PRESS **RELEASE**

Cepsa's adjusted net benefit was 553 million euros in 2016

- Our integrated business model enabled us to adapt successfully to exceptionally low crude oil prices.
- The growth in national demand along with the increase in sales and recovery of petrochemical margins contributed positively to the year's results.
- Focus on the efficiency of our operations and cost containment were key factors enabling us to mitigate the negative effects of crude oil prices.

The net result for the full year 2016, eliminating non-recurring items and calculating the change in inventories at replacement cost (clean CCS), amounted to €553 million, 7% less than 2015.

If we apply International Financial Reporting Standards (IFRS) and calculate inventory variations at average unit cost, the accumulated net result of the year is 602 million euro, compared to the previous year's loss of 1,040 million.

2016 was marked by low crude oil prices that stood 9 $/b below those of 2015, and which significantly affected the industry in Exploration and Production activity, along with refining margins markedly lower than those of the previous year, despite the positive behavior of the heaviest fuels.

Our highly integrated business model enabled us to offset these effects with the positive behavior of petrochemical product marketing, a business line that experienced 129% growth in its results compared to the previous year.

The increase in the demand for automotive fuels and kerosene for aviation, in line with the growth of the national economy and the saving and efficiency plan deployed by the company throughout the year, were also relevant factors in the year's results.

Furthermore, the company continued with its overall excellence in operations plan, enabling it to reduce the accident rate 29% compared to 2015.

Results per business area (million €):

	YTD December		
	2016	**2015**	**Δ %**

Exploration & Production	12	(6)	n.a
Refining & Marketing	429	567	-24%
Petrochemicals	110	48	129%
Gas & Power	49	38	28%
Corporation	(47)	(51)	-8%
Clean CCS Net Profit	**553**	**596**	**-7%**
Inventory Valuation Adjustment	128	(336)	n.a
Non recurring elements	(80)	(1.300)	-94%
IFRS Net Profit	**602**	**(1,040)**	**n.a**

Exploration & Production

2016 was especially difficult for the Exploration and Production industry due to the low crude oil prices, exceptionally low and lower than the previous year.

Despite this adverse context, the cost control and operating efficiency measures carried out by the company enabled us to get back on the path to positive results, improving on those of 2015.

Crude oil production stood at 96,800 barrels/day and sales at 17 million barrels, slightly lower than the previous year.

In November Cepsa and Sonatrach signed a series of agreements that consolidated the collaboration between the two companies in their current long-term projects.

Refining and Marketing

The refining activity was marked by the excellence of our operations, which enabled us to achieve high rates of availability (97%) and use of our refineries' distillation capacity (93%) along with low accident rates.

Furthermore, the investments made enabled us to continue to improve the energy efficiency rates and increase the conversion capacity of our refineries.

The refining margins stayed at reasonable figures throughout the year although significantly lower than those of 2015, mainly sustained by the positive behavior of fuel margins, which enabled us to offset the low levels in the differentials of the middle distillates (diesels and kerosenes).

During the year over 158 million barrels were distilled, similar to the amount refined in 2015. The diversity of crude oils in terms of both origin and quality also enabled us to optimize these refineries' margins.

As for Marketing, the economic recovery favored the increase in sales, especially of automotive fuels (petrols and diesels) and of kerosene for aviation, the latter driven by the increase in tourism.

On the other hand, high temperatures had a negative effect on fuel sales for heating.

Petrochemicals

2016 was especially positive for the group's petrochemicals activity, with results of 110 million euro, more than double the previous year.

The LAB line (raw material for the manufacture of biodegradable detergents), which Cepsa, with manufacturing plants in Spain, Brazil and Canada, leads at the global level, benefited from a 4% increase in sales.

The Phenol/Acetone line (raw materials for cutting-edge plastics, among other uses) experienced an increase in sales from 2015 and an improvement in marketing margins in European and Asian markets in which the company operates.

Finally, the works on the construction of the new vegetable alcohol plant (the raw material for the manufacture of detergents in Indonesia) continued at a good pace, with production launch date scheduled for the first semester of 2017.

Gas and Power

The results of this business line rose to 48 million euro, 28% higher than those of the previous year.

The contribution of Medgaz, gas pipeline in which Cepsa has a 42% participation, along with certain gas trading transactions, enabled us to offset the low margins level in marketing activities in a long gas market with excess supply.

Electricity generation and marketing activity was marked by low price levels in the electricity market (pool), below €40/Mwh, although its impact was offset by hedging transaction management which optimized margins.

and production of oil and gas, refining, distribution and marketing of crude oil and natural gas derivatives, biofuels, co-generation and electricity sales.

Cepsa has developed an important chemicals division that is closely integrated with the refining business, and that produces and markets the raw materials for high value-added products, principally used to make next generation plastics and biodegradable detergents. Cepsa has a leading position in Spain and, through the progressive international expansion of its business, also operates in several continents and markets its products across the world.

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