PRESS **RELEASE**

# January-September 2019 results

- **Cepsa registered Clean CCS EBITDA of €1.551 billion, as a result of the positive performance of the Exploration and Production and Marketing business units**

- **Clean CCS Net Income was €424 million, during a period of low refining margins, and crude oil prices which were down on those in the first nine months of 2018**

- **Investments in this period amounted to €634 million, and free cash flow before dividend payments was €731 million**

Clean CCS EBITDA rose to €1.551 billion in 9M 2019, an increase of 26% compared to €1.229 billion in 9M 2018.

The increase of 26% in 9M 2019 Clean CCS EBITDA was mainly due to the positive performance of Cepsa's Exploration and Production and Marketing business units (60% vs 9M 2018, and 47% vs 9M 2018, respectively).

Cepsa's Clean CCS Net Income for 9M 2019 was €424 million, compared to €530 million for the same period in 2018. This decrease is attributable to an environment of low market refining margins in the first half of the year, which improved slightly in the third quarter; and the narrowing margins of some petrochemical products.

Applying International Financial Reporting Standards (IFRS) and calculating inventory movements at average unit cost, accumulated net income for 9M 2019 was €380 million, compared to €660 million for the same period in 2018.

Over this period, Cepsa optimized its capital structure, extending the average term of its debt to over five years. The Company's net debt is also 4% lower year on year, despite the US dollar having appreciated. The Net Debt/EBITDA ratio stood at 1.4x, four tenths lower than at the end of 2018 (1.8x).

Investments during the period amounted to €634 million, and free cash flow before dividend payments was €731 million. The growth in investments is connected with the development of the Abu Dhabi fields, as well as refinery optimization projects in the Refining business unit.

During the first nine months of 2019, Brent crude prices averaged $64.7/bbl, 10% lower than the $72.1/bbl average registered in 9M 2018. Cepsa refining margin (VAR) fell to $4.5/bbl year to date September 2019 from $5.8/bbl in the same period of the previous year.

In terms of safety, the Lost Workday Injury Frequency (LWIF) rate, which measures the number of accidents resulting in absence from work, was 0.93 accidents per million hours worked at September 2019, in line with the results from 2018. Greenhouse gas emissions ($CO_2$ per ton produced) remained at levels similar to those of the prior year.

**Exploration & Production**

In 9M 2019, the Clean CCS EBITDA of the Exploration & Production business unit increased by 60% compared to the same period of 2018, to €712 million, mainly due to the contribution of the recently acquired SARB and Umm Lulu fields (in Abu Dhabi) in 2019.

Clean CCS Net Income stood at €119 million, 38% lower year on year. This was mainly due to the decline in Clean CCS Net Income in Colombia resulting from reduced selling prices and higher amortizations and taxes and the still limited contribution of SARB and Umm Lulu (as they are still in ramp up phase) due to high amortizations, taxes and royalties in Abu Dhabi. This decrease has been partially offset by the good performance in Algeria, thanks to an increase in the number of barrels sold and higher selling prices.

The average selling price of crude oil produced and marketed by Cepsa was $64.3/bbl, 5% down on 2018.

"Working interest" (WI) production of crude oil amounted to 93.5 kb/d, 9% up on the first nine months of 2018, mainly due to the start of production in Q1 2019 in the SARB and Umm Lulu fields, 6 months after their acquisition (WI production of 22 kb/d in these fields until September). Crude oil sales increased by 57% vs the same period in the previous year.

Development of the fields (SARB and ULL) of the concession in Abu Dhabi is on schedule. In the last month, SARB reached a higher than expected level of production and is close to reaching a major milestone in the first quarter of 2020: the "plateau" rate of 110 Kbopd. Offshore works continues in Umm Lulu to produce at the new offshore supercomplex in early 2020.

The company has made further headway in boosting its growth in the Exploration & Production business unit with investments of €140 million, in particular the investment in the development of SARB and Umm Lulu fields.

**Exploration & Production**

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Operational Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 61.9 | 75.3 | (18%) | Brent price average ($/b) | 64.7 | 72.1 | (10%) |
| 62.0 | 73.2 | (15%) | Average realised crude price in $/b | 64.3 | 67.6 | (5%) |
| 4.4 | 3.9 | 13% | Crude Oil Sales in Mb | 15.6 | 9.9 | 57% |
| 92.8 | 83.2 | 12% | WI production in kb/d | 93.5 | 86.0 | 9% |
| 45.0 | 54.7 | *(18%)* | *Algeria* | 44.4 | 54.7 | *(19%)* |
| *26.3* | *4.5* | *484%* | *UAE** | *26.1* | *4.5* | *481%* |
| *12.0* | *13.0* | *(8%)* | *Latam* | *13.0* | *13.9* | *(7%)* |
| *9.5* | *11.0* | *(14%)* | *SEA / Other* | *10.0* | *12.8* | *(22%)* |
| 7.1 | 5.1 | 39% | Net Entitlement production in Mboe | 21.0 | 15.7 | 34% |

*2018 production relates to ADOC fields only. Growth in 2019 comes from the new Sarb & Umm Lulu fields.

Millions of euros

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Financial Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 229 | 180 | 27% | Clean CCS Operating Result (EBITDA) | 712 | 445 | 60% |
| 30 | 66 | (54%) | Clean CCS Net Income | 119 | 191 | (38%) |
| 50 | 13 | 281% | Organic investments | 140 | 110 | 27% |
| - | 50 | (100%) | Acquisitions | - | 1,370 | (100%) |

**Refining**

Refining 9M 2019 Clean CCS EBITDA was €347 million. Clean CCS Net Income was €101 million, compared to €163 million for the same period in 2018, the decrease being mainly attributable to lower refining margins, hampered by low light & middle distillate cracks in the Mediterranean and higher supply costs because of increased sour crude premiums.

The utilization of distillation capacity of the refineries was 90%—in line with that in same period of 2018—with a production of 16.4 million tons of refined products.

During 9M 2019, Cepsa invested €325 million in the Refining business unit for enhancing conversion capacity and efficiency, as well as upkeep and improvement of safety.

**Refining**

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Operational Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 5.7 | 6.7 | (15%) | Refining margin VAR ($/b) | 4.5 | 5.8 | (22%) |
| 94% | 87% | 8% | Utilization rate refineries (distillation) in % | 90% | 90% | 0% |
| 5.7 | 5.3 | 8% | Refining output in Mt | 16.4 | 16.0 | 2% |

Millions of euros

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Financial Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 153 | 167 | (8%) | Clean CCS Operating Result (EBITDA) | 347 | 412 | (16%) |
| 68 | 72 | (6%) | Clean CCS Net Income | 101 | 163 | (38%) |
| 99 | 102 | (2%) | Investments | 325 | 241 | 35% |

**Marketing**

The Marketing business registered a very strong performance in 9M 2019, achieving a Clean CCS EBITDA of €342 million, a 47% increase vs 9M 2018. This improvement is mainly attributable to the strong performance of the network of service stations and the bioenergy business unit, as well as the higher sales and margins of the asphalts business. Implementation of IFRS 16 also led to a rise of €55 million. Clean CCS Net Income stood at €162 million, 30% higher than the figure for the same period of the previous year.

Sales of the Marketing business unit stood at 15.9 million tons, in line with the same period of the previous year.

Over that period, the Company channeled €106 million of investments into this business unit for maintenance of facilities and to boost market share in the segments in which it operates.

## Marketing

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Operational Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 1,810 | 1,818 | (0%) | Number of service stations | 1,810 | 1,818 | (0%) |
| 5.2 | 5.5 | (5%) | Product sales in mt | 15.9 | 16.3 | (2%) |

Millions of euros

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Financial Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 128 | 87 | 46% | Clean CCS Operating Result (EBITDA) | 342 | 232 | 47% |
| 61 | 49 | 24% | Clean CCS Net Income | 162 | 124 | 30% |
| 44 | 23 | 87% | Investments | 106 | 63 | 67% |

*This business unit includes the network of service stations, marketing of fuels through wholesale channels, marketing of biofuels, marketing of kerosene for the aviation market, sale of bunker fuels, as well as the sale of lubricants, asphalts and liquefied petroleum gas (LPG).

## Petrochemicals

In 9M 2019, the Clean CCS EBITDA of the Petrochemicals business unit increased by 6% compared to the same period of 2018 to €186 million, primarily due to the entry into force of IFRS 16 (+€19 million). Clean CCS Net Income stood at €70 million, 7% lower than the figure for the same period of 2018.

The Petrochemicals business unit's results were affected by a reduction in sales (4% lower than in the same period of the previous year), attributable to a global supply glut and related decline in the global margins of some petrochemical products.

Product sales amounted to 2,157 kt, highlighting the increase year on year of the LAB business unit offset by the mentioned acetone supply glut. Investments in this business unit stood at €53 million, focused principally on the project to expand the capacity of the LAB plant in Puente Mayorga (Cadiz) and roll out technology improvements there.

## Petrochemicals

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Operational Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 722 | 748 | (4%) | Product sales in (kt) | 2,157 | 2,238 | (4%) |
| *177* | *149* | *19%* | *LAB /LABSA* | *497* | *456* | *9%* |
| *401* | *442* | *(9%)* | *Phenol / Acetone* | *1,226* | *1,316* | *(7%)* |
| *144* | *158* | *(9%)* | *Solvent* | *434* | *466* | *(7%)* |

Millions of euros

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | Financial Figures | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 61 | 48 | 29% | Clean CCS Operating Result (EBITDA) | 186 | 176 | 6% |
| 21 | 15 | 35% | Clean CCS Net Income | 70 | 75 | (7%) |
| 27 | 23 | 16% | Investments | 53 | 51 | 4% |

## Cash Flow Statement

Millions of euros

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 560 | 469 | 19% | Clean CCS EBITDA | 1,551 | 1,229 | 26% |
| (84) | (58) | (45%) | Income Tax | (284) | (58) | (388%) |
| (57) | 7 | (889%) | Other adjustments to EBITDA | 28 | 33 | (16%) |
| 418 | 417 | 0% | Clean CCS Cash Flow from operating activities before changes in working capital | 1,294 | 1,203 | 8% |
| 53 | (72) | 173% | Changes in working capital | 80 | (173) | 146% |
| **470** | **346** | **36%** | **Cash Flow from Operations** | **1,374** | **1,030** | **33%** |
| (207) | (133) | (56%) | Organic investments | (718) | (530) | (35%) |
| - | (103) | 100% | Acquisitions | - | (1,370) | 100% |
| 45 | 49 | (8%) | Divestments | 75 | 86 | (13%) |
| **(162)** | **(187)** | **13%** | **Cash Flow from investment activities** | **(644)** | **(1,814)** | **65%** |
| **308** | **159** | **94%** | **FCF before net debt expenses and dividends** | **731** | **(784)** | **193%** |
| (30) | (33) | 9% | Interest paid | (89) | (78) | (14%) |
| (28) | - | (100%) | Operating leases (IFRS 16) | (90) | - | (100%) |
| **(58)** | **(33)** | **(77%)** | **Cash Flow from bank borrowings** | **(180)** | **(78)** | **(129%)** |
| **250** | **126** | **98%** | **Free cash flow before dividends** | **550** | **(862)** | **164%** |
| - | - | - | Dividends | (177) | (161) | (10%) |
| (5) | (27) | 83% | Minority dividends | (5) | (27) | 83% |
| **245** | **100** | **146%** | **Net Free Cash Flow** | **370** | **(1,049)** | **135%** |

## Financial Debt Analysis

Millions of euros

| | 9M 2019 | 9M 2018 |
|---|---|---|
| Non-current bank borrowings[1] | 2,970 | 3,236 |
| Current bank borrowings[1] | 628 | 458 |
| Bonds, obligations and similar issuances | 498 | - |
| Cash and cash equivalents | (508) | (779) |
| IFRS 16 impact | (786) | - |
| ***Net Debt*[2]** | ***2,802*** | ***2,915*** |
| ***Equity*** | ***5,565*** | ***5,364*** |
| ***IFRS Capital Employed (ND + E)*** | ***8,367*** | ***8,279*** |
| **Gearing Ratio (ND / (ND + E))[2]** | **33.5%** | **35.2%** |
| **ND / LTM EBITDA[2]** | **1.4x** | **1.8x** |

[1] IFRS 16 impact included as part of bank borrowings

[2] Excluding IFRS 16 impact in 9M 2019 figures. On January 1, 2019, IFRS 16 became into force, by which operating leases are capitalized in the Group's balance sheet. As of September 30, 2019, the impact of IFRS 16 in Cespa's books is an increase in financial debt of €786 M, and an increase in EBITDA of €107 M.

## Main Indicators

Millions of euros

| Q3 2019 | Q3 2018 | Q3 2019 vs Q3 2018 | | 9M 2019 | 9M 2018 | 9M 2019 vs 9M 2018 |
|---|---|---|---|---|---|---|
| 6,027 | 5,960 | 1% | Revenues | 18,113 | 18,351 | (1%) |
| **560** | **469** | **19%** | **Clean CCS Operating Result (EBITDA)*** | **1,551** | **1,229** | **26%** |
| *229* | *180* | *27%* | *Exploration and Production* | *712* | *445* | *60%* |
| *153* | *167* | *(8%)* | *Refining* | *347* | *412* | *(16%)* |
| *128* | *87* | *46%* | *Marketing* | *342* | *232* | *47%* |
| *61* | *48* | *29%* | *Petrochemicals* | *186* | *176* | *6%* |
| *(11)* | *(13)* | *13%* | *Corporation* | *(36)* | *(36)* | *2%* |
| **172** | **195** | **(12%)** | **Clean CCS Net Income** | **424** | **530** | **(20%)** |
| *30* | *66* | *(54%)* | *Exploration and Production* | *119* | *191* | *(38%)* |
| *68* | *72* | *(6%)* | *Refining* | *101* | *163* | *(38%)* |
| *61* | *49* | *24%* | *Marketing* | *162* | *124* | *30%* |
| *21* | *15* | *35%* | *Petrochemicals* | *70* | *75* | *(7%)* |
| *(9)* | *(8)* | *(18%)* | *Corporation* | *(27)* | *(24)* | *(15%)* |
| (57) | 26 | (317%) | CCS adjustment: Replacement cost valuation | (55) | 127 | (143%) |
| (7) | (3) | (128%) | Non-recurring items | 11 | 3 | 323% |
| **108** | **219** | **(51%)** | **IFRS Net Income** | **380** | **660** | **(42%)** |
| 9.3% | 12.0% | (23%) | Clean CCS ROACE | 9.3% | 12.0% | (23%) |
| 1.11 | 1.16 | (4%) | €/$ Average exchange rate | 1.12 | 1.19 | (6%) |
| 61.9 | 75.3 | (18%) | Brent price average ($/b) | 64.7 | 72.1 | (10%) |
| 5.7 | 6.4 | (11%) | Refining margin VAR ($/b) | 4.5 | 5.8 | (22%) |

* 9M 2019 and Q3 2019 includes impact on EBITDA of IFRS 16, amounting to €107 M and €45M respectively.

## Other Q3 2019 Highlights

- Mubadala Investment Company PJSC (Mubadala) and The Carlyle Group (Carlyle) reached an agreement for the acquisition of a significant stake in Cepsa. Pursuant to this agreement, Carlyle acquired a 37% stake in Cepsa, while Mubadala will remain the majority shareholder. The transaction was based on a valuation of the Company of $US12 billion and it was completed on October 15, 2019.

- Related to the above transaction, Cepsa has distributed by way of a dividend-in-kind its 42% stake in Medgaz to Mubadala. Commercial operations will not be affected because Cepsa will retain the right to transport 1.6bcm (billion cubic meters of gas) per annum, 20% of the gas pipeline's production, under the terms of the supply agreement already in place between Medgaz and Cepsa.

- Cepsa started up its Trading operations in Singapore to expand its business in Asia. The Company widened the catchment area of its Trading business with a new office in the largest financial hub in Asia where it can tap into new markets and customers.

- In a joint project with Cepsa, IONITY opened its first ultra-fast charging point in Spain. The facility—one of the fastest in Spain—is in Pallejà (Barcelona) and has four 350-kW chargers. Cepsa supplies 100% renewable electricity to these chargers.

- Cepsa launched a project to begin equipping its service stations with solar panels so that they can generate their own electricity. In a pilot phase of the program, three service stations in Spain were selected, located in Marbella (Málaga), Arganda del Rey (Madrid) and Tenerife.

**Cepsa** is a global energy company operating end-to-end in every stage of the oil and gas value chain. It also manufactures products from raw materials of plant origin and is active in the renewable energy sector.

It has 90 years of experience and a team of over 10,000 employees, who combine technical excellence with adaptability. It operates across all five continents through its business areas: Exploration and Production, Refining, Petrochemicals, Marketing, Gas and Electricity, and Trading.

Madrid, November 8th, 2019

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