PRESS **RELEASE**

Cepsa reports a 2018 first half net profit of €335 million

- **Good results for Exploration & Production partially offset lower Refining margins**
- **Investments in the first half surpassed €1.6 billion, largely due to the investment in several oil production fields in Abu Dhabi**
- **Continued robust focus on Health and Safety with a Lost Workday Injury Frequency (LWIF) rate of 0.89**

Cepsa's adjusted net profit for the first half of 2018, after excluding non-recurring items and calculating changes in inventory at replacement cost (Clean CCS), was €335 million, compared with €466 million for the first six months of 2017.

After applying International Financial Reporting Standards (IFRS), and calculating changes in inventory at average purchase unit cost, accumulated net income for the period was €441 million, 7% higher than the same period a year ago.

Revenues for the first six months of the year were €12.391 billion, 22% higher than the same period in 2017, while net debt stood at €3 billion, with a net debt to EBITDA ratio of 1.8.

Results per business area on a Clean CCS basis (€ millions):

	H1 2018	**H1 2017**	**Δ %**
Exploration & Production	125	83	51%
Refining*	91	223	-59%
Marketing	75	119	-37%
Chemicals	60	60	0%
Corporation	(16)	(19)	-18%
Net Profit on CCS (clean current cost of supplies)	**335**	**466**	**-28%**
Inventory Valuation Adjustment	100	18	448%
Non-recurring items	6	(72)	n/a
Net Profit IFRS	**441**	**412**	**7%**

*Includes Gas & Power and Trading activities

Over the first six months of the year, Cepsa's activity in its Exploration and Production business was a key driver of positive results. In this period the business area saw increased investments, new material agreements, and a number of contracts awarded in different countries.

Over the first half of the year the price of benchmark Brent crude rose by 36%, averaging $70.5/barrel. This price rise was partially offset by the appreciation of the euro against the dollar by 12%, with an average EUR/USD exchange rate in the first half of the year of €1.21.

However, the rise in crude oil prices did not translate into an equivalent rise in the price of finished products, in turn lowering refining margins (post variable costs and self-consumption). Cepsa's refining margin averaged $5.5 per barrel in the first half of the year, down from $7.2 in the same period last year.

Significant investment totaling €1.63 billion was made into long-term strategic projects during the first six months of 2018 including the flagship Abu Dhabi concession. The majority of investment expenditure went towards the acquisition of a 20% stake in two offshore fields in Abu Dhabi (SARB and Umm Lulu) for a period of 40 years, following the signing of a concession contract signed with ADNOC (Abu Dhabi National Oil Company). This contract has enabled Cepsa to strengthen the growth of its Exploration and Production business, as well as helping to bolster its integrated business model. Cepsa has also increased its stake in the Algerian BMS onshore field by 30%, has made investments to improve efficiency and conversion rates at its refineries, and has begun a revamping project at its LAB chemical plant at Puente Mayorga (Cádiz), among other projects.

Over this period crude production averaged 86,108 barrels a day, 10% lower than the first half of 2017, with a total of 6.0 million barrels sold in the period.

Over the first half of the year 80.3 million barrels of crude oil were distilled, with a capacity utilization ratio of 92%. 10.8 million tons of oil derivatives were produced during this period, an increase of 5% compared to the same period in the previous financial year.

Gas sales over this period rose to 15,265 GWh, 16% higher than a year ago, while electricity production was 1,161 GWh, a 6% rise compared to the same period in 2017.

Cepsa's Marketing business unit saw sales rise to 10.8 million tons, a 2.8% increase on the same period in 2017. However, profit in this unit was lower during this period than in the equivalent period in 2017 due to a €55.5 million compensation payment received by Cepsa in 2017 for losses resulting from the regulated maximum price of butane bottles during the period of 2009-2012.

Cepsa's Chemicals business recorded profits of €60 million in the first six months of 2018, in line with results a year ago, due to robust sales performance of both LAB (linear alkyl benzene, a raw material used in the manufacturing of biodegradable detergents), and phenol/acetone (raw materials used to produce next-generation plastics).

Over the first half, Cepsa carried out several planned maintenance stoppages at the La Rábida and Gibraltar-San Roque refineries. Separately, as a result of investments made in energy efficiency, CO_2 emissions continued to fall in this period, in line with the annual reduction targets set by Cepsa.

Continued improvement of Health and Safety performance was also seen and the Lost Workday Injury Frequency (LWIF) rate was 0.89 over the first half of 2018.

Key developments during the first half of 2018:

- Cepsa, together with with Sonatrach and Alnaft (Algeria's National Resources Agency), signed a new concession agreement for the operation of the Rhoude el Krouf (RKF) oilfield in Algeria. The objective of this 25-year agreement is to significantly increase oil extraction and to produce liquefied petroleum gas (LPG) for the first time at this site using modern hydrocarbon recovery techniques.

- Cepsa and Masdar (Abu Dhabi's energy company of the future and a leader in renewables and international sustainable urban development) signed a Memorandum of Understanding (MoU), to study international renewable projects, especially in wind and solar power.

- As part of Cepsa's expansion and diversification plan, Cepsa strengthened its marketing package to customers with the launch of Cepsa Hogar, becoming the only company in Spain to offer natural gas, electricity and fuel together.

- As a result of a new partnership with ADNOC, Cepsa was awarded a 20% stake in the concession of the SARB and Umm Lulu fields as well as two other smaller ones: Bin Nasher and Al Bateel, both located in shallow waters off the Abu Dhabi coast. Cepsa invested $1.5 billion as an initial participation fee for the 40-year concession.

- Cepsa started the aromatics optimization project at La Rábida Refinery. With current investment totaling over €45 million, the project has improved efficiency and integration between refining and chemicals installations at Palos de la Frontera (Huelva).

- Together with its partners Sonatrach and Total, Cepsa put the Timimoun gas field in Algeria into production, which is expected to yield a maximum daily production of five million cubic metres of gas. Cepsa's stake in this field is 11.25%.

- Cepsa increased its stake in the Bir el Msana (BMS) oilfield in Algeria, following the acquisition of the stake held by Petronas. With this acquisition, Cepsa increased its stake to 75% from 45%.

- Cepsa started up a renovation project to increase production at its chemicals plant in Puente Mayorga in San Roque (Cádiz). This revamping process aims to increase production to 250,000 tons from 200,000 per year, and will also see the installation of Detal technology, developed by Cepsa and UOP, to improve plant efficiency.

- Cepsa was awarded, along with Pemex and DEA Mexico, three hydrocarbon exploration blocks in Mexico. These are three shallow water areas in the Tampico-Misantla basin, in the Gulf of Mexico, where Cepsa will have a 20% stake.

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