At Jan 1, 2018
Non-current assets			
Intangible assets	606,134	—	606,134
Consolidated Goodwill	122,708	—	122,708
Property, plant and equipment	4,344,709	—	4,344,709
Investments in associates and joint ventures	447,132	160	447,292
Non-current Finance assets	122,042	492	122,534
Deferred tax assets	761,723	5,182	766,905
Total non-current assets	***6,404,448***	***5,834***	***6,410,282***
Current assets			
Inventories	1,925,666	—	1,925,666
Trade and other receivables	2,179,884	(6,614)	2,173,270
Current income tax assets	75,284	—	75,284
Other current Financial assets	205,348	(2,806)	202,542
Other current assets	9,954	—	9,954
Cash and cash equivalents	545,637	—	545,637
Total current assets	***4,941,773***	***(9,420)***	***4,932,353***
Total assets	***11,346,221***	***(3,586)***	***11,342,635***
Shareholder's Equity and Liabilities			
Equity			
Shareholder's equity	4,735,533	5,282	4,740,815
Adjustments for changes in value	*179,996*	(219)	*179,777*
Non-controlling interest	*110,184*	(691)	*109,493*
Total equity	***5,025,713***	***4,372***	***5,030,085***
Non-current liabilities			
Bank borrowings	1,628,425	(12,687)	1,615,738
Deferred tax liabilities	296,017	4,729	300,746
Capital grants	30,598	—	30,598
Provisions	525,341	—	525,341
Other non-current liabilities	199,965	—	199,965
Total non-current liabilities	***2,680,346***	***(7,958)***	***2,672,388***
Current liabilities			
Bank borrowings	639,348	—	639,348
Trade and other payables	2,973,814	—	2,973,814
Current income tax liabilities	15,136	—	15,136
Other current liabilities	11,864	—	11,864
Total current liabilities	***3,640,162***	***—***	***3,640,162***
Total equity and liabilities	***11,346,221***	***(3,586)***	***11,342,635***

2. Basis of presentation and other information (Continued)

New IFRS in issue but not yet effective and not early adopted:

IFRS 16—Leases

This standard eliminates the dual accounting model for lessees, which distinguishes between the finance lease contracts recognized on the balance sheet and the operating lease contracts, for which future lease payments are not required to be recognized. Instead, a single model is established, in the balance sheet, similar to the current finance lease model. The Group has chosen to adopt the optional exemptions to recognize assets and liabilities for short-term leases and leases of low-value assets.

This new standard will be applicable to all entities for annual periods beginning on or after January 1, 2019 and will supersede all previous lease standards (IAS 17). The Group expects a relevant impact on the balance sheet which will entail an increase in assets for the right of use of leased assets and at the same time an increase in borrowings for the same quantity. An initial estimate of this impact is shown in Note 23, Leases, in the 2017 Consolidated Financial Statements.

c) Use of estimates and assumptions

The information contained in these Interim Condensed Consolidated Financial Statements is the responsibility of the Group's Board of Directors, who expressly declare that all the principles policies and methods provided in IFRSs have been applied.

The main accounting principles, policies and measurement basis are indicated in Notes 2 and 3 of CEPSA 2017 Consolidated Financial Statements.

For the preparation of the Interim Condensed Consolidated Financial Statements in accordance with IFRSs, the Directors were required to make estimates and assumptions. The final figures might differ on the basis of these estimates and assumptions. These estimates and assumptions relate basically to the following:

- Determination of the existence of impairment indicators for non-financial assets and estimate of certain financial assets' recoverable value.
- Estimation of the expected average weighted tax rate for the year which, in accordance with IAS 34, is used to calculate the income tax expense.
- The process of estimating reserves[1], is a key component of the Company´s decision making-process. The volume of oil and gas reserves, proved and probable (2P) is considered to calculate amortization charges applying the unit of production method. Likewise reserves (2P), together with contingent resources, are considered in the evaluation of the recoverable amounts of the investments in Exploration and Production assets. The Cepsa Reserves and Contingent Resources Evaluation Procedure follows the guidelines established by the SPE, AAPG, WPC, SPEE and SEG in March 2007, revised in November 2011 and known by the abbreviated term "SPE-PRMS" (Petroleum Resources Management System), for which determination it takes into account, among others, estimates of the oil and natural gas existing in the place, recovery factors and hypotheses of price forecasts and estimation of operating costs and investments.
- The process of valuation of assets and liabilities in business combinations requires, on the part of Group management, the judgments and estimates indicated in the Consolidated Financial Statements at December, 2017.
- When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using alternative valuation techniques including the DCF model. The inputs to these models are taken from observable markets when possible, but if it is not feasible, a degree of judgement is required in establishing fair values. Judgements 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.

[1] Every two years the registered volumes are audited by independent engineering firms.

2. Basis of presentation and other information (Continued)

- Actuarial calculation of post-employment benefit liabilities and obligations.
- Useful life of property, plant and equipment and intangible assets.
- Measurement of liabilities relating to provisions. Evaluation of legal and fiscal claims and contingencies, as well as judgments for the recording of costs and the recognition of provisions for environmental restoration and remediation costs.
- The assessment of the expected losses, according to IFRS 9, incorporate the PD (Probability of Default), an adjustment based on forward looking estimates of the Strategic Plan of the business area and / or macroeconomic variables.

Although these estimates were made on the basis of the best information available at the present date on the events analyzed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at 2018 year-end or in subsequent years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognizing the effects of the change in estimates in the corresponding Consolidated Statement of Profit or Loss.

During six-month period ended June 30, 2018, there were no significant changes with respect to the estimates used at 2017 year-end.

d) Seasonality of the Group's transactions

In view of the business activities in which the Group companies engage, their transactions are not of a cyclical or seasonal nature. Therefore, no specific disclosures are included in these explanatory notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2018.

e) Materiality

In accordance with IAS 34, in deciding the information to be disclosed on the various items in the financial statements or other matters in the notes to the financial statements, the Group took into account their materiality in relation to the Interim Condensed Consolidated Financial Statements.

f) Functional currency

The items included in the Consolidated Financial Statements of each of the Group companies are measured using the functional currency, i.e., the currency of the main economic environment in which each of these companies operate. The Interim Condensed Consolidated Financial Statements are presented in euros, which is the functional currency and the presentation currency of the Cepsa Group.

g) Principal risks and uncertainties

The main risks and uncertainties are the same with those disclosed in the Consolidated Financial Statements and the consolidated management report for the year 2017, without any significant changes since its publication. In the six-month period ended June 30, 2018 there have been no significant changes in business or economic environment, or the regulatory framework that could lead to the impairment of the carrying amount of the goodwill, the intangible assets and the property, plant and equipment of the Group at June 30, 2018.

3. Comparative information and changes in the composition of the Group

a) Comparative information

The information contained in these Interim Condensed Consolidated Financial Statements related to 2017 is presented solely for the purposes of comparison with the information for the six-month period ended June 30, 2018.

3. Comparative information and changes in the composition of the Group (Continued)

b) Changes in the composition of the Group

Tables I and II in the appendices to the Consolidated Financial Statements for the year ended December 31, 2017 provide information on Group companies consolidated at that date and those accounted for using the equity method, as well as the main transactions and assets accounted for under joint control.

In the first half of 2018 the investment in other entities were:

- Acquisition of 35 percent of shares of Cepsa Gas Comercializadora increasing the Group stake until 70% resulting in gaining control in the investee.

Changes in the scope of consolidation

The scope of consolidation at June 30, 2018 differs from the scope considered at the end of 2017 due to the following change:

Company	Full Consolidation	Investments in companies accounted for using the equity method
Cepsa EP Abu Dhabi, S.L.U.(*)	I	
Cepsa Gas Comercializadora, S.A.	I	E

I=Inclusion

E=Exclusion

* This entity has started activity the current fiscal year 2018

4. Business Combinations

No significant business combinations took place in 2018. The acquisition of 35 percent of shares of Cepsa Gas Comercializadora does not have a significant impact on the Interim Condensed Consolidated Financial Statements (Note 6).

On June 30, 2017, CEPSA acquired 20 entities that own 23 different petrol stations in the region of Madrid and surrounding areas in what is considered as one of the most relevant gas stations acquisition in the last years.

For the purpose of this business combination, we have considered all 20 entities as different Cash Generating Units as well as a single consolidated Company. The entities were owned by two family groups, Grupo Villanueva and Grupo Paz that agreed to act as a single party in the negotiation period of the Transaction with CEPSA. For the evaluation and measurement of this business combination an independent consultant services were hired. Specifically, Duff & Phelps submitted its report on July 4, 2018. This report ended without any caution or qualifications and fair value was extracted of it.

At June 30, 2018, this business combination is completed with the deferred payments included at fair value pending settlement. The interim condensed statement of cash flows reflects the payments made to June 2018 and June 2017 under the heading “Acquisition of subsidiary, net of cash acquired” for amounts of 41,805 and 19,491, thousand euros respectively, paid all of them in cash.

The preliminary goodwill pre-deferred tax liabilities is 7.5 million euros and refers to more undeveloped intangible assets such as future customer relationships and network performance optimization. The final goodwill is 47 million euros, after recognized the deferred taxes resulting from the measurement of assets at fair value, which occurs during the process of allocating a purchase price.

4. Business Combinations (Continued)

Identified fair values of assets and liabilities of the acquired company at the acquisition date are the following:

2017		Registered book value at acquisition	Registered fair value at acquisition
		Thousands of euros	
Non current assets		12,500	170,634
PP&E		12,394	25,317
Intangible	Note 7	0	145,211
Non-current Finance assets		2	2
Deferred tax assets		104	104
Current assets		12,565	12,565
Inventories		1,566	1,566
Account receivable		1,720	1,720
Cash and cash equivalent		9,279	9,279
TOTAL ASSETS		**25,065**	**183,199**
Non current liabilities		1,289	40,823
Non current provisions			
Deferred tax liabilites		0	39,534
Consideration for the debt		893	893
Other non-current liabilities		396	396
Current liabilities		7,019	7,019
Account payable		6,590	6,590
Consideration for the debt		429	429
TOTAL LIABILITIES		**8,308**	**47,842**
Total net assets identifiable at fair value		16,757	135,357
Goodwill (Note 8)		—	47,023
Consideration transferred		**16,757**	**182,380**

The fair value of Intangible assets was established used a form of the Income Approach known as the Multiperiod Excess Earnings Method ("MEEM"). The MEEM determines the fair value of an asset based on the cash flows that are exclusively generated by the asset in question. It has considered 90% of the value of the asset as the threshold in order to determine the Remaining Useful Life (RUL), obtaining an estimated economic RUL of 25 years, equal to the useful life.

There have not been significant variations with the information disclosed in the 2017 Consolidated Financial Statements.

No contingent liabilities was detected in the Financial Statements at the acquisition date in 2017.

5. Segments reporting

a) Business segments reporting

CEPSA Group has reorganized in 2018 its businesses segments, provided the high integration level of its Refining (more than 85% of their operations volume is for the refining activity), Trading and Gas & Power activities (70% of refining consumption of electricity is equivalent to the energy produced by Gas & Power

5. Segments reporting (Continued)

activities), and in order to be aligned with the change in the information used in decision making whithin the Group. So, the six segments reported until 2017 have been grouped in the following four:

- Exploration and Production, which includes oil and gas exploration and production activities.
- Refining, which includes the activities of supply and refining of crude oil into petroleum products and their exports, production excess sales, trading activities, power and steam generation, activities that are highly involved in the production processes, and distribution and commercialization to industrial customers.
- Marketing, which includes the distribution and commercialization activity of oil and gas products.
- Petrochemical, which includes their production, distribution and marketing.

And finally, the figures for corporate functions carried out by the parent company are reported under 'Corporation' caption, which is not a business segment.

The selling prices between these reporting business segments are based and approximate to market prices, and income, expenses, assets and liabilities have been determined before the eliminations on consolidation, except for the internal eliminations of each business segment.

The financial data shown below have been obtained in an homogeneous manner with 2017 and using the same methodology and internal reporting structures as those established to provide information to the Management and to measure the profitability of the business segments.

5. Segments reporting (Continued)

The following breakdown shows information as of 2018 and 2017, June 30, by segments and, in relation with the net profit attributable to the parent company, on both the profit obtained in accordance with the IFRS and the profit adjusted to the management approach:

	Information excluding CCS Adjustments and Non-Recurring Items							CCS Adjustments Non-Recurring Items	Total Consolidated
06/30/2018	**Exploration & Production**	**Refining**	**Marketing**	**Petrochemical**	**Corporation**	**Intra-Group Eliminations**	**Total**		
					Thousands of euros				
Income/(Losses)									
Revenue									
Revenue from external customers	369,447	2,534,834	8,159,226	1,324,265	2,852	—	12,390,624	—	12,390,624
Intra-group revenue	23,132	3,721,564	(35,672)	537,030	27,486	(4,273,540)	—	—	—
Total Revenue	***392,579***	***6,256,398***	***8,123,554***	***1,861,295***	***30,338***	***(4,273,540)***	***12,390,624***		***12,390,624***
Excise tax on oil and gas charged on sales	—	—	(1,279,256)	—	—	—	(1,279,256)	—	(1,279,256)
Revenue without excise tax on oil and gas	***392,579***	***6,256,398***	***6,844,298***	***1,861,295***	***30,338***	***(4,273,540)***	***11,111,368***		***11,111,368***
Procurements and changes in inventories of finished goods & work in progress	18,271	(7,337,384)	(4,260,999)	(1,529,118)	(202)	3,978,909	(9,130,523)	139,612	(8,990,911)
Changes in operating allowances	4,655	(974)	4,133	191	(306)	—	7,699	505	8,204
Change in provisions for liabilities and charges	10,818	2,479	930	4	—	—	14,231	—	14,231
Gains or losses on disposals of non-recurring assets	531	5,559	10,394	1,308	—	—	17,792	—	17,792
Other operating income and expenses	(162,402)	1,319,357	(2,454,259)	(205,237)	(53,085)	294,632	(1,260,995)	—	(1,260,995)
Result (EBITDA)	***264,452***	***245,435***	***144,497***	***128,443***	***(23,255)***	—	***759,572***	***140,117***	***899,689***
Depreciation and amortisation charge	(84,393)	(131,574)	(40,903)	(26,159)	(90)	—	(283,119)	—	(283,119)
Impairment of non-current assets	—	(60)	(129)	—	—	—	(189)	—	(189)
Allocation to profit or loss of grants related to non-financial assets and others	2,013	1,491	567	367	(44)	—	4,394	—	4,394
Operating profit (losses)	***182,072***	***115,292***	***104,032***	***102,651***	***(23,389)***	—	***480,658***	***140,117***	***620,775***
Share in profits of equity companies	5,332	19,476	(256)	(7,307)	—	—	17,245	(2,435)	14,810
Net financial profit							(51,292)	(1,093)	(52,385)
Impairment and gains or losses on disposals of financial instruments							(89)	—	(89)
Consolidated profit before tax							***446,522***	***136,589***	***583,111***
Income tax							(106,602)	(30,228)	(136,830)
Consolidated net profit for the year for continuing operations							***339,920***	***106,361***	***446,281***
Consolidated net profit for the year for discontinued operations							—	—	—
Consolidated net profit of the year							***339,920***	***106,361***	***446,281***
Non-controlling interests							(5,052)	(344)	(5,396)
Profit attributable to parent company(*)	***124,939***	***90,909***	***75,053***	***59,568***	***(15,601)***	—	***334,868***	***106,017***	***440,885***
Assets and liabilities									
Non-current assets without investments in associates & JV	3,155,087	2,239,480	1,250,676	844,007	14,133	—	7,503,383	(38,452)	7,464,931
Investments in associates and JV companies	200,316	201,012	16,690	35,591	—	—	453,609	—	453,609
Total non-current capital invested	***3,355,403***	***2,440,492***	***1,267,366***	***879,598***	***14,133***	—	***7,956,992***	***(38,452)***	***7,918,540***
Capital Employed	***3,057,914***	***3,185,514***	***809,005***	***1,171,436***	***(69,687)***	—	***8,154,182***	***194,609***	***8,348,791***
Cash flow statement									
Cash flow from operating activities before change in operating working capital IFRS	258,598	363,729	119,985	141,594	11,389	—	895,295		
Clean CCS Adjustment	—	(130,824)	5,958	(14,746)	—	—	(139,612)		
Cash flow from operating activities before change in operating working capital CCS	***258,598***	***232,905***	***125,943***	***126,848***	***11,389***		***755,683***		
Other cash flow from operating activities	(44,151)	25,687	8,750	(12,900)	6,591	—	(16,023)		
Total cash flow from operating activities before change in working capital CCS	***214,447***	***258,592***	***134,693***	***113,948***	***17,980***		***739,660***		
Total cash flows from investing activities	***(1,373,395)***	***(142,399)***	***(79,417)***	***(24,748)***	***(7,456)***		***(1,627,415)***		
Free cash flow before change in working capital	***(1,158,948)***	***116,193***	***55,276***	***89,200***	***10,524***		***(887,755)***		

(*)							**Total**
CCS Profit attributable to parent company	***124,939***	***90,909***	***75,053***	***59,568***	***(15,601)***		***334,868***
Non-Recurring Items	5,497	97,490	(6,242)	9,272	—		106,017
IFRS Profit attributable to parent company	***130,436***	***188,399***	***68,811***	***68,840***	***(15,601)***		***440,885***

5. Segments reporting (Continued)

06/30/2017(*)	Information excluding CCS Adjustments and Non-Recurring Items							CCS Adjustments Non-Recurring Items	Total Consolidated
	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Intra-Group Eliminations	Total		
	Thousands of euros								
Income/(Losses)									
Revenue									
Revenue from external customers	281,557	2,004,703	6,625,672	1,228,849	10,620	—	10,151,401	—	10,151,401
Intra-group revenue	134,117	3,166,678	7,782	496,329	24,786	(3,829,692)	—	—	—
Total Revenue	***415,674***	***5,171,381***	***6,633,454***	***1,725,178***	***35,406***	***(3,829,692)***	***10,151,401***		***10,151,401***
Excise tax on oil and gas charged on sales	—	—	(1,260,476)	—	—	—	(1,260,476)	—	(1,260,476)
Revenue without excise tax on oil and gas	***415,674***	***5,171,381***	***5,372,978***	***1,725,178***	***35,406***	***(3,829,692)***	***8,890,925***		***8,890,925***
Procurements and changes in inventories of finished goods & work in progress	(33,221)	(5,929,110)	(3,047,055)	(1,418,075)	(596)	3,677,332	(6,750,725)	24,624	(6,726,101)
Changes in operating allowances	—	(522)	(1,383)	(499)	—	—	(2,403)	(1,050)	(3,453)
Change in provisions for liabilities and charges	(6,609)	276	(5,184)	93	310	—	(11,115)	—	(11,115)
Gains or losses on disposals of non-recurring assets	(3,539)	1,072	(278)	19	—	—	(2,726)	(497)	(3,223)
Other operating income and expenses	(130,298)	1,181,846	(2,127,882)	(193,812)	(63,414)	152,360	(1,181,200)	—	(1,181,200)
Result (EBITDA)	***242,007***	***424,943***	***191,196***	***112,904***	***(28,294)***	—	***942,756***	***23,077***	***965,833***
Depreciation and amortisation charge	(128,256)	(123,207)	(41,734)	(26,444)	(46)	—	(319,687)	—	(319,687)
Impairment of non-current assets	(939)	(347)	167	—	—	—	(1,119)	(103,295)	(104,414)
Allocation to profit or loss of grants related to non-financial assets and others	1,326	1,642	(2,206)	946	310	—	2,018	—	2,018
Operating profit (losses)	***114,138***	***303,031***	***147,423***	***87,406***	***(28,030)***	—	***623,968***	***(80,218)***	***543,750***
Share in profits of equity companies	3,551	13,080	440	1,776	—	—	18,847	(11,543)	7,304
Net financial profit							(3,813)	—	(3,813)
Impairment and gains or losses on disposals of financial instruments							3,508	10,135	13,643
Consolidated profit before tax							***642,510***	***(81,626)***	***560,884***
Income tax							(170,750)	28,210	(142,540)
Consolidated net profit for the year for continuing operations							***471,760***	***(53,416)***	***418,344***
Consolidated net profit for the year for discontinued operations									
Consolidated net profit of the year							***471,760***	***(53,416)***	***418,344***
Non-controlling interests							(5,918)	(256)	(6,174)
Profit attibutable to parent company(**)	***82,923***	***222,962***	***119,384***	***59,521***	***(18,948)***		***465,842***	***(53,672)***	***412,170***
Assets and liabilities									
Non-current assets without investments in associates and Joint Ventures	1,998,235	2,167,492	1,218,321	971,822	27,834	—	6,383,704	38,607	6,422,311
Investments in associates and JV companies	196,297	198,084	15,821	39,748	—	—	449,950	—	449,950
Total non-current capital invested	***2,194,532***	***2,365,576***	***1,234,142***	***1,011,570***	***27,834***	—	***6,833,654***	***38,607***	***6,872,261***
Capital Employed	***1,895,009***	***3,144,947***	***826,738***	***1,254,429***	***(45,872)***	—	***7,075,251***	***35,016***	***7,110,267***
Cash flow statement									
Cash flow from operating activities before change in operating working capital IFRS	257,340	410,995	216,070	127,332	(54,277)	—	957,460		
Clean CCS Adjustment	—	195	(9,055)	(15,764)	—	—	(24,624)		
Cash flow from operating activities before change in operating working capital CCS	***257,340***	***411,190***	***207,015***	***111,568***	***(54,277)***	—	***932,836***		
Other cash flow from operating activities	(53,427)	(13,355)	(11,638)	(19,808)	74,794	—	(23,434)		
Total cash flow from operating activities before change in working capital CCS	***203,913***	***397,835***	***195,377***	***91,760***	***20,517***	—	***909,402***		
Total cash flows from investing activities	***(96,574)***	***(139,561)***	***(77,634)***	***(65,265)***	***(17,105)***	—	***(396,139)***		
Free cash flow before change in working capital	***107,339***	***258,274***	***117,743***	***26,495***	***3,412***	—	***513,263***		

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

(**)							Total
Clean CCS Profit attributable to parent company	***82,923***	***222,962***	***119,384***	***59,521***	***(18,948)***		***465,842***
Non-Recurring Items	(68,183)	(3,103)	6,791	10,823	—		(53,672)
IFRS Profit attributable to parent company	***14,740***	***219,859***	***126,175***	***70,344***	***(18,948)***		***412,170***

5. Segments reporting (Continued)

b) Geographical segment reporting

The breakdown of revenue by geographical area is as follows:

Revenue for sales to external customers	2018	2017(**)
	Thousands of Euros	
Spain(*)	8,055,446	6,511,771
Other EU Countries	1,534,924	1,516,219
Africa	892,000	661,204
America	991,547	752,554
Rest of the world	916,707	709,653
Total Consolidated	***12,390,624***	***10,151,401***

(*) In Spain, the data from 2018 and 2017 under "Revenue for sales to external customers" includes Excise tax on oil and gas charged on sales

(**) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

c) Information on CCS adjustments and non-recurring items

Below is a breakdown, by business segment, which explains the difference between the IFRS profit and the adjusted profit:

06/30/2018	Thousands of euros					
	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Total
CCS Adjustments and Non-Recurring Items						
Profit from operations						
Difference in valuation and replacement cost	—	131,129	(5,958)	14,946	—	140,117
Total	—	***131,129***	***(5,958)***	***14,946***	—	***140,117***
Consolidated Net Profit						
Difference in valuation and replacement cost	—	97,490	(6,242)	11,707	—	102,955
Non-recurring items by companies accounted for using the equity method	—	—	—	(2,435)	—	(2,435)
Adjustment to the tax for temporary differences and provisions	5,497	—	—	—	—	5,497
Total	***5,497***	***97,490***	***(6,242)***	***9,272***	—	***106,017***

5. Segments reporting (Continued)

06/30/2017(*)	Thousands of euros					
	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Total
CCS Adjustments and Non-Recurring Items						
Profit from operations						
Difference in valuation and replacement cost	—	(195)	9,055	14,714	—	23,574
Depreciation and impairment losses on non-current assets	(103,295)	—	—	—	—	(103,295)
Impairment and gains or losses on disposal of assets	(497)	—	—	—	—	(497)
Total	***(103,792)***	***(195)***	***9,055***	***14,714***	***—***	***(80,218)***
Consolidated Net Profit						
Difference in valuation and replacement cost	—	(146)	6,791	11,808	—	18,453
Non-recurring items by companies accounted for using the equity method	—	(11,543)	—	—	—	(11,543)
Depreciation, impairment and gains or losses on disposal of assets	(110,195)	—	—	—	—	(110,195)
Impairment of financial instruments	—	8,586	—	(985)	—	7,601
Adjustment to the tax for temporary differences and provisions	42,012	—	—	—	—	42,012
Total	***(68,183)***	***(3,103)***	***6,791***	***10,823***	***—***	***(53,672)***

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

Non-recurring items include the difference in the value of inventories between the average cost method valuation -used in the financial statements- and the replacement cost valuation -used for the measurement of business segments-, thus facilitating the analysis of business segment performance and the comparison between years. In the replacement cost method, the cost of sales is determined with reference to average monthly prices rather than the historical value derived from the accounting valuation method. Consequently, the adjustment to replacement cost is determined as the difference between these two methods. In this regard, the net result excluding non-recurring items used for sensitivity analysis also excludes the difference mentioned before. In the case of companies accounted for using the equity method, the adjustments are the same that the above, that is, adjustment to the replacement cost and asset impairment on these companies' results, over the result of these companies.

The Group considers 'non-recurring items' those atypical revenues or expenses, which are not directly related to the company's main activity and unusually occur.

5. Segments reporting (Continued)

As a consequence of the reorganization performed in 2018 by the Group in its business segment reporting and for illustrative purposes, reorganized segments Income Statement for the full-years of 2017, 2016 and 2015 is shown below:

	Information excluding CCS Adjustments and Non-Recurring Items							CCS Adjustments Non-Recurring Items	Total Consolidated
2017	**Exploration & Production**	**Refining**	**Marketing**	**Petrochemical**	**Corporation**	**Intra-Group Eliminations**	**Total**		
					Thousands of euros				
Income/(Losses)									
Revenue									
Revenue from external customers	589,447	4,051,181	13,671,819	2,458,217	46,109	—	20,816,773	—	20,816,773
Intra-group revenue	270,030	6,185,436	20,642	1,027,362	54,790	(7,558,260)	—	—	—
Total Revenue	***859,477***	***10,236,617***	***13,692,461***	***3,485,579***	***100,899***	***(7,558,260)***	***20,816,773***		***20,816,773***
Excise tax on oil and gas charged on sales	—	—	(2,605,162)	—	—	—	(2,605,162)	—	(2,605,162)
Revenue without excise tax on oil and gas	***859,477***	***10,236,617***	***11,087,299***	***3,485,579***	***100,899***	***(7,558,260)***	***18,211,611***		***18,211,611***
Procurements and changes in inventories of finished goods & work in progress	(48,073)	(12,039,726)	(6,161,737)	(2,841,174)	(791)	7,275,338	(13,816,163)	104,062	(13,712,101)
Changes in operating allowances	(1,537)	(952)	(7,211)	(1,008)	—	—	(10,708)	818	(9,890)
Change in provisions for liabilities and charges	(4,616)	(5,886)	(2,390)	183	8,015	—	(4,694)	—	(4,694)
Gains or losses on disposals of non-recurring assets	(523)	188	5,032	(2,156)	—	—	2,541	(475)	2,066
Other operating income and expenses	(307,715)	2,683,880	(4,607,155)	(402,475)	(158,203)	282,922	(2,508,746)	—	(2,508,746)
Result (EBITDA)	***497,013***	***874,121***	***313,838***	***238,949***	***(50,080)***	***—***	***1,873,841***	***104,405***	***1,978,246***
Depreciation and amortisation charge	(259,413)	(284,465)	(81,162)	(55,319)	(94)	—	(680,453)	—	(680,453)
Impairment of non-current assets	—	108	280	(296)	—	—	92	(276,943)	(276,851)
Allocation to profit or loss of grants related to non-financial assets and others	7,880	3,444	(3,590)	906	(1)	—	8,639	—	8,639
Operating profit (losses)	***245,480***	***593,208***	***229,366***	***184,240***	***(50,175)***	***—***	***1,202,119***	***(172,538)***	***1,029,581***
Share in profits of equity companies	7,169	48,925	1,663	463	—	—	58,220	(10,382)	47,838
Net financial profit						—	(30,906)	(707)	(31,613)
Impairment and gains or losses on disposals of financial instruments						—	(2,157)	9,889	7,732
Consolidated profit before tax						***—***	***1,227,276***	***(173,738)***	***1,053,538***
Income tax						—	(328,007)	33,101	(294,906)
Consolidated net profit for the year for continuing operations						***—***	***899,269***	***(140,637)***	***758,632***
Consolidated net profit for the year for discontinued operations							—	—	—
Consolidated net profit of the year						***—***	***899,269***	***(140,637)***	***758,632***
Non-controlling interests						—	(15,388)	(644)	(16,032)
Profit attributable to parent company(*)	***145,145***	***480,548***	***181,763***	***110,702***	***(34,277)***	***—***	***883,881***	***(141,281)***	***742,600***
Assets and liabilities									
Non-current assets without investments in associates & JV	1,716,132	2,236,991	1,247,712	775,123	11,434	—	5,987,392	(30,076)	5,957,316
Investments in associates and JV companies	187,800	206,986	16,965	35,381	—	—	447,132	—	447,132
Total non-current capital invested	***1,903,932***	***2,443,977***	***1,264,677***	***810,504***	***11,434***	***—***	***6,434,524***	***(30,076)***	***6,404,448***
Capital Employed	***1,577,895***	***2,991,169***	***950,291***	***1,210,195***	***(75,791)***	***—***	***6,653,760***	***94,089***	***6,747,849***
Cash flow statement									
Cash flow from operating activities before change in operating working capital IFRS	522,734	945,061	313,765	257,113	(118,589)	—	1,920,084		
Clean CCS Adjustment	—	(95,819)	11,286	(19,529)	—	—	(104,062)		
Cash flow from operating activities before change in operating working capital CCS	***522,734***	***849,242***	***325,051***	***237,584***	***(118,589)***	***—***	***1,816,022***		
Other cash flow from operating activities	(129,011)	(43,702)	(45,595)	(50,372)	91,055	—	(177,625)		
Total cash flow from operating activities before change in working capital CCS	***393,723***	***805,540***	***279,456***	***187,212***	***(27,534)***	***—***	***1,638,397***		
Total cash flows from investing activities	***(158,922)***	***(285,327)***	***(111,789)***	***(37,861)***	***(14,511)***	***—***	***(608,410)***		
Free cash flow before change in working capital	***234,801***	***520,213***	***167,667***	***149,351***	***(42,045)***	***—***	***1,029,987***		

(*)	**Exploration & Production**	**Refining**	**Marketing**	**Petrochemical**	**Corporation**	**Intra-Group Eliminations**	**Total**
Clean CCS Profit attributable to parent company	***145,145***	***480,548***	***181,763***	***110,702***	***(34,277)***	***—***	***883,881***
Non-Recurring Items	(216,056)	68,173	(7,284)	13,886	—	—	(141,281)
IFRS Profit attributable to parent company	***(70,911)***	***548,721***	***174,479***	***124,588***	***(34,277)***	***—***	***742,600***

5. Segments reporting (Continued)

2016	Information excluding CCS Adjustments and Non-Recurring Items							CCS Adjustments Non-Recurring Items	Total Consolidated
	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Intra-Group Eliminations	Total		
	Thousands of euros								
Income/(Losses)									
Revenue									
Revenue from external customers	533,654	3,691,023	11,539,913	2,148,937	35,023	—	17,948,550	—	17,948,550
Intra-group revenue	306,221	5,350,968	(15,138)	748,552	54,059	(6,444,662)	—	—	—
Total Revenue	***839,875***	***9,041,991***	***11,524,775***	***2,897,489***	***89,082***	***(6,444,662)***	***17,948,550***		***17,948,550***
Excise tax on oil and gas charged on sales	—	—	(2,493,379)	—	—	—	(2,493,379)	—	(2,493,379)
Revenue without excise tax on oil and gas	***839,875***	***9,041,991***	***9,031,396***	***2,897,489***	***89,082***	***(6,444,662)***	***15,455,171***		***15,455,171***
Procurements and changes in inventories of finished goods & work in progress	(82,381)	(10,007,717)	(5,741,718)	(2,289,950)	(741)	6,577,554	(11,544,953)	(172,534)	(11,717,487)
Changes in operating allowances	(9,504)	(2,459)	643	4,579	—	—	(6,741)	340,853	334,112
Change in provisions for liabilities and charges	(11,481)	15,258	7,980	4,968	2,494	—	19,219	—	19,219
Gains or losses on disposals of non-recurring assets	3,813	(4,856)	7,614	(1,627)	—	—	4,944	2,339	7,283
Other operating income and expenses	(296,811)	1,626,949	(3,032,955)	(390,022)	(153,243)	(132,892)	(2,378,974)	—	(2,378,974)
Result (EBITDA)	***443,511***	***669,166***	***272,960***	***225,437***	***(62,408)***	***—***	***1,548,666***	***170,658***	***1,719,324***
Depreciation and amortisation charge	(332,531)	(249,619)	(82,966)	(50,692)	(4)	—	(715,812)	15,760	(700,052)
Impairment of non-current assets	(6,181)	(35)	(187)	—	—	—	(6,403)	(82,560)	(88,963)
Allocation to profit or loss of grants related to non-financial assets and others	5,911	3,226	(2,282)	1,225	—	—	8,080	—	8,080
Operating profit (losses)	***110,710***	***422,738***	***187,525***	***175,970***	***(62,412)***	***—***	***834,531***	***103,858***	***938,389***
Share in profits of equity companies	2,661	35,286	(1,313)	(1,857)	—	—	34,777	(93,374)	(58,597)
Net financial profit						—	(59,350)	—	(59,350)
Impairment and gains or losses on disposals of financial instruments						—	(336)	(1,003)	(1,339)
Consolidated profit before tax						—	***809,622***	***9,481***	***819,103***
Income tax						—	(244,905)	42,317	(202,588)
Consolidated net profit for the year for continuing operations						—	***564,717***	***51,798***	***616,515***
Consolidated net profit for the year for discontinued operations									
Consolidated net profit of the year						—	***564,717***	***51,798***	***616,515***
Non-controlling interests						—	(11,356)	(3,327)	(14,683)
Profit attributable to parent company(*)	***11,629***	***341,247***	***137,764***	***110,573***	***(47,852)***	***—***	***553,361***	***48,471***	***601,832***
Assets and liabilities									
Non-current assets without investments in associates & JV	2,227,377	2,243,351	1,021,178	1,001,928	20,811	—	6,514,645	3,363	6,518,008
Investments in associates and JV companies	207,231	199,019	15,607	6,056	—	—	427,913	—	427,913
Total non-current capital invested	***2,434,608***	***2,442,370***	***1,036,785***	***1,007,984***	***20,811***	***—***	***6,942,558***	***3,363***	***6,945,921***
Capital Employed	***2,134,321***	***2,770,420***	***633,673***	***1,224,955***	***12,052***	***—***	***6,775,421***	***16,337***	***6,791,758***
Cash flow statement									
Cash flow from operating activities before change in operating working capital IFRS	433,805	478,860	228,521	205,068	19,308	—	1,365,562		
Clean CCS Adjustment	—	145,118	19,822	7,594	—	—	172,534		
Cash flow from operating activities before change in operating working capital CCS	***433,805***	***623,978***	***248,343***	***212,662***	***19,308***	***—***	***1,538,096***		
Other cash flow from operating activities	(89,564)	(41,826)	(56,455)	(45,907)	11,152	—	(222,600)		
Total cash flow from operating activities before change in working capital CCS	***344,241***	***582,152***	***191,888***	***166,755***	***30,460***		***1,315,496***		
Total cash flows from investing activities	***(224,093)***	***122,874***	***(82,541)***	***35,197***	***(4,067)***	***—***	***(152,630)***		
Total cash flows from investing activities	***120,148***	***705,026***	***109,347***	***201,952***	***26,393***	***—***	***1,162,866***		

(*)	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Intra-Group Eliminations	Total
Clean CCS Profit attributable to parent company	***11,629***	***341,247***	***137,764***	***110,573***	***(47,852)***	***—***	***553,361***
Non Recurring Items	(78,809)	144,301	(17,552)	531	—	—	48,471
IFRS Profit attributable to parent company	***(67,180)***	***485,548***	***120,212***	***111,104***	***(47,852)***	***—***	***601,832***

5. Segments reporting (Continued)

2015	Information excluding CCS Adjustments and Non-Recurring Items							CCS Adjustments Non-Recurring Items	Total Consolidated
	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Intra-Group Eliminations	Total		
	Thousands of euros								
Income/(Losses)									
Revenue									
Revenue from external customers	705,946	3,871,140	12,995,688	2,312,578	6,774	—	19,892,126	—	19,892,126
Intra-group revenue	359,087	5,765,193	42,906	946,543	63,833	(7,177,562)	—	—	—
Total Revenue	***1,065,033***	***9,636,333***	***13,038,594***	***3,259,121***	***70,607***	***(7,177,562)***	***19,892,126***	***—***	***19,892,126***
Excise tax on oil and gas charged on sales	—	—	(2,440,124)	—	—	—	(2,440,124)	—	(2,440,124)
Revenue without excise tax on oil and gas	***1,065,033***	***9,636,333***	***10,598,470***	***3,259,121***	***70,607***	***(7,177,562)***	***17,452,002***	***—***	***17,452,002***
Procurements & changes in finished goods inventories & work in progress	(115,880)	(10,725,355)	(6,772,418)	(2,637,847)	(876)	7,337,197	(12,915,179)	(600,136)	(13,515,315)
Changes in operating allowances	(2,197)	(3,196)	2,048	8,267	—	—	4,922	156,012	160,934
Change in provisions for liabilities and charges	(24,978)	(10,148)	(10,638)	(1,830)	1,200	—	(46,394)	—	(46,394)
Gains or losses on disposals of non-recurring assets	(1,112)	(665)	2,246	3,724	—	—	4,193	(974)	3,219
Other operating income and expenses	(371,611)	1,884,651	(3,449,285)	(493,910)	(143,274)	(159,635)	(2,733,063)	(3,970)	(2,737,033)
Result (EBITDA)	***549,255***	***781,620***	***370,423***	***137,525***	***(72,343)***	***—***	***1,766,481***	***(449,068)***	***1,317,413***
Depreciation and amortisation charge	(701,061)	(173,988)	(87,077)	(42,105)	(5)	—	(1,004,236)	—	(1,004,236)
Impairment of non-current assets	(241)	—	(1,077)	—	—	—	(1,318)	(3,386,763)	(3,388,081)
Allocat. to profit or loss of grants related to non-financial assets & others	56,111	(48,885)	2,150	881	—	—	10,257	—	10,257
Adjusted analytical operating income	***(95,936)***	***558,747***	***284,419***	***96,301***	***(72,348)***	***—***	***771,184***	***(3,835,831)***	***(3,064,647)***
Share in profits of equity companies	9,804	34,474	2,056	2,855	—	—	49,189	(126,554)	(77,365)
Net financial profit						—	(96,167)	—	(96,167)
Impairment and gains or losses on disposals of financial instruments						—	(208)	303,993	303,785
Consolidated profit before tax						***—***	***723,998***	***(3,658,392)***	***(2,934,394)***
Income tax						—	(125,510)	2,008,264	1,882,754
Consolidated net profit for the year for continuing operations						***—***	***598,488***	***(1,650,128)***	***(1,051,640)***
Consolidated net profit for the year for discontinuing operations						***—***	***6,699***	***(2,307)***	***4,392***
Consolidated net profit of the year						***—***	***605,187***	***(1,652,435)***	***(1,047,248)***
Non-controlling interests						—	(8,835)	15,669	6,834
Profit attributable to parent company(*)	***(6,452)***	***411,619***	***196,023***	***47,057***	***(51,895)***	***—***	***596,352***	***(1,636,766)***	***(1,040,414)***
Assets and Liabilities									
Non-current assets without investments in associates & JV	5,571,343	2,257,475	1,078,036	910,868	16,983	—	9,834,705	(3,262,424)	6,572,281
Investments in associates and JV companies	408,158	194,091	18,773	10,012	0	—	631,034	(106,479)	524,555
Total non-current capital invested	***5,979,501***	***2,451,566***	***1,096,809***	***920,880***	***16,983***	***—***	***10,465,739***	***(3,368,903)***	***7,096,836***
Capital Employed	***3,589,203***	***2,909,412***	***695,778***	***1,223,072***	***38,548***	***—***	***8,456,012***	***(1,323,485)***	***7,132,527***
Cash flow statement									
Cash flow from operating activities before change in operating working capital									
IFRS	554,325	287,917	358,869	83,285	(99,729)	—	1,184,667		
Clean CCS Adjustment	3,970	538,582	(2,664)	64,218	—	—	604,106		
Cash flow from operating activities before change in operating working capital CCS	***558,295***	***826,499***	***356,205***	***147,503***	***(99,729)***	***—***	***1,788,773***		
Other cash flow from operating activities	(203,403)	13,082	(84,141)	(53,961)	19,332	—	(309,091)		
Total cash flow from operating activities before change in working capital CCS	***354,892***	***839,581***	***272,064***	***93,542***	***(80,397)***	***—***	***1,479,682***		
Total cash flows from investing activities	***(612,967)***	***(163,482)***	***(89,365)***	***(20,597)***	***(9,156)***	***—***	***(895,567)***		
Free cash flow before change in working capital	***(258,075)***	***676,099***	***182,699***	***72,945***	***(89,553)***	***—***	***584,115***		

(*)	Exploration & Production	Refining	Marketing	Petrochemical	Corporation	Intra-Group Eliminations	Total
Clean CCS Profit attributable to parent company	***(6,452)***	***411,619***	***196,023***	***47,057***	***(51,895)***	***—***	***596,352***
Non Recurring Items	(1,559,577)	5,148	(363)	(81,974)	—	—	(1,636,766)
IFRS Profit attributable to parent company	***(1,566,029)***	***416,767***	***195,660***	***(34,917)***	***(51,895)***	***—***	***(1,040,414)***

6. Investments in associates and joint ventures

CEPSA Group accounts for by using the Equity method those investments and gains (losses) in associates and joint ventures. The main joint ventures are Medgaz, Nueva Generadora del Sur, SinarMas Group and Asfaltos Españoles whereas the main associates are ADOC, Apico y CSChem.

	Investments in associates and joint ventures		Profit / (loss) by integration	
	06.30.2018	12.31.2017	06.30.2018	06.30.2017(*)
	Thousands of euros			
Joint Venture	199,002	205,994	8,024	(1,488)
Associates	254,607	241,138	6,786	8,792
TOTAL	**453,609**	**447,132**	**14,810**	**7,304**

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

The movement occurred during the year has been as follows:

		2018	2017
		Thousands of euros	
Opening balance		***447,132***	***427,913***
Profit after taxes incurred in the year (discontinued operations included)		14,810	47,838
Dividends received during the year		(23,590)	(49,843)
Additions of investments in associates and joint ventures		1,834	47,086
Disposals:			
Retirements		—	(1,811)
Repayments		—	(2,105)
Mergers/Change in consolidation method	Note 4	(4,565)	—
Other changes		17,988	(21,946)
Closing balance		***453,609***	***447,132***

In January 2018, the Group has acquired a new 35% stake of shares of Cepsa Gas Comercializadora, reaching a 70% ownership and changing therefore to full consolidation method.

In March 2017, the Group acquired a 30% stake of shares of CSCHEM Limited, leader manufacturer of LABSA in Nigeria, which is being accounted for using the Equity method.

The caption "other changes" variations correspond mainly to foreign exchange differences.

7. Intangible assets

a) Additions during the period

Additions in intangible assets during the first six months of 2018 and the whole 2017, account for 40,438 and 297,003 thousands of euros, respectively.

Noteworthy are those corresponding to the annual recurring recognition of the value of greenhouse gas emission rights, mainly allocated free of charge within the National Allocation Plan in effect for each year, for amounts of 27,118 and 42,876 thousand euros as of June 30, 2018 and December 31, 2017, respectively; those derived from the recognition of exploratory assets, notably located in Latin America and Malaysia, for amounts of 4,563 and 53,967 thousand euros as of June 30, 2018 and December 31, 2017, respectively; and especially, at 2017 year end, the addition of 145,211 in the Other intangible caption, corresponding to the value of the location of the service stations acquired in June 2017, operation consisting of the incorporation in block of a set of service stations in Madrid area and surroundings. This value was obtained through a *Price Purchase Allocation* process, already completed (Note 4).

7. Intangible assets (Continued)

b) Divestments during the period

Net disposals as of June 30, 2018 and December 31, 2017 amount to 32,015 and 63,628 thousands of euros, respectively. They mainly correspond to divestments referred to exploratory assets, remarkably in Thailand, and also to the annual return of greenhouse-effect emission rights for those consumed in the respective previous fiscal years.

c) Impairment losses

During the first six months of 2018, there have been no indicators of new impairment, hence, as of June 30, 2018, no significant impairment losses on intangible assets are recorded. Likewise, during 2017, no significant impairment losses on intangible assets were recorded either. Accumulated impairment losses at June 30, 2018 and December 31, 2017 amounted to 1,546,881 and 1,668,095 thousand euros, respectively. They mainly correspond to Oil and Gas Reserves, both Proved and Possible, acquired through Business Combinations and contributed by the subsidiary Coastal Energy Company International Ltd. (1,442,416 and 1,565,714 thousand euros respectively), and to a lesser extent, to the Preferential Right of Use of the Central Oil Pipeline of Colombia, right contributed by Cepsa Colombia, S.A.

Regarding impairment test, methodology used is the following:

The CEPSA Group evaluates at closing date, or whenever there are circumstances that may trigger indicators of impairment of the value of any tangible or intangible asset, and investments in associates and interests in joint ventures, and if applicable, to estimate the recoverable amount thereof. Additionally, regardless of the existence of any indication, for intangible assets with an indefinite useful life and for goodwill, their carrying amount is compared with their recoverable amount at least once a year. (See notes 3.a, 3.f and 3.g of the 2017 Consolidated Financial Statements)

In accordance with IAS 36, 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.

For these purposes, assets are grouped in cash generating units (CGU) 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.

- Petrochemicals: each CGU corresponds to one of the industrial plants.
- E & P: each CGU corresponds to one of the different contractual areas commonly known as “blocks”; as an exception, in cases where the cash flows generated by several blocks are interdependent with each other, these blocks are grouped into a single CGU, as is the case of the Algerian CGU.
- Refining and Marketing: it is considered a single CGU due to the interrelation of flows that exists throughout its production process. Within the refining segment, only in the area of gas and electricity each plant corresponds to a CGU since they have an individual retribution by the Spanish Government.

In order to perform the aforementioned impairment test, the carrying amount of the cash generating unit (CGU) will:

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) Not include the carrying amount of any recognized liability, unless the recoverable amount of the CGU cannot be determined without consideration of this liability. Regarding E&P assets, the liabilities for dismantling are aggregated both to the book value and to the value in use of the assets.

Nevertheless and considering that segments, Refining and Marketing, (see Note 5) are smaller than the abovementioned CGU, for goodwill impairment tests we have considered only cash flow from the segments.

7. Intangible assets (Continued)

The recoverable amount of each CGU is determined as the higher of the value in use and the fair value less cost to sell or disposal, which would be obtained from the CGU's assets.

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 for which the estimates of future cash flows have not been adjusted, using assumptions which are consistent with the CEPSA Group's 2018–2022 strategic 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 1% based on the business under analysis and expected long-term CPI. 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.

Valuations of Exploration & Production assets (Upstream) use cash flow projections for a period that covers the economically productive lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts (12 years duration as an average). The general principles applied to determine the variables that most affect the cash flows of this business line are described below:

a) Oil and gas sales prices

   Estimated crude oil prices used to project cash flows of each of the assets are similar to those used in the CEPSA 2018–2022 strategic plan. These estimates are based on estimates made by various international organizations. The quoted Brent crude oil price is used as the basis, and the remaining international prices are calculated with the use of differentials. In particular, prices considered are 64.5 USD per barrel for 2018, 66.7 USD per barrel for 2019, 68.2 USD per barrel for 2020, 69.7 USD per barrel for 2021 and 71.3 USD per barrel for 2022. Later on prices are increased by a CPI of 2%.

b) Reserves and production schedules

   For each asset a long-term development plan is established with an annual production schedule. This production schedule takes probable reserves into account as well as the best estimate for contingent resources, weighted by associated risk factors. The estimates for reserves and resources are made in accordance with the guidelines established by the Petroleum Resource Management System of the Society of Petroleum Engineers (PRMS-SPE). These profiles are revised every two years by independent experts.

c) Operating expenses and capital expenditure (Opex and Capex)

   The development plan established for each asset takes into account the investments necessary for production of the estimated reserves and resources. Both investments and operating expenses are estimated using an annual inflation rate between 1.1% and 2.3%, depending on the country where the asset is located.

For the non upstream CGUs assets in which exists impairment hints, valuation takes into account cash flow projections covering a five-year period plus terminal value, with an annual increase of between 1.9% and 2.5%.

7. Intangible assets (Continued)

For the purpose of calculating the present value of these cash flows, a discount rate is used that reflects the weighted average cost of capital employed, adjusted according to the country and business risk corresponding to each asset or CGU. Below are the post-tax discount rates used for the analyzed CGU's grouped in 2017:

WACCs 2017

Grouped CGU's	2017
E&P	8.0%–11.0%
Refining & Marketing	7.0%–8.0%
Petrochemicals	7.0%–11.00%
Gas & Power	6.0%–6.5%

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

- Risk-free Bond: American and German 20/10-year due date Bond respectively.
- Company risk-premium: 5.0%
- Country risk-premium of the location of the asset
- Beta: based on comparable companies for each business segment
- After taxes Cost of Debt plus Spread based on comparable Oil and Gas integrated companies
- Net equity—Debt ratio: sector average

These WACCs have been calculated considering local currencies of the CGUs except for E&P and Petrochemical Indonesia that are in USD.

The post-tax discount rates (WACCs) used for the CGU in the countries where impairment sign existed in 2017 are as follows:

WACCs 2017

Assets/CGU	2017
E&P	
Colombia	7.8–9.0%
Thailand	9.0%
Malaysia	9.5%
Algeria	11.0%
Abu Dhabi	8.0%
Peru	9.0%
Petrochemical	
Brasil	9.0%
China	8.5%
Indonesia	9.0%

In the case of those assets or CGUs for which the Group performs an impairment test as a result of identifying indications of impairment, the Group 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 or CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably foreseeable changes' would not have a material impact. In the case of those assets or CGUs for which the margin is below this threshold, the Group performs sensitivity analyses in order to quantify changes in the recoverable amounts of these assets or CGUs as a result

7. Intangible assets (Continued)

of changes in key assumptions deemed reasonably foreseeable. Specifically, the most relevant sensitivity analyses performed, for all the CGUs, have been the following:

	2017		
	Increase in the impairment losses net of tax impact		
Sensitivity analysis	Variation	%	Amount
	Millions of euros		
Discount rate increase	50 p.b	3%	8
Decrease in price of crude oil	10%	29%	83
Average exchange rate decrease $ vs €	0.05 $/€	5%	15

Based on the price curves posted by reputed analysts[1] and forward prices of Brent oil, we consider reasonable the one utilized by the company for the calculation of the recoverable value in the impairment tests performed.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its value is reduced to its recoverable amount and an impairment loss is recognized as an expense, under "Impairment and gains or losses on disposals of non-current assets" in the accompanying Consolidated Statement of Profit or Loss.

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 recognized for the asset (cash-generating unit) in prior years.

Regarding those intangibles with indefinite useful life, the net book value of Intangible as of June 30, 2018 and as of December 31, 2017 accounts for 25,269 and 24,565 thousand euros respectively.

d) Commitments

As of June 30, 2018 and 2017, the Group has commitments regarding intangible assets for amounts of 225,008 and 248,770 thousand euros, respectively, mainly related to investments in exploration.

8. Goodwill

As of June 30, 2018, there are no indicators of new impairment, and therefore no impairment loss has been recorded in Goodwill. The caption variations correspond mainly to foreign exchange differences.

As of December 2017, a Goodwill impairment was recorded, for an amount of 155,361 thousand euros, corresponding to that arising in the Business Combinations relating to the Coastal Group. It was recorded after performing the impairment tests on the cash generating units to which the goodwill was allocated and verifying that the recoverable amount was lower than its book value. The recoverable amount was determined on the basis of value in use calculated in accordance with the assumptions and cash flows included in the Group's Strategic Plan (see note 7.c)

Regarding Goodwill in Consolidation, with indefinite useful life, its net book value as of June 30, 2018 and as of December 31, 2017, accounts for 119,837 and 122,708 thousand euros respectively.

[1] Analysts considered are Wood Mackenzie, JP Morgan, Barclays, Societé Generale, Citi, HIS, Morgan Stanley and the US Energy Information Administration.

9. Property, plant and equipment

a) Additions during the period

The additions of property, plant and equipment during the first six months of 2018 and 2017 amounted to 1,609,388 and 587,888 thousand euros, respectively, and include:

- In the Exploration and Production business area, the 1,286,670 thousand euros investment corresponding to the agreement signed in March 2018 with ADNOC, for a 20% stake in the Sateh Al Razboot and Umm Lulu fields, in development phase, located in the coastal area of United Arab Emirates, for 40 years of concession. This is in addition to those usually carried out to continue with the activity in the various geographical areas in which the Group has interests, notably Algeria, as well as Peru or Colombia.
- In the Refining area, those carried out for the improvement in industrial facilities, with the purpose of adjusting the environmental impacts and increasing the efficiency, as well as the safety in the development of the activities.
- In the area of Marketing, those aimed at maintaining market shares in the sector of service stations.
- In the Petrochemical area, those corresponding to the maintenance of the functionalities of our plants in Spain, Canada, Brazil or China.

b) Divestments during the period

Net divestments as of June 30, 2018 and December 31, 2017 amount to 13,411 and 15,649 thousand euros, respectively. In 2018 they correspond, mainly, to the sale of a vessel (Teide Spirit), to assets of the LPG business or to highly amortized technical facilities. In 2017, to highly amortized technical facilities or scrapping of useless Exploration and Production assets.

c) Impairment losses

During the first six months of 2018, there have been no indicators of new impairment, and therefore, as of June 30, 2018, no significant impairment losses on property, plant and equipment assets are recorded. In 2017 an impairment of 133,164 thousand euros was recorded, mainly corresponding to Mobile Offshore Production Units, contributed by Mopu Holdings (Singapore) Pte, Ltd.

So, accumulated impairment losses as of June 30, 2018 and 2017 are 1,112,012 and 1,067,981 thousand euros, respectively. They mainly correspond to Mobile Offshore Production Units, contributed by Mopu Holdings (Singapore) Pte, Ltd, and to a lesser extent, to Oil and Gas Assets and Technical Installations, contributed by various group companies, mainly Coastal Energy Company International Ltd., Compañía Española de Petróleos, SAU, Cepsa Colombia, SA, or Cepsa Chemical (Shanghai), Co., Ltd.

Regarding impairment test, the methodology used is explained in note 7.c.

d) Commitments

As of June 30, 2018 and December 31, 2017, the Group has commitments of tangible fixed assets for amounts of 1,489,954 and 1,489,217 thousand euros respectively, mainly related to investments in exploration and production.

10. Inventories

The breakdown of "Inventories" at June 30, 2018 and December 31, 2017 is as follows:

	2018	2017
	Thousands of euros	
Crudes	660,801	604,458
Other raw materials	138,090	131,917
Spare Parts	82,741	97,341
Finished goods	1,123,418	1,034,987
Other supplies	131,654	61,892
Impairment	(4,438)	(4,929)
Total	***2,132,266***	***1,925,666***

In the first half of 2018, there has been an increase in inventories mainly due to higher prices, in crudes as well in products. Consequently any impairment has been recorded.

11. Equity

a) Share capital and share premium

The share capital amounts to EUR 267,575 thousand and consists of 267,574,941 fully subscribed and paid shares of EUR 1 par value each traded by the book-entry system.

The sole, direct and immediate owner of all of the shares of CEPSA, representing 100% of its share capital, is CEPSA Holding LLC. The ultimate parent company of CEPSA Holding LLC, and which exercises effective control over it, is Mubadala Investment Company PJSC ("MIC").

The Spanish Corporate Law 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 2018 and 2017, the balance of this account which amounted to EUR 338,728 thousand, has not experimented any changes.

b) Revaluation reserve

In 1996 CEPSA and several consolidated Group companies revalued their property, plant and equipment pursuant to Royal Decree-Law 7/1996 of June 7, and increased their equity by 58,438 thousand euros and 70,495 thousand euros, respectively. This latter figure was recognized under "Consolidated reserves" on consolidation, which is included in retained earnings.

The revaluation reserve also includes EUR 32,498 thousand relating to the revaluations made in 1979 and 1981 pursuant to State Budget Laws 1/1979 and 74/1980, respectively, which can now be transferred to unrestricted voluntary reserves. The balance of the "Revaluation Reserve, Royal Decree-Law 7/1996" account can be used, free of tax, to eliminate recognized losses and to 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 account 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 derecognized.

At June 30, 2018 the entire amount of this reserve is considered unrestricted. 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.

c) Translation differences

This heading reflects exchange rate differences arising on translating the presentation currencies used in the financial statements of subsidiaries. The change in the balance of this heading is mainly due to the fluctuation of initial and final exchange rates of the US dollar and to a lesser degree the Chinese yuan and the Brazilian Real.

11. Equity (Continued)

d) Dividends paid by the Company

At the meeting held on March 21, 2018, a dividend payment of 0.60 euros per share (160.545 thousand euros) charged to the 2017 results, approved by the sole shareholder, was agreed upon, prepared in accordance with the stipulations of the Spanish Companies Act, and approved by Royal Decree Law 1/2010. This dividend was payable the same day.

At the meeting held on March 6, 2017, a dividend payment of 0.53 euros per share (141.815 thousand euros) charged to the 2016 results, approved by the sole shareholder, was agreed upon, prepared in accordance with the stipulations of the Spanish Companies Act, and approved by Royal Decree Law 1/2010. This dividend was payable the same day.

It is not necessary to calculate the diluted earnings per share of the CEPSA Group since there are no effects of financial instruments, such as potential ordinary shares, on capital.

12. Classification and breakdown of financial assets

The breakdown of the financial assets at June 30, 2018 and December 31, 2017, by type and category for valuation purposes:

	2018				
Financial assets by type/ category (according IFRS 9)	**Financial assets at fair value through profit and loss**	**Financial assets at amortised cost**	**Finance assets at fair value through OCI**	**Hedging derivatives**	**Total**
	Thousands of euros				
Equity instruments	8,318	—	—	—	8,318
Loans	—	168,781	—	—	168,781
Derivatives	—	—	—	2,243	2,243
Other Finance assets	—	22,752	—	—	22,752
Non current	*8,318*	*191,533*	*—*	*2,243*	*202,094*
Equity instruments	2,031	—	—	—	2,031
Loans	—	72,584	—	—	72,584
Derivatives	3,942	—	—	16,496	20,438
Trade receivables	—	1,862,448	358,968	—	2,221,416
Other Finance assets	—	41,191	—	—	41,191
Current	*5,973*	*1,976,223*	*358,968*	*16,496*	*2,357,660*
Total	***14,291***	***2,167,756***	***358,968***	***18,739***	***2,559,754***

12. Classification and breakdown of financial assets (Continued)

	2017					
Finance assets by type/ category (according IAS 39)	**Held-for-trading Finance assets**	**Available-for-sale Finance assets**	**Loans and receivables**	**Held-to-maturity investment**	**Hedging derivatives**	**Total**
Equity instruments	—	8,283	—	—	—	8,283
Loans	—	—	85,421	—	—	85,421
Derivatives	—	—	—	—	2,873	2,873
Other Finance assets	—	—	20,490	4,975	—	25,465
Non current	*—*	*8,283*	*105,911*	*4,975*	*2,873*	*122,042*
Equity instruments	—	1,055	—	—	—	1,055
Loans	—	—	146,752	—	—	146,752
Derivatives	4,634	—	—	—	8,854	13,488
Trade receivables	—	—	2,052,856	—	—	2,052,856
Other Finance assets	—	—	44,053	—	—	44,053
Current	*4,634*	*1,055*	*2,243,661*	*—*	*8,854*	*2,258,204*
Total	***4,634***	***9,338***	***2,349,572***	***4,975***	***11,727***	***2,380,246***

The group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and accordingly has not restated comparative periods.

The categories described according to IFRS 9 remains largely the same as it was under IAS 39, as shown on the table above by the comparison of both periods. The only exceptions are the following:

- The category "held to maturity" under IAS 39, already measured at amortized cost, become part of the category "financial assets at amortized cost" according IFRS 9.
- The category "Available for sale" under IAS 39, which correspond to equity instrument mostly valued at cost, become part of the category "Financial assets through profit and loss" under IFRS 9. This change only applies prospectively from the date of initial application of this standard and has no impact on the Group's consolidated financial reserves at that date.
- The category "Financial assets through OCI" under IFRS 9 comprises the trade receivables subject to possible securitization. These debtor were measured at amortized cost under IAS 39.

The Cepsa Group has granted a series of loans to SinarMas—Cepsa—a Group of joint ventures composed by Cepsa and SinarMas—to finance the construction of a new plant for fatty alcohols treatment in Indonesia, for an amount of 119,963 thousand euros at June 2018 and 126,871 thousand euros at December 2017. As a consequence of its accumulated losses of SinarMas—Cepsa, which exceeds the equity investment, an impairment of these loans was registered for 7,998 thousand euros in 2017. There is no indication of the non-recoverability of the loans, once the companies enter into full production.

13. Provisions and contingent liabilities

The main litigation of a tax and legal nature affecting the Group at December 31, 2017 is described in Notes 19, 20 and 25 to the Consolidated Financial Statements for the year then ended.

There have been no major developments in the aforementioned litigations nor have any new litigations deemed significant been lodged against the Group during the first half of the 2018.

14. Related parties and remuneration and other benefits of directors and senior executives

A party is considered to be related to another party when one of the two, or several parties acting together, exercises or has the possibility to exercise control over the other party, directly, indirectly or through shareholder or equity holder agreements, or has a significant influence in the financial and operating policy decisions of the other party. The related parties comprise the sole shareholder, directors and key management

14. Related parties and remuneration and other benefits of directors and senior executives (Continued)

personnel of the Group as well as subsidiaries, associates, joint ventures and other related parties. The terms of these operations are approved by the management of each company and are carried out in the terms agreed by the Board of Directors.

Transactions between the Company and its subsidiaries, which are related parties, were eliminated on consolidation and are not disclosed in this note.

Transactions and balances with these entities basically relate to the Group's ordinary business operations and were carried out on an arm's-length basis.

Transactions with associates, joint ventures and other related parties

Transactions between the Group and its associates and joint ventures are disclosed below referred to profit or loss:

	06.30.2018			
	Associates	Joint Ventures	Others	Total
	Thousands of euros			
Consolidated Statement of Profit or Loss				
Revenue	67,249	7,248	3,307	77,804
Other operating income	(287)	172	7	(108)
Procurements	3,634	29,773	(99)	33,308
Other operating costs	5,883	(27)	9,914	15,770
Finance income	29	5,923	(1)	5,951
Finance costs	14	—	3	17
Total	**76,522**	**43,089**	**13,132**	**132,742**

	30.06.2017(*)			
	Associates	Joint Ventures	Others	Total
	Thousands of euros			
Consolidated Statement of Profit or Loss				**30.06.2017**
Revenue	40,780	219,285	2,835	262,900
Other operating income	(192)	209	7	24
Procurements	4,007	118,069	192	122,268
Other operating costs	6,113	49,919	7,881	63,913
Finance income	32	6,204	2	6,238
Finance costs	12	47	115	174
Total	**50,752**	**393,733**	**11,032**	**455,517**

(*) The Interim Financial Statements for the period ended 30 June 2017 were reviewed by the auditors for the reporting to the ultimate shareholder

And the transactions referred to the balance sheet:

	06.30.2018			
	Asocciates	Joint Ventures	Others	Total
	Thousands of euros			
Consolidated Balance Sheet				
Receivables From	31,807	1,631	142	33,580
Payables To	20,710	5,344	4,535	30,589
Loans	5,457	121,509	2,314	129,280
Borrowings	5,270	1,272	821	7,363
Total	***63,244***	***129,756***	***7,812***	***200,812***

14. Related parties and remuneration and other benefits of directors and senior executives (Continued)

	12.31.2017			
	Asocciates	Joint Ventures	Others	Total
	Thousands of euros			
Consolidated Balance Sheet				
Receivables From	26,811	32,353	2,823	61,987
Payables To	12,958	40,599	4,998	58,555
Loans	5,251	141,573	1,482	148,306
Borrowings	5,489	18,261	1,194	24,944
Total	***50,509***	***232,786***	***10,497***	***293,792***

Transactions with sole shareholder and other related parties

Significant transactions performed by the CEPSA Group with its sole shareholder at June 30, 2018 and 2017 was as follows:

Name of significant shareholder	Cepsa Group Company	Type of relationship	Type of transaction	2018	2017
		Thousands of euros			
International Petroleum Investment Company PJSC (IPIC)	CEPSA	Dividends and other distributed profit	Corporate	160,545	141,815
	CEPSA	Purchases, services and sundry costs	Commercial	—	700
	CEPSA	Sales and others services	Commercial	—	433

Significant transactions performed by the CEPSA Group with other related parties at June 30, 2018 and 2017 was as follows:

Name of significant of other related parties	Cepsa Group Company	Type of relationship	Type of transaction	2018	2017
		Thousands of euros			
Abu Dhabi National Oil Company (ADNOC)	Cepsa EP Abu Dhabi S.L.	Acquistion 20 percent of the new concession in Abu Dhabi	Strategic	1,370,224	—

Remuneration and other benefits of Board of Directors

At June 30, 2018 the Board of Directors of CEPSA, S.A.U. was composed of 6 male and 1 female members, like on December 31, 2017. The number of directors with executive functions, totaling 1 at the end of June, 2018, the same on December 31, 2017.

The remuneration earned by the directors of the consolidated Group at June 30, 2018 and December 31, 2017 was as follows:

Remuneration	2018	2017
	Thousands of euros	
Wages and Salaries	422	778
Variable remuneration	2,116	1,665
Bylaws-stipulated Director emoulments	1,093	1,077
Other Items	7	15
Pension funds and plans: Contributions and obligations (Defined contribution plans)	353	556
Total	***3,991***	***4,091***

There are no loans or advances made to any Senior Executives.

Remuneration and other benefits of senior executives

At June 30, 2018 the senior executives were composed of 8 male members, the same at December 31, 2017.

14. Related parties and remuneration and other benefits of directors and senior executives (Continued)

The detail of remuneration of the senior executives that are not directors of the consolidated Group at 30 June 30, 2018 and December 31, 2017 is as follows:

Remuneration	2018	2017
	Thousands of euros	
Wages and Salaries	1,371	2,720
Variable remuneration	5,072	4,711
Other Items	81	124
Pension funds and plans: Contributions and obligations	312	575
Total	***6,836***	***8,130***

15. Average headcount

The average number of employees at June 30, 2018 and December 31, 2017, by gender, is as follows:

Average headcount	2018	2017
Men	6,380	6,414
Women	3,536	3,553
Total	***9,916***	***9,967***

16. Financial liabilities

In relation to financial liabilities, there has been no impact on classification or measurement as a result of the application of IFRS 9. Except for derivative liabilities, all other financial liabilities correspond to loans and trade payables at amortized cost, according to the classification of IFRS 9 and of IAS 39.

The breakdown of current and non-current liabilities, at June 30 2018 and 31 December 2017, is as follows:

2018	Current	Non-current	Total
	Thousands of euros		
Bank borrowings relating to finance leases	1,058	324	1,382
Other bank borrowings			
Variable rate	277,064	3,046,307	3,323,371
Fixed rate	—	353,405	353,405
Trade payables	2,738,662	144,832	2,883,494
Derivatives	20,167	6,320	26,487
Other Finance liabilities	20,534	41,383	61,917
Total	***3,057,485***	***3,592,571***	***6,650,056***

2017	Current	Non-current	Total
Bank borrowings relating to finance leases	1,450	542	1,992
Other bank borrowings			
Variable rate	618,310	1,242,538	1,860,848
Fixed rate	—	343,533	343,533
Trade payables	2,611,403	189,713	2,801,116
Derivatives	8,031	10,252	18,283
Other Finance liabilities	19,588	41,812	61,400
Total	***3,258,782***	***1,828,390***	***5,087,172***

16. Financial liabilities (Continued)

The breakdown by maturity of all financial liabilities at June 30, 2018 and at December 31, 2017, is as follows:

2018	2019	2020	2021	2022	2023	Maturing in: Remaining	Total
	Thousands of euros						
Bank borrowings relating to finance leases	1,058	303	21	—	—	—	1,382
Other bank borrowings							
Variable rate	277,064	123,831	130,876	818,963	1,520,522	452,115	3,323,371
Fixed rate	—	—	—	353,405	—	—	353,405
Trade payables	2,738,662	32,583	46,556	31,145	17,551	16,997	2,883,494
Derivatives	20,167	—	—	6,320	—	—	26,487
Other Finance liabilities	20,534	13,719	11,925	8,070	4,404	3,265	61,917
Total	***3,057,485***	***170,436***	***189,378***	***1,217,903***	***1,542,477***	***472,377***	***6,650,056***

2017	2018	2019	2020	2021	2022	Maturing in: Remaining	Total
Bank borrowings relating to finance leases	1,450	530	12	—	—	—	1,992
Other bank borrowings							
Variable rate	618,310	108,008	143,848	492,017	84,029	414,636	1,860,848
Fixed rate	—	—	229,300	114,233	—	—	343,533
Trade payables	2,611,403	81,396	46,556	27,213	17,551	16,997	2,801,116
Derivatives	8,031	—	—	10,252	—	—	18,283
Other Finance liabilities	19,588	13,843	10,569	9,778	4,506	3,116	61,400
Total	***3,258,782***	***203,777***	***430,285***	***653,493***	***106,086***	***434,749***	***5,087,172***

The breakdown by currency of the bank borrowings and other financial liabilities at June 30, 2018 and at December 31, 2017, is as follows:

	2018			2017		
	Finance liabilities			Finance liabilities		
	Current	Non-current	Total	Current	Non-current	Total
	Thousands of euros					
Dollars ($ USA)	80,782	2,836,878	2,917,660	363,854	1,103,977	1,467,831
Euros	124,891	291,650	416,541	115,181	274,030	389,211
Other foreign currencies	92,983	312,891	405,874	160,313	250,418	410,731
Total bank borrowings and other Finance liabilities	***298,656***	***3,441,419***	***3,740,075***	***639,348***	***1,628,425***	***2,267,773***

16. Financial liabilities (Continued)

The breakdown of the bank borrowing movements for the first semester 2018 is as follows:

	2018
	Thousand of euros
Bank borrowings—Non current—at the beginning of period	1,628,425
Bank borrowings—Current—at the beginning of period	639,348
Total	***2,267,773***
Additions	1,651,638
Overdrafts movements	(75,149)
Repayments	(234,820)
IFRS 9 impact	(10,481)
Other movements	(2,205)
Foreign exchange fluctuations	143,319
Bank borrowings—Non current—at the end of period	3,441,419
Bank borrowings—Current—at the end of period	298,656
Total	***3,740,075***

The average annual nominal interest rate on the loans in euros was 0.28% in June 2018 and 0.27% in June 2017, and on the foreign currency loans was 2.89% and 2.40%, mainly in U.S. Dollars and Chinese Yuan. The weighted average cost of the financing received was 2.45% in 2018 and 1.97% in 2017, included the effect of interest rate derivatives.

The Company arranged bank borrowings for which certain covenants, linked to EBITDA and net debt were established. At June 30, 2018 and December 31, 2017, the Company met said covenants. (Notes 3c, 28 and 17 of the Consolidated Financial Statements).

At June 30, 2018 and at June 30, 2017 the CEPSA Group companies had undrawn credit facilities totaling over 1,958 million euros and 1,861 million euros, respectively.

17. Tax matters

For the calculation of income tax in the interim periods the tax rate effective annual estimate is used. All tax effects of occasional events or unusual transactions are taken into account completely.

The effective tax estimate for 2018 and 2017, is located in 23.5% and 25.4%, respectively, mainly due to the difference in tax rates to which CEPSA is subject on income obtained in the exploration and production area.

The tax inspections for the years 2009-2012, relating to Corporate Income Tax, VAT, Personal Income Tax Withholdings, and Non-Resident Income Tax for the CEPSA Tax Group were initiated in July 2014 and they concluded in 2016. The definitive accounting of these tax inspections was registered in the accompanying Financial Statements without any additional liabilities to those recognized in the Consolidated Financial Statements ended at December 2017. Likewise, the inspections for the years 2013, 2014, 2015 and 2016, has been initiated.

In Colombia, the 2009, 2011, 2012, 2014, 2015 and 2016 years remain open to inspection by the Colombian tax authorities.

18. Subsequent events

As of the date of the approval of these financial statements, the ultimate parent company of CEPSA, Mubadala Investment Company PJSC, is considering the potential sale of a significant stake in CEPSA. This sale process is being carried out through a dual-track process that may result in (i) a sale to one or more third party purchasers in a private sale, (ii) an initial public offering of CEPSA shares resulting in a listing of CEPSA shares on the Spanish stock exchanges, or (iii) no sale. It is estimated that the sale process will conclude in the

18. Subsequent events (Continued)

second half of 2018. It is anticipated that most of the costs relating to the sale process shall be borne by Mubadala.

As a consequence of the process of sale of a percentage in CEPSA of our shareholder described above, management is considering the possibility of selling our stake in Medgaz to our current shareholder, although the sale has not completed yet and we are still in the process of defining the specific terms.

On July 2, the Algerian Government issued two Presidential Decrees (nº 18–176 and nº 18–178 respectively) formally approving both the extension of the Production-Sharing Contract (PSC) on the RKF field between SONATRACH and CEPSA, and the new concession contract for the development of the Timimoun field, between ALNAFT, SONATRACH, TOTAL E&P ALGERIE and CEPSA ALGERIE (100%-owned by CEPSA). These Decrees were published in the Official State Gazette of Algeria on July 8, the date on which both contracts entered into full legal force and effect.

Once the new Timimoun concession contract came into effect, a share capital increase was undertaken in the wholly-owned subsidiary CEPSA ALGERIE through a non-cash contribution of the Timimoun branch of activity, the deed of which was filed with the Madrid Commercial Registry on July 27 and with effect, for accounting purposes, as of January 1, 2018.

Directors' Statement of Responsibility on the
Condensed Consolidated Interim Financial Statements
for the six-month period ended June 30, 2018
Compañía Española de Petróleos, S.A.U. and Subsidiaries (CEPSA GROUP)

The members of the Board of Directors of Compañía Española de Petróleos, S.A.U. (CEPSA) hereby declare that, to the best of their knowledge, the Condensed Consolidated Interim Financial Statements of Compañía Española de Petróleos, S.A.U. and Subsidiaries (CEPSA GROUP) for the six-month period ended June 30, 2018, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and results of the Group.

Madrid, August 3, 2018

Suhail Al Mazrouei
Chairman

Pedro Miró Roig
Vice Chairman and Managing Director

Musabbeh Alkaabi
Director

Abdulmunim Alkindi
Director

Alyazia Alkuwaiti
Director

Abdulla Aldhaheri
Director

Ángel Corcóstegui Guraya
Director

Ignacio Pinilla Rodriguez
Corporate Secretary (Non-Director)

José Aurelio Téllez Menchén (Non-Director)
Deputy Corporate Secretary

MANAGEMENT REPORT
CEPSA GROUP
For the six-month period ended June 30, 2018

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1. Company situation

a. Our Group

CEPSA is a multinational energy group with more than 88 years of experience in the energy sector. We operate in the entire value chain of oil and gas, from exploration and production to distribution and commercialization of the final products.

This integrated business model provides us with more stability to compensate possible adverse effects on any business area, and allows us to establish synergies amongst different activities, increasing efficiency.

On the back of our technical excellence and capabilities to adapt, presently we are amongst the biggest Spanish industrial groups in terms of sales volume and a benchmark group for the sector.

Currently, we are present in more than twenty countries and working on further expanding our activities internationally. As a dynamic group with an innovative spirit and a great capacity to adapt to new and evolving scenarios in the industry, in 2011, we initiated a deep cultural and strategic change together with International Petroleum Investment Company PJSC (IPIC).

In 2017, Mubadala Investment Company (the ultimate parent of the Company) instructed International Petroleum Investment Company (100% direct owner of the Company) to transfer its entire ownership in the Company to an entity under common control namely CEPSA Holding LLC. Hence, CEPSA Holding LLC is the direct 100% shareholder of the Company as at 30 June 2018.

Our objective is to occupy an important position in the global energy market with presence across the oil and gas value chain, while remaining true to our mission of ensuring energy that each situation may require and to our vision of being a global energy company of preference.

In CEPSA we maintain our commitment to health, safety and the environment. We are aware of the impact of our activities on the environment and defend the compatibility of the development and the conservation of the environment, supporting the sustainability and optimization of our activities whilst having the minimum possible impact on the environment.

b. Corporate governance

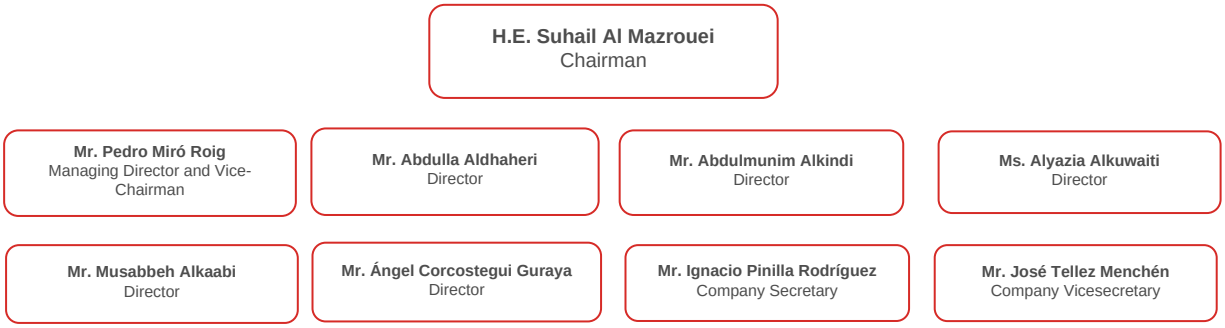
CEPSA Group believes efficiency and robust corporate governance plays a crucial role in ensuring success in the markets where we operate and in achieving our strategic objectives, and serves as a springboard for long-term sustainable growth and value creation. The Group's governance framework adheres to the recommendations set out in the new Code of Governance of Listed Companies in Spain, where applicable, to the legal and regulatory requirements for corporations, and to the best international governance standards and practices.

CEPSA Group's governance structure consists of its Sole Shareholder, the Board of Directors and two standing Board Committees: namely the Audit, Compliance and Ethics Board Committee and the Nomination and Compensation Board Committee, with non-executive members as Chairman, with powers to review, inform and recommend as per their mandate by the Board.

With the exception of certain matters exclusively reserved to the Sole Shareholder, the Board of Directors is the highest administrative and representative body of the company and is responsible for overseeing and monitoring business management and performance; approving the plans, policies, targets and strategies of the Group, including the corporate risk management and control policy and tax strategy, and ensuring their execution and implementation.

The members of CEPSA's Board of Directors, appointed for six-year terms, bring their high professional caliber, diverse and distinguished background, and extensive business expertise in industrial, financial and energy sectors.

At June 30, 2018 and until the date of issuance of this report, the composition of the Board of Directors, is the same as December 31, 2017.



The two Board Committees have the following duties and responsibilities:

Audit, Compliance and Ethics Board Committee: provides oversight for matters related to: internal audit, internal control, compliance and risk management, preparation of financial information and financial reporting and disclosure processes, and relationship with the external auditor. It also reviews and makes recommendations on key stakeholders' policies for Board approval.

Nomination and Compensation Board Committee: reviews, reports and makes recommendations on the general compensation and incentive policies for Board members and Group executives; and formulates reports and proposals to the Board on the decisions to be adopted in cases of conflicts of interest.

2. Business outlook

a. Macroeconomic environment

The results of CEPSA Group's businesses for the reported periods are highly correlated to certain macro factors, which are as under:

- Global environment
- Brent Oil Prices
- Supply and demand for petroleum products
- Regulations
- Refining margins
- €/$ exchange rate

Global environment

After two years of growth in the global economy, the pace of expansion has started to decelerate. The International Monetary Fund, in its July 2018 report "World Economic Outlook", estimates a growth of the global economy of a 3.9% for the years 2018 and 2019. The increase in domestic demand, especially in investment, has been one of the key factors in the recovery of the world economy.

In recent months, international trade has slowed due to an increasing concern about protectionism and uncertainty about the normalization process of monetary policies in developed and emerging economies (especially in the USA and China). The growth of the developed economies is expected to remain at 2.4% in 2018, with a moderation in growth in 2019 especially in the euro zone and Japan.

The Spanish economy has continued to show a high dynamism in the first semester of 2018, supported by a favorable worldwide economic growth and the persistence of positive financing conditions, with a revision of projected GDP up to 2.8% for 2018. The Bank of Spain in its 2018 June report, forecasts that GDP growth will tend to moderate in the next two years.

Sectorial environment

Price of crude (Brent)

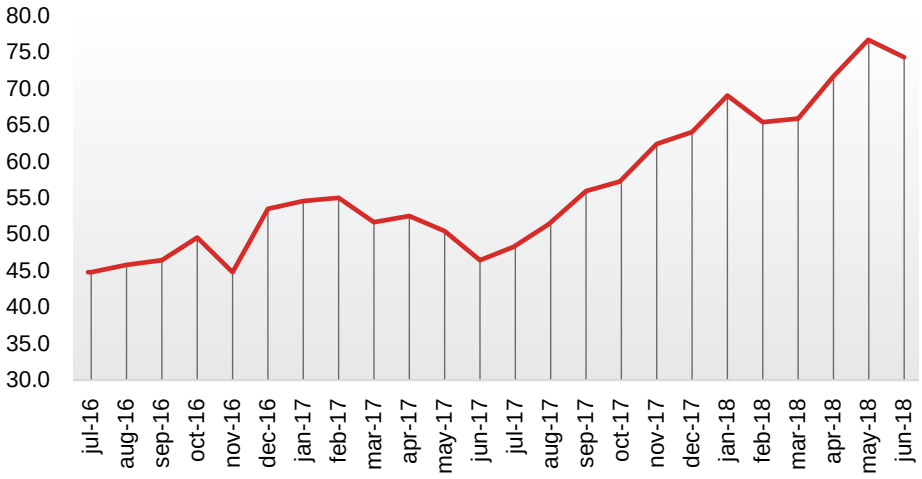
The price of crude oil has a crucial impact on oil and gas companies, especially affecting the exploration and production activities.

The price of Brent crude oil, Europe's benchmark, has averaged $70.5 p/barrel for 2018 firs half-year, compared to $51.8 per barrel in 2017. This 36% increase is a result of OPEC and non-OPEC supply cuts and robust increase in global demand for oil.

On the supply side, production cuts have been maintained following the agreement reached in 2017 by OPEC member countries and some other major producers, such as Russia. Cuts in countries such as Venezuela (immersed in a deep economic crisis) and Iran (due to looming US sanctions) have also contributed significantly to tighter supply.

Below is the evolution of the Brent prices during the last two years:

BRENT $/Bbl



Regulations

The oil and gas industry is subject to increasingly restrictive regulations.

The exploration and production activities are highly dependent on the governments in the host countries, in matters such as the granting of permits and licenses, the fulfillment of contractual obligations and production restrictions, amongst other.

Also, the industries of crude oil refining and production of petrochemical products are subject to stringent regulations, mainly in terms of safety, technical specifications of products and environmental requirements.

Refining margins

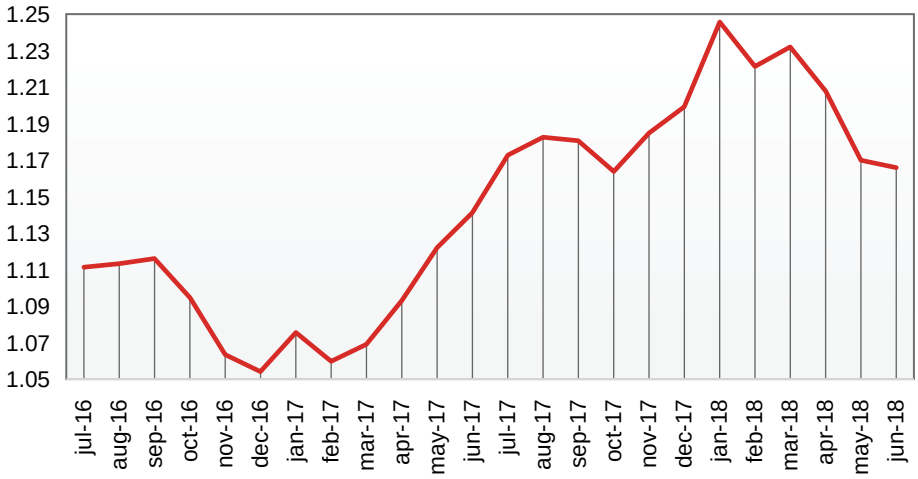
Refining margins have shown high volatility during the first half of 2018, being affected in the short term by the rapid rise in the price of crude oil, as well as the increase in variable costs due to higher feedstock prices (crude oil) consumed in the refining process.

CEPSA's reference refining margin reached an average value of $5.5 per barrel for the first half of the year, $1.7 per barrel lower than the same period of the previous year, mainly affected by lower spreads in heavy distillates (fuels).

Exchange rate

The first months of 2018 initially registered an appreciation of the euro against the dollar, reaching a change of $1.25 per € in the month of March. From April on, the protectionist measures implemented by the United States government to curb the deficit, together with a certain deceleration in business activity in Europe and political instability in the countries of southern Europe, mainly Italy, have reverted such trend, leading to an exchange rate of $1.17 per € at the end of June.

Performance of $/€ exchange rate



b. Significant events for the period

- In January 2018, the purchase agreement between CEPSA and TOTAL, partners together with SONATRACH (the Algerian State hydrocarbons company) in the gas sales subsidiary CEPSA GAS COMERCIALIZADORA (CGC), under which CEPSA acquired the 35% that TOTAL owned in that subsidiary, took place after receiving approval from the competent authorities. After this transaction, CEPSA has increased its stake to 70%, becoming therefore the controlling shareholder, while SONATRACH holds the remaining 30% of the share capital.
- In January 2018, CEPSA, SONATRACH and ALNAFT, the National Agency of Algeria for the Valorization of Resources in Hydrocarbons, signed a new concession contract for the exploitation of the Rhoude el Krouf (RKF) deposit, located in the Berkine basin. This new contract, which has a 25 year term, will allow a complete redevelopment of a mature field, after 19 years in operation, with the objective of significantly increasing the production of crude oil and producing liquefied petroleum gas (LPG) for the first time, thanks to the use of cutting-edge hydrocarbon recovery techniques.
- In January 2018 we launched CEPSA Hogar, which provides retail customers an integrated energy offer (which includes electricity, gas and maintenance services, along with fuel discounts in our network of service stations). With CEPSA Hogar, the objective is to become an integral energy supplier.
- In February 2018, our third chemical plant in Nigeria started to operate. In 2017, CEPSA Group acquired 30% of CSChem, a leading LABSA production company in Nigeria, which already had two production plants and the third under construction. With the start-up of this new plant, CSChem has a total production capacity of 90,000 tons of LABSA.
- In February 2018, Timimoun, our first gas field in which CEPSA owns an 11% interest, located in the south-west of Algeria, started production. Timimoun connects with the GR5 gas pipeline, which links the gas fields of southwest Algeria with Hassi R'mel, the largest gas field in Algeria and also one of the largest in the world. The field will reach a maximum daily production of 5 million cubic-meter of gas, the equivalent of 28,000 barrels of crude oil per day.
- In February 2018, we signed an offshore concession contract with ADNOC, upon which CEPSA has acquired a 20% interest in the SARB and Umm Lulu concessions in Abu Dhabi. The contract lasts 40 years, triples the Group's crude reserves and will increase production by more than 50 percent. Total investment for the acquisition of the 20% interest amounted to 1,500 million dollars.
- In March 2018, the revamping of the chemical plant of Puente Mayorga was approved, a transaction that will improve the plant's market positioning by implementing the best technology available, and which will increase its current production capacity by 50,000 tons. The project will also consolidate our position as world leaders in the manufacture of LAB, especially in west, north and South African markets, which present a high growth potential for the demand for this product. This investment will also reinforce our integrated model by securing 100% of LAB's supply to the three CSChem plants in Nigeria, manufacturers of LABSA. In addition, thanks to the implementation of the new technology, DETAL PLUSTM, the inherent risks of the current technology (HF - hydrofluoric acid) will be eliminated, overall plant efficiency will improve, raising its qualitative parameters, making its environmental behavior more

sustainable and reducing its operating costs. This revamping is expected to enter into production during 2020.

- In March 2018, CEPSA was awarded with three exploration blocks in Mexico, in the Tampico-Misantla basin, one of the largest hydrocarbon producing areas in Mexico, where it is explored in shallow waters and with nearby deposits. The participation of CEPSA is 20% in each block, with the remaining percentage being PEMEX Exploration and Production in one of the blocks, and PEMEX Exploration and Production and DEUTSCHE ERDOEL Mexico in the other two.
- In April 2018, the acquisition of the Petronas stake in the Algerian Bir el Msana (BMS) field was completed, increasing our interest from 45% to 75%. The remaining 25% stake belongs to SONATRACH. BMS is an oilfield located in the northeast of the Algerian desert, in the Berkine basin, where we lead the operation, alongside with SONATRACH, since 2013. It was launched in July 2015, and has seven wells in total: three production wells, three of water injection and one of gas injection. Currently, the field produces around 12,500 barrels per day of oil.
- In May 2018, the Group approved the 'Bottom of the Barrel' project in the Refining segment with an estimated budget of 930 million euros. This strategic project will entail a change in a combination of several key levers such as the change in crude quality supply and the production of higher added-value products and intermediates. It will improve CEPSA's competitiveness and its refining margin, consolidating its refineries among the most efficient in Europe, through greater integration in the refining system. Therefore, this project is expected to have an important impact on the Refining segment long term results, contributing to boost CEPSA's Group results.

c. Analysis of consolidated results

The consolidated financial statements for the period ended at June 30, 2018 were prepared applying the criteria established in the International Financial Reporting Standards adopted by the European Union (IFRS), mandatory for the preparation of the financial statements of certain groups of companies as stipulated by prevailing legislation in Spain.

With the presentation of Adjusted Results in addition to IFRS, a more precise information on the Group's profitability and operational efficiency is provided, without taking into account certain non-recurring transactions which may have been recorded in a specific year and which could distort said results when comparing with previous years.

The figures reflecting the most relevant items in the results are as follows:

Key Indicators **Results**	**1HY 2018**	**1HY 2017**	**% variation**
		Millions of euros	
Revenue	12,391	10,151	22.1%
EBITDA (IFRS)	900	966	(6.8)%
EBITDA (Adjusted to Clean CCS)	760	943	(19.4)%
NIAT (IFRS) attributable to parent company	441	412	7.0%
NIAT (Adjusted to Clean CCS) attributable to parent company	335	466	(28.1)%
Financial and patrimonial position	**1HY 2018**	**FY 2017**	**% variation**
Capital Employed (IFRS)	8,349	6,748	23.7%
Equity attributable to shareholders of the parent	5,232	4,916	6.4%
Net Debt	3,001	1,722	74.2%
	1HY 2018	**1HY 2017**	**% variation**
Free Cash Flow	(988)	(97)	918.6%
ROACE (Adjusted to CCS)	12.1%	12.3%	(1.8)%

Key indicators for results

i) Revenue

Revenue	1HY 2018	1HY 2017	% variation
		Millions of euros	
Exploration & Production			
from external customers	369	282	31.2%
Intersegments	23	134	
Refining			
from external customers	2,535	2,005	26.4%
Intersegments	3,722	3,167	
Marketing			
from external customers	8,159	6,626	23.1%
Intersegments	(36)	8	
Petrochemicals			
from external customers	1,324	1,229	7.8%
Intersegments	537	496	
Corporation			
from external customers	3	11	(73.1)%
Intersegments	27	25	
Total	***16,664***	***13,981***	***19.2%***
Total intersegments[1]	***(4,274)***	***(3,830)***	
Revenue[2]	***12,391***	***10,151***	***22.1%***

(1) Sales eliminated at consolidated scope

(2) Excise tax on Oil and Gas deducted

During the six-month period ended 30 June 2018, Revenue for the Group increased by 2,240 million euros (22.1%) when compared to the same period in 2017, mainly due to the rise in the price of crude oil and products and the recovery in domestic demand, which has resulted in increased sales. However, the increase has been partially offset by the depreciation of the US dollar against the euro, which negatively impacts the sales and refining margins in euro terms.

In the **Exploration and Production** segment, the increase in sales is a consequence of higher realized prices (64.5 $/b in the first half of 2018 compared to 50.7 $/b in the same period of 2017). Both, oil production and sales, decreased when compared to the same period in 2017, due to the natural decline of the oil fields.

For the six-month ended 30 June 2018, **Refining** segment turnover has experienced an increase with respect to the comparable period of 2017, driven mainly by the rise in the crude oil prices which resulted in higher prices for energy and petrochemicals derivatives. This increase has been partially offset by lower refining margins and by the depreciation of the dollar against the euro. The utilization rate of refineries and their production have remained at similar levels to those of 2017.

For the six-month ended 30 June 2018, **Marketing** segment revenue increase was mainly due to the higher sales in Bunker and Asphalts units and to the rise in international quotations of oil products, aligned to the evolution of the price of crude oil.

For the six-month ended 30 June 2018, **Petrochemicals** segment increase sales mainly due to higher sales in the Phenol-Acetone and LAB business lines, as well as to an overall increase in prices for petrochemical products which followed the evolution their raw materials.

ii) EBITDA IFRS and Adjusted EBITDA

1HY 2018	EBITDA (Adjusted)[1]	CCS adjustment	Non-Recurring Items	EBITDA (IFRS)[1]	EBITDA (IFRS) % on Total
Exploration & Production	264	—	—	264	29.3%
Refining	246	131	—	377	41.9%
Marketing	145	(6)	—	139	15.4%
Petrochemical	128	15	—	143	15.8%
Corporation	(23)	—	—	(23)	(2.6)%
Total	***760***	***140***	—	***900***	***100%***

1HY 2017	EBITDA (Adjusted)[1]	CCS adjustment	Non-Recurring Items	EBITDA (IFRS)[1]	EBITDA (IFRS) % on Total
Exploration & Production	242	—	—	242	25.0%
Refining	425	—	—	425	43.9%
Marketing	191	9	—	200	20.7%
Petrochemical	113	14	—	127	13.1%
Corporation	(28)	—	—	(28)	(2.9)%
Total	***943***	***23***	—	***966***	***100%***

(1) (Note 5 Condensed Consolidated Financial Statements)

The most relevant component in the difference between IFRS EBITDA and Adjusted EBITDA relates to the difference between the Group inventories valuated at their Replacement Cost (Current Cost of Supplies), criteria employed in the sector to prepare segment disclosures and management information for the Board of Directors, and at their Unit Average Cost (UAC), method utilized for the preparation of Annual Financial Statements under international regulations (see Note 5 "Information by segments" to the Consolidated Condensed Interim Financial Statements).

There hasn't been Non-recurring items affecting Adjusted EBITDA

EBITDA (Adjusted to Clean CCS)	1HY 2018	1HY 2017	% variation
	Millions of euros		
Exploration & Production	264	242	8.9%
Refining	246	425	(42.1)%
Marketing	145	191	(24.1)%
Petrochemical	128	113	13.3%
Corporation	(23)	(28)	(17.9)%
Total	***760***	***943***	***(19.4)%***

Consolidated adjusted EBITDA decreased by 19% standing at 760 million euros (943 million euros in 2017), mainly by narrower refining margins in the first semester of 2018 and by the compensation received in 2017 regarding CEPSA´s successful litigation on regulated prices for LPG cylinder.

Finance results

Net finance results amounted to 52 million euros, compared to 4 million euros the previous year.

This rise is due to the increase in net debt by 1,279 million euros since December 2017, to higher interest rates (mainly on USD), as well as to the positive exchange rate movements recognized last year, in which interests on the LPG favorable sentence were recorded.

Companies accounted for using the equity method

The balance for results corresponding to companies accounted for using the equity method reached 14.8 million euros compared to 7.3 million euros in the prior year.

iii) IFRS Net Profit and Adjusted Net Profit

Finally, Adjusted IFRS Net Income amounts to 335 million euros, with a decrease of 28.1% compared to June 2017 (466 million euros). Such decline is mainly explained by its origin in the lower refining margins, since in the short term it has not been possible to transfer the rapid increase in the price of crude oil with the same intensity to the finished refined products; in the negative impact derived from the depreciation of the US dollar in the first six months of the year, and LPG cylinder compensation received in 2017.

NIAT (Adjusted to Clean CCS) attributable to parent company	1HY 2018	1HY 2017	% variation
	Millions of euros		
Exploration & Production	125	83	50.7%
Refining	91	223	(59.2)%
Marketing	75	119	(37.1)%
Petrochemical	60	60	0.1%
Corporation	(16)	(19)	(19.3)%
Total	***335***	***466***	***(28.1)%***

The difference between Adjusted net profit and IFRS net profit is due to the change in inventories valuation method (mentioned in the EBITDA section above) and to the recognition of assets for deferred taxes.

1HY 2018	NIAT (Adjusted to Clean CCS) attributable to parent company[1]	CCS adjustment	Non-Recurring Items	NIAT (IFRS) attributable to parent company[1]	NIAT (IFRS) % on Total
Exploration & Production	125	—	6	131	29.8%
Refining	91	98	—	189	42.8%
Marketing	75	(6)	—	69	15.6%
Petrochemical	60	9	—	69	15.6%
Corporation	(16)	—	—	(16)	(3.5)%
Total	***335***	***100***	***6***	***441***	***100%***

(1) (Note 5 Condensed Consolidated Financial Statements)

HY1 2017	NIAT (Adjusted to Clean CCS) attributable to parent company[1]	CCS adjustment	Non-Recurring Items	NIAT (IFRS) attributable to parent company[1]	NIAT (IFRS) % on Total
Exploration & Production	83	—	(68)	15	3.6%
Refining	223	(0)	(3)	220	53.4%
Marketing	119	7	—	126	30.6%
Petrochemical	60	11	(1)	70	17.0%
Corporation	(19)	—	—	(19)	(4.6)%
Total	***466***	***18***	***(72)***	***412***	***100%***

(1) (Note 5 Condensed Consolidated Financial Statements)

Key indicators on the Group's financial situation and equity

Capital Employed by the Group amounted to 8,349 million euros at June 2018, compared to 7,110 million euros for the same period of 2017, a 17% increase. The breakdown by business segments is as follows:

Capital Employed IFRS by business segments	Exploration & Production	Refining	Marketing	Petrochemicals	Corp	Total
			Millions of euros			
Capital Employed at 06/30/2018	3,058	3,543	720	1,099	(71)	8,349
Capital Employed at 06/30/2017	1,895	3,308	787	1,167	(47)	7,110
Variation	1,163	235	(67)	(68)	(24)	1,239

Capital and reserves attributed to the parent at June 30, 2018 amounted to 5,232 million euros, thus financing 62.6% of capital employed at that date.

Net debt of the Group has reached 3,001 million euros at June 30, 2018, compared to 1,722 million euros at December 31, 2017 and 2,182 euros at June 30, 2017, resulting in the following leverage ratio:

	06.30.2018		12.31.2017		06.30.2017	
			Thousand of Euros			
Consolidated Net Debt / Adjusted EBITDA (last 12 months)	3,000,531 / 1,690,657*	= 1.77	1,722,136 / 1,873,841	= 0.92	2,182,477 / 1,771,321	= 1.23

* Calculated as 2017 Adjusted EBITDA amounting to 1,873,841 thousand euros less H1 2017 Adjusted EBITDA amounting to 942,756 thousand euros plus H1 2018 Adjusted EBITDA amounting to 759,572 thousand euros.

Key indicators. Cash flows

Below we present the cash flows for the period, evidencing the capacity of our business to generate free cash flow in the first half of both 2018 and 2017:

	1HY 2018	1HY 2017
	Thousand of Euros	
EBITDA IFRS	**899,689**	**965,833**
Change in operating working capital	(240,261)	(634,961)
Dividends received	23,590	21,015
Income tax paid/received	(275)	(22,092)
Other operating cash flows	(43,732)	(30,731)
Total cash flows from operating activities	***639,011***	***299,064***
Payments for investing activities	(1,664,596)	(403,796)
Charges for divestments	37,181	7,657
Total cash flows from investing activities	***(1,627,415)***	***(396,139)***
Free cash flow	***(988,405)***	***(97,075)***

The Group's **EBITDA** decreased by 6.8% with respect to the prior period, reaching 900 million euros. This said decrease was due to lower margins in the Refining activity/segment, and to the U.S. dollar depreciation against the Euro, partly offset by the rise of the price of crude oil, which has had a positive effect in the Exploration and Production business.

The **operating cash flow** reached 639 million euros, higher than in the previous year, mainly due to a lower use of working capital, which resulted in more than offsetting the lower EBITDA (mainly in the Refining segment).

In terms of **investments cash-flow**, it is worth noting the significant investment effort carried out during the first half of the year, most significant being the acquisition of a 20% stake in two offshore fields in Abu Dhabi (SARB and Umm Lulu) for a period of 40 years, thanks to the awarding of a concession signed with granted by ADNOC (Abu Dhabi National Oil Company).

As a consequence of this relevant investing effort, and despite of the increase in operating cash flow, the **free cash flow** has been negative at –988 million euros at June 30, 2018, compared to –97 million euros for the same period of 2017.

Key indicators. ROACE

The return of average capital employed, useful since it reflects the Group's profitability, is as follows:

		06.30.2018		06.30.2017	
		Thousand of Euros			
ROACE CEPSA Group Adjusted CCS =	Adjusted CCS Net Operating Profit (average last 12 months) / Average Adjusted Capital Employed (without non-yield investments) =	827,004 / 6,861,550 =	12.1%	852,606 / 6,949,766 =	12.3%

This ratio by business is shown in the following table:

ROACE Adjusted (CCS)	Exploration & Production	Refining	Marketing	Petrochemical	Total
ROACE CCS at 06/30/2018	11.6%	11.8%	18.0%	12.0%	12.1%
ROACE CCS at 06/30/2017	6.5%	13.9%	27.8%	12.5%	12.3%

(*) ROACE of Corporation segment is non assessable ratio

d. Analysis of operational performance by business

Exploration and Production

The adjusted result after taxes for Exploration and Production activity for the first half-year of 2018 reached 124.9 million euros, as compared to 83.0 million euros in the same period of the prior year.

This rise in results has been underpinned by the greater average sale price for crude oil (64.5 US $/barrel in the first half-year 2018 compared to 50.7 US $/barrel in same period of the previous year), following the increase in the price of Brent crude oil.

Likewise, the amortization of exploratory assets was very relevant in the first semester of 2017 (Suriname, Malaysia and Colombia), while in 2018 the investing in exploratory assets has been significantly reduced.

The optimization, efficiency, and cost saving programs rolled out in recent years have also reserved contributed positively to the area results.

Shared production amounted to 86.1 thousand barrels per day, a decrease of 11% with respect to the prior year due to the natural decline in deposits, and sales reached 6.0 million barrels of crude, also lower than in the prior year period.

During the period, 1,417 million euros have been invested in this segment, highlighting the initial contribution corresponding to an offshore concession contract with ADNOC, through which we acquired a 20 percent of the new concession of the SARB and Umm Lulu fields in Abu Dhabi. The contract lasts 40 years, triples the Group's crude resources and will increase production by more than 50 percent.

Summarizing, the key business indicators developed as follows:

Key indicators	1HY 2018	1HY 2017
Investments for the period (mm eur)	1,417	107
Working interest production (m b/d)	86	96
Net entitlement production (m b/d)	58	68

Refining

Adjusted results after taxes at June 30, 2018 amounted to 91 million euros, as compared to 223 million euros the same period of 2017.

Distillation of crude oil remained at similar levels than the same period of the previous year, with a ratio of installed capacity utilization of 92% and distilling 80.3 million euros of barrels of crude oil.

The basket of distilled crude oils for the half-year has had an API grade of 31.2 and a differential cost with respect to Brent crude oil of -1.14 US$/barrel.

Production maintained at similar levels to 2017, reaching a total figure of 10.8 millions of tons produced.

Further, the margins of the refining activity experienced a significant decrease throughout the first half year, due to the fact that the fast increase in the price of crude oil hasn´t been transferred with equal intensity to the international quotations of oil derivatives. The CEPSA´s refining margin indicator stood at 5.5 $/barrel in June 18 compared to 7.2 $/barrel in June 2017.

An important investment effort has continued during the year at the Group's refineries, oriented towards both the conversion and efficiency of the different production units and focused on improving security and minimizing the environmental impact. Total investment during this half-year amounted to 139 million euros, 17.8% greater than first half-year in 2017.

Natural Gas sales amounted to 15,265 Gwh, 16% higher than in the first semester of the previous year, and Electricity production to 1,161 Gwh, also 6% higher than in 1HY 2017.

The Group has 8 cogeneration plants and 1 combined cycle one, and it is starting construction of a wind farm in the province of Cadiz.

Summarizing, the key indicators for the business performed as shown in the following table:

Key indicators	1HY 2018	1HY 2017
Investments for the period (mm eur)	139	118
Utilisation Rate Refineries	92%	87%
Output (mm T)	10.78	10.30
Refining margin Indicator in Cepsa (USD/b)	5.5	7.2
Natural Gas Sales (GWh)	15,265	13,196
Electricity production (GWh)	1,161	1,090
Average electricity spanish pool price (€/MWh)	50	51

Marketing

The adjusted net result for the first half year of 2018 of Marketing activity amounted to 75.1 million euros, 37% lower than the 119.4 million euros achieved in June 2017, particularly benefited from the aforementioned LPG cylinder compensation.

This business line includes the sales from the petrol stations network, the marketing of fuels via the wholesale channel, the commercialization of kerosene for the aviation market, the sale of bunker fuels in the main Spanish ports and, outside Spain, in Panama and Fujairah, and the sale of lubricants, asphalts, and liquefied petroleum gases. During the first semester 2018 these channels registered sales amounting to 10.8 million tons, a 3% increase with respect to the figure of 10.4 million tons of the prior year.

The Group counts on a network of 1,824 service stations at the date of June 30, 2018, as well as of on 2 lubricant plants, 6 asphalt plants, 11 liquefied petroleum gas packaging plants, and is present at the main Spanish airports and ports.

Investments in the first half-year of 2018 has reached 40 million euros, a 82% lower than the 222 million euros in the same period of 2017, when CEPSA Group acquired 23 petrol stations in the region of Madrid and Toledo, the most relevant fuel stations acquisition in Spain over the last years.

In summary, the key business indicators performed as shown in the following table:

Key indicators	1HY 2018	1HY 2017
Bunker sales (mm Ton)	3.1	2.7
Product sales (mn Ton)	7.7	7.7
Number of petrol stations	1,824	1,806
Investments for the period (mm eur)	40	222

Petrochemicals

Net adjusted results from the Petrochemical activity amounted to 59.6 million euros, in line with the results achieved in 1HY 2017.

In comparison with the previous year, the good performance of Phenol continues due to an increase in sales of 9%, reaching 0.9 million tons.

Results of the LAB line, in which CEPSA Group is global leader, were 4% higher than in the first semester of 2017, highlighting the increase in sales of 6%, reaching 0.3 million tons.

Finally, the Solvents line has showed a level of results slightly lower than in previous year, due to a fall in margins.

Total sales of petrochemical products amounted to 1.5 million tons in the first semester 2018, in line with the volume sold during the same period of 2017.

The investments for the semester amounted to 28 million euros, being remarkable the launching of the project of revamping of the Puente Mayorga LAB Plant.

CEPSA Group currently operates 3 industrial plants in the LAB line located in Spain, Brazil and Canada, 2 in the Phenol and Acetone line (in Spain and China), 1 in the surfactants line (in Germany) and a plant in Indonesia for the production of vegetable alcohols.

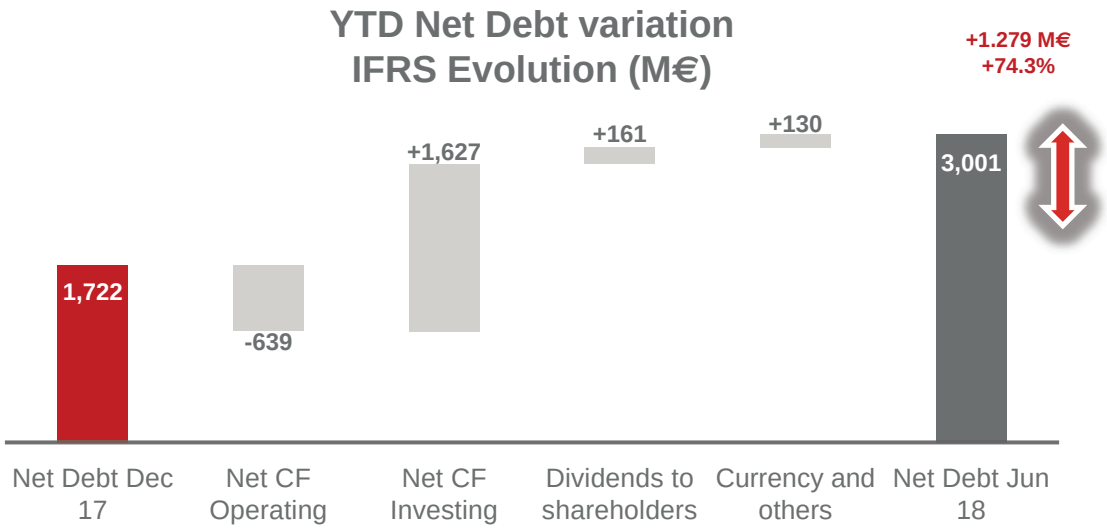
The key indicators for this segment were as follows:

Key indicators	1HY 2018	1HY 2017
Petrochemical products consolidated sales (mm Ton)	1.5	1.4
Investments for the period (mm eur)	28	59

3. Liquidity and capital resources

a. Leverage

Adjusted net financial debt at June 30, 2018 increased by 1,279 million euros to 3,001 million euros, compared to 1,722 million euros at December 31, 2017, fundamentally due to the investments in the E&P business.



As a consequence, the Group's gearing ratio (significant since it shows the financial autonomy index), expressed as the ratio of net debt to net debt plus capital and reserves, amounts to 35.9% as of June 2018 compared to 25.5% for 2017 year end.

	1HY 2018	FY 2017
	Thousands of euros	
Bank borrowings non-current	3,441,419	1,628,425
Bank borrowings current	298,656	639,348
Cash and cash equivalents	(739,544)	(545,637)
Remunerated Net Debt	***3,000,531***	***1,722,136***
Equity	***5,348,260***	***5,025,713***
Capital Employed IFRS	***8,348,791***	***6,747,849***
Net Debt/(net debt + Equity)	**35.9%**	**25.5%**

b. Debt structure

The debt breakdown by interest type and currency is shown in Notes 17 and 28 to the 2017 year end Consolidated Financial Statements and in Note 16 of the Condensed Consolidated Interim Financial Statements as of June 2018.

In accordance with the policy of minimizing financial risks, currency risk is mitigated by financing international businesses in their local or functional currency, mainly US dollars.

With regards to the Group's financing costs, at June 30, 2018, it amounted to 2.45% as compared to 1.97% for the same period in the previous year (see Note 17 to the 2017 Consolidated Financial Statements and in Note 16 of the Condensed Consolidated Interim Financial Statements as of June 2018).

CEPSA Group enjoys a sound liquidity position at June 2018, totaling 2,698 million euros (1,958 million euros of undrawn credit facilities plus 740 million euros of cash and cash equivalents), equal to Group's debt maturities for more than next 48 months.

CEPSA Group actively manages the maturities of its financial debt, which allows the Group to meet its payment obligations, both ordinary and exceptional, as well as to undertake its growth projects.

In terms of the distribution of maturities of its financial debt, c. 89% of outstanding debt matures in or after June 2020.

4. Risk management model

CEPSA Group has developed a Risks Integral Management System (RIMS), the objective of which is to effectively respond to any potential risk event which may significantly affect the Group.

The risk events identified are grouped in four large categories which make up the Risks Universe of CEPSA Group:

a. **Strategic risks,** relating to general factors such as political, economic, socio-cultural, technological, and environmental, as well as those related to the Group's strategic positioning and planning.

b. **Financial and Market Risks**, arising from volatility of prices for basic raw materials or commodities, from exchange rates, from interest rates, and from hedging and trading transactions, as well as those related to the management of liquidity and solvency, credit and counterparty risks.

c. **Operations and Infrastructures Risks,** associated to the efficacy and efficiency of operations, amongst which the most noteworthy are the supply of products, goods and services, the transportation management, the extraction and manufacturing-related processes, the sales and marketing, the safety of personnel and installations, the respect for the environment, the human resources and the information technologies.

d. **Regulatory and Compliance Risks**, relating to the evolution in regulations applicable to the activities and/or sector and that may affect the structure used to carry out activities and the results generated by operations, regulatory compliance, and to the compliance with the Group's internal policies and procedures. Non-compliance can directly affect the reputation and image of the Group and can give rise to possible initiation of sanctioning procedures.

CEPSA Group's commitment to implementing RIMS is reflected in the Policy for Risks Integral Management, the basic principles of which are specified in the Basic Standards for Risks Integral Management approved by the Group's Management Committee. The management model is based on the international ISO 31000 standard, in the methodology defined by the Committee of Sponsoring Organizations of the Treadway Commission for risk management (COSO-ERM) and in the Three Lines of Defense Model.

In this context, CEPSA Group's strategic and budgetary planning process has estimated the effect of potential risks on its businesses and performed a sensitivity analysis on the main variables, with the purpose of obtaining an integral vision of the impact. Thus, a Risks Map has been obtained, consolidated at the Group level for 2017, involving the participation of experts from the business and corporate units, guaranteeing a homogeneous vision of the Group's key risk exposures.

A description of the main risks affecting CEPSA Group in its operations is as follows:

a. Strategic risk

Geopolitical Risks

All of the Group's international activities are exposed, to a greater or lesser extent, to the risks inherent to the country in which it pursues its activities.

Economic crisis, political instability and social disturbances which affect the activities, nationalization or public expropriation of assets, the imposition of monetary restrictions and other restrictions to the movement of capital, or changes in regulations and administrative policies of a country, are just some of the examples of risks to which CEPSA Group is exposed in the course of its international activities and which may affect the results of our international subsidiaries, their market value, and the transfer of results to the Group parent.

With the objective of managing this risk proactively, CEPSA Group monitors all countries in which it operates, following the performance of some key indicators defined for a series of categories of identified risk sources, amongst which is worth highlighting: safety, political stability, efficacy of governments, legal and regulatory environment, tax policy, and macro economy.

Risk arising from market competition and changes in demand

CEPSA Group pursues its activities in highly competitive markets. The refining and marketing margins can be affected by factors such as demand decrease due to economic deterioration of the countries in which the Group operates, high prices for raw materials, energy costs linked to production trends, excess of refining capacity in Europe, and growing competition from products originated in refineries based in other countries with lower production costs (Russia, Middle East, USA).

The chase of excellence at the customer service, permanent monitoring of a continuously more dynamic and changing market trends, or maintained improvement as one of the Group's main values, are some of the levers CEPSA Group manages to deal with these risks.

Risks arising from relationships with interest groups

CEPSA Group operates in multiple environments in which there are diverse interest groups, mainly local communities of the areas which may be affected by the Group's activities, as well as civil society or politics organizations, trade unions, etc.

Should the interests of these groups be in conflict with the activities of CEPSA, and communication with said groups does not lead to the necessary agreements, the Group may be affected by the opposing opinions and actions with respect to its activities and that may damage its image and reputation, affecting business opportunities in the area or country.

Maintaining responsible and transparent relationships with the communities where CEPSA is present is an essential and integral part of our activities and operations, that contributes to the generate value for the society and cooperate in its economic, social, and environmental development, integrating ourselves in the environment and developing social projects.

b. Financial and market risks

CEPSA Group is exposed to a series of risks of a financial nature as a consequence of the variety of businesses it pursues as well as its presence in a multitude of countries, sectors, and markets.

The Group can count on the policies, organization, and necessary systems to identify, measure and control said risks and minimize their possible impact on the Financial Statements.

Below there is a description of the main financial risks to which the Group is exposed: raw materials (commodities) prices, exchange rates, interest rates, liquidity risk and credit risk.

Commodity price risk

The businesses operated by CEPSA Group are exposed to the prices of certain raw materials listed on international markets, such as the price of crude oil and natural gas, petroleum and petrochemical products, electricity pool, emission rights, etc.

These internationally quoted prices suffer significant fluctuations linked, not only to supply and demand and economic cycles, but also to different events of geopolitical and logistical nature.

A relevant part of CEPSA Group's activities consists in the manufacture and sale of petroleum products using crude oil as the raw material. Precisely, the difference between the price of crude oil and the different products is what comprises the refining margin, a strategic risk variable, which is continuously analyzed and managed.

Exposure to all these prices is constantly monitored, and on certain occasions the Group uses financial derivatives to reduce its exposure to their volatility. As such, these derivatives comprise economic hedging for the Group's results, although they are not always accounted for as hedges for accounting purposes.

Foreign currency risk

The US dollar is the currency used as a reference in the crude oil as well as petroleum and petrochemical product markets, main markets in which CEPSA Group operates. As such, and considering that the euro is used as the presentation currency in the consolidated financial statements, the Group is exposed to the changes in the euro/ US dollar exchange rate.

The different sources of exchange rate risk, as well as the actions taken to mitigate it, can be summarized as follows:

1. From an operational point of view, the US dollar is the currency in which a significant number of the Group's commercial transactions are denominated, such as crude oil supply, for example.

   The Group minimizes the impact of exchange rate risk on these transactions by centralizing and managing the net global position of cash flows in US dollars from the different Group companies.

2. The risk related to the net value of consolidated equity investments in foreign subsidiaries is mitigated by maintaining financial debt in the currency in which each investment is denominated, applying net investment hedges to these subsidiaries.

3. Finally, certain Group companies obtain cash flows in a currency different to its functional currency. In these situations, the Group minimizes exchange rate risk exposure by obtaining financing in the same currency in which the cash flows are denominated. For these cases, cash flow hedging relationships are justified and documented.

Interest rate risk

CEPSA Group is exposed to changes in interest rates that may have an impact on its income statement, affecting interest-related income and expenses as well as certain balance sheet items as a consequence of discount rates applied to assets and liabilities, the profitability of its investments, or the future cost of financial debt.

For purposes of managing and mitigating this risk, CEPSA Group obtains financing at a fixed rate or contracts interest rate hedges via financial derivatives when appropriate.

At June 30 2018, close to 29% of gross financial debt accrued interest at a fixed rate, including interest rate derivatives covering certain variable rate debt. The remaining 71% is referenced to the Libor, Euribor, and official rate of the Popular Bank of China (PBOC).

Liquidity risk

Liquidity risk refers to the ability of CEPSA Group to obtain financing to cover the financing needs for its ongoing activities, at reasonable market prices.

CEPSA Group pursues a conservative financial policy, which involves maintaining available cash balances and other liquid financial instruments, as well as undrawn committed credit lines, sufficient to cover at least debt maturities of the coming 24 months with no need to obtain new financing nor refinancing any available credit lines.

Although CEPSA Group works with leading and highly-reputable national and international financial entities, counterparty risk of these entities is always analyzed and considered when negotiating deposits or other investments, and contracting financial instruments.

Credit risk

CEPSA Group is exposed to credit risk as a consequence of its transactions with numerous counterparties, and the possible breach by these counterparties of their contractual obligations, irrespectively of whether they are suppliers, customers, partners, financial entities, etc.

To manage this risk, CEPSA Group has IT systems for the integral 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 and a credit limit for each one of them is established. On certain occasions, whether as a result of accumulation of risk with a certain counterparty, or due to the unwillingness of assuming certain risks, the Group transfers credit risk to third parties by arranging banking guarantees or credit insurance policies.

The Group has also a number of internal procedures, which control credit risk management, both globally as well as for each of its different businesses. Among other issues, these standards determine the establishment of credit limits, the monitoring and controlling these limits, the setting of the most appropriate collection instruments, guarantees to be requested in case risk is excessive or cannot be assumed, actions to be taken for collection of past due amounts in the case of non-payment, etc.

With respect to credit risk related to financial investments, financial derivatives and liquid assets, this risk is less relevant than the one related to commercial credit, as the counterparties that the Group operates with are mostly financial entities and insurance companies of high level of solvency. However, the Group also assesses the credit risk of each of these counterparties, assigning a credit limit to each one of them.

CEPSA Group exposure to credit risk is quite fragmented and does not entitle any relevant concentration to specific commercial counterparties, as sales are distributed amongst a large number of clients.

Tax strategy and management

The energy sector involves a particular tax framework. The existence of specific taxes on profits, production or consumption of products is common in the Upstream and Downstream sectors.

CEPSA Group's tax strategy is mainly aimed at compliance with the applicable tax regulations in its areas of activity and to ensure an adequate fulfilment of this principle by all the companies comprising the Group. CEPSA Group's commitment is reflected in the Tax Policy approved by the Board of Directors in 2017.

One of the main principles established therein by the Group is not to utilize companies registered in tax havens unless their presence in said territories is a result of valid economic motives or because they were directly or indirectly acquired as a consequence of the acquisition of a group of companies.

c. Transaction and infrastructure risks

The main operational risks to which CEPSA is exposed are as follows:

Risk in connection with access to gas and oil (Upstream): dependence on acquisition or discovery of reserves at a reasonable cost

The capacity of CEPSA to acquire or discover new reserves depends on a series of risks inherent to this type of activity. For instance, drilling may not be successful because either it has resulted in dry wells or the well is determined to be commercially unprofitable (it cannot generate sufficient net income to make a profit after deducting operating cost and other technical costs).

Likewise, there is strong competition in bidding for exploration blocks which can result in the CEPSA Group not obtaining the desired blocks or having to acquire them at a higher price, consequently making subsequent production economically unviable.

Risks associated with the execution of development projects for new crude oil and gas reserves

Oil and gas exploration and production development plans are exposed to risks related to production, installations, transportation, errors or inefficiencies in the management of operations and in supplier procurement and supply processes, natural catastrophes, and other technical uncertainties relating to the characteristics of the oil and gas fields and their dismantling.

In addition, the exploration projects are complex in terms of their size and are exposed to execution delays and deviations from initially budgeted costs. It should be taken into account that the location of certain projects in deep waters, difficult environments or complex deposits can aggravate such risks.

Likewise, any means of transporting entails inherent risk such as the loss of containment and other dangerous substances, representing a significant risk taking into account the potential impact of spillages on the environment and persons.

Refining margin risk

The refining margins are affected by supply and demand balance, volatility in the markets, the current context of distillation overcapacity in Europe and the start-up of new refineries in Asia and the Middle East in the coming years. However, it is expected that margins will increase significantly due to the MARPOL regulations taking effect in 2020.

Industrial Risks, Prevention and Safety

CEPSA Group has a safety management system as set out in its "Basic Regulations", integrating safety throughout the different levels of the organization. This management system is based on the international OHSAS 18001:2007 standard, a certification that has been granted to all of CEPSA's industrial facilities. Likewise, it has established procedures to follow that reflect industry-wide and generally-accepted best practices which guarantee the highest possible levels of safety, paying special attention to the elimination of risks at source. The system in place is aimed at continuous improvement in risk reduction, relying on a number of activities, such as work planning, analysis and monitoring of remedial actions related to incidents and accidents, internal auditing, routine inspections of facilities, and supervision of maintenance and operational work.

Environmental Risk

CEPSA Group has identified the environmental matters which could have an impact, though its control minimizes risks to the atmosphere, water environment, soil, and groundwater. The Group also controls the production, handling, and packaging of waste to facilitate subsequent management.

All CEPSA Group industrial plants in Spain have obtained their corresponding Integrated Environmental Authorizations, which are renewed periodically. These permissions allow us to tighten control over all processes in order to minimize environmental impacts.

CEPSA Group operates its industrial plants trying to minimize these risks to the environment, an issue reflected in its HSSEQ policy, in the Basic Environmental Regulations, and its positioning and strategies on environmental issues, which together with other internal regulations, form part of the Environmental Management Systems (EMS) implemented in the production centers and certified by an accredited external entity.

Through its EMS, CEPSA Group studies and provides an appropriate response to any environmental claim received from interested third parties.

CEPSA Group carries accounting provisions and arranges insurance policies, and is ready to respond in the event of any environmental issue.

Information Security Risks

CEPSA Group has a security organization in place to guarantee the availability, integrity, confidentiality and auditability of the information required to ensure the smooth operation and progress of the Group's activities at an acceptable cost and risk.

The current digital environment entails increasing dependence on technology and the internet. As such, it is very important to bear in mind the existence of a multitude of threats which create IT security risks that are potentially damaging on the level of personal lives as well as for the Group. Consequently, it is of fundamental importance to be aware of said threats and know how to face them. CEPSA Group promotes awareness, knowledge, and training with regard to the cybersecurity of its employees via day-workshops which offer a clear and practical vision of cybersecurity based on four fundamental pillars: information, raising awareness, legality, and technology.

The Group has implemented an Information Security Management System based on reducing risks which has been awarded the international ISO 27001 Certificate.

Property and Casualty risks

CEPSA Group is insured against risks involving material damages, including machinery failure and control of crude oil exploration and production wells; loss of profit stemming from material damages; civil liabilities arising for both CEPSA or its employees and directors in connection with material damages or personal injuries either to third parties or to group personnel as a result of occupational accidents; and loss or damage during transportation of crude oil, other products or equipment.

d. Regulatory and compliance risks

Risks arising from changing regulations applicable to activities and/or the sector (Regulatory risk)

The activities carried out by the Group, in Spain or abroad, are subject to numerous legal, regulatory, safety and environmental protection regulations. Any amendments that may arise can affect the framework in which it operates and therefore impact its results.

The petroleum sector is regulated by Law 34/1998 of October 7th, on Hydrocarbons, and its enabling legislation, which comprise the legislative framework applicable to refining, storage, and distribution activities of petroleum products marketed by CEPSA Group.

Further, as the Group also operates in the natural gas and electricity sectors, the applicable regulations are established in said Law 34/1998 of October 7th on the Hydrocarbons sector and Law 24/2013 of December 26th on the Electricity sector, respectively. Both sectors are subject to very intense regulation in which the profuse and at times changing stipulations expose the Group to a factor of regulatory instability.

In addition, it is worth noting that Law 18/2014 of October 15th created a National Fund for Energy Efficiency in Spain which is financed by annual contributions made by wholesale operators of petroleum products, wholesale operators of liquefied petroleum gases, natural gas marketing companies, and electricity marketing companies. These economic contributions involve significant amounts and consequently have a material economic impact on said business areas.

Finally, it is worth highlighting the complex and very demanding nature of regulations prevailing in Spain regarding industrial security and protection of the environment, which affects all the sectors in which CEPSA

Group operates, most noteworthy amongst which is Royal Legislative Decree 1/2016 of December 16th, by virtue of which the revised text of the Law for Integrated Prevention and Control of Pollution was approved.

Regulatory uncertainty

As indicated in the above point, CEPSA Group is subject to an extensive regulatory framework. Our results of operations have been impacted by various regulations and we expect that our results will continue to be impacted by various regulations, particularly with respect to the reduction of Greenhouse gas (GHG) emissions and climate change.

A number of regulations impose minimum requirements and other product specifications, which have required us to make certain investments in our refineries and production facilities. For example, the IMO 2020 sulfur regulations will provide incentives for ships to use marine fuel with sulfur content at or below 0.5%. The overall effect of this regulation is to increase market demand for low-sulfur marine fuel. As a result of these regulations, we have increased capital expenditures for our Algeciras refinery in order to increase our production of low sulfur marine fuel.

In addition, certain regulations in Spain and the European Union favor the production of renewable fuels, in certain cases by subsidizing its production and sale. For example, the EU Renewable Energy Directive requires EU member states to set up national renewable energy action plans to increase each state's transport fuels that are derived from renewable sources to a target of 10%. While the current Renewable Energy Directive requirement stands at 10%, the directive is currently under review, and is expected to be amended to reflect a revised target of 14%.

Internal compliance

The values of CEPSA must be the foundation upon which the behavior its employees is based when taking decisions and during the performance of activities which are carried out in all countries where we operate, always following the principles of transparency, integrity, honesty, respect and equality.

In CEPSA Group we have implemented a global methodology to establish a Corporate Compliance Model that allows us to identify compliance risks and set measures for the prevention, detection and punishment that could lead to corporate or employee responsibility, including the commitments acquired by CEPSA through its Code of Ethics and Conduct, as well as its commitment to Corporate Responsibility.

The methodology of the Compliance Model is implemented and monitored by the Ethics and Compliance Office, located within the Internal Auditing, Compliance and Corporate Risks Department, which reports to the Auditing, Compliance and Ethics Commission of the Board.

We have established an Operations Compliance and Ethics Committee delegated by the Auditing, Compliance and Ethics Commission of the Board, whose main functions are focused on monitoring compliance risks, disclosing the compliance culture to the group through training and communication plans.

Furthermore, CEPSA Group has a Code of Conduct and Ethics, approved by the Board of Directors and updated in September 2017, the objective of which is to establish values and ethical principles which govern the Group's actions, as well as the general guidelines to be followed, when discharging duties, by all directors, managers, employees, and those other persons whose activity is expressly subject to the Code of Ethics and Conduct.

It should be stressed that with respect to preventing corruption, CEPSA has implemented an Anti-Corruption Policy, one in the private environment and another in the public sphere, which sets the standards for matters relating to fraud, transparency, and the fight against corruption. Likewise, the Audit, Compliance, and Ethics Commission of the Board is responsible for supervising the Internal Control Systems for the Financial Information, which contributes to ensuring a reasonable control environment in the preparation of financial statements.

In addition, CEPSA Group has a Compliance and Ethics Channel and a policy which describes its performance and a procedure for investigations, both accessible to the public via the corporate website, www.cepsa.com, for communicating incidents and reporting irregularities relating to non-compliance with its Code of Ethics and Conduct.

Due to the reform of the Spanish Criminal Code and the international regulatory changes regarding the criminal liability of legal persons, CEPSA is gradually deploying crime prevention models in the different countries where we operate, prioritizing compliance with local regulations in the matter. The main objective of the Crime Prevention Model is to prevent and, where appropriate, discover criminal behavior by the administrators and

employees of the Spanish companies of CEPSA. The Crime Prevention Model is applicable to Spanish mercantile companies according to the guidelines established in Circular 1/2016 of the Prosecutor's Office and to ISO 19600 on Compliance Management Models.

With regards to competition, CEPSA Group has been following its "Compliance Program" since 2004, adapted to new European Commission criteria as set out in its report titled "Compliance matters. What companies can do better to respect EU competition rules". Nonetheless, this program is being adapted to new international standards, thus fulfilling the corresponding ISO 19600 standard.

In relation to environmental matters, CEPSA has implemented the "Basic Environmental Regulations" and procedures implementing them, the objectives of which include compliance with applicable legal requirements. CEPSA Group has also strengthened its commitment to environmental protection with the implementation of its "Biodiversity Regulations," regulating the measures to be taken to conserve the habitats and species in the environments in which it operates.

It is worth noting CEPSA Group has implemented an environmental management system, certified as per UNE-EN ISO 14001 and Regulation EC 1221/2009 of the European Parliament and Council, relating to the voluntary participation of organizations in a community system of environmental management and auditing (EMAS III).

As far as compliance with applicable regulations for environmental responsibility is concerned, and specifically the recent publication of Order APM/1040/2017 of October 23th which establishes a mandatory time schedule for arranging financial guarantees of an obligatory character for all activities specified in said regulations, CEPSA Group has already contracted the corresponding insurance for environmental responsibility.

With regards to occupational risk prevention, CEPSA Group has prepared a set of "Basic Rules for Industrial and Occupational Risk Prevention" which, apart from complying with legislation in this area, also includes the guiding principles and policies required to achieve the highest standards of safety in its operations; the "Corporate Management Manual for Industrial and Occupational Risk Prevention;" and other guidelines that guarantee solid safety performance in the entire production process, from plant design to product marketing

With regards to equality between women and men, in accordance with Law 3/2007, in April 2010, CEPSA Group introduced an Equality Plan negotiated with Workers' Representatives that includes a set of measures designed to give full effect to the principle of equal treatment and opportunities between women and men, eliminating all gender-based discriminatory behavior.

5. Information on foreseeable performance of the entity

CEPSA is advancing in its transformation process towards a global integrated energy group. Amongst the actions considered for the coming years, the Group envisages investments in various business areas as part of a growth plan to reach its objectives. The key strategic priorities, by Business Unit, are as follows:

- Exploration and Production: expand its portfolio, increasing crude oil reserves in key regions such as North Africa, Latin America, and Abu Dhabi through the development of projects and exploration opportunities in fields located nearby;
- Refining: improve competitiveness and efficiency of the Group assets through continuous optimization programs and updates to adapt production to new regulations. Assess opportunities in renewable energies and increase participation in the natural gas and electricity markets.
- Marketing: consolidate the Group's presence in the natural markets of its key businesses, boosting exploitation of synergies with high added value and searching for growth opportunities in neighboring markets such as Portugal and Morocco;
- Petrochemicals: strengthen the current leadership of CEPSA Group in key business lines, continue global expansion, develop the alcohol chain and diversify the downstream phenol chain;

6. Other relevant information

a. Events after the balance sheet date

Events subsequent to the balance sheet date are disclosed in Note 18 to the Condensed Consolidated Interim Financial Statements.

7. Definitions of key indicators

In order to improve understanding of the terminology employed, below we define the most common items:

a. Key financial indicators

Current Cost of Supplies (CCS): in the replacement cost method, the cost of sales is determined with reference to average monthly prices rather than the historical value derived from the accounting valuation method. Consequently, the adjustment to replacement cost is determined as the difference between these two methods.

Gearing ratio: Ratio between the following:

- Net financial debt (current and non-current financial debt less cash equivalents)
- Equity (less dividends agreed or planned) + Net financial debt

This ratio shows, in its temporal evolution, the tendency of the Group's Debt and in absolute value, the capacity of Debt in relation to its own funds.

Net Debt: is the indicator used by management to measure the company's level of debt. It is comprised of bank borrowing (current and non-current) less cash and cash equivalents.

Employed capital: made up of non-current assets plus working capital, net of for free capital. Non-current assets include intangibles, Property, plant and equipment, financial and deferred tax assets, with the exception of financing granted within group companies. Working capital includes all current operating assets and liabilities (current assets and liabilities except for financing granted or received within group companies, external current financial debt and liquid assets). For free capital comprises the captions of capital grants, provisions for risks and charges, deferred tax liabilities, and other non-current liabilities of non-financial nature. It is financed with the Equity plus the Net financial Debt, being equal to the sum of both magnitudes. It is useful for determining the efficiency of the use of capital that the company has invested.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization): It consists of the income and expenses arising from the operations of each business unit, including net provisioning, as well as the results from assets disposals. Its determination does not include the amortization and impairment of its non-current assets, nor the transfer to income of capital grants or, of course, financial or non-operating results.

The EBITDA is a useful financial indicator which determines the operating margin of a company, enabling the business evaluation in relation with its ability to generate funds before taxes. This indicator is highly comparable among businesses and with other Oil & Gas sector companies, since it is not influenced by financial and tax indicators not involving cash outflow.

Non-recurring items (Clean): they consist of those atypical revenues or expenses, which are not directly related to the company's main activity and unusually occur, i.e.:

- Impairment of assets
- Results of assets disposals (significant amounts)
- Restructuring costs
- Exceptional fiscal expenses or income
- Costs associated with mergers / acquisitions
- Results of discontinued operations

Leverage ratio: This figure is calculated by dividing net debt by EBITDA, and in the case of CEPSA utilizing adjusted EBITDA, allowing the Group to determine its capacity to repay external financing within a given number of years (x times). It serves as a metric for comparison with other companies.

ROACE (Return on Average Capital Employed): Ratio calculated with the net operating profit Clean CCS (average for the last 12 months) divided by average capital employed (average between its value at the beginning and at the end of the considered period). These values of Capital Employed are both reduced in the amount of not yet profitable investments. It is the key indicator that shows the performance of both the Group and its businesses.

Net operating profit: It consists on the Net profit after taxes (NIAT) deducted the finance costs (net of taxes). Generally used for ROACE´s calculation.

For further details in relation with these Alternative Performance Measures (APMs) read together with the Prospectus to which these Condensed Consolidated Interim Financial Statements and Management Report are attached.

b. Key non-financial indicators

Barrel: Measurement unit for crude oil volumes equivalent to 42 US gallons or 158.9 liters; the amounts of liquid hydrocarbons in barrels are expressed at 60 ° F.

Barrel of oil equivalent (boe): A conventional unit to measure the energy liberated by a quantity of fuel in terms of the energy liberated by the combustion of one barrel of oil.

Degree of refinery utilization: Relates the total amount of crude oil processed at distillation units in terms of their maximum processing capacities.

GW: Gigawatts (1,000 million watts) A Watt is the unit of electric power used in the International System and corresponds to the difference in potential between one volt and an electric current of one ampere (1 volt-ampere).

MWh: Megawatts/hour is a unit of measurement for energy.

Pool: Wholesale electricity market. On a daily basis, electricity is purchased and sold in this market governed by the operator Omel.

Net Entitlement Production: That portion of production legally accruing to an Entity under the terms of the development and production contract or license. Under Production-Sharing Contracts (PSCs) terms, the producers have an entitlement to a portion of the production. This entitlement, often referred to as "net entitlement" or "net economic interest," is estimated using a formula based on the contract terms incorporating costs and profits.

Working Interest: A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.

Attributed reserves: Estimated quantities of oil and gas, including related substances, assigned to the company, production of which is expected to be economically feasible from a given date through development projects.

Proven reserves (1P reserves)

Proved Reserves are those quantities of Petroleum, which, by analysis of geoscience and engineering data, can be estimated with Reasonable Certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined technical and commercial conditions. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

Probable reserves

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Contingent Resources

Contingent Resources are those quantities of Petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development Project(s) not currently considered to be Commercial due to one or more contingencies. Contingent Resources may include, for example, Projects for which there are currently no viable markets, or where commercial recovery is dependent on Technology under Development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of technical certainty associated with the estimates and should be sub-classified based on Project maturity and/or economic status.

Directors' Statement of Responsibility on the
Management Report for the six-month period ended June 30, 2018
Compañía Española de Petróleos, S.A.U. and Subsidiaries (CEPSA GROUP)

The members of the Board of Directors of Compañía Española de Petróleos, S.A.U. (CEPSA) hereby declare that, to the best of their knowledge, the Management Report of the CEPSA GROUP for the six-month period ended June 30, 2018 includes a true and fair review of the development and performance of its businesses and financial position, together with a description of the key risks and uncertainties that it faces.

Madrid, August 3, 2018

Suhail Al Mazrouei
Chairman

Pedro Miró Roig
Vice Chairman and Managing Director

Musabbeh Alkaabi
Director

Abdulmunim Alkindi
Director

Alyazia Alkuwaiti
Director

Abdulla Aldhaheri
Director

Ángel Corcóstegui Guraya
Director

Ignacio Pinilla Rodriguez
Corporate Secretary (Non-Director)

José Aurelio Téllez Menchén (Non-Director)
Deputy Corporate Secretary

ANNEX II—SPANISH TRANSLATION OF THE SUMMARY

RESUMEN

*Los resúmenes están formados por distintos apartados denominados **Elementos**. Tales Elementos se presentan numerados en Secciones de la A a la E (A.1–E.7).*

El presente resumen recoge todos los Elementos que han de incluirse en los resúmenes correspondientes a este tipo de valores y para este emisor. Dado que en algunos supuestos no se exige presentar información alguna sobre determinados Elementos, la numeración de los mismos podría no ser correlativa.

Aun en aquellos supuestos en los que se exija la inclusión de determinados Elementos en el resumen debido al tipo de valores y a la naturaleza del emisor, podría ser que no pudiera aportarse información relevante alguna respecto a dicho Elemento en cuestión. En tal caso se ha incluido una breve descripción del Elemento en cuestión, junto con la mención "no procede".

Sección A—Introducción y advertencias		
A.1	Introducción:	El presente resumen deberá ser leído como introducción al folleto (el **Folleto**) correspondiente a la oferta (la **Oferta**) y admisión a cotización en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia (las **Bolsas de Valores Españolas**) (e integración en el Sistema de Interconexión Bursátil español (el **SIBE**) o "*mercado continuo*" de las Bolsas de Valores Españolas) de acciones de un valor nominal de 0,50€ cada una de ellas representativas del capital social de Compañía Española de Petróleos, S.A.U., sociedad anónima unipersonal constituida de conformidad con la legislación española (la **Sociedad**). CEPSA Holding LLC (el **Accionista Vendedor**) ofrece hasta un máximo de 133.787.471 acciones existentes de la Sociedad (las **Acciones Iniciales**). Las Acciones Iniciales y, salvo indicación en otro sentido del contexto, las Acciones Adicionales (conforme se definen estas últimas en el apartado E.3 posterior) serán referidas conjuntamente como las **Acciones de la Oferta**. En ausencia de ejercicio de la Opción de Sobre-Asignación (conforme se define esta última a continuación), las Acciones de la Oferta representarán un máximo del 25,00% de las acciones emitidas representativas del capital social de la Sociedad, de un valor nominal de 0,50€ cada una de ellas (las **Acciones**). Por el contrario, y en caso de producirse el ejercicio íntegro de la Opción de Sobre-Asignación, las Acciones de la Oferta representarán un máximo del 28,75% de las Acciones emitidas. Cualquier decisión de invertir en las Acciones de la Oferta debe estar basada en la consideración por parte del inversor del Folleto en su integridad. **Si se presentara ante un tribunal cualquier demanda relacionada con la información contenida en el presente Folleto, el inversor demandante podría, en virtud del Derecho nacional de los Estados miembros de la Unión Europea, venir obligado a hacer frente a los gastos derivados de la traducción del Folleto antes de la apertura de dicho procedimiento judicial.** De conformidad con la legislación española, la responsabilidad civil sólo se exigirá a las personas que hayan presentado el Resumen, incluyendo cualquier traducción del mismo, y únicamente cuando el Resumen resultara engañoso, inexacto o incoherente en relación con las demás partes del Folleto, o no aportara, leído junto con dichas otras partes del Folleto, información fundamental para ayudar a los inversores a la hora de adoptar su decisión de inversión en relación con dichos valores.
A.2	Posible venta posterior o aseguramiento final de los valores por parte de	No procede. La Sociedad no contratará a ningún intermediario financiero para ninguna venta posterior o aseguramiento final de los valores que requiera la publicación de un folleto tras la publicación del presente documento, sin que la Sociedad haya autorizado dicha venta o aseguramiento.

Sección A—Introducción y advertencias		
	intermediarios financieros:	

Sección B—Emisor		
B.1	Denominación social y nombre comercial del emisor:	La denominación social del emisor es Compañía Española de Petróleos, S.A.U. (la **Sociedad**). El nombre comercial del emisor es "CEPSA".
B.2	Domicilio y forma jurídica del emisor:	La Sociedad es una sociedad anónima unipersonal o S.A.U., constituida en España y sujeta a la legislación del Reino de España. La Sociedad tiene su domicilio social en la Torre Cepsa, en el Paseo de la Castellana 259 A, 28046 Madrid, España. La Sociedad se encuentra constituida por plazo indefinido. El Identificador de Entidad Jurídica (LEI, por sus siglas en inglés) de la Sociedad es 549300E1NH9FOTLIFI22.
B.3	Descripción y factores clave relativos al carácter de las operaciones en curso del emisor y de sus principales actividades:	CEPSA es una compañía energética integral líder en el mercado ibérico y presente en todo el mundo. Entendemos que somos la mayor empresa privada integrada de gas y petróleo de Europa (en términos de ingresos en 2017 según estimado por la Sociedad). Con operaciones en 20 países en cinco continentes, nuestras actividades abarcan la exploración y producción, refino, comercialización y petroquímica. En 2018 hemos reorganizado nuestras unidades de presentación de información de negocio a efectos de alinear las mismas con las prácticas que emplean en la industria otras compañías de petróleo y gas, y alinearlas mejor con nuestra estructura organizativa. Con anterioridad al 2018, la Sociedad presentaba sus resultados correspondientes a los siguientes seis segmentos, a saber: Exploración y Producción (**E&P**), Refino, Comercialización, Petroquímica, Gas y Electricidad (**G&E**) y Trading y Bunker (además de Corporativo, segmento que la Sociedad continúa presentando por separado). A partir de 2018, la Sociedad ha optado por presentar sus resultados agrupados en los siguientes cuatro segmentos: ***Exploración y Producción***—Nuestro negocio de E&P se dedica a la exploración y desarrollo de campos de petróleo y gas así como a la producción de crudo y gas natural. Disponemos de activos de E&P en Oriente Medio, en el norte de África, en América Latina, en el Sudeste Asiático y en España. ***Refino***—Nuestro negocio de Refino tiene como objeto la destilación del crudo y su transformación en productos refinados para su venta en el mercado. Nuestro negocio de Refino incluye asimismo una unidad comercial y otra de gas y electricidad. La unidad comercial es responsable de la adquisición de crudo y otras materias primas a proveedores externos para atender a las necesidades diarias de las refinerías, así como de la venta de aquella parte de la producción de crudo ("*equity crude*") correspondiente a la Sociedad en virtud de los contratos de concesión suscritos por la misma, y de la venta de los excedentes de productos refinados a clientes externos. Nuestra unidad de G&E es responsable de la producción de electricidad, y del suministro de gas natural, vapor y electricidad a grandes clientes pertenecientes a los sectores industrial y comercial, incluyendo a nuestros propios *sites* petroquímicos y de refino ubicados en España. ***Comercialización***—Nuestra unidad de Comercialización comercializa y ofrece productos derivados del petróleo y otros servicios a través de nuestra red de estaciones de servicio presentes en España, Portugal, Andorra y

Sección B—Emisor		
		Gibraltar, así como a través de nuestra red nacional e internacional de agentes y distribuidores. Nuestra actividad de Comercialización se estructura en torno a siete líneas de negocio: red minorista, gas licuado de petróleo (**GLP**, por sus siglas en inglés), aviación, búnker, lubricantes, asfaltos y venta al por mayor. ***Petroquímica***—Nuestra actividad de Petroquímica elabora y comercializa productos petroquímicos básicos junto con sus derivados. Disponemos de operaciones petroquímicas en siete países distintos (sin incluir nuestras oficinas comerciales), conforme a la siguiente estructura: una línea de negocio de surfactantes (consistente en alquibenceno lineal (**LAB**), ácido sulfónico de alquilbenceno lineal (**LABSA**), n-parafina y productos de alcohol graso incluyendo alcoholes y ácidos grasos, glicerina y derivados de los mismos), una línea de negocio de fenol (incluyendo fenol, cumeno, acetona y derivados) y una línea de negocio de disolventes.
B.4a	Descripción de las tendencias recientes más significativas que afecten al emisor y a los sectores en los que ejerce su actividad:	*La información que se recoge en este Elemento B.4 se basa en los servicios prestados a la Sociedad por IHS Markit Ltd y sus filiales en relación con la Oferta (el **Informe IHS**)* La Sociedad considera que las siguientes tendencias clave tendrán un impacto significativo en la industria del petróleo y gas en general, así como en su propia posición dentro de dicha industria. ***Tendencias macroeconómicas***: es de esperar que diversas tendencias macroeconómicas tengan efectos sobre las actividades de E&P así como sobre la demanda de productos refinados y petroquímicos a medio plazo incluyendo, entre otros extremos, los precios del petróleo, el crecimiento del PIB y de la población y el aumento de las clases medias y del número total de vehículos. Entre 2018 y 2022, se espera que el crecimiento del PIB en Europa se mantenga en aproximadamente un 2% (*fuente: Informe IHS*) ***Equilibro entre la oferta y la demanda de petróleo***: consecuencia de la gran expansión de la economía mundial, se espera que la demanda de petróleo suba en casi dos millones de barriles al día en 2018, con cierta desaceleración en 2019. Se estima que existen suficientes fuentes de suministro para que el mercado se mantenga equilibrado durante los próximos años, en particular dado que el crecimiento de la demanda continúa desacelerándose. Como reflejo de diversas tensiones mundiales así como ciertos cambios geopolíticos, el pronóstico es que a medio plazo el precio del barril de Brent se situará en aproximadamente 70 dólares estadounidenses (*fuente: Informe IHS*). ***IMO 2020***: es de esperar que la aplicación de una serie de requisitos más estrictos en relación con un menor contenido de azufre en el combustible para buques a partir de 2020, consecuencia de diversos cambios normativos anunciados por la Organización Marítima Internacional (**IMO**, por sus siglas en inglés) a efectos de prevenir la contaminación atmosférica generada por el transporte marítimo, tenga como resultado un desplazamiento inicial de la demanda a favor del gasoil (con menor contenido de azufre) y de otros combustibles con bajo contenido de azufre en el sector marítimo. A partir de 2020, se prevé que cada vez más armadores comenzarán a instalar *scrubbers* o depuradores, lo que permitirá nuevamente el uso de combustibles con mayor contenido de azufre (*fuente: Informe IHS*). ***Electrificación y eficiencia de los combustibles***: se prevé que la demanda de combustible para el transporte por carretera en Europa aumente hasta 2022, respaldada por el impacto continuo de las tendencias macroeconómicas. Las cifras previstas para la demanda en el caso base

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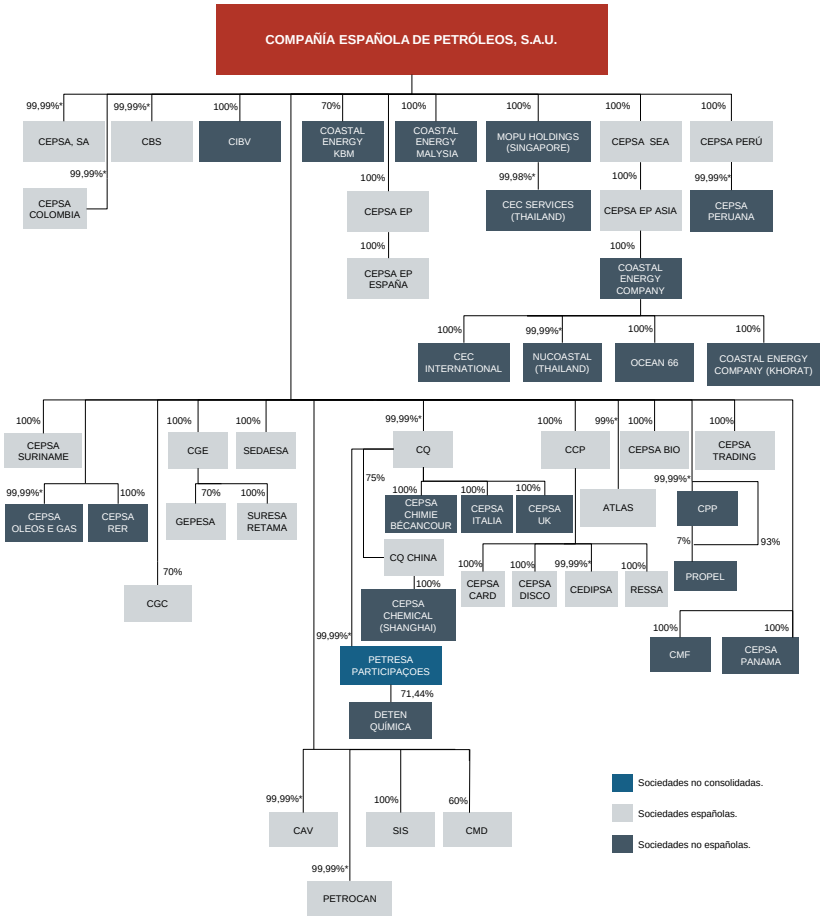
		suponen un crecimiento de esta última, desde los 7,1 millones de barriles al día en 2017 hasta los 7,4 millones de barriles al día en 2022. A largo plazo, se espera que la mejora y el aumento de la eficiencia del combustible y la introducción del vehículo eléctrico reduzcan el crecimiento de la demanda de combustible para transporte, con un impacto negativo combinado de hasta un 5% en el crecimiento de la demanda de combustible en 2030 (*fuente: Informe IHS*). ***Demanda de productos refinados en España***: se espera que la demanda de productos refinados se vea impulsada por los combustibles de transporte, e igualmente se espera que el diésel siga siendo el combustible vial dominante en España. La demanda de gasolina ha aumentado recientemente como resultado de un fuerte incremento, a partir de 2013, de las ventas de vehículos impulsados por dicho combustible, los bajos precios del combustible alcanzados en 2015 y 2016, y el aumento del turismo. La demanda de diésel y gasóleo se ve impulsada en gran medida por el sector del transporte, el cual representa aproximadamente el 85% de la demanda actual, y que se espera crezca en una tasa de crecimiento anual compuesta del 4,1% entre 2018 y 2020, si se considera el aumento esperado del uso de gasoil para combustible bunker en 2020 (*fuente: Informe IHS*) ***Demanda de productos refinados en Portugal***: se prevé que la recuperación económica impulse el crecimiento de la demanda de productos refinados a corto plazo. Sin embargo, se ha previsto igualmente que la demanda general disminuya a medio y largo plazo, principalmente como resultado de mayores eficiencias, cambios en los hábitos de conducción de los consumidores y la sustitución con combustibles alternativos. A pesar del fuerte crecimiento de los vehículos ligeros de gasolina y de aquellos movidos por tecnologías alternativas, se espera que los vehículos diésel continúen dominando el mercado. La demanda de gasolina sufre un declive estructural desde 2000. La demanda de diésel y gasóleo se ve impulsada principalmente por el sector del transporte, el cual representó aproximadamente el 80% de la demanda total en 2017 (*fuente: Informe IHS*).

Sección B—Emisor		
B.5	Descripción del Grupo:	La Sociedad es la empresa matriz de un grupo de sociedades operativas, de cartera y de explotación de proyectos. El siguiente cuadro ofrece una visión de conjunto de las principales filiales de la Sociedad:  * Indica filiales en las que otra sociedad del Grupo controla la participación restante.
B.6	Accionistas principales:	A la fecha del presente Folleto, el accionista único de la Sociedad es CEPSA Holding LLC. CEPSA Holding LLC es una sociedad cuyos accionistas gozan del beneficio de la responsabilidad limitada (*limited liability company*), y que se encuentra debidamente constituida desde el 11 de enero de 2018 y existente de conformidad con la legislación de los Emiratos Árabes Unidos. La Sociedad es titular de la licencia comercial número CN-2479044, y tiene su domicilio social en 45005. Al Mamoura Building A, Abu Dhabi, Emiratos Árabes Unidos. La empresa matriz última e indirecta de la Sociedad es Mubadala Investment Company PJSC, una sociedad anónima de carácter público (*public joint stock company*) debidamente constituida el 21 de marzo de 2017 y existente de conformidad con la legislación de la Emiratos Árabes Unidos, titular de la licencia comercial número CN-2302788.
B.7	Información histórica financiera clave:	Se incorpora por referencia al presente Folleto una traducción al inglés de nuestros estados financieros consolidados auditados y las notas relativas a los mismos correspondientes a los ejercicios cerrados el 31 de diciembre 2017, 2016 y 2015 (los **Estados Financieros Anuales**) disponibles en nuestra página web www.cepsa.com/en/investors. Este Folleto contiene la traducción inglesa de nuestros estados financieros consolidados intermedios no auditados y notas relativas a los mismos correspondientes al semestre cerrado el 30 de junio de 2018 (incluyendo la información financiera

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		correspondiente al semestre cerrado el 30 de junio de 2017, que ha sido incluida a efectos comparativos) incluida en el Anexo I de este Folleto (los **Estados Financieros Intermedios** y, junto con los Estados Financieros Anuales, los **Estados Financieros**). Esta sección contiene información financiera seleccionada que ha sido obtenida de los Estados Financieros. Los Estados Financieros Anuales de la Sociedad han sido elaborados de conformidad con las Normas Internacionales de Información Financiera adoptadas por la UE (las **NIIF-UE**). Los Estados Financieros Intermedios de la Sociedad han sido elaborados de conformidad con las exigencias previstas en la Norma Internacional de Contabilidad (NIC) 34, "*Información financiera Intermedia*", tal y como la misma ha sido adoptada por la Unión Europea, en relación con la elaboración de estados financieros intermedios completos y otras disposiciones propias del marco regulatorio financiero aplicable en España. A efectos del presente Folleto, cualquier referencia a un determinado **Ejercicio Fiscal** o **EF** habrá de entenderse referida al ejercicio cerrado a 31 de diciembre de dicho año, mientras que las referencias a un determinado **Semestre Fiscal** o **SF** se entenderán referidas al período de seis meses cerrado el 30 de junio de dicho año.

Sección B—Emisor

Estado de Resultados Consolidado

	Semestre fiscal		Ejercicio fiscal		
	2018	**2017**	**2017**	**2016**	**2015**
	(información no auditada)				
	(en millones de €)				
Ventas y prestación de servicios	11.111	8.891	18.212	15.455	17.452
Impuesto especial sobre hidrocarburos repercutido en ventas	1.279	1.260	2.605	2.493	2.440
Importe neto de la cifra de negocios	**12.391**	**10.151**	**20.817**	**17.949**	**19.892**
Variación de existencias de productos terminados y en curso de fabricación	111	15	128	(151)	(281)
Trabajos realizados por la empresa para su activo	9	14	36	39	42
Aprovisionamientos	(9.102)	(6.741)	(13.840)	(11.566)	(13.234)
Otros ingresos de explotación	37	60	55	76	72
Gastos de personal	(296)	(290)	(611)	(613)	(586)
Variaciones de provisiones de circulante	8	(3)	(10)	334	161
Otros gastos de explotación					
Impuesto especial sobre hidrocarburos	(1.282)	(1.262)	(2.609)	(2.496)	(2.444)
Otros gastos	(1.006)	(986)	(2.011)	(1.891)	(2.331)
Amortización del inmovilizado	(283)	(320)	(680)	(700)	(1.004)
Imputación de subvenciones de inmovilizado no financiero y otras	16	14	30	41	33
Deterioro y resultado por enajenación de inmovilizado	18	(108)	(275)	(82)	(3.384)
Resultado de la explotación	**621**	**544**	**1.030**	**938**	**(3.065)**
Participación en beneficios de sociedades por el método de participación	15	7	48	(59)	(77)
Ingresos financieros	25	16	144	85	88
Gastos financieros	(77)	(19)	(176)	(144)	(184)
Deterioro y resultado por enajenación de instrumentos financieros	—	14	8	(1)	304
Resultados consolidados antes de impuestos	**583**	**561**	**1.054**	**819**	**(2.934)**
Impuestos sobre beneficios	(137)	(143)	(295)	(203)	1.883
Resultado consolidado del ejercicio de operaciones continuadas	**446**	**418**	**759**	**617**	**(1.052)**
Resultado consolidado del ejercicio de operaciones interrumpidas	—	—	—	—	4
Resultado consolidado del ejercicio	**446**	**418**	**759**	**617**	**(1.047)**
Atribuible a:					
Accionistas de la sociedad dominante (o **NIAT**)	441	412	743	602	(1.040)
Participaciones no dominantes	5	6	16	15	(7)
Resultado por acción:					
Básico	1,65	1,54	2,78	2,25	(3,90)
Diluido	1,65	1,54	2,78	2,25	(3,90)

Sección B—Emisor

Balance de situación consolidado

	A 30 de junio 2018	A 31 de diciembre 2017	2016*	2015
	(información no auditada)	(en millones de €)		
Activo				
Activos no corrientes				
Inmovilizaciones intangibles				
Bienes y derechos intangibles	4.224	4.217	4.455	883
Amortizaciones y deterioros	(3.560)	(3.610)	(3.830)	(455)
Total inmovilizaciones intangibles	664	606	626	428
Fondo de comercio de consolidación	120	123	249	305
Inmovilizaciones materiales				
Bienes y derechos materiales	15.173	13.632	13.838	16.685
Amortizaciones y deterioros	(9.539)	(9.288)	(9.386)	(11.882)
Total inmovilizaciones materiales	5.634	4.345	4.452	4.803
Inversiones en entidades asociadas y participaciones en negocios conjuntos	454	447	428	525
Activos financieros no corrientes	202	122	297	117
Activos por impuestos diferidos	845	762	895	922
Total activos no corrientes	**7.919**	**6.404**	**6.946**	**7.099**
Activos corrientes				
Existencias	2.132	1.926	1.603	1.273
Deudores comerciales y otras cuentas a cobrar	2.372	2.180	1.561	1.666
Activos por impuesto sobre las ganancias corrientes	76	75	155	95
Otros activos financieros corrientes	136	205	128	217
Otros activos corrientes	32	10	15	10
Activos líquidos	740	546	1.300	1.234
Activos mantenidos para la venta y operaciones interrumpidas	—	—	—	253
Total activos corrientes	5.488	4.942	4.762	4.748
Total activo	**13.406**	**11.346**	**11.708**	**11.847**
Patrimonio neto y pasivo				
Fondos propios				
Patrimonio neto				
Capital suscrito	268	268	268	268
Prima de emisión	339	339	339	339
Reserva de revalorización	91	91	91	91
Resultados acumulados de ejercicios anteriores	3.883	3.486	3.216	4.398
Pérdidas y ganancias atribuibles a la sociedad dominante	441	743	602	(1.040)
Dividendo a cuenta	—	(190)	(190)	—
Total fondos propios	**5.021**	**4.736**	**4.325**	**4.055**
Ajustes por cambio de valor				
Diferencias de conversión	736	614	828	763
Ajustes por cambios de valor en operaciones de cobertura	(525)	(434)	(581)	(511)
Total ajustes por cambio de valor	211	180	247	252
Total patrimonio atribuible a los accionistas de la sociedad dominante	5.232	4.916	4.572	4.306
Participaciones no dominantes				
Reservas atribuidas a participaciones no dominantes	111	94	96	95
Pérdidas y ganancias atribuidas a participaciones no dominantes	5	16	15	(7)
Total participaciones no dominantes	**116**	**110**	**111**	**88**
Total patrimonio neto	**5.348**	**5.026**	**4.683**	**4.394**

	A 30 de junio 2018	A 31 de diciembre 2017	2016*	2015
	(información no auditada)	(en millones de €)		
Pasivos no corrientes				
Deudas con entidades de crédito	3.441	1.628	2.415	2.989
Pasivos por impuestos diferidos	334	296	283	304
Subvenciones en capital	41	31	37	47
Pensiones y obligaciones similares	10	10	10	8
Provisiones y otras obligaciones	529	515	565	514
Otros pasivos no corrientes	151	200	23	21
Total pasivos no corrientes	**4.506**	**2.680**	**3.333**	**3.884**
Pasivos corrientes				
Deudas con entidades de crédito	299	639	993	1.168
Acreedores comerciales y otras cuentas a pagar	3.168	2.974	2.684	2.255
Pasivos por impuestos sobre las ganancias corrientes	72	15	4	42
Otros pasivos corrientes	14	12	11	36
Pasivos mantenidos para la venta y operaciones interrumpidas	—	—	—	68
Total pasivos corrientes	**3.552**	**3.640**	**3.692**	**3.569**
Total pasivo	**13.406**	**11.346**	**11.708**	**11.847**

* Los datos del balance consolidado correspondiente al ejercicio fiscal 2016 han sido presentados sobre la base de la presentación incluida en los Estados Financieros del ejercicio fiscal 2017 debido a ciertas reclasificaciones del inmovilizado material y el inmovilizado intangible.

Estado de Flujos de Efectivo Consolidado

	Semestre fiscal 2018	2017	Ejercicio fiscal 2017	2016	2015
	(información no auditada)		(en millones de €)		
Flujos de tesorería derivados de explotación					
Resultados antes de impuestos del ejercicio	583	561	1.054	819	(2.934)
Dotaciones para amortizaciones, deterioro y resultados por enajenación de inmovilizado	265	427	955	782	4.394
Variación provisiones para riesgos y gastos	21	8	7	56	74
Subvenciones de capital y otros ingresos a distribuir traspasadas a resultados	(16)	(14)	(30)	(38)	(34)
Deterioro y resultado por enajenación de instrumentos financieros	—	(14)	(8)	2	(317)
Variación deterioro y provisiones circulantes	(8)	3	9	(330)	(159)
Resultado financiero	46	(2)	19	47	67
Participación en beneficios de sociedades por el método de participación	(15)	(7)	(48)	59	77
Otras variaciones	19	(6)	(39)	(32)	17

Sección B—Emisor

	Semestre fiscal		Ejercicio fiscal		
	2018	2017	2017	2016	2015
	(información no auditada)		(en millones de €)		
Flujos de tesorería de explotación antes de cambio en el capital circulante operacional	*895*	*957*	*1.920*	*1.366*	*1.185*
Variación del capital circulante operacional	*(240)*	*(635)*	*(651)*	*212*	*783*
Pagos de intereses	(46)	(39)	(73)	(82)	(82)
Cobros de intereses	6	16	38	36	8
Cobros de dividendos	24	21	50	42	27
Cobros/(Pagos) por impuesto sobre beneficios	—	(22)	(192)	(219)	(262)
Otros flujos de tesorería de explotación	*(16)*	*(23)*	*(178)*	*(223)*	*(309)*
Total flujos de tesorería de explotación	**639**	**299**	**1.092**	**1.355**	**1.659**
Flujos de tesorería de inversión					
Pagos					
Inmovilizaciones inmateriales	(16)	(7)	(108)	(29)	(41)
Inmovilizaciones materiales	(1.589)	(318)	(496)	(549)	(1.031)
Inmovilizaciones financieras					
Empresas asociadas y otra cartera	(2)	(23)	(23)	(5)	(62)
Otras inversiones financieras	(16)	(36)	(69)	(111)	(2)
Adquisición de participaciones consolidadas	(42)	(19)	(19)	(1)	(15)
Subvenciones cobradas	—	—	—	1	—
Total pagos	*(1.665)*	*(404)*	*(715)*	*(694)*	*(1.151)*
Cobros					
Inmovilizaciones inmateriales	2	1	0,5	3	3
Inmovilizaciones materiales	30	1	4	19	24
Inmovilizaciones financieras	6	6	102	520	228
Total cobros	37	8	107	542	255
Total flujos de tesorería de inversión	**(1.627)**	**(396)**	**(608)**	**(153)**	**(896)**
Flujos de tesorería de financiación					
Dividendos satisfechos					
A los accionistas de la sociedad dominante	(161)	(142)	(332)	(332)	(327)
A los accionistas no dominantes	—	(3)	(8)	(12)	(11)
Total dividendos pagados	*(161)*	*(145)*	*(340)*	*(343)*	*(339)*
Financiación obtenida	1.652	75	113	475	1.131
Financiación amortizada / cancelada	(310)	(496)	(1.000)	(1.272)	(1.721)
Total flujos deuda financiera	1.342	(420)	(887)	(797)	(590)
Total flujos de tesorería de financiación	**1.181**	**(565)**	**(1.226)**	**(1.141)**	**(929)**
Variación neta de la tesorería y activos equivalentes	*193*	*(662)*	*(743)*	*62*	*(165)*
Efecto de las variaciones de los tipos de cambio	1	(7)	(11)	4	17
Saldo inicial de la tesorería y activos equivalentes	*546*	*1.300*	*1.300*	*1.234*	*1.383*
Saldo final de la tesorería y activos equivalentes	*740*	*630*	*546*	*1.300*	*1.234*

Sección B—Emisor		
B.8	Información financiera seleccionada pro forma:	No procede. El presente Folleto no incluye información financiera pro forma.
B.9	Estimación de beneficios:	No procede. El presente Folleto no incluye estimaciones o previsiones de beneficios.
B.10	Descripción de la naturaleza de cualquier salvedad en el informe de auditoría sobre la información financiera histórica:	No procede. No existen salvedades en el informe de auditoría.
B.11	Capital circulante:	La Sociedad entiende que el capital circulante disponible por la Sociedad es suficiente para cubrir sus necesidades actuales, así como para cubrir al menos los próximos 12 meses desde la fecha del presente Folleto.

Sección C—Garantías:		
C.1	Tipo y clase de valores:	Cada una de las Acciones tiene un valor nominal de 0,50€. El código ISIN de las Acciones es el ES0132580004, tal y como el mismo ha sido asignado por la Agencia Nacional de Codificación de Valores Mobiliarios, entidad esta última dependiente de la CNMV. Las Acciones cotizarán en las Bolsas de Valores Españolas así como a través del SIBE o mercado continuo, estando identificadas con el código de cotización "CEP".
C.2	Divisa de emisión de los valores:	Las Acciones están denominadas en Euros.
C.3	Número de acciones emitidas:	A la fecha del presente Folleto, el capital social emitido por la Sociedad asciende a €267.574.941, y se encuentra dividido en 535.149.882 Acciones, todas ellas pertenecientes a una única y misma clase, con un valor nominal de 0,50€ por acción. Cada Acción da derecho a un único voto. La Sociedad no tiene intención de emitir Acciones entre la fecha del presente Folleto y la fecha de Admisión. Se espera que el número final de Acciones Iniciales y, conforme corresponda, las Acciones Adicionales de la Oferta transmitidas en virtud de la misma sea determinado y anunciado mediante la publicación del correspondiente hecho relevante, una vez cerrado el período de prospección de la demanda (lo que se espera tenga lugar en o alrededor del próximo 16 de octubre de 2018). Todas las Acciones emitidas han sido íntegramente desembolsadas.
C.4	Descripción de los derechos vinculados a los valores:	Las Acciones disfrutan del mismo rango, a cualesquiera efectos que procedan, entre sí, incluyendo a efectos de voto, e incorporan el derecho a percibir cualesquiera dividendos y demás distribuciones que pudieran declararse o abonarse tras la fecha de su emisión, así como el derecho a percibir cualquier cuota que pudiera resultar de la liquidación de la Sociedad. Las Acciones otorgan a sus titulares los derechos previstos en los Estatutos Sociales de la Sociedad así como en el Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el Texto Refundido de la Ley de

Sección C—Garantías:		
		Sociedades de Capital (vigente en cada momento, la **Ley de Sociedades de Capital**), incluyendo, entre otros: (i) el derecho a asistir a las Juntas Generales de Accionistas de la Sociedad, con derecho tanto de voz como de voto; (ii) el derecho a percibir dividendos en proporción al capital desembolsado en la Sociedad por el accionista en cuestión; (iii) el derecho de suscripción preferente respecto de las nuevas Acciones emitidas en el marco de un aumento de capital con aportaciones dinerarias; y (iv) el derecho a percibir cualesquiera activos en proporción a la participación que ostentare el accionista en cuestión, con ocasión de la liquidación de la Sociedad.
C.5	Descripción de cualquier restricción sobre la libre transmisibilidad de los valores:	No existen restricciones a la libre transmisibilidad de las Acciones.
C.6	Admisión:	Se solicitará la admisión a cotización en las Bolsas de Valores Españolas y en el SIBE o mercado continuo de las Acciones, estando previsto que dicha admisión tenga lugar en o alrededor del 18 de octubre de 2018. No se ha solicitado ni se encuentra previsto a esta fecha presentar solicitud alguna a efectos de la admisión a cotización o negociación de las Acciones en ningún otro mercado.
C.7	Descripción de la política de dividendos:	Los titulares de las Acciones tendrán derecho a recibir aquellos dividendos futuros que pudieran declararse en función de las disposiciones previstas en los Estatutos Sociales de la Sociedad. Las expectativas de la Sociedad en materia de dividendos, reservas de libre disposición, evolución de la actividad y condiciones de mercado están sujetas a numerosas suposiciones, riesgos e incertidumbres ajenas a su control. Como sociedad unipersonal, no hemos tenido política alguna específica en materia de distribución de resultados durante los últimos ejercicios fiscales. Tras la Admisión, y con sujeción a la aprobación de la Junta General de Accionistas y al cumplimiento de cualquier exigencia legal relevante al respecto, es intención de la Sociedad instaurar una nueva política de dividendos consistente en la realización de pagos semestrales de importes específicos. Dicha política de dividendos no estará basada en el pago de un determinado porcentaje, dado que los dividendos no se fijarán como proporción de los ingresos netos o beneficios de la Sociedad. La nueva política de dividendos ha sido aprobada por el Consejo de Administración de la Sociedad y cuenta con el respaldo del Accionista Vendedor. Así, cualesquiera distribuciones, dividendos u otros repartos efectivamente realizados en el pasado (incluyendo aquellos que pudieran derivarse de los Estados Financieros que se incorporan al presente Folleto directamente o por referencia) no podrán ser considerados como indicación o base a efectos de estimar el importe de futuras distribuciones, dividendos u otros pagos a accionistas, ni podrán ser utilizados como referencia alguna por los posibles inversores. De conformidad con la nueva política de distribución de dividendos, la Sociedad pretende establecer una política de distribución a los accionistas coherente y progresiva. Tenemos intención de adoptar una política de distribución de dividendos semestrales, conforme a la cual el 50% del dividendo declarado del ejercicio será abonado en diciembre de ese año, mientras que el 50%

Sección C—Garantías:		
		restante será satisfecho en junio del año siguiente, con sujeción a la aprobación de la Junta General de Accionistas. • Para el ejercicio 2019, la Sociedad tiene intención de declarar un dividendo de €450 millones (del cual el 50% será abonado en diciembre de 2019, y el 50% restante en junio de 2020), con sujeción a la aprobación de la Junta General de Accionistas. De forma adicional, la Sociedad tiene intención de abonar un dividendo final para 2018 por importe de €160 millones en junio de 2019, de forma que el importe total distribuido a favor de los accionistas en 2019 ascendería a €385 millones.[1] • Para el ejercicio 2020, la Sociedad tiene intención de declarar un dividendo de €475 millones (del cual el 50% será abonado en diciembre de 2020, y el 50% restante en junio de 2021), con sujeción a la aprobación de la Junta General de Accionistas. • El objetivo de la Sociedad es incrementar el dividendo declarado en un mínimo del 5% en el ejercicio fiscal 2021, para posteriormente continuar con una política progresiva de dividendos. Asimismo la Sociedad valorará formas adicionales de retribuir al accionista, incluyendo recompras de acciones y dividendos extraordinarios, conforme el Consejo de Administración de la Sociedad pudiera considerar conveniente. Tales importes constituyen objetivos globales en términos de distribución, no necesariamente ligados al rendimiento, rentabilidad o resultados efectivos de la Sociedad, sin que representen proporción o ratio alguno de los ingresos netos o beneficios de la Sociedad. Los dividendos podrán ser abonados con cargo a beneficios o a cualquier tipo de reservas de libre disposición. En ningún caso, por lo tanto, tales objetivos podrán ser considerados como una previsión o estimación de beneficios, ni como indicación alguna del rendimiento, rentabilidad o resultados esperados de la Sociedad.

Sección D—Riesgos		
D.1	Información fundamental sobre los principales riesgos específicos del emisor o de su sector de actividad:	Antes de invertir en las Acciones, los potenciales inversores deberán considerar los posibles riesgos asociados que conllevan. Cualquiera de los siguientes riesgos podría tener un efecto adverso significativo sobre nuestro negocio, sobre los resultados de nuestras operaciones, situación financiera, flujos de caja y perspectivas. De forma adicional, debe advertirse que ni el orden ni la extensión con la que se presentan tales factores de riesgo a continuación supone indicación alguna de la probabilidad con la que podría, en su caso, materializarse cualquiera de ellos, ni del alcance que pudieran tener las consecuencias que se derivaran de dicha materialización sobre nuestra actividad, situación financiera o sobre el resultado de nuestras operaciones. El precio de mercado de nuestras Acciones podría bajar como consecuencia de tales riesgos e incertidumbres, lo que significa que el inversor pudiera perder total o parcialmente su inversión.

[1] El 17 de Septiembre de 2018, la Sociedad anunció un dividendo a cuenta de 189.978.208,11 €, el cual será pagado al Accionista Vendedor con anterioridad a la Admisión.

Sección D—Riesgos		
		AVISO IMPORTANTE **Nos gustaría destacar ante los inversores en la Oferta, así como ante cualquier futuro accionista de la Sociedad, las siguientes cuestiones:** **<u>Riesgos relacionados con nuestro negocio</u>** • La Sociedad se encuentra expuesta a fluctuaciones en el precio del crudo, gas natural, productos derivados del petróleo, productos petroquímicos y otras materias primas. • Una reducción en los márgenes que ofrece la actividad de refino de petróleo o de los márgenes que aportan los productos de nuestros otros segmentos afectaría negativamente a nuestro negocio, situación financiera, resultados de nuestras operaciones y perspectivas. • La naturaleza de nuestro negocio nos expone a una amplia gama de riesgos para la salud, la seguridad y el medio ambiente. • Los cambios en el marco legal y normativo que responden a las preocupaciones tanto sobre el medioambiente como sobre el cambio climático y los efectos físicos y medioambientales del cambio climático podrían tener un efecto adverso significativo sobre nuestro negocio, situación financiera, resultados de nuestras operaciones y perspectivas. • La Sociedad se encuentra sujeta a riesgos asociados a la ejecución de sus proyectos. • Cualquier deterioro significativo de las condiciones políticas, financieras y económicas en las regiones y países en las que la Sociedad está presente podría tener un efecto adverso significativo sobre el negocio, la situación financiera, el resultado de las operaciones y las perspectivas de la Sociedad. • La Sociedad mantiene inversiones y activos ubicados en países de economías emergentes o en transición -e igualmente se abastece de crudo en tales países-, que generalmente están sujetos a inestabilidad política y económica, ausencia de seguridad jurídica y amenazas a la seguridad. • La Sociedad ha de hacer frente a otros competidores en todos sus negocios. • La introducción de nuevas tecnologías disruptivas en el sector del petróleo y el gas, o una evolución gradual hacia fuentes de energía alternativas, podría tener un efecto adverso significativo sobre el negocio de la Sociedad, así como sobre su situación financiera, resultado de sus operaciones o perspectivas. • La Sociedad se encuentra expuesta a cambios potencialmente adversos en la fiscalidad y cánones que gravan sus operaciones. • Los cambios en el marco legal y normativo aplicable a la Sociedad (o la falta de cumplimiento por la misma de dicho marco) podrían tener un efecto adverso significativo sobre su negocio, situación financiera, resultados de sus operaciones y perspectivas. • La falta de cumplimiento de la legislación aplicable en materia de lucha contra el soborno y la corrupción y demás normativa similar podría exponer a la Sociedad a responsabilidades y afectar negativamente a su reputación y negocio, situación financiera, resultado de sus operaciones y perspectivas.

Sección D—Riesgos		
		• El carácter internacional de nuestra actividad aumenta los riesgos de cumplimiento normativo asociados con las sanciones económicas y comerciales impuestas por los Estados Unidos de América, la Unión Europea y otras organizaciones internacionales o países. • Estamos sujetos a riesgos derivados de posibles fallos en sistemas de información, así como a riesgos en materia de ciberseguridad. • La Sociedad pudiera no ser capaz de explotar, sustituir y aumentar sus reservas actuales de petróleo y gas. • Los datos sobre reservas de petróleo y gas que figuran en el presente Folleto constituyen estimaciones que pudieran variar significativamente respecto de las cantidades reales de reservas de petróleo y gas susceptibles de ser efectivamente explotadas, lo que podría derivar en un deterioro de estos activos. • Los términos de nuestros contratos con los gobiernos de los países en los que estamos presentes tienen un impacto significativo sobre nuestro negocio, condición financiera, resultados de operaciones y perspectivas. • Nuestras inversiones presentes y pasadas con otros socios y/o en el marco de empresas en participación (*joint venture*) pudieran exponer a la Sociedad a riesgos de carácter financiero, de rendimiento y de imagen/regulatorios. • El éxito de nuestra estrategia depende en parte de nuestra capacidad de crecer mediante adquisiciones, inversiones y empresas en participación (*joint venture*). • La Sociedad se encuentra sujeta a ciertos riesgos financieros, incluidos riesgos de divisa, de liquidez, de tipos de interés, riesgos de crédito y riesgos de incumplimiento, así como a una serie de riesgos operativos asociados a los mismos. • Como consecuencia del modelo integrado de negocio adoptado por la Sociedad, cualquier circunstancia disruptiva surgida en cualquiera de nuestras actividades podría afectar a otras actividades y en consecuencia derivar en un efecto adverso significativo sobre el negocio de la Sociedad, así como en el resultado de sus operaciones, situación financiera y perspectivas. • Una parte significativa de los ingresos generados por nuestra actividad de Petroquímica depende de forma sustancial de un número reducido de clientes. • Nuestro éxito y crecimiento futuro depende de la alta dirección de la Sociedad, así como de otro personal técnico clave. • La Sociedad podría no ser capaz de financiar las inversiones o gastos de capital planificados. • Nuestra actividad de Comercialización descansa sobre un reconocimiento positivo de nuestra marca y la de nuestros socios de negocio presentes en actividades distintas del negocio de combustibles, así como en nuestras relaciones con distribuidores independientes y otros socios clave. • La Sociedad no puede predecir con total exactitud sus responsabilidades futuras en materia de desmantelamiento y baja de instalaciones.

Sección D—Riesgos		
		• La Sociedad se encuentra expuesta a riesgos derivados de una serie de litigios y arbitrajes. • Nuestra cobertura de seguro pudiera relevarse inadecuada. • Si la Sociedad fuera incapaz de mantener buenas relaciones con los grupos de interés presentes en las comunidades en las que opera, es posible que pudiera verse expuesta a una opinión pública adversa. • La Sociedad podría verse afectada por conflictos laborales que pudieran interferir en sus operaciones.
D.3	Información fundamental sobre los principales riesgos específicos de los valores:	Antes de invertir en las Acciones, los inversores potenciales deberán considerar los posibles riesgos asociados que conllevan. **Riesgos relacionados con las Acciones y la Oferta** • Tras la Oferta, el Accionista Vendedor continuará pudiendo ejercer una influencia significativa sobre la Sociedad, así como sobre su equipo gestor y sus operaciones y nuestra estructura de propiedad podría generar conflictos de interés. • No podemos garantizar que el Precio de la Oferta sea indicativo del precio futuro que pudieran alcanzar las Acciones tras dicha Oferta. • No existe en la actualidad ningún mercado oficial en el que coticen las Acciones, y no es posible ofrecer garantía alguna sobre la futura aparición de un mercado activo para la negociación de las Acciones. • El precio de negociación de las Acciones podría fluctuar en respuesta a varios factores, muchos de los cuales son ajenos al control de la Sociedad. • La Sociedad no puede garantizar que vaya a abonar dividendos ni, en su caso, el importe de los mismos. • Los inversores en la presente Oferta podrían ver diluida su participación debido a la futura emisión de Acciones adicionales o valores convertibles. • Un volumen significativo de ventas futuras de Acciones podría afectar al precio de negociación de las mismas. • Los Accionistas residentes en países cuya moneda legal fuera distinta del euro se enfrentan a un riesgo de inversión adicional, derivado de posibles fluctuaciones en los tipos de cambio en relación con la titularidad de sus Acciones. • Podría resultar difícil para un accionista extranjero entablar un proceso contra la Sociedad o sus consejeros, o ejecutar contra los mismos una resolución judicial. • Una suspensión de la negociación de las Acciones podría afectar de forma negativa al precio de la acción. • Podría ser imposible para accionistas residentes en los Estados Unidos de América y en otras jurisdicciones participar en futuras emisiones de acciones. • Si los analistas del sector o de valores no publicaran, o dejaran de publicar, sus informes o análisis sobre la Sociedad, o sobre el negocio o los mercados en los que opera la Sociedad, o si modificaran a la baja sus recomendaciones sobre las Acciones de la Sociedad, tanto el precio como el volumen de negociación de las Acciones podría resentirse.

Sección D—Riesgos		
		• La Oferta podrá ser revocada o retirada en ciertas circunstancias. • Las Acciones de la Oferta no podrán ser libremente transmitidas en los Estados Unidos de América.

Sección E—Oferta		
E.1	Ingresos netos totales y cálculo de los gastos totales de la oferta:	La Sociedad no percibirá ingreso alguno procedente de la Oferta. El Accionista Vendedor espera recibir en concepto de ingresos brutos procedentes de la Oferta: (i) la cantidad aproximada de €2.019.382.737 (calculada sobre la base de un Precio de la Oferta, (conforme se define este último a continuación) situado en el punto alto (*high-point*) del Rango de Precio de la Oferta (conforme se define dicha expresión a continuación), y asumiendo la venta del máximo número de Acciones Iniciales), en caso de que no se ejercite la Opción de Sobre-Asignación, y (ii) la cantidad aproximada de €2.322.411.349 (basándose en la mismas asunciones), en caso que se ejercite la Opción de Sobre-Asignación. Asumiendo que el Precio de la Oferta esté en el punto alto (*high-point*) del Rango de Precio de la Oferta y que se venda el número máximo de Acciones Iniciales de la Oferta, el importe máximo de comisiones a pagar por el Accionista Vendedor en relación con la Oferta (asumiendo un pago total de los honorarios opcionales pero excluyendo el Impuesto sobre el Valor Añadido, el cuál se añadirá cuando sea de aplicación), ascenderá a (i) la cantidad aproximada de €40.242.201 en caso de que no se ejercite la Opción de Sobre-Asignación, y (ii) la cantidad aproximada de €46.302.773 en caso de que se ejercite totalmente la Opción de Sobre-Asignación. A efectos aclarativos, los cálculos anteriores asumen que el número de Acciones del Tramo para Empleados es 535.149, lo cual representa un 0,4% de las Acciones Iniciales de la Oferta, y tienen en cuenta el descuento del 10% aplicable a las Acciones del Tramo para Empleados. Los gastos máximos estimados (diferentes a las comisiones) a pagar por el Accionista Vendedor y la Sociedad en relación con la Oferta (excluyendo el Impuesto sobre el Valor Añadido, el cuál se añadirá cuando sea de aplicación) ascenderá a la cantidad aproximada de €6.500.000 y la cantidad aproximada de €3.000.000, respectivamente.
E.2.a	Motivos de la oferta y destino de los ingresos	La Oferta constituye una oportunidad para el Accionista Vendedor de recuperar parcialmente su inversión en la Sociedad. Se prevé que la Oferta amplíe la base de accionistas de la Sociedad, permita la entrada en el capital de inversores institucionales a largo plazo así como de una base diversificada de accionistas internacionales, mejorando así el acceso de la Sociedad a los mercados oficiales de capitales (incluyendo a los mercados de instrumentos de deuda) y facilite de esta forma el futuro crecimiento de la Sociedad así como la incorporación de inversores a un futuro de éxitos. Por último, es de esperar que la Oferta permita a la Sociedad un mejor reconocimiento de marca, aumentando la calidad de su perfil global como empresa, mejorando la transparencia y su prestigio en todo el mundo como consecuencia de la adquisición por parte de la Sociedad de la condición de sociedad cotizada.
E.3	Descripción de las condiciones de la oferta:	El Accionista Vendedor ofrece hasta un máximo de 133.787.471 Acciones Iniciales en el capital social de la Sociedad, que representan el 25,00% del capital social de la Sociedad.

Sección E—Oferta		
		El número final de Acciones Iniciales objeto de la Oferta será anunciado mediante la publicación del correspondiente hecho relevante cuando concluya el proceso de prospección de la demanda (lo que se espera tenga lugar en o alrededor del próximo 16 de octubre de 2018). El Accionista Vendedor otorgará a Banco Santander, S.A., Citigroup Global Markets Limited, Merrill Lynch International, y Morgan Stanley & Co. International plc (conjuntamente, las **Entidades Coordinadoras Globales**) un derecho de opción por cuenta de las Entidades Aseguradoras (conforme a la definición de las mismas prevista a continuación) (la **Opción de Sobre-Asignación**), susceptible de ejercicio, ya sea total de una vez o en parte, dentro de los 29 días naturales posteriores a la fecha en la que comenzara la negociación de las Acciones de la Sociedad en las Bolsas de Valores Españolas, y en cuya virtud Merrill Lynch International, como Agente de Estabilización (el **Agente de Estabilización**) podrá exigir al Accionista Vendedor que venda, al Precio de la Oferta, hasta un máximo del 15,00% del número total de Acciones Iniciales (las **Acciones Adicionales**), con el fin de atender a cualesquiera sobreasignaciones que, en su caso, pudieran ser necesarias, así como de cubrir cualquier posición corta que pudiera resultar de las operaciones de estabilización (en su caso) que pudieran proceder en relación con la Oferta. La Oferta consiste en una colocación privada entre inversores cualificados residentes tanto en España como en el extranjero. Las Acciones de la Oferta se ofrecen: (i) dentro de los Estados Unidos de América, a personas que razonablemente pudieran ser consideradas como inversores institucionales cualificados (*qualified institutional buyers* o **QIBs**), conforme a la definición de dicha expresión y en los términos previstos en la regla 144A (**Regla 144A**) de la *Securities Act* estadounidense de 1933 (en su forma vigente en cada momento, la ***Securities Act***) u otra exención de, o en una operación no sujeta a, las obligaciones de registro previstas en dicha *Securities Act* y en cualquier legislación estatal aplicable en la materia, y (ii) fuera de los Estados Unidos, de conformidad con el Reglamento S previsto en la *Securities Act* (el **Reglamento S**). A modo de excepción, el Accionista Vendedor ofrece inicialmente hasta un máximo de 535.149 Acciones Iniciales (las **Acciones del Tramo para Empleados**), exclusivamente a aquellos empleados de la Sociedad y de sus filiales españolas que cumplieran ciertos requisitos, entre ellos el de ser residentes fiscales en España (los **Empleados Relevantes**) (el **Tramo para Empleados**). Las Acciones del Tramo para Empleados inicialmente ofrecidas representan aproximadamente un 0,40% del total de las Acciones Iniciales de la Oferta. El número final de Acciones del Tramo para Empleados se determinará cuando concluya el Período de Recepción de Órdenes de Empleados (tal y como se define abajo). Todas las Acciones Iniciales de la Oferta que finalmente no se adjudiquen al Tramo para Empleados deberán considerarse y clasificarse como **Acciones Iniciales del Tramo Institucional**. Las Acciones Iniciales del Tramo Institucional y las Acciones Adicionales (si hubiera) deberán ser consideradas como **Acciones del Tramo Institucional**. La Oferta se realiza exclusivamente en aquellas jurisdicciones en las cuales dicha Oferta puede ser lícitamente realizada, y se dirige únicamente a aquellas personas a quienes la Oferta puede efectivamente ser lícitamente dirigida. El Rango de Precio de la Oferta indicativo y no vinculante al que se venderán las Acciones del Tramo Institucional será de €13,10 a €15,10 por Acción del Tramo Institucional (el **Rango de Precio de la Oferta**). El

		precio de las Acciones del Tramo Institucional (el **Precio de la Oferta**) se determinará una vez finalizado el período de prospección de demanda y será anunciado por la Sociedad mediante la publicación de un hecho relevante. Las Acciones del Tramo para Empleados serán vendidas a los Empleados Relevantes al menor de los siguientes importes: (i) €13,59 (punto alto (*high-point*) del Rango de Precio de la Oferta con un 10% de descuento) (el **Precio Máximo de la Oferta para Empleados**), o (ii) el Precio de la Oferta final, tras la aplicación de un 10% de descuento. La Oferta, salvo en el caso del Tramo para Empleados, se desarrollará a través de un proceso de prospección de la demanda. Durante dicho proceso, que se prevé se inicie el 2 de octubre de 2018 -una vez registrado el presente Folleto en la CNMV- y finalice el 16 de octubre de 2018 (ambos inclusive) (el **Período de la Oferta**), las Entidades Aseguradoras comercializarán las Acciones del Tramo Institucional entre los inversores institucionales de conformidad y con sujeción a las restricciones de venta previstas en el presente Folleto. Los inversores podrán formular sus mandatos de compra durante este período, indicando el número de Acciones del Tramo Institucional que estarían dispuestos a adquirir y, en su caso, el precio de compra potencial al que estarían interesados en adquirirlas. El período de prospección de la demanda podrá reducirse o ampliarse en virtud de acuerdo al respecto entre la Sociedad, el Accionista Vendedor y las Entidades Coordinadoras Globales si, en el primer caso, el libro de órdenes se encontrara, a su juicio, suficientemente cubierto antes de la finalización de dicho período de prospección de la demanda o, en el segundo caso, si tales entidades entendieran conveniente a efectos de asegurar el éxito de la Oferta la ampliación de dicho período en una semana adicional. En caso de que tuviera lugar dicha ampliación o reducción del período de prospección de la demanda, la Sociedad informará de dicha circunstancia al mercado mediante la publicación del correspondiente hecho relevante. Los mandatos de compra cursados por inversores institucionales durante el período de prospección de la demanda respecto de las Acciones de la Oferta constituirán una mera indicación de su interés en las Acciones del Tramo Institucional, sin que tengan carácter vinculante para los inversores institucionales o el Accionista Vendedor. La confirmación de dichos mandatos de compra será irrevocable. En relación con el Tramo Reservado para Empleados, los Empleados Relevantes que cumplieran las condiciones previstas al respecto podrán cursar sus órdenes (en cada caso, una **Orden de un Empleado**) desde la fecha de registro del Folleto hasta (e inclusive) el 11 de octubre de 2018 (i.e., hasta la fecha que resulte anterior en 3 días hábiles a aquella en que finalizara el proceso de prospección de la l, esto es, previsiblemente hasta el 16 de octubre de 2018) (el **Período de Recepción de Órdenes de Empleados**). Las Órdenes de Compra de Empleados tendrán -salvo el supuesto excepcional donde se publique un suplemento al Folleto (de conformidad con el artículo 40.1.f) del Real Decreto 1310/2005)- carácter irrevocable, y serán aceptadas en su integridad sujeto al cumplimiento de los términos y condiciones aplicables por el Empleado Relevante. Si, finalizado el Período de Recepción de Órdenes de Empleados, el Tramo Reservado para Empleados se encontrara sobresuscrito, el Accionista Vendedor aumentará el número de Acciones del Tramo para Empleados al objeto de atender a la entrega de todas las Acciones solicitadas por los Empleados Relevantes. Si, por el contrario, el número total de Órdenes de Compra de Empleados no alcanzara para cubrir el número inicial de

Acciones del Tramo para Empleados, las acciones restantes pasarán a tener la consideración de Acciones del Tramo Institucional a cualesquiera efectos que procedan en la Oferta. La entrega de las Acciones del Tramo para Empleados estará sujeta a redondeo en la medida en que ello fuera necesario para evitar la asignación de fracciones de acciones.

El Precio de la Oferta podrá fijarse tanto dentro del Rango de Precio, como por encima o por debajo de dicho rango. Así, dicho Rango de Precio tiene carácter meramente indicativo. La Sociedad y el Accionista Vendedor fijarán tanto el Precio de la Oferta como el número exacto de Acciones del Tramo Institucional previa consulta al respecto con las Entidades Coordinadoras Globales y con el Asesor Financiero una vez finalizado el Período de la Oferta, incluyendo cualquier reducción o prórroga de este último, sobre la base del proceso de prospección de la demanda y teniendo en cuenta las condiciones económicas y de mercado, una evaluación cuantitativa y cualitativa de la demanda existente de las Acciones Iniciales de la Oferta, y cualquier otro factor que se entendiera apropiado.

La Sociedad anunciará el Precio de la Oferta, el Precio de la Oferta para Empleados, el número exacto de Acciones Iniciales ofrecidas, el número final de Acciones Iniciales asignadas al Tramo Reservado para Empleados y el número máximo de Acciones Adicionales mediante la presentación del correspondiente hecho relevante a la CNMV.

Una vez finalizado el período de prospección de la demanda y fijado el Precio de la Oferta, la Sociedad, el Accionista Vendedor y las Entidades Aseguradoras han previsto la suscripción de un contrato de aseguramiento (el **Contrato de Aseguramiento**) en relación con las Acciones del Tramo Institucional y las Acciones Adicionales. Con sujeción a la satisfacción de ciertas condiciones previstas en el Contrato de Aseguramiento, y siempre que el mismo no hubiera sido resuelto de conformidad con sus propios términos, cada una de las Entidades Aseguradoras que se relacionan a continuación vendrá obligada, con carácter mancomunado y no solidario, a conseguir adquirentes o, en su defecto a suscribir el porcentaje de Acciones del Tramo Institucional que se indica a continuación al lado de su nombre en la siguiente tabla:

Entidades Aseguradoras	Compromiso de Suscripción de Acciones del Tramo Institucional[1]
Banco Santander, S.A.	12,00%
Citigroup Global Markets Limited	20,00%
Merrill Lynch International	20,00%
Morgan Stanley & Co. International plc	20,00%
Barclays Bank PLC	6,50%
BNP Paribas	6,50%
First Abu Dhabi Bank PJSC	2,75%
Société Générale	2,75%
UBS Limited	6,50%
Banco Bilbao Vizcaya Argentaria, S.A.	1,50%
CaixaBank, S.A.[2]	1,50%

(1) Los porcentajes que figuran en esta columna se refieren exclusivamente a las Acciones del Tramo Institucional. Las Acciones Adicionales, en su caso, se distribuirán entre las Entidades Aseguradoras en la misma proporción.

(2) Se espera que el Banco Português de Investimento, S.A., a través de un acuerdo con Caixabank, S.A., tome parte en las actividades de comercialización de la Oferta, aunque no será parte del Contrato de Aseguramiento y no recibirá ninguna comisión de la Sociedad o del Accionista Vendedor.

Sección E—Oferta		
		La Sociedad anunciará el Precio de la Oferta así como el Precio de la Oferta para Empleados a través del oportuno hecho relevante. Se espera que el cierre de la Oferta tenga lugar en o alrededor del 17 de octubre de 2018 (fecha de operación bursátil especial) (la **Fecha de la Operación**). En la Fecha de la Operación se procederá a procesar las órdenes de pago cursadas por los inversores a través de las Bolsas de Valores Españolas y de Iberclear, momento en el que, asumiendo que las Entidades Aseguradoras no hubieran ejercitado los derechos de resolución a su favor previstos en el Contrato de Aseguramiento, los inversores vendrán incondicionalmente obligados a abonar (teniendo igualmente derecho a recibir) las correspondientes Acciones adquiridas por los mismos en la Oferta. El pago de las Acciones de la Oferta por los inversores institucionales tendrá lugar a más tardar el segundo día hábil posterior a la Fecha de la Operación, procediéndose en ese momento a la entrega de las Acciones Iniciales del Tramo Institucional a favor de los inversores institucionales finales a través de los sistemas de Iberclear, lo que se espera tenga lugar en o alrededor del 19 de octubre de 2018 (la **Fecha de Liquidación**). Los Empleados Relevantes que adquieran Acciones del Tramo para Empleados por cuenta propia vendrán obligados a depositar los fondos necesarios en Banco Santander, S.A., quien actuará como único banco colocador e intermediario respecto del Tramo Reservado para Empleados (el **Banco Intermediario**), a más tardar el 15 de octubre de 2018. La Sociedad abonará el importe correspondiente a todas las restantes Acciones del Tramo para Empleados por cuenta de los correspondientes Empleados Relevantes para ser entregadas a dichos empleados como retribución en especie de acuerdo con nuestro programa existente de remuneración flexible. Se prevé que las Acciones sean admitidas a cotización en las Bolsas de Valores Españolas así como a través del SIBE o mercado continuo en o alrededor del 18 de octubre de 2018, con el código de cotización "CEP". Se insta a los inversores a que se pongan en contacto con su agente o depositario en España a la mayor brevedad posible a efectos de proceder a los trámites necesarios para inscribir las Acciones a su nombre en la Fecha de la Operación.
E.4	Descripción de cualquier interés que sea importante para la oferta, incluyendo los intereses en conflicto.	Las Entidades Aseguradoras son entidades financieras de servicio integral dedicadas a diversas actividades, incluyendo en su caso la prestación de servicios de banca de inversión, banca comercial y asesoramiento financiero. Tanto las Entidades Aseguradoras como sus respectivas Afiliadas pudieran haber realizado en el pasado, y asimismo podrán en cualquier momento futuro dedicarse a o realizar cualesquiera operaciones o prestar cualesquiera servicios, en el curso ordinario de su actividad, incluyendo servicios de banca de inversión y/o banca comercial, tanto a favor de la propia Sociedad como del Accionista Vendedor y sus respectivas Afiliadas, pudiendo en su caso haber percibido o percibir en el futuro cualesquiera honorarios habituales que procedan al respecto, teniendo asimismo derecho a exigir el reembolso de sus gastos. Se espera que el Banco Português de Investimento, S.A., a través de un acuerdo con Caixabank, S.A., tome parte en las actividades de comercialización de la Oferta, aunque no será parte del Contrato de Aseguramiento y no recibirá ninguna comisión de la Sociedad o del Accionista Vendedor. En el curso ordinario de sus diversas actividades comerciales, tanto las Entidades Aseguradoras como sus respectivas Afiliadas podrán mantener una amplia gama de inversiones así como negociar activamente cualesquiera títulos de deuda o renta variable (o cualesquiera

Sección E—Oferta		
		instrumentos derivados sobre los mismos) e instrumentos financieros (incluyendo préstamos bancarios y/o permutas de incumplimiento crediticio -o CDS, por sus siglas en inglés-) de la Sociedad, del Accionista Vendedor y sus respectivas Afiliadas por su propia cuenta así como por cuenta de sus clientes, pudiendo en cualquier momento mantener posiciones largas y cortas en tales valores e instrumentos. De forma adicional, algunas de las Entidades Aseguradoras o sus Afiliadas tienen o pudieran tener en el futuro la condición de entidades acreditantes y, en algún caso, de agente o entidad gestora de las entidades acreditantes, en el contexto de determinados contratos de financiación u otros instrumentos de crédito de la Sociedad, del Accionista Vendedor o de sus Afiliadas. En su condición de entidades acreditantes, estas últimas pudieran, en el futuro, instar una reducción de sus compromisos de crédito otorgados a la Sociedad, al Accionista Vendedor o a sus Afiliadas, o exigir mayor contraprestación o garantías respecto de tales compromisos o instrumentos de crédito, en el curso ordinario de su negocio. De forma adicional, algunas de las Entidades Aseguradoras o sus Afiliadas que mantienen una relación crediticia con la Sociedad y/o con el Accionista Vendedor pudieran de forma habitual cubrir su exposición crediticia frente a la Sociedad y/o frente al Accionista Vendedor de forma acorde con sus políticas habituales de gestión del riesgo; así, una estrategia típica de cobertura incluiría la contratación por dichas Entidades Aseguradoras o sus Afiliadas de operaciones de cobertura consistentes en la adquisición de CDSs o la apertura de posiciones cortas sobre las Acciones y/o los valores del Accionista Vendedor. La Sociedad no tiene constancia de la intención de persona alguna de adquirir más de un 5,00% del total de las Acciones Iniciales de la Oferta. Igualmente, la Sociedad no tiene constancia de que alguno de sus Consejeros o altos directivos tenga la intención de adquirir Acciones Iniciales en la Oferta, excepto el Consejero Delegado, el cual ha anunciado su intención de adquirir Acciones del Tramo para Empleados por una cantidad total de €50.000 por su propia cuenta y al Precio de Oferta.
E.5	Nombre de la persona o entidad que se ofrece a vender el valor, y compromisos de no disposición (*lock-up*):	CEPSA Holding LLC (el Accionista Vendedor) es la entidad que ofrece las Acciones Iniciales así como, en su caso, las Acciones Adicionales. La Sociedad, de conformidad con el Contrato de Aseguramiento, se comprometerá, durante el período que comienza en la fecha de firma del Contrato de Aseguramiento y finaliza tras 180 días desde la Fecha de Liquidación, a que tanto la propia Sociedad como sus Afiliadas y cualquier persona que actuara en nombre y representación de cualquiera de ellas (distinta de las Entidades Aseguradoras y del Accionista Vendedor), y salvo con el previo consentimiento por escrito de las Entidades Coordinadoras Globales -consentimiento que no podrá ser demorado o denegado sin causa justificada-, y excepto cuando sea necesario para adquirir y entregar las correspondientes Acciones del Tramo para Empleados a los destinatarios del Tramo para Empleados, se abstengan de: (A) directa o indirectamente, emitir, ofrecer, pignorar, vender, comprometerse a vender, transmitir u otorgar ninguna opción, derecho, *warrant* o contrato de compra, ejercitar opción alguna de venta, adquirir ninguna opción o contrato alguno de venta, prestar o de cualquier otra forma transmitir o disponer de cualquiera de las Acciones u otras acciones de la Sociedad o de sus Afiliadas, o de cualesquiera valores convertibles, ejercitables o canjeables en o por Acciones de la Sociedad o sus filiales, así como de registrar cualquier folleto de conformidad con la Directiva de Folletos y las normas al respecto previstas en la misma o en cualquier otro instrumento similar ante ninguna

Sección E—Oferta		
		autoridad supervisora, bolsa de valores o autoridad reguladora del mercado de valores en relación con cualquiera de tales instrumentos, o (B) de suscribir cualquier instrumento derivado u otro contrato u operación en cuya virtud se transmitan, total o parcialmente, directa o indirectamente, los efectos económicos propios de la titularidad de Acciones o cualesquiera otras acciones de la Sociedad o sus filiales propiedad de la Sociedad o sus Afiliadas, si cualquiera de las operaciones descritas en el apartado (A) anterior, o en el presente apartado (B) se fuese a liquidar mediante la entrega de Acciones y otros valores, en efectivo o de cualquier otro modo; o de (C) anunciar públicamente la intención de proceder a cualquiera de tales operaciones descritas en los apartados anteriores (A) o (B). El enunciado anterior no se aplicará a: (i) emisiones o transmisiones de Acciones en relación con la ejecución por parte de la Sociedad de la Oferta o de cualquier plan de incentivos o beneficios para los empleados en la forma descrita en el Folleto o en el correspondiente hecho relevante publicado junto con el tamaño final de la Oferta y el Precio de Oferta, (ii) cualquier transferencia intra-grupo de Acciones por cualquier afiliada de la Sociedad (la **Afiliada Transferente**) a favor de cualquier afiliada, sociedad controlada o bajo control común (directo o indirecto), con dicha Afiliada Transferente, incluyendo, a efectos aclaratorios, cualquier persona que directa o indirectamente sea dirigida o asesorada por el mismo directivo o asesor que la Afiliada Transferente; y (iii) la transferencia de Acciones al oferente en el marco de una oferta pública de adquisición sobre la Sociedad, siempre que en el supuesto (ii) anterior (A) los destinatarios de las Acciones suscriban un acuerdo por escrito en favor de las Entidades Coordinadoras Globales, con anterioridad a cualquier transferencia o enajenación, aceptando quedar sometidos, *mutatis mutandi*, a las restricciones previstas en el Contrato de Aseguramiento durante el tiempo restante del período de no disposición (*lock-up*) y (B) dichas transmisiones de Acciones se realicen en términos y condiciones que no entren en conflicto con la Oferta. El Accionista Vendedor, de conformidad con el Contrato de Aseguramiento, se comprometerá a condiciones similares durante el período que comienza en la fecha de la firma del Contrato de Aseguramiento y finaliza 180 días después de la Fecha de Liquidación. De forma adicional, y en el caso del Tramo Reservado para Empleados, cada uno de los Empleados Relevantes que adquirieran Acciones del Tramo para Empleados asumirá un compromiso de inmovilización de seis meses.
E.6	Dilución:	Dado que se trata de una Oferta secundaria, la misma no tendrá efecto dilutivo alguno. Los derechos de voto del Accionista Vendedor se verán reducidos como consecuencia de la venta de las Acciones de la Oferta a un mínimo del 71,25% (asumiendo el ejercicio íntegro de la Opción de Sobre-Asignación, así como la venta de todas las Acciones Iniciales).
E.7	Gastos estimados aplicados al inversor por el emisor:	Los compradores de las Acciones del Tramo Institucional podrían venir obligados a abonar un impuesto sobre actos jurídicos documentados (*stamp tax*) u otros importes de conformidad con las disposiciones vigentes en el país de compra, con carácter adicional al Precio de la Oferta. De forma adicional, el inversor deberá hacer frente a las comisiones debidas a favor de la entidad participante a través de la cual detentara sus Acciones, de conformidad con la práctica de dicha entidad al respecto. Ni la Sociedad ni el Accionista Vendedor cobrarán a los inversores cargo o gasto alguno adicional al Precio de la Oferta o al Precio de la Oferta del Tramo Reservado para Empleados, según proceda en cada caso.

Sección E—Oferta		
		Las cuentas de efectivo abiertas por los Empleados Relevantes en el Banco Intermediario estarán libres de comisiones de apertura, cierre y mantenimiento. Las cuentas de valores abiertas por los Empleados Relevantes estarán libres de comisiones de apertura y cierre.

Compañía Española de Petróleos, S.A.U.

Competent Person's Report

Escalated Parameters

As of

July 1, 2018

Herman G. Acuña, P.E.
TBPE License No. 92254
Managing Senior Vice President - International

Gabrielle Morrow, P.E.
TBPE License No. 109935
Senior Vice President

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE REGISTERED ENGINEERING FIRM F-1580
1100 LOUISIANA SUITE 4600 HOUSTON, TEXAS 77002-5294
FAX (713) 651-0849
TELEPHONE (713) 651-9191

July 31, 2018

Christophe Huber
Compañía Española de Petróleos, S.A.U.
Reserves Manager
Torre CEPSA, Paseo de la Castellana, 259A
28046 Madrid
Spain

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared this Competent Person's Report of an independent estimate of the proved, probable and possible reserves, future production and income and of the 1C Incremental (1Ci), 2C Incremental (2Ci) and 3C Incremental (3Ci) contingent resources, attributable to certain leasehold interests and derived through certain concession agreements of Compañía Española de Petróleos, S.A.U. (CEPSA) as of July 1, 2018.

The reserves and contingent resource volumes included herein were estimated based on the definitions and disclosure guidelines contained in the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (SPE-PRMS) based on escalated price and cost parameters (SPE-PRMS forecast case) provided by CEPSA. Such forecasts were based on projected escalations or other forward-looking changes to current prices and/or costs as noted. The results of our third party study, completed on July 30, 2018, are presented herein.

The properties evaluated by Ryder Scott are located in several countries and results are summarized in the following four geographical regions:

- LATAM: Latin America
  - Colombia
  - Peru
- SEA: South East Asia
  - Thailand
  - Malaysia
- ME: Middle East
  - Abu Dhabi
- Spain-Algeria

The estimated reserves and contingent resources presented in this report, as of July 1, 2018, are related to hydrocarbon prices based on escalated price parameters. As a result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. The recoverable reserves, contingent resource volumes and the income attributable thereto have a direct relationship to the hydrocarbon prices actually received; therefore, volumes of reserves and contingent resources actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented in this report.

SUITE 800, 350 7TH AVENUE, S.W. CALGARY, ALBERTA T2P 3N9 TEL (403) 262-2799 FAX (403) 262-2790
621 17TH STREET, SUITE 1550 DENVER, COLORADO 80293-1501 TEL (303) 623-9147 FAX (303) 623-4258

The grand total reserves results for all four geographical regions combined are summarized as follows.

ESCALATED PARAMETERS
Estimated Net Reserves and Income Data
GRAND SUMMARY – ALL AREAS
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

	PROVED			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROVED
Net Remaining Reserves				
Oil/Condensate - MBarrels	73,047	14,523	174,537	262,107
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	11,327	0	0	11,327
Income Data ($M)				
Future Gross Revenue	$5,202,552	$1,035,229	$13,377,408	$19,615,189
Deductions	2,958,455	440,941	5,713,428	9,112,823
Future Net Income (FNI)	$2,244,097	$594,288	$7,663,980	$10,502,366
Discounted FNI @ 10%	$1,723,823	$355,511	$3,527,886	$5,607,220

	PROBABLE			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROBABLE
Net Remaining Reserves				
Oil/Condensate - MBarrels	19,627	13,860	137,983	171,471
Plant Products - MBarrels	0	0	22,858	22,858
Gas - MMCF	30,227	0	26,857	57,084
Income Data ($M)				
Future Gross Revenue	$1,758,832	$1,177,689	$14,085,204	$17,021,725
Deductions	725,631	361,982	4,790,138	5,877,751
Future Net Income (FNI)	$1,033,201	$815,707	$9,295,066	$11,143,974
Discounted FNI @ 10%	$513,975	$250,083	$2,389,478	$3,153,536

	POSSIBLE			
	DEVELOPED			**TOTAL**
	PRODUCING	NON-PRODUCING	UNDEVELOPED	**Possible**
Net Remaining Reserves				
Oil/Condensate - MBarrels	12,348	16,833	118,069	147,250
Plant Products - MBarrels	0	0	4,699	4,699
Gas - MMCF	6,435	0	6,718	13,153
Income Data ($M)				
Future Gross Revenue	$1,023,394	$1,575,004	$12,094,402	$14,692,800
Deductions	323,102	444,674	3,415,085	4,182,861
Future Net Income (FNI)	$700,292	$1,130,330	$8,679,317	$10,509,939
Discounted FNI @ 10%	$299,934	$271,048	$1,554,624	$2,125,606

The results of our study by geographical region are summarized as follows.

ESCALATED PARAMETERS
Estimated Net Reserves and Income Data
LATAM – Latin America
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

	PROVED			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROVED
Net Remaining Reserves				
Oil/Condensate - MBarrels	12,856	1,894	446	15,196
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	1,136	0	0	1,136
Income Data ($M)				
Future Gross Revenue	$846,426	$125,236	$29,039	$1,000,701
Deductions	503,726	86,074	19,418	609,218
Future Net Income (FNI)	$342,700	$39,162	$9,621	$391,483
Discounted FNI @ 10%	$303,588	$33,806	$7,305	$344,699

	PROBABLE			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROBABLE
Net Remaining Reserves				
Oil/Condensate - MBarrels	2,628	750	493	3,871
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	0	0
Income Data ($M)				
Future Gross Revenue	$188,738	$51,531	$32,009	$272,278
Deductions	94,797	24,407	10,056	129,260
Future Net Income (FNI)	$93,941	$27,124	$21,953	$143,018
Discounted FNI @ 10%	$67,869	$19,883	$16,267	$104,019

	POSSIBLE			
	DEVELOPED			**TOTAL**
	PRODUCING	NON-PRODUCING	UNDEVELOPED	**Possible**
Net Remaining Reserves				
Oil/Condensate - MBarrels	1,446	249	318	2,013
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	0	0
Income Data ($M)				
Future Gross Revenue	$109,141	$17,664	$20,577	$147,382
Deductions	60,179	11,638	6,276	78,093
Future Net Income (FNI)	$48,962	$6,026	$14,301	$69,289
Discounted FNI @ 10%	$31,160	$4,753	$10,479	$46,392

ESCALATED PARAMETERS
Estimated Net Reserves and Income Data
SEA - South East Asia
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

	PROVED			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROVED
Net Remaining Reserves				
Oil/Condensate - MBarrels	2,241	0	0	2,241
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	10,191	0	0	10,191
Income Data ($M)				
Future Gross Revenue	$185,357	$0	$0	$185,357
Deductions	166,392	20,894	0	187,286
Future Net Income (FNI)	$18,965	($20,894)	$0	($1,929)
Discounted FNI @ 10%	$20,876	($20,888)	$0	($12)

	PROBABLE			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROBABLE
Net Remaining Reserves				
Oil/Condensate - MBarrels	1,846	0	2	1,849
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	543	0	645	1,188
Income Data ($M)				
Future Gross Revenue	$118,229	$0	$3,006	$121,235
Deductions	89,100	0	1,727	90,827
Future Net Income (FNI)	$29,129	$0	$1,279	$30,408
Discounted FNI @ 10%	$30,000	$0	$958	$30,958

	POSSIBLE			
	DEVELOPED			**TOTAL**
	PRODUCING	NON-PRODUCING	UNDEVELOPED	**Possible**
Net Remaining Reserves				
Oil/Condensate - MBarrels	2,027	0	2	2,029
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	439	439
Income Data ($M)				
Future Gross Revenue	$128,581	$0	$2,052	$130,633
Deductions	99,989	0	67	100,056
Future Net Income (FNI)	$28,592	$0	$1,985	$30,577
Discounted FNI @ 10%	$28,584	$0	$1,590	$30,174

ESCALATED PARAMETERS
Estimated Net Reserves and Income Data
ME – Middle East
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

	PROVED			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROVED
Net Remaining Reserves				
Oil/Condensate - MBarrels	11,990	12,629	171,231	195,850
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	0	0
Income Data ($M)				
Future Gross Revenue	$773,442	$909,993	$13,126,418	$14,809,853
Deductions	421,605	333,973	5,514,225	6,269,802
Future Net Income (FNI)	$351,837	$576,020	$7,612,193	$8,540,051
Discounted FNI @ 10%	$231,709	$342,593	$3,494,788	$4,069,090

	PROBABLE			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROBABLE
Net Remaining Reserves				
Oil/Condensate - MBarrels	4,740	13,110	94,984	112,834
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	0	0
Income Data ($M)				
Future Gross Revenue	$374,384	$1,126,158	$8,691,378	$10,191,920
Deductions	136,054	337,575	2,824,193	3,297,822
Future Net Income (FNI)	$238,330	$788,583	$5,867,185	$6,894,098
Discounted FNI @ 10%	$68,009	$230,200	$1,250,268	$1,548,477

	POSSIBLE			
	DEVELOPED			**TOTAL**
	PRODUCING	NON-PRODUCING	UNDEVELOPED	**Possible**
Net Remaining Reserves				
Oil/Condensate - MBarrels	2,041	16,584	108,076	126,701
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	0	0
Income Data ($M)				
Future Gross Revenue	$160,804	$1,557,340	$10,763,048	$12,481,192
Deductions	0	433,036	3,136,720	3,569,756
Future Net Income (FNI)	$160,804	$1,124,304	$7,626,328	$8,911,436
Discounted FNI @ 10%	$38,428	$266,295	$1,286,823	$1,591,546

ESCALATED PARAMETERS
Estimated Net Reserves and Income Data
Spain-Algeria
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

	PROVED			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROVED
Net Remaining Reserves				
Oil/Condensate - MBarrels	45,960	0	2,860	48,820
Plant Products - MBarrels	0	0	0	0
Gas - MMCF	0	0	0	0
Income Data ($M)				
Future Gross Revenue	$3,397,327	$0	$221,951	$3,619,278
Deductions	1,866,732	0	179,785	2,046,517
Future Net Income (FNI)	$1,530,595	$0	$42,166	$1,572,761
Discounted FNI @ 10%	$1,167,650	$0	$25,793	$1,193,443

	PROBABLE			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	PROBABLE
Net Remaining Reserves				
Oil/Condensate - MBarrels	10,413	0	42,504	52,917
Plant Products - MBarrels	0	0	22,858	22,858
Gas - MMCF	29,684	0	26,212	55,896
Income Data ($M)				
Future Gross Revenue	$1,077,481	$0	$5,358,811	$6,436,292
Deductions	405,680	0	1,954,162	2,359,842
Future Net Income (FNI)	$671,801	$0	$3,404,649	$4,076,450
Discounted FNI @ 10%	$348,097	$0	$1,121,985	$1,470,082

	POSSIBLE			
	DEVELOPED			TOTAL
	PRODUCING	NON-PRODUCING	UNDEVELOPED	Possible
Net Remaining Reserves				
Oil/Condensate - MBarrels	6,834	0	9,673	16,507
Plant Products - MBarrels	0	0	4,699	4,699
Gas - MMCF	6,435	0	6,279	12,714
Income Data ($M)				
Future Gross Revenue	$624,868	$0	$1,308,725	$1,933,593
Deductions	162,934	0	272,022	434,956
Future Net Income (FNI)	$461,934	$0	$1,036,703	$1,498,637
Discounted FNI @ 10%	$201,762	$0	$255,732	$457,494

Liquid hydrocarbons are expressed in standard 42 U.S. gallon barrels and shown herein as thousands of barrels (Mbbl). All gas volumes are reported on an “as sold” basis expressed in millions of cubic feet (MMcf) at the official temperature and pressure bases of the areas in which the gas reserves are located. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars ($M). Detailed cash flow tables are attached at the end of this report.

The estimated 1Ci, 2Ci, and 3Ci contingent resources are located in the “Reserves and Resources Classification” section of this report.

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package PHDWin Petroleum Economic Evaluation Software, a copyrighted program of TRC Consultants L.C. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one-line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The deductions incorporate the normal direct costs of operating the wells, recompletion costs, development costs, royalty, and certain abandonment costs net of salvage. In general, the future net income is before the deduction of production and income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four additional discount rates that were also compounded monthly. These results are shown in summary form as follows.

GRAND SUMMARY - ALL AREAS
Discounted Future Net Income ($M)
As of July 1, 2018

Discount Rate Percent	Total Proved	Total Probable	Total Possible
8	$6,287,080	$3,978,969	$2,780,897
12	$5,026,018	$2,522,886	$1,664,124
15	$4,303,004	$1,835,698	$1,201,334
20	$3,393,439	$1,125,630	$766,359

The future net income results for the same discount rates by geographical region are summarized as follows.

LATAM - Latin America
Discounted Future Net Income ($M)
As of July 1, 2018

Discount Rate Percent	Total Proved	Total Probable	Total Possible
8	$354,089	$110,702	$50,140
12	$335,434	$97,831	$42,996
15	$321,869	$89,407	$38,491
20	$300,380	$77,378	$32,311

SEA - South East Asia
Discounted Future Net Income ($M)
As of July 1, 2018

Discount Rate Percent	Total Proved	Total Probable	Total Possible
8	($341)	$30,908	$30,346
12	$294	$30,982	$29,966
15	$713	$30,972	$29,594
20	$1,314	$30,849	$28,846

ME - Middle East
Discounted Future Net Income ($M)
As of July 1, 2018

Discount Rate Percent	Total Proved	Total Probable	Total Possible
8	$4,675,596	$2,055,951	$2,132,410
12	$3,556,027	$1,175,563	$1,218,970
15	$2,926,218	$789,552	$855,210
20	$2,150,955	$424,148	$526,543

Spain - Algeria
Discounted Future Net Income ($M)
As of July 1, 2018

Discount Rate Percent	Total Proved	Total Probable	Total Possible
8	$1,257,736	$1,781,408	$568,001
12	$1,134,263	$1,218,510	$372,192
15	$1,054,204	$925,767	$278,039
20	$940,790	$593,255	$178,659

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves and Resources Included in This Report

The proved, probable and possible reserves and 1Ci, 2Ci and 3Ci contingent resources included herein conform to the definitions of reserves and contingent resources sponsored and approved by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE) as set forth in the 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System (SPE-PRMS) based on escalated price and cost parameters (SPE-PRMS forecast case). The estimated quantities of reserves presented in this report, based on escalated price and cost parameters (SPE-PRMS forecast case), may differ significantly from the quantities which would be estimated using constant price and cost parameters (SPE-PRMS constant case). An abridged version of the SPE/WPC/AAPG/SPEE reserves and contingent resources terms and definitions used herein are included as attachments to this report and entitled “Petroleum Reserves Definitions” and “Petroleum Resource Classification and Definitions.” It should be noted that the SPE-PRMS does not specify the names for the various categories of incremental contingent and prospective resources. The terms 1Ci, 2Ci and 3Ci incremental contingent resources are terms selected by Ryder Scott to convey the incremental quantities of resources and their associated level of uncertainty in this report.

The various reserve and contingent resources development and production status categories are defined in the attachment to this report entitled “Petroleum Reserves and Resources Status

Definitions and Guidelines." The developed proved, probable and possible non-producing reserves included herein consist of the shut-in category, and are primarily wells scheduled for ESP services.

No attempt was made to quantify or otherwise account for any accumulated cash or oil production imbalances that may exist.

We have not performed a detailed economic analysis of the contingent resource volumes to determine the net economically equivalent quantities of hydrocarbon volumes. The resource volumes presented herein represent the gross technical volumes. The estimated contingent resource volumes presented in this report, as of July 1, 2018, have not been adjusted for the impact of economics or truncated at the end of the license terms.

Reserves and Resources Classification

Recoverable petroleum resources may be classified according to the SPE-PRMS into one of three principal resource classifications: prospective resources, contingent resources, or reserves. The distinction between prospective and contingent resources depends on whether or not there exists one or more wells and other data indicating the potential for moveable hydrocarbons (e.g. the discovery status). Discovered petroleum resources may be classified either as contingent resources or as reserves depending on the chance that if a project is implemented, it will reach commercial producing status (e.g. chance of commerciality). The distinction between various "classifications" of resources and reserves relates to their discovery status and increasing chance of commerciality. Commerciality is not solely determined based on the economic status of a project, which refers to the situation where the income from an operation exceeds the expenses involved in, or attributable to, that operation. Conditions addressed in the determination of commerciality also include technological, economic, legal, environmental, social, and governmental factors. While economic factors are generally related to costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms and taxes.

Certain estimated recoverable volumes have been classified as contingent resources in this report due to one or more contingencies. The 1Ci, 2Ci and 3Ci contingent resources included herein conform to definitions of 1C, 2C and 3C contingent resources as specified in the (SPE-PRMS). The definitions of resources are included in the section "Petroleum Reserves and Resources Definitions" in this report. All contingent resources included herein are discovered and penetrated by wellbores. However, these volumes are considered contingent due to the expiration of production concession agreements, uneconomic projects, or development projects that have not received the appropriate level of partner or government approval for consideration as reserves.

The table below represents the 1Ci, 2Ci and 3Ci contingent resources for the grand total and by geographical area.

Estimated Contingent Resources Volumes
Attributable to 100 Percent Working Interest
GRAND SUMMARY – ALL AREAS
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

ASSET	Total 1Ci	Total 2Ci	Total 3Ci
OIL (Mbbls)	185,796	246,844	270,851
GAS (MMCF)	395,741	-86,239	142,462

* Negative 2Ci is due to uneconomic 1P volumes moving to economic reserves in 2P/Pb case

Estimated Contingent Resources Volumes
Attributable to 100 Percent Working Interest
LATAM – Latin America
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

ASSET	Total 1Ci	Total 2Ci	Total 3Ci
OIL (Mbbls)	9,121	2,858	4,531
GAS (MMCF)	0	1,096	788

Estimated Contingent Resources Volumes
Attributable to 100 Percent Working Interest
SEA – South East Asia
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

ASSET	Total 1Ci	Total 2Ci	Total 3Ci
OIL (Mbbls)	8,324	3,492	3,123
GAS (MMCF)	201,717	40,866	108,551

Estimated Contingent Resources Volumes
Attributable to 100 Percent Working Interest
ME – Middle East
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

ASSET	Total 1Ci	Total 2Ci	Total 3Ci
OIL (Mbbls)	153,254	122,583	201,508

Estimated Contingent Resources Volumes
Attributable to 100 Percent Working Interest
Spain - Algeria
Compañía Española de Petróleos, S.A.U.
As of July 1, 2018

ASSET	Total 1Ci	Total 2Ci	Total 3Ci
OIL (Mbbls)	15,097	117,911	61,689
GAS (MMCF)	194,024	-128,201	33,123

* Negative 2Ci is due to uneconomic 1P volumes moving to economic reserves in 2P/Pb cas

Reserves and Resources Uncertainty

All reserve and resource estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. Estimates will generally be revised only as additional geologic or engineering data becomes available or as economic conditions change.

Reserves are “those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.” The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved.

Proved oil and gas reserves are “those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.”

Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Probable reserves are “those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves.” For probable reserves, it is “equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable

reserves" (cumulative 2P volumes). Possible reserves are "those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves." For possible reserves, the "total quantities ultimately recovered from the project have a low probability to exceed the sum of the proved plus probable plus possible reserves" (cumulative 3P volumes).

The reserves included herein were estimated using deterministic methods and presented as incremental quantities. Under the deterministic incremental approach, discrete quantities of reserves are estimated and assigned separately as proved, probable or possible based on their individual level of uncertainty.

Contingent resources are "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies." For reports prepared by Ryder Scott, the range of uncertainty for discrete incremental quantities of contingent resources shall be termed 1C Incremental (1Ci), 2C Incremental (2Ci) and 3C Incremental (3Ci) where (i) denotes a specific incremental quantity. Contingent resources categorized as 2Ci (2C Incremental) are those additional contingent resources beyond the contingent resources categorized as 1Ci (1C Incremental) and are less likely to be recovered than 1Ci contingent resources. Contingent resources categorized as 3Ci (3C Incremental) are those additional contingent resources that are less likely to be recovered than 2Ci (2C Incremental) contingent resources.

The contingent resources included herein were estimated using deterministic methods and presented as incremental quantities. Under the deterministic incremental approach, discrete quantities of contingent resources are estimated and assigned separately as 1Ci, 2Ci or 3Ci based on their individual level of uncertainty.

The reserves and income quantities and the resource volumes attributable to the different classifications that are included herein have not been adjusted to reflect these varying degrees of risk associated with them and thus are not comparable. Petroleum quantities classified as reserves or contingent resources should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their classification. In particular, there may be a significant risk that accumulations containing contingent resources will not achieve commercial production. Moreover, estimates of reserves and resources may increase or decrease as a result of future operations, effects of regulation by governmental agencies or geopolitical risks. As a result, the estimates of oil and gas reserves and resources have an intrinsic uncertainty.

The reserves and contingent resources included in this report are therefore estimates only and should not be construed as being exact quantities. They may or may not be actually recovered, and if recovered, the revenues therefrom and the actual costs related thereto could be more or less than the estimated amounts.

Technical Discussions

In this section we discuss the technical aspects of our evaluations. The discussion is organized by geographical region.

LATAM: Latin America

The assets in Latin America are located in the countries of Colombia and Peru.

Colombia

In Colombia, CEPSA has an interest in the following areas:

- Caracara Block
- Casanare Area
- La Cañada Norte

Caracara Block

The Caracara Block is located in the Llanos Basin of Colombia, approximately 5 km southeast of the Puerto Gaitán City in the Meta Department. The Caracara Block has produced under an Association Contract that establishes that CEPSA is the direct Operator and has 70% working interest, and the Colombian National Oil Company ECOPETROL holds the remaining 30%. Caracara contains the following fields evaluated by Ryder Scott.

Caracara Sur A	Unuma	Peguita I	Elizita	Toro Sentado
Caracara Sur BC	Jaguar South West	Peguita II	Rancho Quemado	Toro Sentado West
Caracara Sur E		Peguita III		Toro Sentado Norte

The Block is producing from the Carbonera formation, which is present in all areas. Producing horizons “C7” from the Carbonera formation belong to the Tertiary period of the Llanos basin. All of the Caracara fields produce from all C7 units: C7-A, C7-B, C7-1, C7-2, C7-3 and C7-M.

Volumetric methods tend to underestimate the original-oil-in-place and therefore poorly predict current and future recovery factors in these fields. Consequently, Ryder Scott analysis strongly relied on well performance, analogy methods and acreage allocations.

The proved producing reserves were estimated by individual well decline curve analysis supported by the analysis of WOR versus cumulative production trend. Wherever deemed reasonable, Ryder Scott added incremental probable volumes based on alternate WOR versus cumulative oil projections. Behind pipe and undeveloped reserves were estimated using a combination of methods, analogy (which relied on the performance of offset producers or offset areas), type curves, and or volumetric assignments.

Ryder Scott included in the Contingent Resources the evaluation of the Chemical EOR, Alkali-Surfactant-Polymer (ASP) project in the Caracara Sur C field. Only Phase 1 of the project was considered at this stage. Phase 1 considers the drilling of 1 producer, 5 new vertical injectors and 4 new Highly-Deviated (HD) injectors. The ASP injection will involve 12 existing producer wells in a 5 injection-pattern set up. CEPSA has an ongoing pilot for the chemical EOR injection project.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in Caracara considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved	8	6	$ 55,993	$ 289,037
Probable		1	$ 4,155	$ 16,666
Possible	2	1	$ 2,241	$ 4,869

In addition to the well intervention and drilling activities, CEPSA also plans to facility upgrades associated with water injection efficiency and power optimization. These costs are included above.

Casanare Area

The subject properties are located in Los Llanos basin in the Casanare Department in the country of Colombia in South America. The Casanare Area contains the following fields evaluated by Ryder Scott.

Ramiriqui	Melero	Manatus	Onca
Jilguero	Palmero	Cubarro	

The Ramiriqui produces the Mirador Formation. CEPSA operates the field under Association contract with a working interest of 55%. The field is a west dipping monocline that closes to the east against a SW-NE fault. Reserves and contingent resources for this field were estimated by the performance and volumetric methods.

The Jilguero field is located in the unitized Tiple and Garibay blocks and currently produces from the Mirador and Gacheta formations. However further development consists of workovers to recomplete the Gacheta and Guadalupe formations. CEPSA operates the field under Association contract with a working interest of 57.9% on the Mirador formation and the Une, Gacheta and Guadalupe formations 70% in the Tiple block and 50% for the Garibay block. The field is a west dipping structural nose trapped to the east against a SW-NE fault. Reserves and contingent resources for this field were estimated by the performance and volumetric methods.

The Melero field is located in the Garibay Block. CEPSA operates the field under Association contract with a working interest of 50%. The development plan consists of one horizontal well with two lateral sections from which production is expected to start in 2019. Volumetric assignments were used to estimate contingent resources for this project.

The Palmero field is located in the Tiple Block. CEPSA operates the field under Association contract with a working interest of 70%. The only well on the field, Palmero-1, is currently shut-in. No additional development plan was presented for this field.

The Manatus and Onca fields are located in the Puntero Block. CEPSA operates the fields under Association contract with a working interest of 100%. Manatus currently consists of one shut-in horizontal well, the Manatus-1 ST. Onca consists of the Onca-1, which will be converted to water disposal on May 2020, and Onca-2 wells, currently shut-in. Manatus-1 ST and Onca-2 wells are

expected to return to production on a continuous basis on May 2020 after the conversion of the Onca-1 to water disposal well.

The Cubarro field is located in the Tiple block and has two shut-in wells, the Cubarro-1 and Cubarro-2. The field appears to have a stratigraphic trap component and tar presence. We assigned no reserves or contingent resources to this field. Future drilling may provide critical information to improve the understanding of the potential of this field.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in Casanare considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved	3		$ 10,700	$ 41,194
Probable			$ 79	$ 5,960
Possible			$ 81	$ 4,337

In addition to the well interventions, CEPSA also plans to facility upgrades in preparation of fluid disposal in Onca-1 well as noted above. These costs are included above.

La Cañada Norte

La Cañada Norte is located in the Huila Department in the country of Colombia in South America. HOCOL is the operator and CEPSA has a participation of 16.665% interest. This field is located within the Neiva sub-basin and produces from two main reservoirs, the Aptian-Albian (Lower Cretaceous) Caballos formation and the Maastrichtian (Upper Cretaceous) Monserrate formation. A regional compression regime elevated the stratigraphy in the La Cañada Norte field and resulted in a faulted anticlinal structure with several fault blocks separated by reverse faults.

Reserves and contingent resources for this field were estimated by the performance and analogy methods. Several wells are on production from the Caballos formation and there is a proposal for a water injector. There are three producing wells from the Monserrate formation but there five additional producers being considered for the north and an injector in the south. At this time, these activities were considered contingent resources.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in La Cañada Norte considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved			$ 3,192	$ 9,107
Probable				
Possible				

CEPSA is also considering activities associated with enhanced oil recovery as noted above but these activities are still contingent and thus are not reflected above.

Peru

In Peru, CEPSA has an interest in the Los Angeles field located in Block 131, Ucayali Basin, in the country of Peru in South America. The block is operated by CEPSA (100% WI). CEPSA discovered light oil from the Cushabatay Cretaceous sandstone in well LA-1XST on September 2013. Production began in early 2014 via commercialization agreement and commerciality was approved by the end of 2015, with an exploitation license awarded for a period of 30 years.

The reservoir is defined by an elongated anticlinal feature trending NW-SE, and is limited downdip by an OWC. There are currently three producing wells and one shut-in well scheduled to be brought back on line in 2018. CEPSA plans to do a facility upgrade in October 2018 with water reinjection. Reserves were estimated with a combination of performance and volumetric analysis.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in Los Angeles considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved	1		$ 30,370	$ 104,352
Probable			$ 1,037	$ 58,078
Possible			$ 727	$ 38,061

In addition to the well interventions, CEPSA also plans to facility upgrades in preparation of fluid injection well as noted above. These costs are included above.

SEA: South East Asia

The assets in South East Asia are located in the countries of Thailand and Malaysia..

Thailand

Thailand assets are summarized below separately for onshore and offshore operations.

Onshore Thailand

Onshore Thailand CEPSA has an interest in the Sinphuhorm field operated by PTTEP. Sinphuhorm field is a gas field producing from a large anticlinal feature composed of Permian fractured limestone/dolomite. The field is stratigraphically constrained to the west by an erosional limit as the base of the formation intersects the Indonesian I unconformity. The formation of interest is the Pha Nok Khao (PNK), which consists of shallow marine carbonate platforms deposited during the Early-Middle Permian. The overlaying Hua Na Kham (HNK) consists of shallow marine clastics, but formation testing seems to indicate the sequence has little to no contribution to flow. Eleven well penetrations into the formation reveal a wide range of production ranging from negligible flow to 50 MMscf/d, typically produced through large intervals of slotted liner. Ryder Scott determined that mapping the gas bulk rock volume and adjusting as indicated by material balance is the most appropriate approach for determining reserves and contingent resources.

In general, the wells are all still producing on plateau, thus decline curve analysis is not appropriate. Ryder Scott constructed a P/Z plot based on the pressure data provided by CEPSA to estimate the original gas in place (OGIP). The estimated ultimate recovery (EUR) for the field was based on two abandonment conditions: (1) abandonment at the current manifold pressure of 1100 psia, and (2) abandonment at the planned manifold pressure of 600 psia (with both translated to bottomhole conditions), with the reduction due to a planned compressor installation.

Production levels are driven by the Gas Sales Agreement (GSA) is expected to be re-negotiated and booster compression (BC) is expected to be installed. For the proved forecast, the daily gas rate was limited to the daily contract quantity (DCQ) of 78 MMcf/d. For the 2P and 3P forecasts, Ryder Scott assumed a rate limit of 90 MMscf/d based on PTTEP's forecast assumptions (in page 23 of PTTEP Sinphuhorm OCM dated November 23, 2017).

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in the APICO/Sinphuhorm area considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved			$ 12,804	$ 3,102
Probable		1	$ 1,638	$ 128
Possible			--	$ 67

In addition to the well interventions and drilling, the operator also plans to install booster compression to reduce the manifold pressure from 1100 psia to 600 psia as noted above. These costs are included above.

Offshore Thailand

Offshore Thailand, CEPSA has an interest in G5/43 exploration block, which contains two production licenses divided into the Bua Ban and Songkhla fields. The Bua Ban production license is further subdivided into the Bua Ban North field that produces hydrocarbons from the SKL-E and SKL-D platforms and the Bua Ban Main & South fields, which produced from the SKL-C and SKL-G platforms. The Songkhla field/license was produced from the SKL-A platform. Currently, the SKL-A, SKL-C and SLK-G platforms are no longer producing and these platforms will be abandoned by the end of 2019.

The Bua Ban and Songkhla fields are located in the Songkhla Basin which is a Half Graben basin dominated by N-S oriented extensional faulting. Tertiary sedimentation in the basin provides primary reservoirs of Lower Miocene deposited meandering channel sands and Lower Oligocene fluvio-deltaic sand lobes. Reserves for the G5/43 are now being estimated by engineering based performance methods. There are no plans for future development in this field. Wells were forecasted using a constant total fluid rate along with water-oil ratio (WOR) versus cumulative oil production forecasts; for most wells, a proved, probable, and possible WOR versus cumulative production trend was established. There are no other planned development activities for these fields at this time.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in the Thailand Offshore area considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved			$ 62,088	$ 82,943
Probable			--	$ 83,809
Possible			--	$ 99,989

Malaysia

The reserves and resources associated with the Malaysian assets evaluated by Ryder Scott are contained within the KBM-RSC (Kapal-Banang-Meranti) Risk Service Contract area. The KBM-RSC is primarily composed of three discoveries, two of which are on production, cutout from the larger PM316-PSC. The underlying geologic features consist of a series of combination structural and stratigraphic traps primarily controlled by NW-SE orientated normal faults and fluvial-deltaic channel sands deposited during the Lower to Middle Miocene (H10-H50 and I-60 formations).

Ryder Scott conducted volumetric assessments of the Banang H30 and I60 reservoirs to support performance based methods. The reserves and contingent resources for Banang were estimated by the performance method. Wells were forecasted using a constant total fluid rate along with water-oil ratio (WOR) versus cumulative oil production forecasts. Ryder Scott's volumetric assessment of the H-30 formation in Banang indicates that the wells are generally over-producing what would be reasonably expected given the mapped original oil in place (OOIP). For the I-60 formation, Ryder Scott estimated the recoverable resources for the future B-5 infill using the volumetric method on an assigned drainage area. The volumes associated with the B-5 were classified as contingent resources as the well has not yet been approved.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in KBM-RSC area considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved				$ 26,348
Probable				$ 5,251
Possible				

ME: Middle East

The Middle East assets are all located in Abu Dhabi and consist of the following fields.

Mubarraz	Umm Al Anbar (AR)	Neewat Al Ghalan (GA)	Hail
Sarb	Umm Lulu	Al Bateel	Bin Nasher

The Mubarraz field is located in the southern part of the Arabian Gulf about 37 miles off the coast of Abu Dhabi. Current production is from in the Lower Cretaceous Thamama group, a series of stacked, fine-grained carbonate platform deposits. As of July 1, 2018, 54 wells had been drilled in the field. The reservoir has strong aquifer support as the production mechanism. All producing wells are completed as single string and equipped with electrical submersible pumps (ESP), except one well with natural flow. Ongoing development projects include workovers, re-drills and horizontal wells. For the mapped zones and structures, Ryder Scott estimates an original in-place volume of approximately 1,200 MMbbl of oil. The estimation of reserves for producing wells was based on performance methods. In general, wells were forecasted using a constant total fluid rate and decline curve analysis of oil rate versus time. Undeveloped reserves were determined by the analogy method (relied on the performance of offset producers), volumetric method and/or a combination of methods.

The Umm Al Anbar (AR) field is located in the northern Mubarraz shoal in the southern part of the Arabian Gulf about 63 miles off the coast of Abu Dhabi. The Arab (a through D) formation in the AR field shows a shallowing upward sequence on the metastable carbonate shelf. Lithofacies change gradually and cyclically from marine limestones to dolomite and anhydrite. The OOIP volume of 277 MMbbl by ADOC. In total, 21 wells have been drilled in the field. The reservoir has a weak aquifer support. Gas is being injected in the field. The estimation of reserves for producing wells was based on performance methods. Recovery from the Arab formation reservoirs is assisted by miscible gas injection at the crest. Undeveloped reserves were determined by the analogy method (relied on the performance of offset producers), volumetric method and/or a combination of methods.

The Al Ghalan (GA), field is located in the central part of the Mubarraz shoal. The Arab (a through D) formation is the major interval of interest in GA. The OOIP volume of 214 MMbbl by ADOC.11 wells have been drilled in the field. Gas is being injected into the field. The producing wells are completed with either dual or single completion strings. The estimation of reserves for the producing wells was based on performance methods. The reservoir has been under the effect of miscible gas injection and it will continue under this production scheme as a reservoir management strategy. Undeveloped reserves were determined by the analogy method (relied on the performance of offset producers), volumetric method and/or a combination of methods.

Hail field lies about 30 kilometers west and 10 kilometers south of Mubarraz within the ADOC concession. The field is currently being delineated for deeper (gas) objectives in the Jurassic Arab formation but CEPSA's interest is limited to the oil Thamama reservoirs which are subdivided into A, B and F units with B being the most relevant one. For the mapped areas, Ryder Scott estimated a proved OOIP volume of approximately 293 MMbbl, a 2P OOIP of 402 MMbbl and a 3P OOIP of 463 MMbbl. The field started production year-end 2017. As of January 1, 2018, 5 wells out of ten were already drilled. Thamama A depletion strategy includes immiscible gas injection. The Thamama B and Thamama F formations will be depleted using the expected strong natural edge water drive. Ryder Scott evaluated the future well performance predictions based on the production well test of the wells drilled as of January 1, 2018 combined with the volumetric method. Hail field has an expected oil production plateau of 21,000 Bbl/day for approximately 8 years.

The following table summarizes the Mubarraz, Umm Al Anbar, Neewat Al Ghalan and Hail fields main activities and net CAPEX (including plug and abandonment) and OPEX in the area considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved	24	12	$ 295,118	$ 401,052
Probable	7	2	$ 21,413	$ 201,314
Possible	5	2		

The SARB Field and satellite structures are located 120 km northwest off the coast of Abu Dhabi, 20 km southeast of Zirku Island. The Abu Dhabi National Oil Company (ADNOC) own 60% of it and the other shareholders are CEPSA & OMV both with 20%. ADNOC Offshore was designated as the Operator, currently executing the SARB Field Development Plan.

SARB is a giant Arab Formation oil field discovered by well SR-1 in 1969, and later appraised by eight further wells over a 38-year period until 2007. Development drilling commenced in 2015 and 30 wells have been drilled up to January 2018.

The SARB structure is an elongated north-south anticline (15 x 7 km) covering an area of 120 km^2.

The Jurassic Arab Formation forms the reservoir, which is composed of heterogeneous carbonates organized into several zones (Arab A, B, C and D) with potentially independent hydrocarbon columns of differing compositions. The oil contains some 4% H_2S and 6% CO_2.

Gas injection, a mixture of produced gas and make-up gas (MUG), starts from first oil. The MUG source will be the Arab A0&A1 gas reservoir, which has a very similar composition to the gas produced after separation. Conditions for miscibility are favorable due to the nature of the gas injected and the reservoir pressure, which is also maintained with additional water injection.

Water injection will start three years after field start-up, and will require seawater make-up for the whole life of the field. Water breakthrough is expected to be low and slow to develop so a maximum water production of 20,000 bwpd is anticipated.

Around 86 wells will be drilled (43 OP, 23 WI and 12 GI, 4 Gas Producers and 4 Cuttings Reinjection wells). Development drilling commenced in 2015 using three rigs located on two purpose-built artificial islands located in the north and south of the field.

According to the FDP Base Case:

- The production plateau will be 110,000 bopd
- Reservoir drainage will be by dedicated oil producers, only seven of which will produce commingled from Arab A2 & B.
- Water injection in Arab A2, B & C will be in the water leg whereas in Arab-D it will be in the oil leg to avoid the presence of continuous tar. Arab A2, B & C water injection will use commingled wells with ICD control, whereas water will be injected into Arab D by dedicated wells.
- Gas injection in Arab A2 and Arab B will share wellbores but with dedicated completions for each reservoir, as for Arab C and D.

The Al Bateel and Bin Nasher development is associated in our report to SARB as contingent resources. Accordingly, the contingent resources for these structures are reported in conjunction with SARB.

The Umm Lulu Field is located offshore, some 30 km west of Abu Dhabi city. The field forms part of the existing SARB & UMM LULU concession and ADNOC Offshore is currently executing the Umm Lulu Field Development Plan

Umm Lulu is a giant Thamama Group oil field discovered by well UL-1 in 1981, and later appraised by six further wells between 1984 and 1997. Development drilling commenced in 2012 and around 25 wells have been drilled by the end of 2017

The Umm Lulu structure is a four-way dip-closed anticline (18 x 10 km) covering an area of approximately 140 km2. Vertical relief (at Thamama II level) reaches a maximum of 150 ft. and is significantly less for other reservoirs.

Initial Umm Lulu development is focused on six independent carbonate reservoirs within the Thamama Group: Thamama II (TH-II), Thamama IIIA (TH-IIIA), Thamama III (TH-IIIC), Thamama IVA (TH-IVA), Thamama IVB (TH-IVB) and Thamama IVC (TH-IVC).

Since Q4 2014 the field has been on production in an Early Production phase. 11 wells have produced on this early production. 7 wells have produced from TH-II, 4 strings have produced from TH-IIIA and 3 strings from TH-IIIC.

Full Field Development, which accounts with water injection, gas injection and gas lift systems, is expected in 2020.

The FDP specifies oil production plateau of 105,000 bopd with the following recovery mechanisms:

- Thamama II: five-spot water injection and gas lift
- Thamama III A&C: natural depletion and gas lift
- Thamama IV A: crestal miscible gas injection plus peripheral water injection
- Thamama IV B&C: crestal miscible gas injection.

Well count is 93 wells (including 11 EPS wells): 51 oil producers, 36 water injectors, 4 gas injectors and 2 water disposal wells. Completions comprises dedicated wells, dual laterals with a singled tubing and dual completions.

The following table summarizes the costs by reserves category of the activities highlighted above qualified as reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved	11	101	$ 893,462	$ 1,772,571
Probable	3	3	$ 111,279	$ 940,346
Possible	3	3	$ 167,722	$ 838,536

Spain-Algeria

Spain

In Spain, CEPSA has an interest in the following fields evaluated by Ryder Scott. The subject properties are located offshore Spain in the Mediterranean Sea

Boquerón	Casablanca	Montanazo	Rodaballo

All field volumes were estimated by the performance method. Wells were forecasted using an exponential or hyperbolic decline depending on the historical trends. All declines in the Boquerón field were exponential, as were a majority of the declines forecasted in the Casablanca field. Hyperbolic decline was used in the Rodaballo and Montanazo fields. The Rodaballo field is currently classified as contingent resources due to pipeline integrity issues. Approval for the work to fix the integrity issues has not occurred at this time. There are no other planned development activities for these fields at this time. The following table summarizes the costs by reserves category. CAPEX is associated with the abandonment costs as there are no development activities.

Reserves Category	Net CAPEX (M$)	Net OPEX (M$)
Proved	$ 20,682	$ 4,978
Probable	$ 446	$ 5,546
Possible	$ 431	$ 892

Algeria

The assets in Algeria were evaluated in two separate areas: the Timimoun field and the Berkine Basin.

Timimoun Field

The Timimoun field is a dry gas field located in onshore central Algeria in the Timimoun Basin. Discovered in 1955 with sporadic drilling activity, the field recently began commercial development with first gas in April 2018. CEPSA holds an 11.25 percent working interest in the field. Main objectives are low porosity and low permeability sandstones in the lower Devonian Emsian, Praguien and Lochkovian (Upper and Lower) sequences. Ryder Scott created 1P and 2P net gas isochore maps for the four Devonian sequences. Four accumulations are mapped in the Emsian, five accumulations for the Praguien and Upper Lochkovian, and four for the Lower Lochkovian.

Ryder Scott used volumetric analysis to estimate reserves for the Timimoun field. All proved development wells received a 1,000-acre drainage area estimate unless the maximum acreage was lower than 1,000 acres. For the incremental probable and possible volumes, an additional 500 acres were assumed for each category for development wells located in lower permeability areas of the field,

or if the DST rates were lower than the average. Therefore, 2P and 3P drainage area estimates in lower permeability areas were 1,500 and 2,000 acres, respectively. For the development wells located in high permeability areas, or strong DST performing test areas, these total 2P and 3P acreage assignments were doubled. Therefore, in high permeability areas the 2P and 3P drainage area estimates were 3,000 and 4,000 acres, respectively. Acreage assignments of these magnitudes are common in the country of Algeria, especially for dry gas reservoirs with no condensate. All 1P development wells used a 55 percent recovery factor. The 2P and 3P development well cases used a 65 percent recovery factor. These recovery factors are consistent with traditional gas on water reservoirs

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in Timimoun considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved			--	--
Probable		21	$ 61,402	$ 113,130
Possible			$ 14,578	$ 617

Berkine Basin

In the Berkine Basin, Ryder Scott evaluated the following fields in which CEPSA owns an interest.

B Bir El Msana (BMS)	Khechem En Nasseur (KEND)	Ourhoud (ORD)	Rhourde El Krouf (RKF)

The BMS field is located near the northern margin in the Berkine basin of eastern Algeria. CEPSA holds a 75 percent working interest in the field with remaining interest belonging to SONATRACH after a Farm-Out Agreement. The BMS field is a NE-SW trending structure, mapped as a four-way-dip closure, bounded by a major fault in the eastern side producing from the the middle Trias Argileux Greseux Inferior (TAGI) formation. The productive area exceeds 5,200 acres and contains 38 degrees API gravity low GOR fluid. The analysis for this field was based on volumetrics. Ryder Scott estimates the BMS field contains an OOIP volume of approximately 126 MMbbl.

The Rhourde Er Rouni (RER) discovery contract is located in the northern region of the Berkine basin of eastern Algeria in blocks 401a and 403f. CEPSA operates and holds a 49 percent working interest in the discovery. The KEND-1 well, drilled in June 2014, discovered a small accumulation of an estimated 1C OOIP volume of approximately 4.5 MMbbl of volatile oil in the middle TAGI formation. The RER-KEND accumulation is an elongated feature trending structurally up towards the East, limited by two normal faults. The middle TAGI in the discovery area is a braided fluvial channel system with moderate lateral and vertical reservoir quality and continuity. The development of this field through near-field BMS facilities is contingent at this time with start-up in 2021. Development plans include 3 new producers, 3 new injectors, and WO of both KEN-1 and KEND-1 as injector and producer, respectively.

By contrast, the ORD field is one of the largest oil fields by volume in Algeria. CEPSA holds a 37.12 percent working interest in the field based on a 53.04 percent unitization (CEPSA holds a 70 percent interest of the unitization). Production is from the TAGI formation, an amalgamated series of fluvial deposits with excellent reservoir quality and lateral continuity subdivided here into upper, middle

and lower sequences. Together, Ryder Scott estimates these regions contain an OOIP volume of approximately 2 billion barrels of 43 degrees API gravity oil.

The field is fully developed with recovery projects including work-overs, water flooding and WAG injection. Well-by-well analysis proved to be difficult due to the opening and closing of the wells to maintain government mandated production levels and management of the WAG project. Accordingly, 1P reserves were estimated using a field projection profile created using decline curve analysis. Incremental 2P reserves were estimated based on the modified reservoir simulation results to a 90 percent water cut.

The RKF field is adjacent to Ourhoud and production is from 2 distinct zones: the TAGI formation, an amalgamated series of fluvial deposits with excellent reservoir quality and lateral continuity subdivided here into upper, middle and lower sequences, and the Carboniferous, which is further divided into multiple sub-zones. Ryder Scott estimates the TAGI and the Carboniferous reservoirs contain proved case OOIP volumes of approximately 263 MMbbl and 83 MMbbl of oil respectively. Currently, the RKF field has a new concession agreement with an end date of 2043. The development plan from CEPSA includes 30 new wells with recovery projects such as water flooding, increased gas treatment capacity, and increasing production of oil and vaporization of liquids by stabilizing condensates and stripping and exporting LPGs. Ryder Scott used decline curve analysis and analogy to determine the proved and probable cases for current production and infill drilling cases. For the new WAG (water-alternating-gas) injection program, the recovery factor was limited to the nearby Ourhoud analog.

The following table summarizes the main activities and net CAPEX (including plug and abandonment) and OPEX in Berkine Basin considered in our estimation of .reserves.

Reserves Category	No. Workovers & Recompletions	No. Drilling & Completions	Net CAPEX (M$)	Net OPEX (M$)
Proved		2	$ 145,432	$ 1,175,924
Probable		56	$ 591,452	$ 556,375
Possible			$ 100,731	$ 46,166

Possible Effects of Regulation

Ryder Scott did not evaluate country and geopolitical risks in the countries where CEPSA operates or has interests. CEPSA's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of reserves actually recovered and amounts if income actually received, and contingent and prospective resources actually recovered, to differ significantly from the estimated quantities.

The estimates of reserves and resources presented herein were based upon a detailed study of the properties in which CEPSA owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liability to restore and clean up damages, if any, caused by past operating practices.

Methodology Employed for Estimates of Reserves and Resources

The estimation of reserve and resource quantities involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities. The process of estimating the quantities of recoverable oil and gas reserves and resources relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods, (2) volumetric-based methods and (3) analogy. These methods may be used individually or in combination by the reserve evaluator in the process of estimating the quantities of reserves and/or resources. Reserve evaluators must select the method or combination of methods, which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of recoverable hydrocarbons is identified, the evaluator must determine the uncertainty associated with the incremental quantities of those recoverable hydrocarbons. If the quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity is addressed by the reserve or resource category assigned by the evaluator. Therefore, the categorization of incremental recoverable quantities addresses the inherent uncertainty in the estimated quantities reported.

Estimates of reserve and resource quantities and their associated categories or classifications may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of the recoverable quantities and their associated categories or classifications may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The reserves and contingent resources for the properties included herein were estimated by performance methods, the volumetric method, analogy, or a combination of methods. In general, reserves and contingent resources attributable to producing wells and/or reservoirs were estimated by performance methods. These performance methods include, but may not be limited to, decline curve analysis and/or material balance, which utilized extrapolations of historical production and pressure data available through May 2018 in those cases where such data were considered definitive. The data used in this analysis were furnished to Ryder Scott by CEPSA and were considered sufficient for the purpose thereof. In certain cases, producing reserves were estimated by analogy. This method was used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the estimates was considered inappropriate.

Reserves and contingent resources attributable to non-producing and undeveloped reserves included herein were estimated by performance methods, the volumetric method, analogy, or a combination of methods. The volumetric analysis utilized pertinent well and seismic data furnished to Ryder Scott by CEPSA that were available through May 2018. The data utilized from the analogues as

well as well and seismic data incorporated into our volumetric analysis were considered sufficient for the purpose thereof.

Assumptions and Data Considered for Estimates of Reserves and Resources

To estimate recoverable oil and gas reserves and resources and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on the cost and price assumptions as noted herein, and forecasts of future production rates. Under the SPE-PRMS Section 2.2.2 and Table 3, proved reserves must be demonstrated to be commercially recoverable under defined economic conditions, operating methods and governmental regulations from a given date forward. We have applied the same criteria for commercially recoverable to the probable and possible reserves included in this report. It should be noted that certain contingent resource volumes were determined not to be commercially recoverable using the same economic criteria applied to estimate the reserves in this report. These volumes of contingent resources may require a change in current price and cost conditions in order to be commercial.

CEPSA has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecasts of future production and income, we have relied upon data furnished by CEPSA with respect to property interests owned or derived, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, recompletion and development costs, development plans, abandonment costs after salvage, product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data supplied by CEPSA.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves and contingent resources herein.

Future Production Rates

Our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by CEPSA. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include

delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The future hydrocarbon price parameters and escalations used in this report were specified by CEPSA and are shown in the detailed cash flow tables attached to this report. CEPSA provided the Brent oil price schedule for 2018 to 2023 as $66.00/bbl for the remainder of 2018, $66.70 for 2019, $68.20 for 2020, $69.70 for 2021, $71.30 for 2022, and $72.70 for 2023.and starting in 2024 the prices were escalated at 2% annually. These benchmark prices were then adjusted to net back field prices by applying price differentials provided by CEPSA for each field.

Estimates of future price parameters have been revised in the past because of changes in governmental policies, changes in hydrocarbon supply and demand, and variations in general economic conditions. The price parameters used in this report may be revised in the future for similar reasons.

Costs

Operating costs in this report were furnished by CEPSA and are based on CEPSA's operating expense reports and include only those costs directly applicable to the concession or wells. The operating costs include a portion of general and administrative costs allocated directly to the concession and wells. The operating costs furnished to Ryder Scott were accepted as factual data and reviewed for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by CEPSA. No deductions were made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to Ryder Scott by CEPSA and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. The estimated net cost of abandonment after salvage was included for properties where abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by CEPSA were accepted without independent verification.

Because of the direct relationship between volumes of undeveloped reserves and development plans, we include in the undeveloped category only reserves assigned to undeveloped locations that we have been assured will definitely be drilled. CEPSA has assured us of their intent, commitment, and ability to proceed with the development activities included in this report, and that they are not aware of any legal, regulatory or political obstacles that would significantly alter their plans.

At CEPSA's request, current costs were held constant through 2023 and then beginning in 2024 they were escalated annually at the rate of 2.0 percent for the life of the field.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1937. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to CEPSA. Neither we nor any of our employees have any financial interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves and resources for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

This report was prepared for the exclusive use and sole benefit of Compañía Española de Petróleos, S.A.U. and may not be put to other use without our prior written consent for such use. The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

Herman G. Acuña, P.E.
TBPE License No. 92254
Managing Senior Vice President - International

Gabrielle Morrow, P.E.
TBPE License No. 109935
Senior Vice President

HGA-GM (DPR)/pl

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Herman G. Acuña was the primary technical person responsible for overseeing the independent estimation of the reserves, future production and income to render the audit conclusions of the report.

Mr. Acuña, an employee of Ryder Scott Company, L.P. (Ryder Scott) since 1997, is a Managing Senior International Vice President and Board Member. He serves as an Engineering Group Coordinator responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Acuña served in a number of engineering positions with Exxon. For more information regarding Mr. Acuña's geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Company/Employees.

Mr. Acuña earned a Bachelor (Cum Laude) and a Masters (Magna Cum Laude) of Science degree in Petroleum Engineering from The University of Tulsa in 1987 and 1989 respectively. He is a registered Professional Engineer in the State of Texas, a member of the Association of International Petroleum Negotiators (AIPN) and the Society of Petroleum Engineers (SPE).

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Acuña fulfills. Mr. Acuña has attended formalized training and conferences including dedicated to the subject of the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mr. Acuña has recently taught various company reserves evaluation schools in Argentina, China, Denmark, Spain and the U.S.A. Mr. Acuña has participated in various capacities in reserves conferences such as being a panelist at Trinidad and Tobago's Petroleum Conference, delivering the reserves evaluation seminar during IAPG convention in Mendoza, Argentina and chairing the first Reserves Evaluation Conference in the Middle East in Dubai, U.A.E.

Based on his educational background, professional training and over 20 years of practical experience in petroleum engineering and the estimation and evaluation of petroleum reserves, Mr. Acuña has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:
PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

PREAMBLE

Reserves are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward under defined conditions. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability.

Estimation of reserves is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Identifying reserves as proved, probable, and possible has been the most frequent classification method and gives an indication of the probability of recovery. Because of the differences in uncertainty, caution should be exercised when aggregating reserves of different classifications.

Reserves estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations under the SPE-PRMS. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale. The SPE-PRMS acknowledges unconventional petroleum accumulations as reserves regardless of their in-place characteristics, the extraction method applied, or the degree of processing required.

Reserves do not include quantities of petroleum being held in inventory and may be reduced for usage, processing losses and/or non-hydrocarbons that must be removed prior to sale.

SPE-PRMS RESERVES DEFINITIONS

In March 2007, the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) jointly approved the "Petroleum Resources Management System" ("SPE-PRMS"). The SPE-PRMS consolidates, builds on, and replaces guidance previously contained in the 2000 "Petroleum Resources Classification and Definitions" and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources" publications.

The intent of the SPE, WPC, AAPG and SPEE in approving additional classifications beyond proved reserves is to facilitate consistency among professionals using such terms. In presenting these definitions, none of these organizations are recommending public disclosure of reserves classified as unproved. Public disclosure of the quantities classified as unproved reserves is left to the discretion of the countries or companies involved and should not be construed as replacing guidelines for public disclosures under the guidelines established by regulatory and/or other governmental agencies.

Reference should be made to the full SPE-PRMS for the complete definitions and guidelines as the following definitions, descriptions and explanations rely wholly or in part on excerpts from the SPE-PRMS document (direct passages excerpted from the SPE-PRMS document are denoted in italics herein).

RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 1.1 and Table 1 define reserves as follows:

Reserves. *Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.*

ADDITIONAL TERMS USED IN RESERVES EVALUATIONS (SPE-PRMS DEFINITIONS)

The SPE-PRMS Sections 2.3, 2.3.4, 2.4 and Appendix A define the following terms as follows:

Improved recovery. *Improved Recovery is the extraction of additional petroleum, beyond Primary Recovery, from naturally occurring reservoirs by supplementing the natural forces in the reservoir. It includes waterflooding and gas injection for pressure maintenance, secondary processes, tertiary processes and any other means of supplementing natural reservoir recovery processes. Improved recovery also includes thermal and chemical processes to improve the in-situ mobility of viscous forms of petroleum. (Also called Enhanced Recovery.)*

Improved recovery projects must meet the same Reserves commerciality criteria as primary recovery projects. There should be an expectation that the project will be economic and that the entity has committed to implement the project in a reasonable time frame (generally within 5 years; further

delays should be clearly justified). If there is significant project risk, forecast incremental recoveries may be similarly categorized but should be classified as Contingent Resources.

The judgment on commerciality is based on pilot testing within the subject reservoir or by comparison to a reservoir with analogous rock and fluid properties and where a similar established improved recovery project has been successfully applied.

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favorable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

Similar to improved recovery projects applied to conventional reservoirs, successful pilots or operating projects in the subject reservoir or successful projects in analogous reservoirs may be required to establish a distribution of recovery efficiencies for non-conventional accumulations. Such pilot projects may evaluate both the extraction efficiency and the efficiency of unconventional processing facilities to derive sales products prior to custody transfer.

These incremental recoveries in commercial projects are categorized into Proved, Probable, and Possible Reserves based on certainty derived from engineering analysis and analogous applications in similar reservoirs.

Commercial. *When a project is commercial, this implies that the essential social, environmental and economic conditions are met, including political, legal, regulatory and contractual conditions. In addition, a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame. While 5 years is recommended as a benchmark, a longer time frame could be applied where for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.*

PROVED RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Table 3 define proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.*

The area of the reservoir considered as Proved includes:

(1) the area delineated by drilling and defined by fluid contacts, if any, and

(2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines", Chapter 8).

Reserves in undeveloped locations may be classified as Proved provided that:

- *The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive.*

- *Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with the drilled Proved locations.*

For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

UNPROVED RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Appendix A define unproved oil and gas reserves as follows:

Unproved oil and gas reserves*. Unproved Reserves are based on geoscience and/or engineering data similar to that used in estimates of Proved Reserves, but technical or other uncertainties preclude such reserves being classified as Proved. Unproved Reserves may be further categorized as Probable Reserves or Possible Reserves. Based on additional data and updated interpretations that indicate increased certainty, portions of Possible and Probable Reserves may be re-categorized as Probable and Proved Reserves.*

PROBABLE RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Table 3 define probable oil and gas reserves as follows:

Probable oil and gas reserves*. Probable Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.*

Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

POSSIBLE RESERVES (SPE-PRMS DEFINITIONS)

The SPE-PRMS Section 2.2.2 and Table 3 define possible oil and gas reserves as follows:

Possible oil and gas reserves*. Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.*

Possible Reserves may be assigned to areas of a reservoir adjacent to Probable Reserves where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

PETROLEUM RESOURCES CLASSIFICATION AND DEFINITIONS

As Adapted From:
2007 PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)[1]
Sponsored by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM CONGRESS (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
AND
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

PREAMBLE

Reserve and resource classification systems are intended to allow the evaluator to follow the progression of changes in the exploration and production life cycle of a reservoir, field, or project that arise as a result of obtaining more technical information or as a result of a change in the economic status. Most systems incorporate terminology to describe the progression of a project from the delineation of an initial prospect, to the confirmation of the prospect through exploration drilling, onto the appraisal and development phase, and finally from initial production through depletion. These reserve and resource definitions thus provide the decision making framework to manage risk and uncertainty through the classification and categorization of the recoverable hydrocarbon volumes.

The term “resources” is generally applied to “all quantities of petroleum (recoverable and unrecoverable) naturally occurring on or within the Earth’s crust, discovered and undiscovered, plus those quantities already produced”.

The term “reserves” is a subset of resources generally applied to the discovered “quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under defined conditions”.

All reserve and resource estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. Estimates will generally be revised as additional geologic or engineering data becomes available or as economic conditions change.

Estimation of reserves and resources is done under conditions of uncertainty. The method of estimation is called deterministic if a single best estimate of reserves and resources is made based on known geological, engineering, and economic data. The method of estimation is called probabilistic when the known geological, engineering, and economic data are used to generate a range of estimates and their associated probabilities. Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves and/or resource classifications.

Reserves and resources may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves and resources may be attributed to either conventional or unconventional petroleum accumulations under the SPE-PRMS. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale. The SPE-PRMS acknowledges unconventional petroleum accumulations as reserves and resources regardless of their in-place characteristics, the extraction method applied, or the degree of processing required.

Reserves and resources do not include quantities of petroleum being held in inventory and may be reduced for usage, processing losses and/or non-hydrocarbons that must be removed prior to sale.

SPE-PRMS

In March 2007, the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG), and Society of Petroleum Evaluation Engineers (SPEE) jointly approved the "Petroleum Resources Management System" (SPE-PRMS). The SPE-PRMS consolidates, builds on, and replaces guidance previously contained in the 2000 "Petroleum Resources Classification and Definitions" and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources" publications.

Reference should be made to the full SPE-PRMS for the complete definitions and guidelines as the following definitions, descriptions and explanations rely wholly or in part on excerpts from the SPE-PRMS document (passages excerpted in their entirety from the SPE-PRMS document are denoted in italics herein). For convenience, Table 1: "Recoverable Resources Classes and Sub-Classes" from the SPE-PRMS has been reproduced in full and included as an attachment to this document.

The SPE-PRMS incorporates the petroleum initially-in-place as well as the recoverable and unrecoverable petroleum quantities into a common resource classification framework. *Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase.*

The SPE-PRMS defines the major resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum. The basic classification scheme requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial (Reserves) and sub-commercial projects (Contingent Resources) in known accumulations. Under this classification scheme, estimated recoverable quantities from accumulations that have yet to be discovered are termed Prospective Resources. Further, the SPE-PRMS includes all types of petroleum whether currently considered "conventional" or "unconventional".

Figure 1 shown at the end of this document is a graphical representation of the SPE, WPC, AAPG and SPEE resources classification system. The SPE-PRMS "classifies" reserves and resources according to project maturity and increasing chance of commerciality (vertical axis) and "categorizes" reserves and resources according to the *range of uncertainty* (horizontal axis) *of the estimated quantities potentially recoverable from an accumulation by a project*. The following definitions apply to the major subdivisions within the resources classification:

RESOURCES CLASSIFICATION (SPE-PRMS)

Recoverable petroleum resources as described herein may be classified into one of three principal resource classifications: Prospective Resources, Contingent Resources, or Reserves. The distinction between Prospective and Contingent Resources depends on whether or not there exists one or more wells and other data indicating the potential for moveable hydrocarbons (e.g. the discovery status). Discovered petroleum resources may be classified as either Contingent Resources or as Reserves depending on the chance that if a project is implemented it will reach commercial producing status (e.g. chance of commerciality). The distinction between various "classifications" of Resources and Reserves relates to their discovery status and increasing chance of commerciality as described herein.

The SPE-PRMS Section 1.1 and Appendix A define the following terms:

TOTAL PETROLEUM-INITIALLY-IN-PLACE

Total Petroleum-Initially-in-Place is that quantity of petroleum which is estimated to exist originally in naturally occurring accumulations. Total Petroleum-Initially-in-Place is, therefore, that quantity of petroleum which is estimated, as of a given date, to be contained in known accumulations, plus those quantities already produced therefrom, plus those estimated quantities in accumulations yet to be discovered.

Total Petroleum-Initially-in-Place may be subdivided into Discovered Petroleum-Initially-in-Place and Undiscovered Petroleum-Initially-in-Place, with Discovered Petroleum-Initially-in-Place being limited to known accumulations.

It is recognized that not all of the Petroleum-Initially-in-Place quantities may constitute potentially recoverable resources since the estimation of the proportion which may be recoverable can be subject to significant uncertainty and will change with variations in commercial circumstances, technological developments and data availability.

Given the aforementioned constraints, a portion of the Petroleum-Initially-in-Place may need to be classified as Unrecoverable.

DISCOVERED PETROLEUM-INITIALLY-IN-PLACE

Discovered Petroleum-Initially-in-Place is that quantity of petroleum which is estimated, as of a given date, to be contained in known accumulations prior to production.

Discovered Petroleum-Initially-in-Place may be subdivided into Commercial and Sub-commercial categories, with the estimated potentially recoverable portion being classified as Reserves and Contingent Resources respectively, as defined below.

KNOWN ACCUMULATION

The SPE-PRMS defines an accumulation as *an individual body of petroleum-in-place*. For an accumulation to be considered as "known", it must have been discovered. A discovery is defined as *one petroleum accumulation or several petroleum accumulations collectively, which have been penetrated by one or several exploratory wells which have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons*. The SPE-PRMS states in this context, *"significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the*

potential for economic recovery. Known accumulations may contain Reserves and/or Contingent Resources.

RESERVES

Reserves are defined as those quantities of petroleum which are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy the following criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied.

Reserves are categorized in *accordance with the level of certainty associated with the estimates* (horizontal axis shown in Figure 1) *and may be further sub-classified based on project maturity and/or characterized by development and production status* (Refer to Figure 2 at the end of this document). Reference should be made to the full SPE-PRMS for the complete definitions and guidelines.

CONTINGENT RESOURCES

Contingent Resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there is currently no viable market, or where commercial recovery is dependent on the development of new technology, or where evaluation of the accumulation is insufficient to assess commerciality.

Contingent Resources are categorized according to the range of technical uncertainty associated with the estimates (horizontal axis shown in Figure 1) may be further sub-classified based on project maturity and/or characterized by their economic status (Refer to Figure 2 at the end of this document). Reference should be made to the full SPE-PRMS for the complete definitions and guidelines.

UNDISCOVERED PETROLEUM-INITIALLY-IN-PLACE

Undiscovered Petroleum-Initially-in-Place is that quantity of petroleum which is estimated, as of a given date, to be contained in accumulations yet to be discovered.

The estimated potentially recoverable portion of Undiscovered Petroleum-Initially-in-Place is classified as Prospective Resources, as defined below.

PROSPECTIVE RESOURCES

Prospective Resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future projects. Prospective Resources have both an associated chance of discovery and a chance of development.

Prospective Resources are categorized in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be further sub-classified based on project maturity (Refer to Figure 2 at the end of this document). Reference should be made to the full SPE-PRMS for the complete definitions and guidelines.

UNRECOVERABLE

Unrecoverable is a term that refers to that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

ADDITIONAL TERMS USED IN RESOURCES CLASSIFICATION (SPE-PRMS)

CHANCE OF COMMERCIALITY

The SPE-PRMS Section 2.1, Table 1 and Appendix A define the following terms relating to commerciality:

The "Chance of Commerciality", as denoted in the SPE-PRMS and as shown in Figure 1, *is the chance that the project will be developed and reach commercial producing status*.

The chance of commerciality is determined by the probability of a discrete event occurring. In the context of the SPE-PRMS, the discrete event is comprised of one of several conditions, as noted below, which impact the project's commercial viability.

The commercial viability of a development project is dependent on a forecast of the conditions that will exist during the time period encompassed by the project's activities. Commerciality is not solely determined based on the economic status of a project which refers to the situation where the income from an operation exceeds the expenses involved in, or attributable to, that operation. Conditions as noted in the SPE-PRMS include *technological, economic, legal, environmental, social, and governmental factors. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions, transportation and processing infrastructure, fiscal terms and taxes.*

A development project *may include one or many wells and associated production and processing facilities. One project may develop many reservoirs, or many projects may be applied to one reservoir. An accumulation or potential accumulation may be subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resource classes simultaneously.*

COMMERCIALITY APPLIED TO RESERVES

Commerciality as applied to Reserves must be based upon all of the following criteria:

- *Evidence to support a reasonable timetable for development.*
- *A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.*
- *A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.*
- *Evidence that the necessary production and transportation facilities are available or can be made available.*
- *Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.*
- *High confidence in the commercial producibility of the reservoir.*

To be included in a Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming.

In general, quantities should not be classified as Reserves unless there is *evidence of firm intention that the accumulation will be developed and placed on production within a reasonable time frame.* In certain circumstances, reserves may be assigned even though development may not occur for some time. *A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project.* The SPE-PRMS recommends *five years as a benchmark, but notes that a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives.*

For a project to be included in a Reserves class *there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.*

COMMERCIALITY APPLIED TO CONTINGENT RESOURCES

Estimated recoverable quantities from known accumulations that are not yet considered mature enough for commercial development as denoted by meeting all of the aforementioned conditions should be classified as Contingent Resources.

Based on assumptions regarding future conditions and their impact on economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- ***Marginal Contingent Resources*** *are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.*

- ***Sub-Marginal Contingent Resource****s are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonable forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.*

Those discovered in-place volumes for which a feasible development project cannot be defined using current or reasonably forecast improvements in technology are classified as Unrecoverable.

RESOURCES CATEGORIZATION (SPE-PRMS)

All estimates of the quantities of petroleum potentially recoverable from an accumulation classified as having Prospective or Contingent Resources or Reserves involve uncertainty. The relative degree of uncertainty may be conveyed by placing the estimated quantities into one of several "categories" as described herein.

The SPE-PRMS Section 2.2 and Appendix A define the following terms:

RANGE OF UNCERTAINTY

The Range of Uncertainty, as denoted in the SPE-PRMS and as shown in Figure 1, reflects a range of estimated quantities potentially recoverable from an accumulation by a project. *Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental (risk-based) approach, the deterministic scenario (cumulative) approach, or probabilistic methods.*

DETERMINISTIC METHODS (SPE-PRMS)

RESERVES

For reserves, the range of uncertainty can be reflected as discrete incremental quantities termed Proved, Probable and Possible or expressed in cumulative terms as 1P (Proved), 2P (Proved plus Probable), and 3P (Proved plus Probable plus Possible), respectively.

CONTINGENT RESOURCES

For Contingent Resources, the range of uncertainty is generally expressed in deterministic scenario (cumulative) terms as 1C, 2C, 3C, respectively or in terms of probability using probabilistic methods. While the SPE-PRMS categorization scheme does not specifically prohibit the use of discrete incremental quantities for Contingent Resources, the SPE-PRMS does not denote the terms to be applied to these discrete incremental quantities.

PROSPECTIVE RESOURCES

For Prospective Resources, the range of uncertainty is generally expressed in deterministic scenario (cumulative) terms as low, best and high estimates or in terms of probability using probabilistic methods. As in the case of Contingent Resources, the SPE-PRMS categorization scheme does not specifically denote terms to be applied to discrete incremental quantities for Prospective Resources.

INCREMENTAL TERMS FOR CONTINGENT AND PROSPECTIVE RESOURCES (RYDER SCOTT)

Should evaluators choose to characterize the range of uncertainty for Contingent Resources or Prospective Resources in discrete incremental quantities, they should denote such quantities as such and provide sufficient detail in their report to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of the recoverable quantities. For reports prepared by Ryder Scott Company (Ryder Scott), the range of uncertainty for discrete incremental quantities of Contingent Resources shall be termed 1C Incremental (1Ci), 2C Incremental (2Ci) and 3C Incremental (3Ci) and in the case of Prospective Resources shall be termed Low Estimate Incremental (LEi), Best Estimate Incremental (BEi) and High Estimate Incremental (HEi) where (i) denotes a specific incremental quantity.

BEST ESTIMATE

Uncertainty in resource estimates is best communicated by reporting a range of potential results. However, if it is required to report a single representative result, the "best estimate" is considered the most realistic assessment of recoverable quantities. The term "best estimate" is used here as a generic expression for the estimate considered being closest to the quantity that will actually be recovered from the accumulation between the date of the estimate and the time of abandonment. In the case of reserves, the best estimate is generally considered to represent *the sum of Proved and Probable estimates (2P). It should be noted that under the incremental (risk-based) approach for Reserves, discrete estimates are made for the quantities in each category for Proved and Probable, and they should not be aggregated without due consideration of their associated risk.* In the case of Contingent Resources and Prospective Resources, the best estimate would be represented by the 2C and Best Estimate, respectively. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely/mode, median/P50 or mean). The terms "Low Estimate" and "High Estimate" should provide a reasonable assessment of the range of uncertainty in the Best Estimate.

PROBABILISTIC METHODS (SPE-PRMS)

If probabilistic methods are used, these estimated quantities should be based on methodologies analogous to those applicable to the definitions of Reserves, Contingent Resources and Prospective Resources; therefore, in general, the resulting probabilities should correspond to the deterministic terms as follows:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the 1P, 1C or Low Estimate.
- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the 2P, 2C or Best Estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the 3P, 3C or High Estimate.

COMPARABILITY OF SIMILAR RESERVES AND RESOURCE CATEGORIES

As indicated in Figure 1, the 1C, 2C and 3C Contingent Resource estimates and the Low, Best and High Prospective Resource estimates of potentially recoverable volumes should reflect some comparability with the reserves categories of Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P), respectively. *While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.*

Without new technical information, there should be no change in the distribution of technically recoverable volumes and their categorization boundaries when conditions are satisfied sufficiently to reclassify a project from Contingent Resources to Reserves.

AGGREGATION

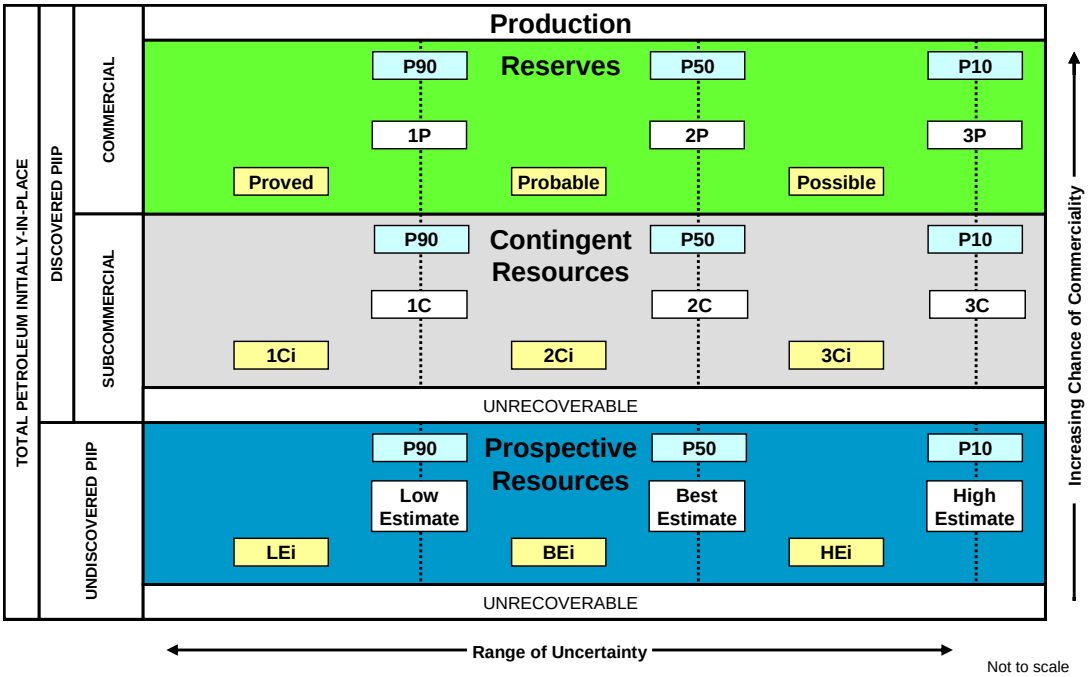
Petroleum quantities classified as Reserves, Contingent Resources or Prospective Resources should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their classification. In particular, there may be a significant risk that accumulations containing Contingent Resources or Prospective Resources will not achieve commercial production. Similarly, reserves and resources of different categories should not be aggregated with each other without due consideration of the significant differences in the criteria associated with their categorization.

RESOURCES CLASSIFICATION SYSTEM (SPE-PRMS)

GRAPHICAL REPRESENTATION

Figure 1 is a graphical representation of the SPE, WPC, AAPG, SPEE resources classification system. The horizontal axis represents the "Range of Uncertainty" in the estimated potentially recoverable volume for an accumulation by a project, whereas the vertical axis represents the "Chance of Commerciality", that is, the chance that the project will be developed and reach commercial producing status.

Figure 1
SPE, WPC, AAPG, SPEE
RESOURCES CLASSIFICATION SYSTEM*



*SPE-PRMS Figure 1-1: Resources Classification Framework as modified by Ryder Scott

P90	Uncertainty from probabilistic methods *Terms shown represent SPE convention to quote cumulative probability where P90 is the low estimate
1P	Uncertainty from deterministic scenario (cumulative) approach *Terms shown represent SPE-PRMS nomenclature
1Ci	Uncertainty from deterministic incremental approach *Terms shown represent Ryder Scott nomenclature for Contingent and Prospective Resources

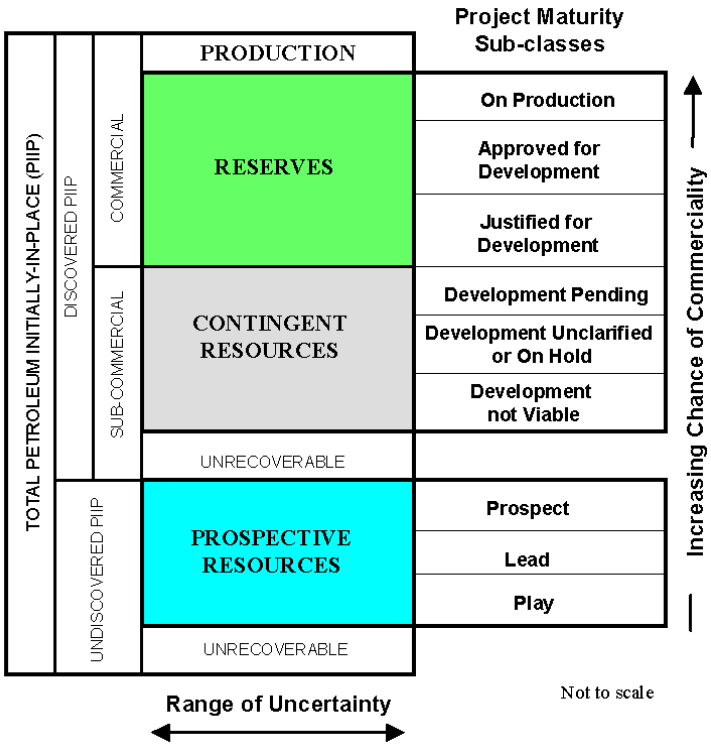
INCREMENTAL TERMS FOR CONTINGENT AND PROSPECTIVE RESOURCES AS DEFINED BY RYDER SCOTT

Should evaluators choose to characterize the range of uncertainty for Contingent Resources or Prospective Resources in discrete incremental quantities, they should denote such quantities as such and provide sufficient detail in their report to allow an independent evaluator or auditor to clearly understand the basis for estimation and categorization of the recoverable quantities. For reports prepared by Ryder Scott Company (Ryder Scott), the range of uncertainty for discrete incremental quantities of Contingent Resources shall be termed 1C Incremental (1Ci), 2C Incremental (2Ci) and 3C Incremental (3Ci) and in the case of Prospective Resources shall be termed Low Estimate Incremental (LEi), Best Estimate Incremental (BEi) and High Estimate Incremental (HEi) where (i) denotes a specific incremental quantity.

RESOURCES CLASSIFICATION SYSTEM (SPE-PRMS)

GRAPHICAL REPRESENTATION

Figure 2
SPE, WPC, AAPG, SPEE
PROJECT MATURITY SUB-CLASSES



[1] Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE); reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE), March 2007.

Table 1: Recoverable Resources Classes and Sub-Classes

Class/ Sub-Class	Definition	Guidelines
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	Reserves must satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests
On Production	The development project is currently producing and selling petroleum to market.	The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way.	At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Class/ Sub-Class	Definition	Guidelines
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.	Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to "On Hold" or "Not Viable" status. The project "decision gate" is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Class/ Sub-Class	Definition	Guidelines
Development Unclarified or on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a re-classification of the project to "Not Viable" status. The project "decision gate" is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project "decision gate" is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

[1]Petroleum Resources Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE); reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE), March 2007

PETROLEUM RESERVES and RESOURCES STATUS DEFINITIONS and GUIDELINES

As Adapted From:
PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE),
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

RESERVES

Reserves status categories define the development and producing status of wells and reservoirs. The SPE-PRMS Table 2 defines the reserves status categories as follows:

DEVELOPED RESERVES (SPE-PRMS DEFINITIONS)

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing
Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing
Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Shut-In
Shut-in Reserves are expected to be recovered from:
(1) completion intervals which are open at the time of the estimate but which have not yet started producing;
(2) wells which were shut-in for market conditions or pipeline connections; or
(3) wells not capable of production for mechanical reasons.

Behind-Pipe
Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SPE-PRMS DEFINITIONS)

Undeveloped Reserves are quantities expected to be recovered through future investments.

Undeveloped Reserves are expected to be recovered from:

- *(1) new wells on undrilled acreage in known accumulations;*
- *(2) deepening existing wells to a different (but known) reservoir;*
- *(3) infill wells that will increase recovery; or*
- *(4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to*
  - *(a) recomplete an existing well; or*
  - *(b) install production or transportation facilities for primary or improved recovery projects.*

CONTINGENT RESOURCES

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent resource status categories may address the development and producing status of wells and reservoirs or may reflect the project maturity and/or be characterized by their economic status as noted in the SPE-PRMS Table 1 and Figure 2.

PROSPECTIVE RESOURCES

Prospective resources are by definition undeveloped as they are potentially recoverable from undiscovered accumulations. Prospective resource status categories reflect project maturity as noted in the SPE-PRMS Table 1 and Figure 2.

REGISTERED OFFICE OF THE COMPANY

CEPSA Tower
Paseo de la Castellana, 259 A
28046 Madrid
Spain

JOINT GLOBAL COORDINATORS AND BOOKRUNNERS

Banco Santander, S.A.
Calle Gran Vía de Hortaleza 3
Edificio Pedreña, Planta 1ª
28033, Madrid
Spain

Citigroup Global Markets Limited
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

JOINT BOOKRUNNERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP PARIBAS
16 boulevard des Italiens
75009 Paris
France

First Abu Dhabi Bank PJSC
FAB Building
Khalifa Business Park—Al Qurm District
P.O. Box 6316, Abu Dhabi
UAE

Société Générale
29 Boulevard Haussmann
75009 Paris
France

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

CO-LEAD MANAGERS

Banco Bilbao Vizcaya Argentaria, S.A.
Plaza San Nicolás, 4
48005 Bilbao
Spain

CaixaBank, S.A.
calle Pintor Sorolla, 2-4
46002 Valencia
Spain

AGENT BANK

Banco Santander, S.A.
Paseo de Pereda, 9-12
39004 Santander
Spain

FINANCIAL ADVISOR

Rothschild, S.A.
Paseo de la Castellana 35, 3º
28046 Madrid
Spain

LEGAL ADVISORS

To the Company as to Spanish Law

Allen & Overy
Serrano 73
28006 Madrid
Spain

To the Company as to English and United States Law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

To the Managers as to English and Spanish Law

Clifford Chance, S.L.P.
Paseo de la Castellana 110
28046, Madrid
Spain

To the Managers as to United States Law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

INDEPENDENT AUDITORS OF THE COMPANY

In relation to the 2016 Annual Financial Statements

PricewaterhouseCoopers Auditores, S.L.
Torre PwC
Paseo de la Castellana 259 B
28046, Madrid
Spain

In relation to the 2017 and 2015 Annual Financial Statements and the 2018 Interim Financial Statements

Ernst & Young, S.L.
Raimundo Fernández Villaverde, 65
28003, Madrid
Spain

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Mr Pedro Miró Roig, acting in the name and on behalf of the Company in his capacity as Chief Executive Officer and acting as duly empowered member of the Board of Directors of the Company pursuant to the resolutions approved in its meeting held on 17 September 2018, and Mr Musabbeh Al Kaabi, acting in the name and on behalf of the Selling Shareholder in his capacity as duly empowered representative by virtue of a special power of attorney granted in Abu Dhabi on 9 September 2018, accept responsibility for and on behalf of the Company and the Selling Shareholder respectively for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is as of the date of this Prospectus, to the best of their knowledge, in accordance with the facts and contains no material omissions likely to affect its import.

In Madrid, on 2 October 2018

Mr Pedro Miró Roig	Mr Musabbeh Al Kaabi

Merrill Corporation Ltd, London
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