ANNUAL REPORT AND CORPORATE RESPONSIBILITY REPORT
2011

CEPSA

Key Figures

Results

Millions of euros

	2011	2010	2009
Sales turnover	24,989	19,744	16,084
Adjusted operating income	822	680	468
Adjusted net attributable profit	425	418	270
Net attributable profit (IFRS)	640	634	375

Financial Data

Millions of euros

	2011	2010	2009
Share capital	268	268	268
Net equity attributable to the parent company	6,026	5,689	5,288
Net financial debt	1,431	1,561	1,388
Investments during the year	742	621	951
Investment in Corporate Responsibility initiatives	4.1	3.6	3
Dividends distributed by CEPSA	321	254	214

Operating Data

Millions of euros

	2011	2010	2009
Crude oil output *(working interest)* (BOPD)	120,806	122,923	116,891
Crude oil sales (BOPD)	24,920	28,699	31,696
Distilled crude oil (BOPD)	444,680	427,458	408,623
Product sales (millions of tons)	29.8	28.7	28.7
Electric power production (GWh)	3,573	3,613	3,273
Natural gas sales (GWh)	25,250	25,624	21,338

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Market and Business Data

	2011	2010	2009
Brent crude oil price ($/barrel)	111.27	79.47	61.51
Cracking refining margin ($/barrel)	0.56	1.34	0.40
Hydroskimming refining margin ($/barrel)	(6.61)	(4.18)	(3.73)
Electricity pool price (€/MWh)	49.93	37.01	36.96
Natural gas price (Henry Hub Spot, €/MWh)	9.80	11.24	10.19
Exchange rate $/€	1.392	1.327	1.393
Three month Euribor rate (%)	1.39	0.81	1.21
CPI (%)	2.4	3.0	0.8

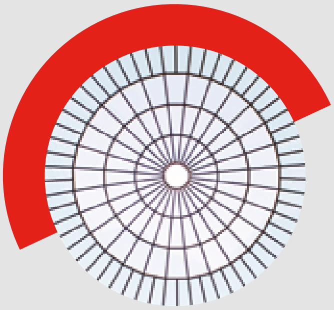
Staff

	2011	2010	2009
Number of employees	12,006	12,046	11,943
Training Hours	427,368	450,000	462,839
Lost-time accident frequency rate *	3.07	3.76	4.11
Economic value distributed to employees (millions of euros)	587	572	531

* Number of lost-time accidents per million hours worked (own staff).

Environment

	2011	2010	2009
Environmental expenses (millions of euros)	72.71	70.70	78.87
Environmental investment (millions of euros)	19.34	66.08	41.11
Direct energy consumption (thousands of gigajoules)	105,670	105,669	95,794
Water consumption (thousands of m2)	43,409	39,413	35,408
Total emissions (kt CO_2 eq)	6,244	5,944	5,786



Key Indicators

Millions of euros

	2011	2010	2009
SALES TURNOVER*	24,989	19,744	16,084
ADJUSTED OPERATING INCOME	822	680	468
ADJUSTED NET ATTRIBUTABLE PROFIT	425	418	270
INVESTMENTS DURING THE YEAR	742	621	951
DIVIDENDS DISTRIBUTED BY CEPSA	321	254	214
INVESTMENT IN CORPORATE RESPONSIBILITY INITIATIVES	4.1	3.6	3.0
NET ATTRIBUTABLE PROFIT (IFRS)	640	634	375

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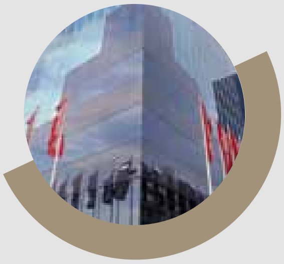


Letter from the Chairman

"Our goal is to create a more competitive and robust company, geared to withstand the challenges facing the energy industry, and primed for great success in the future"

It has been another successful year for CEPSA, and I am pleased to write to you for the first time as Chairman of the CEPSA Group. It has been nearly ten months since IPIC became the sole shareholder of CEPSA, and I would like to take this opportunity to share with you our vision for CEPSA.

Fundamentally, we want to transform CEPSA into a truly global energy company. We believe CEPSA will achieve this goal primarily through the expansion of its international presence, targeted strategic acquisitions, and organic growth in its core petrochemicals and E&P businesses. We will also seek to implement efficiency gains throughout the organization. Ultimately, our goal is to create a more competitive and robust company, geared to withstand the challenges facing the energy industry, and primed for great success in the future.

While we envisage significant growth for CEPSA, we are cognizant that growth must also be sustainable. As articulated in the strategic plan approved by the Board of Directors at the end of 2011, we believe it is essential to tailor CEPSA's organization and the structure of its businesses to its future goals and challenges. Over the next year, we want to implement effective and streamlined decision-making processes, drive innovation, and optimize CEPSA's operational performance and productivity. We will encourage a workplace that attracts talented professionals, and appropriately rewards performance, to ensure that outstanding management is retained for the ongoing success of the company. We will push towards these goals while at the same time maintaining CEPSA's strong commitment to health and safety.

CEPSA, the energy industry, and the global economy as a whole, are in the midst of major transformations. In order to succeed in this rapidly-changing environment, CEPSA requires an ability to quickly and effectively

"CEPSA requires an ability to quickly and effectively respond and adapt to shifting market dynamics. CEPSA will focus primarily on its E&P and petrochemical units as key growth drivers"

respond and adapt to shifting market dynamics. CEPSA will focus primarily on its E&P and petrochemical units as key growth drivers. In E&P, the target is to sharply raise the company's oil and gas reserves in the immediate future. We are actively seeking out opportunities to grow the upstream business both organically and through acquisitions, and by maximizing production in areas where the company currently operates. As a priority objective, CEPSA will seek to make selective strategic investments in new and promising areas that will significantly expand and diversify its acreage portfolio.

CEPSA also plans to broaden its global petrochemical activities, particularly in Asia, where tremendous growth and market opportunities are available. Already, CEPSA has made a major investment in China via its new phenol and acetone complex.

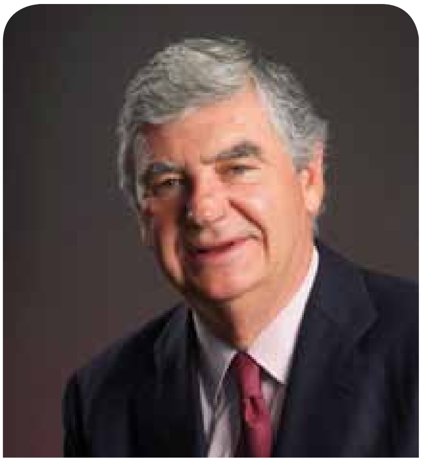
There is no doubt that the performance of CEPSA's downstream activities will face challenges in the current environment. The outlook for refining and marketing in Europe is not especially encouraging. Accordingly, considerable efforts must be targeted towards optimizing CEPSA's refining facilities. CEPSA will relentlessly pursue efficiency gains, and will adapt production to meet market conditions. CEPSA will, over the next twelve months, also focus on leveraging its retail presence, and identify and pursue complementary commercial opportunities.

These bold targets should not make us lose sight of the increasingly complex and demanding business environment in which we conduct our activities. We remain committed to ensuring that CEPSA continues to manage its operations safely, reliably and in a socially and environmentally-responsible manner. In other words, CEPSA's commitment to the highest operational standards will not diminish in any way.

I am confident that CEPSA has the necessary strengths and capabilities to successfully rise to the challenges that lie ahead. I am also confident CEPSA's personnel will do so with tremendous drive and enthusiasm. The company's fundamentally strong financial position, despite the difficult domestic and global environment, will allow us to face the future optimistically and push forward towards accomplishing these goals. I look forward to a busy and exciting year for CEPSA.

H. E. Khadem Al Qubaisi
Chairman

Letter from the Co-Chairman



Firstly, I would like to mention the principal event that has taken place in relation to CEPSA's shareholding structure and which represented a milestone in the over eighty years of the Group's history. As you already know, last year, the Sovereign Wealth Fund of Abu Dhabi, International Petroleum Investment Company (IPIC), acquired 100% of CEPSA's shares, becoming the sole shareholder of the Company after 23 years as a shareholder. Following this event, CEPSA became a Single-Shareholder Corporation and as such, is no longer listed on the Spanish Stock Market, which it had been previously without interruption since 1929.

However, now, in a context of uncertainty on the international and national economic landscape, CEPSA is proposing the development of its business affairs with the endorsement of possessing an enviable track record and the backing of a financially sound partner. On an international scale, IPIC offers CEPSA the opportunity to grow above and beyond previous objectives it had set itself. The fact is that nowadays, companies must look abroad in order to overcome the current situation.

2011 was characterized by the continued uncertainty in the markets and, in particular, by the situation in Spain, which is still submerged in the crisis. In this context, in 2011, the CEPSA Group achieved Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA), of 1.54 billion euros, slightly exceeding that obtained in the previous financial year. Adjusted Operating Income rose to 822 million euros, also higher than that achieved in 2010, and Adjusted Net Income was 425 million euros, similar to that of the previous financial year.

The economic forecasts for 2012 do not offer an encouraging outlook. Spain has been once again on the path to recession during the first few months of 2012 and, according to the International Monetary Fund, it is estimated that the Spanish economy will fall by close to 2%. The stock market has recently hit lows similar to those of 2009, and the risk premium has peaked above the 400 basic points level. Meanwhile, we are taking the initial steps in tax and labor reforms that are necessary but which imply significant adjustments that should make it possible to fulfill the deficit objectives imposed by Europe over the next two years.

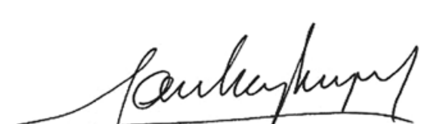
Where the Eurozone is concerned, the IMF also foresees a 0.5% drop in GDP (compared to growth of over 8% in China and 7% in India). This data, together with the huge cuts Spain will have to implement, which will involve significant austerity measures, mean that the outlook is not too promising in terms of the recovery periods. We are also currently facing a sizeable foreign balance of payments issue, which implies a significant loss of competitiveness.

How does all of this affect the sector in which CEPSA operates? Firstly, it must be emphasized that Spain is a country that is 99.8% energy dependent in terms of oil, with a surplus installed refining capacity. Furthermore, the demand for oil products in Spain has fallen, and we face tough competition from products outside Europe, governed by less stringent production and environmental regulations enabling them to be more competitive. In order to counter this situation, CEPSA is committed to operational efficiency so that we have the tools to improve our competitiveness in an environment that is no longer just national but global.

Looking to the year ahead, I wish to highlight that CEPSA has solid foundations, an ambitious national and especially international plan, an esteemed partner and economic and financial soundness that will enable it to react firmly to the new environment.

CEPSA is undergoing a process of internal change in order to adapt to the new market needs and the requirements of our plans for growth. The experience, commitment and training of its 12,000 professionals will be key to fulfilling the objectives and achieving the goals that we have set ourselves, and thanks to their involvement and ability to adapt, we have the formula for success.

Companies that overcome crises emerge stronger, and innovative companies are those which endure because they know how to react to change and address the needs of any given moment. The more than eighty years of CEPSA's history are, without any doubt, a guarantee.



Santiago Bergareche Busquet
Co-Chairman

Letter from the COO

In 2011, CEPSA successfully maintained its financial results at similar levels to those of the previous year, despite a highly complex macroeconomic environment. Above all, I wish to congratulate the CEPSA teams for having worked efficiently during a year full of ups and downs.

The Exploration and Production, Petrochemicals, and Gas and Power units performed well throughout the year due, in part, to the improvement of international markets, in the case of Exploration and Petrochemicals, and to the marked increase of the pool price, in the case of Power. However, both Refining and Marketing suffered reduced margins and demand, which put a stranglehold on their results. This circumstance, which has not changed trend, shows us that 2012 will not be without its difficulties.

As such, during the financial year, CEPSA operations have experienced various scenarios. The Exploration and Production department has experienced a 46% increase in the adjusted operating income, reaching 487 million euros, thanks to the increase in the price of crude oil throughout the year. The principal milestones during the financial year were: the awarding of the Rhourde Rouni block in Algeria and the first positive results achieved in three licensing processes in Colombia, now in the testing phase. CEPSA has achieved a high degree of know-how in this unit over the last twenty years, developing its own technology, which has enabled us to realistically consider increasingly ambitious objectives.

The Refining and Marketing units have experienced an 8% drop in their adjusted operating income, despite increased production and sales, fundamentally due to tighter margins. The unit's adjusted operating income reached 121 million euros, 14 million lower than that of 2010. The European refining industry is in a delicate situation. It is estimated that around 20% of existing refineries, the less efficient ones, will face closure in the coming years. We can draw two conclusions from this situation. The first is that this data gives an idea of the downward forecasts for the demand for fossil energy products in Europe, and the second is that the operators are entering a race to be the best and most efficient. In this competition, CEPSA will fight to be amongst the leading group.

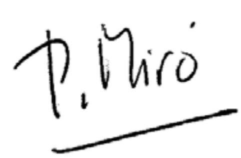
The Petrochemicals unit obtained an operating income of 185 million euros in 2011, 28% higher than in 2010. The efforts made in this area of business, together with the new structure and improved margins, has meant that in 2011, sales were slightly above those of 2010. CEPSA is focusing its efforts on the Asian market, with strong rates of growth. In the final quarter of 2011, the company laid the first stone of the project to build a factory with the capacity to produce 250,000 tons of phenol and 150,000 tons of acetone, in Shanghai. These products are mainly used in the automobile and construction industries, both experiencing significant growth rates in China.

Finally, in Gas and Power, electricity sales maintained similar levels to those of 2010, although the new Lubrisur cogeneration plant at the "Gibraltar-San Roque" refinery came into operation during the month of August. Gas sales experienced a slight drop due to less activity at the combined cycle plant located at the "Gibraltar-San Roque" refinery during the year. Likewise, during 2011, the Medgaz pipeline came into service and CEPSA played a crucial role in the development of this international project. Overall, the unit's income, which benefitted from a high pool price, was 38% higher than the previous year, reaching an adjusted operating income of 29 million euros.

The investment made during the year was 742 million euros and the ratio of debt to equity fell to 23.5%, a figure that enables us to start from a sound position faced with the investment drive the company is going to undertake.

CEPSA will naturally continue giving priority to safety and I am proud to say that our accident frequency rate dropped to an impressive 2.8 lost-time accidents per million hours worked, thanks to the excellent performance of our professionals, who have managed to reach a Group historical minimum, having reduced it by five points since 2005.

This data serves as an incentive to continue tirelessly improving safety aspects, without losing sight of the quality of our products and those aspects related to our environment.



Pedro Miró Roig
Chief Operating Officer

Board of Directors

H.E. Khadem Al Qubaisi

Chairman

A graduate of the University of the United Arab Emirates (UAE) with a degree in Economics, Mr. Al Qubaisi began his professional career as a financial analyst at the Abu Dhabi Investment Authority and subsequently headed the Investment Management Division at International Petroleum Investment Company (IPIC). He is a Board member and Managing Director at IPIC and serves as Chairman of Aabar Investments, National Central Cooling Co., Abu Dhabi National Takaful Co., I-Media Newspaper, Nova Chemicals and First Energy Bank, Chairman of the Supervisory Board of Borealis AG and Vice-Chairman of the UniCredit banking group. Mr. Al Qubaisi is Chairman of the Board of Directors and Executive Committee of CEPSA and a member of the Nomination and Compensation Committee.

Santiago Bergareche

Co-Chairman

Mr. Bergareche has a degree in Economics and Law from the University of Deusto (Bilbao, Spain). Among the numerous executive positions he has held throughout his professional career, he served as General Manager and a member of the Management Board of BBVA, Chairman of Metrovacesa and Chief Executive Officer of the Ferrovial Group. He is currently a member of the Boards of Directors of various corporations: Vice-Chairman of the Ferrovial Group, Director of Vocento and non-executive Chairman of Dinamia. In CEPSA, Mr. Bergareche is Co-Chairman of the Board of Directors, Chairman of the Nomination and Compensation Committee and a member of the Executive Committee and Audit Committee.

HRH D. Carlos de Borbón-Dos Sicilias, Infante of Spain

Director

A Law graduate, he became Chairman of Dehesa de la Higuera. S.A. in 1964 and continues to hold this office. He was the legal advisor for Spain at Petróleos Mexicanos (PEMEX) until 1984, and in that same year, he was appointed Director of PETRESA, a CEPSA affiliate company. He is a member of the Board of Trustees of the Banesto Cultural Foundation and is currently a Director on the Boards of Reyal Urbis, ThyssenKrupp, Iberpistas and Telvent and Chairman of the Royal Trustees of the Naval Museum. HRM D. Carlos de Borbón is a member of CEPSA's Board of Directors.

Murtadha Al Hashmi

Director

Mr. Al Hashmi graduated in Accounting and Information Systems from the United Arab Emirates University in Al Ain (UAE). He joined the Abu Dhabi National Bank in 1989, in the Budget and Financial Control Department. In 1993 he began working for International Petroleum Investment Company (IPIC) as an assistant to the Finance Manager and was later appointed Finance Manager, in charge of planning, implementing and overseeing the activities of the financial division. He was subsequently promoted to his current position as Chief Financial Officer (CFO). At present, Mr. Al Hashmi serves as Chairman of CEPSA's Audit Committee and is a member of the Board of Directors and Executive Committee.

Mohamed Al-Husseiny
Director

Mr. Al-Husseiny holds a Bachelor of Science degree in Accounting from Louisiana State University (USA) and is a Certified Public Accountant for the State of Texas. He began his professional career as a Senior Manager at Humphrey & Associates in Houston, and later became Chief Financial Officer for several major energy and industrial firms in Oman, Saudi Arabia and Abu Dhabi. He has been Chief Executive Officer of Aabar Investments PJSC since May 2009. He is also the Chairman of Falcon Private Bank Ltd. and a member of the Board of Directors of Mercedes GP, Aabar Europe Holdings GmbH, Virgin Galactic and Xojet. Mr. Al-Husseiny currently serves as a member of CEPSA's Board of Directors, Audit Committee and Nomination and Compensation Committee.

Pedro Miró
Director

A graduate in Chemistry, Mr. Miró has spent his entire professional career with CEPSA. He was the Director of the Company's Research Center for over 10 years and also Technology Manager. In 2004 he was appointed Vice President of Exploration & Production and in 2009 he was designated a member of the Executive Management Committee and Senior Vice-President of Technical Operations, in charge of the Group's Refining and Electric Power businesses, as well as other corporate areas. He was MEDGAZ Chairman from 2000 until its commissioning in March 2011, and is a Director of CLH (Compañía Logística de Hidrocarburos) and Concawe, and Vice-President of Europia. He is currently Chief Operating Officer at CEPSA and a member of the Company's Board of Directors and Executive Committee.

Ignacio Pinilla
Non-Director Secretary

A Law graduate, Mr. Pinilla worked as a State Attorney for the Spanish Government in the Ministries of Health and Finance. Following his years of public service, he went on voluntary leave and since then has worked in the private sector, occupying the position of Corporate Secretary of Portland Iberia, S.A. and Board Secretary and Director of Legal Affairs at Construcciones Aeronáuticas, S.A. and Iberia S.A. In 2001 he joined CEPSA as Vice President of Legal Affairs and General Counsel. Following IPIC's acquisition of 100% of CEPSA's share capital in 2011, he was appointed Senior Vice President of Corporate Legal Affairs and General Counsel and was designated Secretary of the Board of Directors in January 2012.

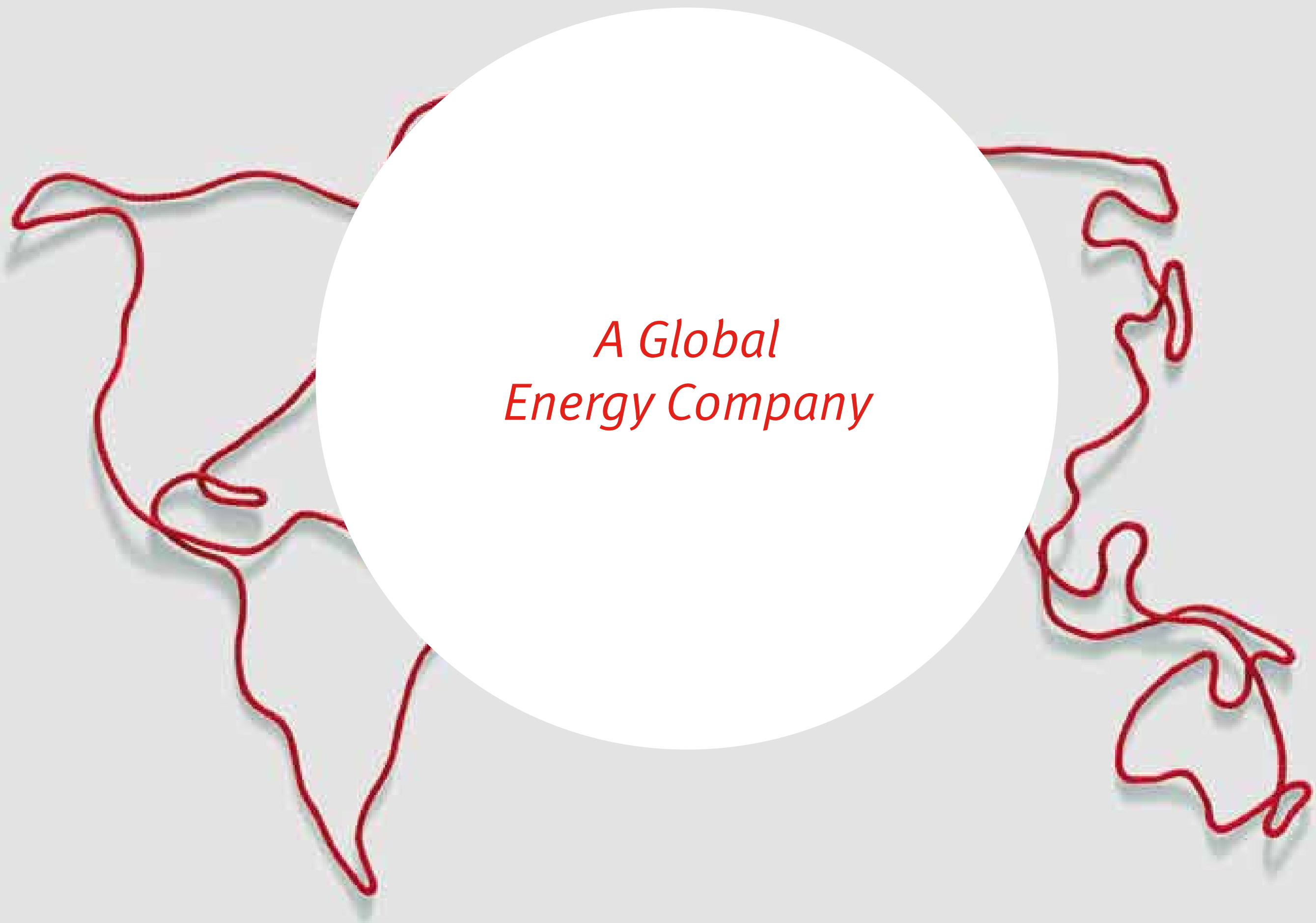
Carmen Cagiga
Non-Director Vice-Secretary

Ms. Cagiga earned her Law degree from the Complutense University of Madrid. In 1973, she joined CEPSA in the Legal Department, working for the first ten years as an attorney in different areas such as corporate, environmental and European Community law. In 1990, she was promoted to Senior Attorney, in charge of Corporate Legal Affairs, providing legal counsel to the Secretary and Vice-Secretary of CEPSA's Board of Directors. On January 31, 2012, Ms. Cagiga was appointed Vice-Secretary of the Board of Directors.

Towards a New CEPSA

- IPIC and CEPSA
- Commitment to Growth
- Corporate Governance
- Commitment to Sustainability
- Our Employees
- Innovation and Technology

A Global Energy Company



IPIC and CEPSA

Since August 2011, International Petroleum Investment Company (IPIC) has been CEPSA's sole shareholder. IPIC is an investment group, established in 1984 by the government of Abu Dhabi with a mandate to invest in the energy sector and in other related industries worldwide.

IPIC acquired a stake in CEPSA in 1988, and since then both firms have maintained close links and have worked in cooperation. For CEPSA, having IPIC as its sole shareholder has presented it with a magnificent opportunity for growth as well as a significant business challenge.

As CEPSA now sets out on this new phase with IPIC, it is focused on consolidating its standing as a major Spanish company and strengthening its position in the Iberian market by broadening its oil and gas exploration and production activities as a share of the Company's overall business. It also aims to accomplish this objective by driving its international expansion with the support of the connections IPIC enjoys in the industry.

INTERNATIONAL PETROLEUM INVESTMENT COMPANY

For CEPSA, having IPIC as its sole shareholder has presented it with a magnificent opportunity for growth as well as a significant business challenge

CEPSA

CEPSA is an integrated energy company operating at every level of the oil value chain:

- Exploration & Production
- Refining, Distribution & Marketing
- Petrochemicals
- Gas & Power

Incorporated in 1929, CEPSA is Spain's third largest industrial group in terms of turnover, (see Ranking 5000 by Actualidad Ecónomica/ Iberinform for 2011). It employs 12,006 staff in Europe, Asia, Africa and America, it has a strong international presence and is actively undertaking a commitment to business expansion.

INTERNATIONAL PETROLEUM INVESTMENT COMPANY

Over the past 28 years, IPIC has acquired a wealth of experience in the energy industry and in investment portfolio management.

IPIC believes that capitalizing on the synergies between the businesses in which it has a stake and the amicable relationships between its business partners worldwide are its most valuable assets and a key component of its success and long-term growth. Its slogan, *Value Through Energy Partnership*, succinctly reflects that vision.

It has shareholdings in more than 15 leading corporations along the entire length of the oil industry value chain, which include exploration and production firms, shipping companies and oil pipelines, marketing and distribution, petrochemicals, power generation and industrial services. IPIC holds stakes of variable proportions in the companies in which it invests. Its current portfolio ranges from minority interests, of just 4% to 100% of the share capital, depending on factors such as size, the potential for synergy within the group and investment opportunities.

It is present in the highest governing bodies of the firms in which it has invested and is actively involved in formulating strategy and setting their business objectives, while entrusting the local management teams, who have the knowledge and experience in their market, with the implementation of the strategy and the day-to-day operation.

Commitment to Growth

Our strategic objective is to achieve significant global expansion, with a strong emphasis on developing the Petrochemical and Exploration & Production units

Our 2012-2016 Strategy aims to turn CEPSA into one of Europe's leading energy corporations, with a highly integrated organization and a strong international presence. Our growth will be focused mainly on the Exploration & Production and Petrochemicals units, without neglecting any opportunities arising for our other businesses such as Refining and Marketing. We are also promoting cross-divisional initiatives to streamline processes, save energy and contain costs, something we have already been implementing in recent years.

Our primary goal is to achieve a better balance and greater diversification of the income generation in our business units through organic growth and acquisitions. To accomplish this key objective we need to:

1/ Maintain a healthy balance sheet.

2/ Keep a strict control over risks, enabling us to deal with any possible variation in the economic and industrial climate.

3/ Make sure we have the resources available to fund this organic development and take advantage of any possible opportunities for profitable acquisitions that bring growth and generate value.

The core elements of the 2012-2016 Strategic Plan are as follows:

- Strong growth in Exploration & Production.
- International expansion in Petrochemicals.
- Efficiency maximization in production centers.
- Cost control in all Business Units.
- Increased market share and better return on marketing.

We are investing to adapt to market requirements, improving our energy efficiency and increasing the manufacture of petrochemical products

Exploration & Production

We aim to achieve a balanced growth in exploration and production, based on three key cornerstones:

- Asset acquisition to boost the replacement of reserves and resources (inorganic growth).
- Increase exploration activities, diversifying our current licenses, both onshore and offshore (organic growth).
- Foster high-tech projects allowing us to optimize our production activities.

Refining

The fall in the consumption of oil products stemming from the current economic crisis has led to a process of rationalizing refining assets in order to address overcapacity in the European Union. In addition, the sector is facing stiff competition from refineries in other parts of the world with lower production costs and less stringent environmental legislation than in Europe.

At CEPSA we are investing to adapt to market requirements, channeling our efforts towards reducing the shortage in diesel and other middle distillate products and increasing the manufacture of petrochemical products. We are also investing in operational excellence, cost reduction and in improving the efficiency and integration of the value chain, leveraging existing synergies with the Sales & Marketing and Petrochemical units.

Sales & Marketing

We will strive to optimize our business performance in Spain and Portugal, and seek out new markets.

The addition of new sales outlets and the upgrading of existing ones are the strategic objectives identified by the Group for strengthening our relationships with our customers and securing a solid market position. The Company aims to stand out from its competitors by the way it treats its customers and through a superior standard of service. Providing service excellence to professionals, securing customer loyalty and maximizing our capacity to generate income from non-oil products and services are the factors that will set us apart.

Petrochemicals

CEPSA's Petrochemicals unit occupies a strong competitive position as one of the world's major manufacturers of detergent raw materials, polyester precursors, phenol-acetone and intermediate solvents. We are striving to strengthen our position as a leading player in the global market through the diversification of our product lines, efficiency improvements and expanding our output capacity. Other strategies include the acquisition of manufacturing firms in regions experiencing strong growth and utilizing our state-of-the-art technology to its best advantage.

We are implementing far-reaching changes to create a more flexible, integrated and efficient CEPSA

Gas & Power

We are taking a two-pronged approach to our gas & electric power business. On the one hand, we will further integrate the Group's value chain, from gas supply through to the sale of electricity by generating synergies with the rest of the operations, including vertical integration of the production, transport and sales in the gas business, and by securing supply in the medium and long-term. On the other hand, we aim to increase our share of the wholesale and retail markets.

New Organizational Structure

An efficient organization with a strong international presence, serving our strategy for growth.

In order to accomplish these strategic objectives, far reaching changes are being introduced to our business units through their administrative and functional reorganization. This restructuring will result in a more flexible, integrated and efficient CEPSA, giving predominance to multi-level and cross-divisional functions. We are steering towards a simple and streamlined structure, with well-defined functions, responsibilities and roles. Business units will be more centralized and will operate with a high degree of independence.

The aim of this new organization model is to achieve maximum efficiency in the running of the business. The corporate functions must contribute value, facilitate knowledge-sharing and maximize technical capabilities in all business units. There will be a standardized management and reporting model in the Business Units across the whole Group.

Corporate Governance

Governing Bodies

Corporate governance at CEPSA is designed to enable the Company to accomplish its strategic objectives. It applies international best practices to the running of its business and it safeguards the interests of all groups and stakeholders who have a connection with the company. Although, since August 2011, the company is no longer listed on the stock market, we continue to apply corporate governance standards comparable to those of listed companies.

Board of Directors

CEPSA is a 100%-owned subsidiary of IPIC. As a result of IPIC's acquisition of 100% of CEPSA's share capital, the Group changed its legal corporate status from a Public Limited Company (S.A.) to a Single Shareholder Corporation (S.A.U.)

On January 31, 2012, changes were made to the structure of the Board of Directors and to the composition of the Board committees in order to reflect the new shareholding structure. At the same time, the corporation's governing bodies were granted greater autonomy.

The mission of the Board of Directors is to determine the Company's strategic direction and its financial objectives, and also to ensure that the Company responds to the concerns and the needs of the society in which it operates. The Board's functions are delegated to an Executive Committee, with the exception of those functions that are non-transferable by Law. In 2011 the Board of Directors met on nine occasions.

VISION, MISSION AND FOUNDING PRINCIPLES

VISION: We aspire to be a closely integrated, high performing and customer-focused energy and petrochemical Company that generates value, respects the environment and is socially responsible.

MISSION: Our business is to conduct our operations in the oil and gas value chain, efficiently, responsibly and profitably, in order to provide the regions in which we operate with a secure supply of energy.

FOUNDING PRINCIPLES: Respect for individual rights, transparent management processes, the quality and safety of our operations and our products and environmental protection are the foundations of our business conduct.

Composition of the Board of Directors and its Committees (as of March 22, 2012)[1]

Name	Board of Directors	Executive Committee	Audit Committee	Nomination and Compensation Committee
Honorary Chairman Carlos Pérez de Bricio				
H.E. Khadem Al Qubaisi	Chairman	Chairman	–	Member
Santiago Bergareche	Co-Chairman	Member	Member	Chairman
HRH D. Carlos de Borbón-Dos Sicilias	Member	–	–	–
Murtadha Al Hashmi	Member	Member	Chairman	–
Mohamed Al-Husseiny	Member	–	Member	Member
Pedro Miró	Member	Member	–	–
Ignacio Pinilla[2]	Secretary	Secretary	Secretary	Secretary[3]
Carmen Cagiga[2]	Vice-Secretary	Vice-Secretary	Vice-Secretary	–

[1] Composition of the Board of Directors and its Committees at the date on which the 2011 Financial Statements, Management Discussion & Analysis and Proposal for Profit Distribution of Compañía Española de Petróleos, S.A.U. (CEPSA) were approved.

[2] Non-Director.

[3] Succeeded by Carlos Morán, Vice President of Human Resources and Organization, in May 2012.

Board Committees

The Board executes its functions through three committees:

- **The Executive Committee** is the body to which the Board of Directors delegates its powers, with the exception of those that cannot be delegated. It reports to the Board of Directors and to the Company's top management. This Committee was created in August 2011 and did not hold any meetings during 2011. It has four members and is governed by the Board of Directors' Regulations.
- **The Audit Committee** is made up of three Board Members, appointed by the Board of Directors on the basis of their professional experience and their accounting, financial and auditing skills and knowledge. The Audit Committee, governed by its Internal Regulations and by the Board of Directors' Regulations, meets at least quarterly. In 2011 it met four times.
- **The Nomination and Compensation Committee** has three members and is governed by the Board of Directors' Regulations. Given its nature, no minimum number of meetings is established for this committee. In 2011 it met 3 times.

Compensation of Board Members and Senior Management

Board compensation is governed by the corporation's by-laws and the Board of Directors' regulations. It is made up of a fixed annual payment, determined by the General Shareholders Meeting, and fees for attending meetings of the Board and its committees. The overall amount paid to all the members of the Board shall not exceed 1% of the total consolidated revenues of the Company during the previous year. The fixed annual fees shall be distributed among the Directors at the time and in the manner and proportion as resolved by the Board of Directors itself, in accordance with the dedication and relevance of the functions and duties of each Board member.

Senior Management compensation (to which 0.015% of the Company's revenues has been assigned) comprises a fixed sum and a variable amount established as a percentage of the fixed salary, and it depends on the extent to which certain objectives have been accomplished during the year. These objectives are based on the Group's consolidated financial results, occupational safety indices, operational aspects of the business and individual performance.

Board and Senior Management Compensation (2011)

Thousands of euros

	Fixed	Variable	Other components	Compensation payments	Total
Board	489	3,450	1,123	1,697	6,759
Senior Management	2,627	1,028	1,081		4,736
Total	**3,116**	**4,478**	**2,204**	**1,697**	**11,495**

Risk Management

CEPSA operates in countries with varying regulatory frameworks and its activities are involved in the entire value chain of the oil and natural gas industry. The CEPSA Group's Risk Control System seeks to manage every kind of risk that might affect how its operations are carried out and their results. The primary aim of its policies, in accordance with the strategy laid down by the corporate management, is to achieve an optimum balance between costs and the risks covered.

The Board of Directors keeps regular track of the risks, through the Audit Committee and the Managers of the different Business Units. It is the role of the Environmental Protection, Safety and Quality Committee to periodically review all risks in these areas and propose any changes or improvements to the measures, where applicable.

CEPSA has a management system that is based on the application of an existing regulatory framework, comprising Basic Rules & Standards, Procedures and Manuals that set out guidelines for the behavior and actions of individuals, fostering internal control through audit plans that help prevent unethical conduct. Unrestricted access to the system is provided through internal consultation channels.

In 2011 and in meeting our goal of completing and updating our Corporate Governance System, considerable efforts were made to develop the CEPSA Group's Code of Ethics and Conduct, which includes specific anti-corruption and anti-bribery measures. This Code, along with other Compliance and Governance rules and standards, will be brought before the Company's governing bodies for approval throughout 2012.

MAIN RISKS COVERED BY THE RISK CONTROL SYSTEM

- **Financial Risks**, deriving from developments in financial markets, interest rates and exchange rates, counterparty hedging and customer credit risks.
- **Market Risks**, produced by increases or volatility in the prices of crude oil and petroleum derivatives and gas, as well as fluctuations in production and sales margins.
- **Industrial Risks**, stemming from the Group's operations. We have implemented a risk prevention and safety system meeting the international OHSAS 18.001-2007 standard. Our procedures reflect the standards applied by best practice procedures and ensure the highest possible levels of safety, placing special emphasis on eliminating risks at source.
- **Regulatory Risks**, arising from changes to legislation applicable to our business in Spain or in other countries in which CEPSA operates.
- **Environmental Risks**, are identified as those that could produce an impact on the environment, including atmospheric gases, water use, spillages into the soil and groundwater and waste handling and treatment.
- **Information Risks**, to ensure the availability, integrity, continuity, confidentiality and auditability of the information needed for the smooth running of the Group's business.

  The Group's Information Safety Management System has achieved ISO 27001 certification –the highest international standard for information security.

Commitment to Sustainability

Sustainability, understood as accomplishing our business objectives over time, through ethical business conduct, respect for human rights and the minimization of environmental impacts, is at the heart of how the CEPSA Group runs its business

Our Idea of Sustainability

CEPSA operates in countries with diverse cultures and levels of economic and social development, sometimes in sensitive natural environments. CEPSA considers its business to include those factors that may have a bearing on its success in the long term. At CEPSA, the concept of success goes hand in hand with sustainability over time, and this implies aspiring towards excellence each day in order to improve in the future. As a firm in the energy sector, CEPSA has made an irrevocable pledge to all societies it serves to produce safe, clean energy that contributes towards their sustainable economic development.

The company's competitiveness and its relationship with its surrounding environment are both key factors in the creation and fair distribution of wealth. For this reason, CEPSA's business model fully integrates sustainability at every stage, from exploring for crude oil and gas, through to the sale of its products and services.

Our ambition is that all our resources, including human, technical and economic resources, combined with our technical expertise, will contribute towards making CEPSA one of most competent energy firms in its field, and to building a solid reputation for its respect for the environment and society at large within the framework of an ethical and transparent code of conduct

We are confident that our stakeholders acknowledge our day-to-day efforts and see compelling reasons to place their trust in us. We continuously strive to ensure that:

- Our employees work in a safe and fair environment, one that promotes their professional development and allows them to achieve a positive work-life balance, and that our sub-contractors and suppliers are also able to share these values with us.
- Our shareholder regards CEPSA as a competent, trustworthy, reliable and steadfast partner, which contributes its knowledge and experience to our shared projects.
- Our customers perceive CEPSA as a company that offers them attentive service and delivers the highest quality in our products and services that consistently meet their needs.
- People living in the communities where we operate feel that their needs and concerns are addressed and experience the benefits provided by CEPSA.

In this 2011 Annual Report and Corporate Responsibility Report we have stated how we have put these ideas into practice and how we are preparing to successfully embark on this new stage in the Group's history.

Sustainability is fully integrated into CEPSA's business model at every stage

Ethical Conduct and Respect for Human Rights

Integrity, transparency and respect for human rights represent the bedrock of our corporate culture. Our vision, our principles for good governance and our internal rules lay down a strict code of conduct and an effective means of tracking its compliance. This code of conduct takes on greater relevance the more diverse the cultural, social and legal environments are in the countries in which CEPSA operates.

The Company agrees to and incorporates into all its activities the Universal Declaration on Human Rights and the agreements of the International Labor Organization (ILO) relating to them, and also adheres to the guidelines of the Organization for Economic Cooperation and Development (OECD), the United Nations Global Compact and the Code of Good Tax Practices set out by the Government.

CEPSA's stance in terms of equality, explained in detail in the chapter "Our Employees" herein, is a clear example of the firm's efforts to prevent and eradicate any form of discrimination.

In Exploration and Production, we place great importance on protecting our staff and our assets in our field operations. Our physical safety policies lay down a framework of how to act with regard to security based on the Voluntary Principles on Security and Human Rights, promoted by the governments of the United States, United Kingdom, the Netherlands and Norway, and observed by all the major exploration firms in the oil industry.

Impact on the Environment and Safety

Managing our environmental impact is a key factor in the oil and gas business and one of the overriding aspects of CEPSA's objectives relating to sustainability.

The Group's growth and international expansion, two aspects which define CEPSA's future development, increase the Company's exposure to environmental and security-related risks. Faced with this challenge, we will firmly uphold our standards of excellence in the running of our business and in our relationships with our numerous stakeholders.

Economic Performance Indicators

One of our corporate objectives is to earn a sustainable financial profit and distribute it fairly amongst everyone who contributes to generating it.

Economic Value Generated [1]

Millions of euros

	2011	2010	2009
Net turnover (including excise taxes)	27,199	22,084	18,365
Other operating income	206	117	177
Financial income	26	39	30
Share in profits of associated companies	43	32	35
Gains from the disposal of assets	11	11	33
Total	27,485	22,283	18,640

Economic Value Distributed [2]

Millions of euros

	2011	2010	2009
Payments to suppliers	23,031	17,901	14,636
Employee salaries and benefits	587	572	531
Payments to providers of capital	333	264	229
Total taxes paid by CEPSA	2,707	2,693	2,579
Total	26,658	21,430	17,975

Economic Value Retained

Millions of euros

	2011	2010	2009
Economic value generated	27,485	22,283	18,640
Economic value distributed	26,658	21,430	17,975
Economic value retained	827	853	665

1 Economic value generated is calculated by adding operating revenue, financial income, share in profits of associated companies and gains from the disposal of assets.

2 The calculation of economic value distributed is based on adjusted results. The adjusted results do not include the effect on equity of changes in the price of inventories and other non-recurring items, therefore allowing a clearer appreciation of the core business, irrespective of any increase or decrease in the value of inventories that are required both for legal (minimum security stocks) and operating purposes.

Our Employees

Our employees are a key factor in ensuring our success at a time of change such as the one that CEPSA is facing today

In 2011, a new page was turned for the Group with changes to the organization designed to enable us to respond to our strategic challenge of growth and international expansion. During the year, some significant changes were already made to the organizational structure of the company and its business units, in order to bring about a more efficient staff allocation to make our business more flexible and accountable. Internal mobility as a valued aspect and a new feature of our personnel management shall be based on Basic Mobility Regulations.

Most of our staff is based in Spain and Portugal. The percentage of female employees is around 33.35%, and it has been so for some years now. This is an important figure in such a traditionally male-dominated industry. The percentage of women in management posts has risen by 10% over the last three years, in line with the Group's equal opportunities policy.

Workforce

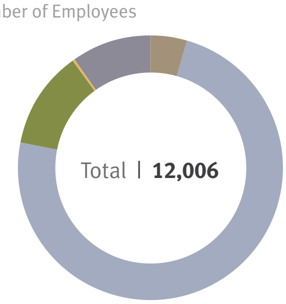
	2011	2010	2009
Workforce at December 31 (Number of employees)	12,006	12,046	11,943
% of international employees	17	13	13
Average age	41.6	41.7	41.4
Average years of service	11.5	12.6	12.4

Breakdown by Professional Category

Number of Employees	2011	
	Women	Men
Management and Department Heads	85	596
Expert Technicians	387	1,303
Technicians	419	1,383
Specialists	2,509	4,416
Administration	436	146
Assistants	168	158
Total	4,004	8,002

Workforce by Business Unit

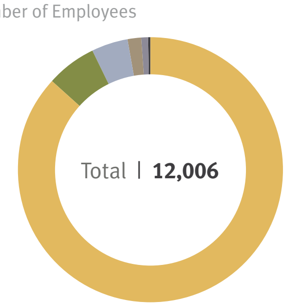
Number of Employees



- Exploration & Production | **554**
- Refining, Distribution & Marketing | **8.837**
- Petrochemicals | **1.423**
- Gas & Power | **26**
- Corporation | **1.166**

Workforce by Geographic Area

Number of Employees



- Spain | **10.432**
- Portugal | **727**
- Latin America | **514**
- Canada | **206**
- North Africa | **99**
- Rest of Europe | **28**

Attracting and Retaining Talent

CEPSA aspires to become a company that people –not just from our industry– would prefer to work for. We hope they will be attracted by our culture of innovation and excellence, our commitment to safety and the opportunities we offer for professional and personal development.

Professional Appraisal and Development

From the moment a new recruit joins the company through our welcome program, CEPSA initiates a relationship with them, the ultimate aim of which is to enable the employee to attain the right skills for their individual professional development and to enhance their contribution to the company as a whole.

CEPSA has a number of tools, such as a competency-based management system, professional routes, performance appraisal, training programs, incentive plans and succession plans for key positions in order to build a cohesive, satisfied workforce, committed to excellence and optimistic about the future.

IN-DEPTH

WHAT WE WANT TO OFFER OUR STAFF

AN ATTRACTIVE PROFESSIONAL CAREER

CEPSA is a leading firm in the Spanish economy, known for its commitment to job creation and excellence in people management that enable its staff to grow professionally and look forward to a bright future.

A STABLE AND SATISFACTORY WORKING ENVIRONMENT

CEPSA is committed to offering stable jobs, fair labor relations and job satisfaction.

A SAFE AND HEALTHY WORKPLACE

One of CEPSA's strategic priorities is to provide its employees a safe and healthy workplace. To achieve this it has established a series of plans and programs to raise awareness about safety, quality and respect for the environment.

Employees Undergoing Performance Appraisal (%)

Employees	Total	Individual Appraisal	Other Types of Appraisal	Total Appraised	%
Senior Managers	94	94	0	94	100%
Department Heads	587	587	0	587	100%
Expert Technicians	1,690	1,019	562	1,581	93.5%
Technicians	1,802	862	585	1,447	80.3%
Specialists	6,925	799	1,467	2,266	32.7%
Administration	582	435	36	471	80.9%
Assistants	326	35	3	38	11.6%
Total	12,006	3,831	2,653	6,484	54.0%

CEPSA strives to build a cohesive, satisfied workforce, committed to excellence and optimistic about the future

Training

Training is one of the basic components of human resource management at CEPSA. It should contribute towards consolidating a corporate culture adapted to the new needs of the Company.

The CEPSA training model offers programs to cater for the specific needs of our staff, and of the job itself. It also takes account of the aspects common to the corporate culture as a whole, such as respect for human rights and equality, environmental protection, safety, and the prevention of unethical conduct, such as bribery and corruption, harassment and abuse.

During 2011, a total of 427,368 hours of training were provided

IN-DEPTH

CAMPUS CEPSA

Campus CEPSA is an online application providing professional training to all of the Group's staff. Employees can take a course or follow a training program they have been assigned, and they also have access to a huge range of online seminars and training resources. Campus CEPSA endorses self-development as the way to promote interactivity and to help employees feel responsible for enhancing their own training and furthering their knowledge. They are free to choose from a range of training programs and they are provided with information on their progress and the scores obtained for the course chosen. A consultation section offers information in three fields: an energy school, offering a global view of the Company's business, a language school and a prevention school providing all-round information of general interest.

Training by Business Unit

	Training Hours	% of Total
Production	152,941	35.79%
Health, Safety, Environment	80,898	18.93%
Technology	11,271	2.64%
Management processes	182,258	42.65%
Total	427,368	100.00%

Employee Assistance and Social Support Services

In 2011 the CEPSA Group Family Plan was introduced. This benefits program, run by Fundación Adecco, looks after the needs of disabled children of CEPSA Group employees in Spain. After assessing their abilities and needs, personalized activities are organized for them on various fronts (health, family, social and educational) in order to develop their independence and social and workforce integration.

As part of its employee welfare and assistance policy, CEPSA has Social Orientation Services available at its different work-centers to address the social, family and personal needs of its active and retired personnel.

Equal Opportunities and Preventing Discrimination

Equality is a core part of CEPSA's corporate culture. Based on integrity and transparency, it is a primary goal of the entire Group's human resources management. The organization has pledged to comply with the law in this respect in every country in which it is present, as well as with other international agreements such as the UN Global Compact, the UN Universal Declaration of Human Rights and the International Labor Organization (ILO) Declaration of Fundamental Principles and Rights at Work.

CEPSA's goal is to extend its principles of equality and protection against harassment at work to its suppliers and contractors, keeping them informed about its commitments in this respect.

CEPSA's goal is to extend its principles of equality and protection against harassment in the workplace to its suppliers and contractors

Labor Relations

Most of CEPSA's employees are based in Spain and are thus subject to Spanish labor laws. Outside Spain, the Organization applies the labor laws in force in each country. The Group continuously fosters dialogue and trust with its staff and their representatives, and its conduct is guided by the International Labor Organization's fundamental principles. Around 11,585 employees (96.5%) are covered by collective bargaining agreements. Some 85.3% of the staff has trade union representation.

Internal Communication

Internal communication is one of the channels used by the Group to reinforce the corporate culture, unite the workforce across its different centers and build a greater sense of pride and engagement.

CEPSA has a series of complementary communication channels adapted to the needs of each business unit and to the countries in which we operate. These include informative channels such as magazines and bulletins, notice boards and information kiosks to help our staff get a broader picture of what is happening in the Company. We also implement two-way channels, such as our intranet, suggestion boxes, and meetings with managers to promote dialogue.

Work has been carried out on developing the Group's new intranet throughout 2011 to provide additional information channels, foster cooperation, strengthen relations among staff from different business units and departments, and speed up processes and frequent tasks for employees.

A permanent goal of the Organization's internal communication strategy is to encourage staff participation. Staff consultation protocols form part of the collective agreements to allow them to put forward proposals for improvements. The suggestions are studied and followed up for their possible inclusion into the rules of conduct.

In 2011, CEPSA launched a new Group-wide intranet, based on a model of cooperation and participation in order to enhance productivity and communication in the Organization

Innovation and Technology

For CEPSA research is a key tool for generating value, competitiveness and sustainable growth. It is also an activity which contributes towards optimizing our production processes, improving the quality of our products and the technological capabilities of the Organization.

At CEPSA our ambition is to spearhead technological advances in all aspects that are vital for the development of our business activities. Through its close collaboration with other business units, the Technology unit is able to develop the innovations required to build a competitive position for the Company by introducing improvements to processes and products and achieving cost savings.

Investment in Technology by Area

Millions of euros

	2011	2010	2009
Product manufacturing, improvements to processes and business expansion	531	386	485
Safety and Environment	34	32	42
Research and Development	14	17	19
Total	579	435	545

The Technology unit allows us to develop the innovations required to enhance CEPSA's competitive position

Research Center

All the Group's research activities are centralized at the Group's Research Center, which is supported by the Technology and Engineering Development units that roll-out the Center's projects. The Center has two areas of focus: to support the current business and to invest in the future.

Support for Current Business

The Center is equipped with pilot plants and high-spec testing devices. Its highly trained staff supports the business with the development of new products and manufacturing technology. Two examples of these new developments are the new biofuel (hydrobiodiesel) production process and a new unit for the manufacture of asphalt (Biturox) developed in cooperation with the Refining unit and with PROAS, CEPSA's subsidiary whose business is to sell its asphalt products.

2011 Projects

The Research Center has been working on several of its own technology projects to enhance the efficiency and cost-effectiveness of its processes. Work has continued on optimizing the process for obtaining PIA (Purified Isophthalic Acid) from m-xylene.

In 2011 work also began on the basic engineering of the phenol plant in Shanghai (China), CEPSA's first facilities in this market. It is to have an annual output of 250,000 Mt of phenol and 150,000 Mt of acetone, and is expected to come on-line in 2014. In December 2011 work was completed on the "La Rábida" Refinery's underwater crude oil pipeline, which measuring 10 km long, is the longest pipeline of this type of technology.

Looking Towards the Future

The Research Center is investing in the future through projects with no immediate returns for the Organization. These include the project for manufacturing biofuels through algae cultivation. It has also initiated a line of research specifically for Exploration and Production, consisting of trackers to locate crude oil, and other projects designed to aid the enhanced recovery of hydrocarbons.

The Research Center is staffed by highly qualified technicians who are supported by cooperation agreements with Universities and State-owned Research Centers.

The CEPSA Chairs at several Universities, including Cadiz, Huelva and Seville, are developing projects on a number of aspects related to energy and petrochemicals. Their achievements in 2011 include:

- A study of lipid accumulation, useful for biofuel production in isolated indigenous micro-algae.
- An analysis of the implementation of inferential controllers for the use of soft-sensors in CEPSA control systems.
- The application of ultrasonic technology to improve the performance of the liquid waste (PTEL) treatment plant of a petrochemical complex, and to reduce the toxicity of the final waste product.
- Energy identification and evaluation of the biological sludge used for liquid waste treatment.

IN-DEPTH

HYDROTREATED BIODIESEL (HVO)

Under the tutelage of the CEPSA Research Center a new biofuel production process has been successfully developed at the "La Rábida" Refinery in Palos de la Frontera (Huelva, Spain). Produced from the hydrotreatment of vegetable oils, this biodiesel will make a significant contribution towards reducing greenhouse gases. The process transforms vegetable oil into biofuel through a process of hydrogenation performed at the same facilities used for reducing diesel sulfur content. The initial estimated production capacity for CEPSA's three refineries will be in excess of 100,000 m^3 per annum. This hydrotreated biodiesel project is an example of CEPSA's investment in research as a strategic vehicle for growth.

The Role of Technology in Environmental Protection

Technological innovations contribute towards averting and mitigating our environmental impact. The Research Center is at the forefront in this field, working in collaboration with the business units and the Environmental Protection, Safety and Quality unit (PA.S.CAL). The application of environmental criteria throughout our product design, in response to European policies (reduction of the importance of fossil fuels in the primary energy market, greenhouse gas reduction, bio products) is one of the areas in which the Research Center is focusing its efforts.

CEPSA in 2011

- The Year’s Milestones
- The Year in Review
- CEPSA Worldwide
- Activities
- Customers
- Suppliers

CEPSA achieved results that were in line with last year's, despite a very complex operating environment

The Year's Milestones

Acquisition of Artenius San Roque

In January, CEPSA Química acquired 100% of Artenius San Roque, allowing it to expand its PET (polyethylene terephthalate) business and enlarge its presence in the petrochemical industry value chain. The investment came to 32 million euros.

This acquisition will deliver key synergies, not only based on the captive consumption of PTA (purified terephthalic acid) as the feedstock for producing PET, but also from cost optimization in procurements and logistics as a result of the centralized management of supply chain activities.

Start-Up of MEDGAZ

The MEDGAZ deepwater gas pipeline began operation in April with an initial total capacity of 8 bcm/year (8 billion m³/year) and spanning 210 km between Almeria (Spain) and Beni-Saf (Algeria) The total amount invested in its construction came to 900 million euros.

CEPSA has been one of the key drivers of the MEDGAZ pipeline, which will improve security of supply and make a positive contribution towards the targets set out in the Kyoto Protocol through the use of cleaner energies such as natural gas.

Infrastructure Acquisition in Colombia

CEPSA acquired 5% of Oleoducto Central, S.A. (OCENSA), Colombia's primary pipeline measuring 830 kilometers, which runs from the area of Cusiana to the port of Coveñas, servicing the oil producing fields in the Llanos Basin.

The layout of this pipeline has turned it into one of the most important strategic assets for Colombia's oil and gas sector expansion plans, making it a key infrastructure for many oil industry players in this area, including CEPSA.

New Exploration and Production Rights in Algeria

Algeria's National Agency for the Valuation of Hydrocarbon Resources (ALNAFT) awarded CEPSA the exploration and production rights to the Rhourde Rhouni II license which covers 3,034 km², and is located in the Berkine Basin, 100 km northeast of the Rhourde el Krouf field, also operated by the Company.

The concession, granted for a 32-year period, will enable CEPSA to undertake the initial exploration work for a maximum period of 7 years. The envisaged work program for the first 3 years involves performing high-resolution 3D seismic surveys and drilling 6 exploratory wells.

Energy Efficiency Platform

In March the Foundation for Energy and Environmental Sustainability was created with the participation of eight major Spanish firms, including CEPSA. Its purpose is to promote joint activities that foster energy efficiency through the promotion and development of actions aimed at saving energy and reducing the carbon footprint.

A further goal of this entity is to encourage cooperative relations and agreements between companies and the Government to capitalize on synergies and foment RD&I activities.

First Fast-Charge Site

As part of our cooperative agreement with Endesa to roll-out a network of charging stations for electric and hybrid vehicles, the first fast-charge site for electric vehicles in Spain, at one of CEPSA's service stations in Barcelona, was opened in April.

This initiative is aimed at promoting the use of electric-powered vehicles as a means of addressing climate change, fostering a cleaner environment and successfully contributing towards the goals of sustainability.

Hydrotreated Biodiesel Production Begins

In May, the "La Rábida" Refinery began production of biodiesel using hydrotreated vegetable oils. The process enables converting vegetable oils into biofuels through hydrogenation using the same hydrotreating units as those used to reduce sulfur in conventional diesel fuels.

This production will help meet new EU Directives and Spanish legislation, which set the target for the biofuels content in gasoline and diesel fuels at 5.83%.

Foundation Stone Laid at the Chemical Plant in Shanghai, China

In October CEPSA started work on the basic engineering for the construction of a phenol plant in Shanghai, a key component in our international expansion in the market with the largest growth potential in the world.

The new plant, located in the Shanghai Chemical Industry Park (SCIP) and with a capacity to produce 250,000 Mt of phenol and 150,000 Mt of acetone, is slated to come on-stream at the end of 2013 and will position CEPSA Química as the second leading phenol and acetone producer worldwide.

The Year in Review

During 2011 global oil demand increased, albeit at a slower pace, in sync with economic growth in emerging countries. Thus, throughout the year, world demand for oil amounted to 89 million barrels per day, 0.8% more than in 2010. OECD demand dropped 1.3%.

Economic and Sector Conditions

On the supply side, OPEC produced 30 million barrels per day. Noteworthy was the return of Libyan crude oil to the market at the end of the third quarter of 2011, following the interruptions that took place during the first part of the year. OPEC production amounted to 0.5 million barrels a day, higher than in 2010. The lack of Libyan crude oil in the first three quarters of the year was offset by higher production in Saudi Arabia, the United Arab Emirates, Kuwait and Iraq.

In Europe, the large surplus of refined oil, along with the significant decline in demand for petroleum products, reduced refining margins even more so in the latter part of the year. Specifically, margins published by the International Energy Agency (IEA) for the Mediterranean region, where CEPSA's refineries are located, were at a much lower level than during the 2004-2008 period, before the economic crisis.

The average annual price of Brent crude oil was $111.30 per barrel, 40% greater than the 2010 average price, meaning an all-time high. On the other hand, the average exchange rate for the U.S. dollar in 2011 was $1.39/€, compared with $1.33/€ in 2010.

In Spain, according to data published by CORES (Corporation for Strategic Reserves), during the fourth quarter of 2011, with a drop in GDP of 0.3%, the decline in gasoline and diesel fuel consumption gathered pace. In 2011, there was a year-on-year decrease of 4.1% in diesel consumption and 6.7% in gasoline consumption

Results

Millions of euros

	2011	2010	2009
Sales turnover	24,989	19,744	16,084
Adjusted operating income	822	680	468
Exploration & Production	487	334	236
Refining, Distribution & Marketing	121	180	113
Petrochemicals	185	144	62
Gas & Power	29	21	57
Adjusted attributable net income	425	418	270
Attributable net income (IFRS)	640	634	375

CEPSA Group Investments

TOTAL INVESTMENTS: **742** million euros

Exploration & Production
429
Million euros

Refining, Distribution & Marketing
214
Million euros

Petrochemicals
53
Million euros

Gas & Power
38
Million euros

Corporation
8 Million euros

CEPSA enjoys a solid financial position. The consolidated assets of the Group at the end of the year totaled 12,571 million euros, 9.5% more than at the end of 2010. The shareholders' equity before distribution of the final dividend was 6,026 million euros, 5.9% more than the previous year. Total liabilities remained at restrained levels, with a gearing (net debt-to-equity ratio) of 23.5%.

Adjusted operating income in 2011 was 822 million euros, 20.7% higher than the previous year's figure

Activities

CEPSA Worldwide

Exploration & Production

Colombia

- Exploration and production in the Llanos Basin and Upper Magdalena River Valley.
- 5% shareholding in Oleoducto Central, S.A. (OCENSA) and in the Ocensa pipeline.

Algeria

- Production in the Berkine Basin (1 contract) and exploration in Timimoun and Rhourde Rouni (2 contracts).
- Oil exploration and production in the RKF, Ourhoud and Rhourde Rouni II oilfields.
- Gas exploration in Timimoun.

Peru

- Exploration in the Marañon basin (3 contracts).

Egypt

- Exploration in South Alamein (1 contract).

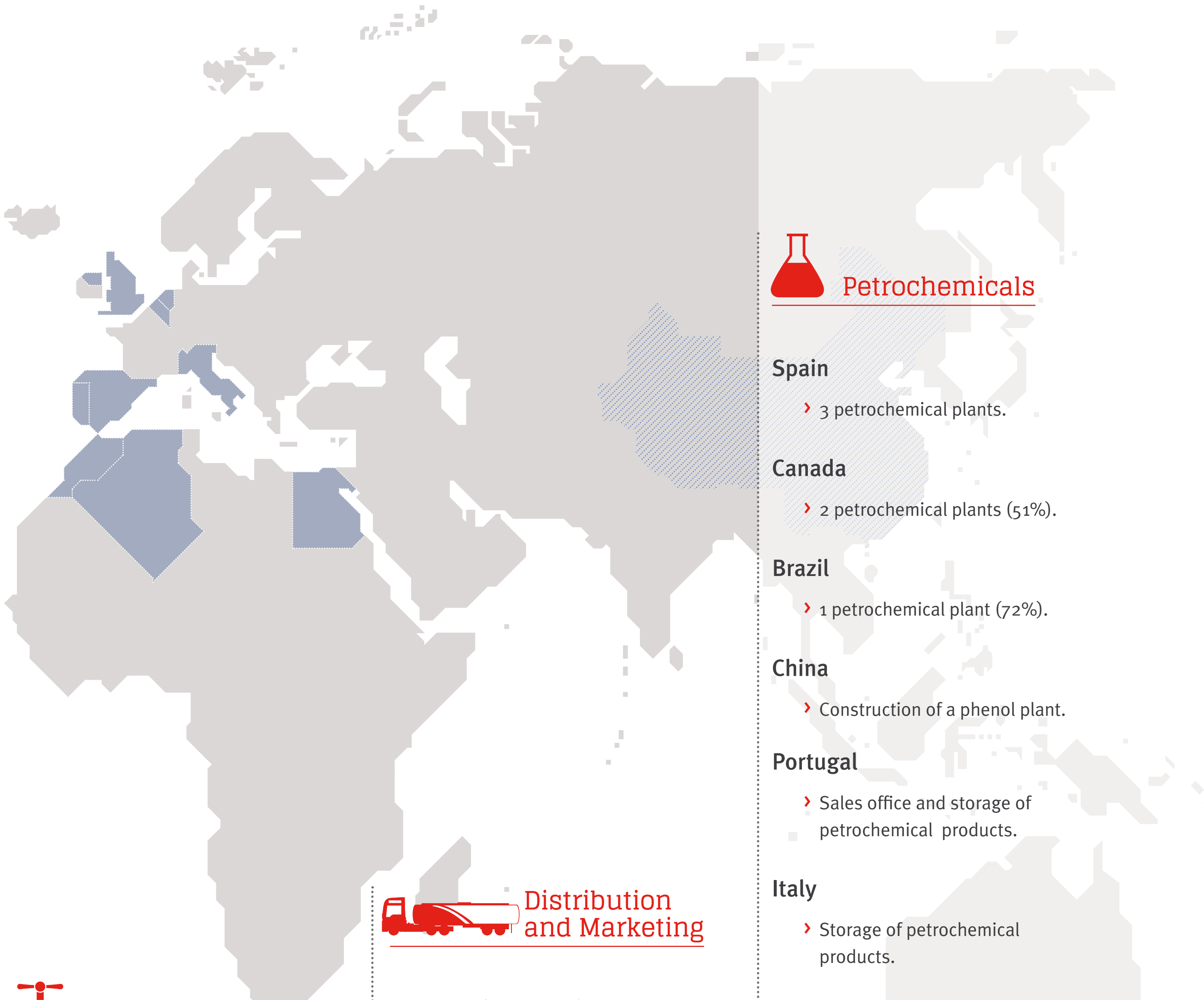
Spain

- Production in the Mediterranean offshore (Casablanca field).

Refining

Spain

- 3 refineries, with a distillation capacity of 26 million tons a year.
- 1 asphalt refinery (50%), with a capacity of 1.5 million tons a year.
- 7 factories for asphalt derivatives.
- 4 factories for marine fuel supplies.
- 7 supply points for aviation fuel.
- 1 production plant for base oils and paraffin oil.
- 1 lubricant bottling plant.
- 11 installations for filling, storing and transferring butane and propane.



Gas & Power

Spain

- 7 cogeneration plants and 1 combined cycle plant (50%).
- Sales and distribution of gas and power.

Algeria

- MEDGAZ pipeline (20%).

Distribution and Marketing

Spain and Portugal

- 1,778 service stations and 907 convenience stores.
- 74 bonded warehouses and 1 bonded reservoir.

Morocco

- Marine fuel supply.

Panama

- Marine fuel supply.

Petrochemicals

Spain

- 3 petrochemical plants.

Canada

- 2 petrochemical plants (51%).

Brazil

- 1 petrochemical plant (72%).

China

- Construction of a phenol plant.

Portugal

- Sales office and storage of petrochemical products.

Italy

- Storage of petrochemical products.

United Kingdom

- Sales office and storage of petrochemical products.

Belgium

- Sales office and storage of petrochemical products.

The Netherlands

- Storage of petrochemical products.

Activities

Exploration & Production

The Exploration & Production unit encompasses the Group's activities in exploration, development and production of crude oil and natural gas. CEPSA carries out its production activities principally in Algeria and Colombia, with on-shore oilfields in both countries.

Key Indicators

Indicator	2011	2010	2009
SALES TURNOVER Millions of euros	927	738	632
ADJUSTED OPERATING INCOME Millions of euros	487	334	236
INVESTMENTS IN THE YEAR Millions of euros	429	156	214
PRODUCTION *Working interest*; thousands of bpd	120.8	122.9	116.9
NET ENTITLEMENT PRODUCTION *Net entitlement*; thousands of bpd	48.5	53.3	54.5

Adjusted operating income was 487 million euros, 45.8% higher than in 2010. Production from CEPSA's working interests was down 2% from the previous year, mainly due to the maintenance turnaround in Ourhoud which took place in December 2011. The 3% decrease of production from blocks in the Algeria and Spain was offset by a 7% increase in the production of the Colombia oilfields.

Net entitlement, understood to be the amount assigned to CEPSA after applying contractual conditions and before paying taxes, was 9% less than the year before, due to the negative effect, -16%, that the increase in crude oil prices has on production-sharing contracts in Algeria. Net entitlement in Colombia, on the other hand, rose 6%.

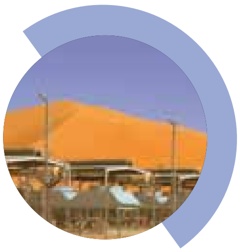
Reserves*

Thousands of barrels

	Algeria	Colombia	Others	Total
Net entitlement reserves at December 31, 2010	89.399	17.595	204	107.198
Production	(12.210)	(5.449)	(45)	(17.704)
Changes in previous estimates	(11.976)	7.569	52	(4.356)
Oil recovery	2.206	0	0	2.206
Extensions, revaluations and new discoveries	174	2.134	0	2.309
Net entitlement reserves at December 31, 2011	67.593	21.850	210	89.653

* The estimates of crude oil and gas reserves are carried out according to the guidelines established by the Petroleum Resources Management System of the Society of Petroleum Engineers (SPE-PRMS).

Algeria



CEPSA is one of the principal operators in Algeria, in which the company develops its activities in two oilfields in the same block: RKF (100% CEPSA) and Ourhoud (39.76% CEPSA), located in the Berkine basin, in the eastern part of the country.

Since 2002, CEPSA also has an 11.25% share in a gas exploration block in the Timimoun Basin, in which production is expected to start in 2016.

In 2011, CEPSA was awarded exploration rights to the Rhourde Rouni II block, located in the Berkine basin, to the northeast of the RKF field. The initial exploratory period is 7 years. During the first 3 years a 3D seismic acquisition and 6 exploratory wells are planned.

Peru

By the end of 2011, CEPSA had interests in 3 exploratory blocks in the Marañon basin, in the northern part of the country, and Ucayalí Basin, to the east.

The Company holds operatorship in all 3 blocks. Plans for 2012 include the completion of seismic acquisition and the environmental impact assessments as a prior step to the drilling campaign in two of the licenses (blocks 114 and 131). In the third license (block 130) seismic data reprocessing and the reports to obtain environmental permits that are required for future operations will be finalized. CEPSA began its exploration activities in Peru in 2007.

Colombia

At the end of the year, CEPSA had working interests in 20 contracts, involving exploration as well as production.

CEPSA is the operator in 12 of these contracts. In 2011, a farm-out agreement for the Llanos 22 block was signed. The Company also acquired a 5% share in Oleoducto Central, S.A. (OCENSA), which owns the main Colombian pipeline. CEPSA began its exploratory activity in Colombia in the year 2000.

Egypt

In June 2011, an agreement was signed to sell the 50% share held by CEPSA Egypt B.V. in the South Alamein block.

To date, no relevant notification has been received from the Egyptian authorities concerning the share transfer agreement.

Spain

The company is party to a contract that governs the development of three blocks called Casablanca, Boquerón and Rodaballo, located in the Spanish Mediterranean offshore, near the Tarragona coast.

CEPSA's average interest in these fields is 7.5%. Production in the Montanazo field in the same area is expected to start up in 2012.

IN-DEPTH

TRACERS

A gas injection monitoring system has been installed in the RKF block, based on the tracking of chemical tracers. These components, that are detectable even when present in very small amounts, improve gas injection management, optimizing the final stage recovery of crude oil. From a technological standpoint, this is a state-of-the-art system, and requires the participation of highly-qualified laboratories for testing samples.

During 2011, CEPSA's Research Center has been the principal laboratory for this project, carrying out all the tests required for the monitoring of the field, and demonstrating, by its results, a level of technology and quality equivalent to the most renowned laboratories in this field in the world.

Activities

Refining, Distribution and Marketing

Adjusted operating income in 2011 was 121 million euros, 32.7% less than in the previous year, attributable to market conditions, characterized by high prices, a drop in consumption and narrow margins.

Key Indicators

	2011	2010	2009
CONSOLIDATED SALES OF PETROLEUM PRODUCTS (Millions of tons)	26.3	25.2	25.7
SALES TURNOVER (EXCLUDING EXCISE TAXES) (Millions of euros)	19,695	15,443	13,166
ADJUSTED OPERATING INCOME (Millions of euros)	121	180	113
INVESTMENTS IN THE YEAR (Millions of euros)	214	356	594

Refining

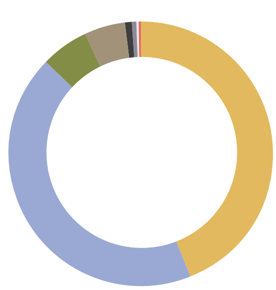
CEPSA's three refineries in Spain, "Gibraltar-San Roque", "La Rábida" and "Tenerife", have achieved the following certifications: OHSAS 18001, ISO 14001 and 9001, and PECAL 2129. They are operated under an optimization model that enables maximizing synergies among them.

The "Gibraltar-San Roque" and "La Rábida" Refineries have a high conversion level, and include units for the production of lubricant and asphalt, and basic petrochemical products (benzene, xylene, and toluene).

The Tenerife Refinery, due to its location, meets practically all of the energy needs of the Canary Islands.

	Capacity (Thousands of tons)	Conversion Index (Percentage)
"Gibraltar-San Roque"	12,000	78.1%
"La Rábida"	9,500	83.3%
"Tenerife"	4,500	58.5%
ASESA	690	- - -
Total	26,690	

Sources of Crude Oil



- Caribbean/Mexico | **5,7%**
- Russia | **5,0%**
- North Africa | **0,9%**
- West Africa | **43,4%**
- Rest of Europe | **0,2%**
- Arabian Gulf | **44,0%**
- North America | **0,4%**
- South America | **0,3%**

Refining activities and revenues in 2011 continued to be influenced by the decrease in the demand of petroleum-related products, the rise in the price of crude oil, and the substantial increase in costs as a result of environmental measures adopted by the European Union.

Production at CEPSA's refineries in 2011 amounted to 22.99 million tons, 7.2% more than in 2010, broken down as follows.

In addition, in 2011 CEPSA's refineries added 70,000 m³ of bioethanol and 390,000 m³ of biodiesel and hydrotreated biodiesel to their motor fuels, thereby exceeding compliance with Spanish governmental regulations regarding biofuels.

Given the current refining overcapacity, we at CEPSA are working hard in order to ensure that our refining platform maintains its status among European leaders in terms of margin optimization and profitability, in line with product specifications and demand.

Fuel oil	20%
Diesel	40%
Gasoline	11%
Kerosenes	8%
Liquefied Petroleum Gas (LPG)	4%
Others	17%
Total general	**100%**

Investments

During 2011, CEPSA carried out refining investments amounting to 214 million euros. The most important completed investments during the year were:

- At the "La Rábida" refinery, the Biturox project and the upgrading of the underwater supply line and work in connection with the recovery of the directional drilling at the Juan Carlos I dock.
- At the "Gibraltar-San Roque" refinery, the completion of the expansion of storage and loading capacity for basic petrochemical products (phthalic and maleic anhydride).
- At the "Tenerife" refinery, the remodeling of the Maritime Terminal in order to improve operations and security of the installations. Also, at its sulfur plants, the Superclaus process has been put into service, helping to raise efficiency levels at the facility from 96.5% to 99%.

On the other hand, the development of other projects has continued, and their commencement is scheduled for 2012. Among the most important of these projects are the new kero-naphtha extraction project and the remodeling of the Isomax unit at "Gibraltar-San Roque", the desalination plant and retrofits to the steam boilers at "Tenerife", and the capacity expansion in the thermal cracking unit for waste at "La Rábida".

IN-DEPTH

BITUROX

The Biturox unit at the "La Rábida" Refinery began operations in July 2011. This plant produces 1,000 tons per day of commercial quality asphalt and its inclusion in the factory layout of the refinery represents a step forward in flexibility of crude oil storage. The affiliate company PROAS, seller of CEPSA's asphalt products, in close cooperation with teams from the Research Center and the "La Rábida" Refinery, has confirmed that the products manufactured at this plant comply with quality standards
.

Distribution & Marketing

CEPSA carries out its motor and other fuel sales activities through its own sales channels and an extensive national and international network of agents and distributors, and includes the sale of liquefied petroleum gas, asphalts and lubricants.

In 2011, CEPSA's sales in Spain, Portugal and Andorra came to 22.7 million tons of products, virtually the same amount as last year.

Consumption of petroleum products in Spain and Portugal in 2011 was 74.2 million tons, 4% less than in 2010. The consumption of all products –gasoline, LPG, asphalt and lubricants– continues to be affected by the current economic situation. Middle distillates, which represent 57.6% of total consumption, fell 4.7%. Liquefied Petroleum Gas (LPG) was the most affected, falling 9%.

CEPSA's total amount of sales (domestic and international) was 26.3 million tons

Sales of Petroleum Products

Thousands of tons

	2011	2010	2009
Motor and other fuels	12,074	12,069	12,052
Marine fuels	7,598	7,372	7,503
Aviation fuel	2,300	2,093	2,190
Liquefied Petroleum Gas	552	551	516
Asphalts	1,146	1,196	1,235
Lubricants, base oils and paraffin oils	256	271	263
Exports	3,066	2,148	2,150

Motor and Other Fuels

CEPSA has a network of 1,778 service stations in Spain, Portugal, Andorra and Gibraltar. We are among the leaders in convenience stores, with 867 outlets in Spain and 40 in Portugal. The scheduled expansion plan for the service stations network continued throughout 2011.

Gasoline and diesel retail prices in Spain rose in 2011, as a result of the increase in international prices, which in December reached their highest levels since September 2008. Specifically, in 2011 the average retail price of diesel increased by 11.7% from 2010, and that of gasoline by 5%.

Liquefied Petroleum Gas (LPG)

Butane, propane and autogas are distributed to homes by means of a network of 90 distributors and at more than 2,200 retail sites. In addition, propane is distributed in bulk to individual installations. Currently we have more than 2.5 million customers who use these products. LPG sales in 2011 amounted to 552,000 tons.

Asphalts

CEPSA has a nominal production capacity of more than a million tons a year. Manufacturing is carried out at the "Tenerife" and "La Rábida" refineries, and ASESA in Tarragona (50% CEPSA). Furthermore, CEPSA has seven factories in which asphalt derivatives and special products for the construction sector are manufactured. Sales of asphalt products amounted to 1,146 thousand tons, with a 4% drop in comparison with the previous fiscal year. Sales to the Spanish and Portuguese markets declined, corresponding to the decrease in public works, while exports, which represent 55% of our sales, increased by 8%.

Lubricants

CEPSA is one of the leading companies in the Spanish market, under the brand names CEPSA and ERTOIL. Its activity focuses on the manufacture of lubricants, base oils and paraffin oils, having a notable presence in all sectors and segments of the Spanish and Portuguese markets. These products are exported to 73 countries by means of an extensive network of distributors. In 2011, 256,000 tons were sold, 6% more than in the previous fiscal year. Of this total 47% was sold domestically, and the rest was marked for export.

Base oils, finished lubricants, greases and paraffins are exported to 73 countries

IN-DEPTH

FIRST FAST-CHARGE STATION

In April 2011, Endesa and CEPSA inaugurated in Barcelona the first fast-charge station in Spain for electric cars at the first "Endesa power island", which allows up to 50% recharging of the battery in only 10 minutes for those cars that are equipped with CHAdeMO rapid charging technology (Charge and Move).

Endesa and CEPSA have a collaborative agreement for the joint development of a design and display plan of a network of charging stations for electric and hybrid vehicles at CEPSA's service stations.

Activities

Petrochemicals

CEPSA Química was created in 2008, after the merger of all activities of the Group in the petrochemical industry. The Company's cutting-edge technologies position it as one of the leading producers of raw materials for detergents (LAB/LABSA), polyester fibers (PTA/PIA/PET), phenol-acetone and intermediate solvents. With the purchase of Artenius San Roque in January 2011, CEPSA has become one of the two sole worldwide producers of PTA, PIA and PET.

Key Indicators

Indicator	2011	2010	2009
CONSOLIDATED SALES OF PETROLEUM PRODUCTS (Millions of tons)	3.5	3.4	3.0
SALES TURNOVER (EXCLUDING TAXES) (Millions of euros)	3,393	2,788	1,888
ADJUSTED OPERATING INCOME (Millions of euros)	185	144	62
INVESTMENTS IN THE YEAR (Millions of euros)	53	32	34

CEPSA's cutting-edge technologies place it among the leading producers in the world

CEPSA is a market leader in all its lines that are exported all over the world. It is a world leader in raw materials for detergents, with 15% of the global market for LAB. It is at the forefront of technology with Detal, jointly developed by CEPSA and Universal Oil Products (UOP). It is a co-leader in PIA, with 20% of the global market, and with the construction of the Shanghai (China) plant, it will become the second largest producer of phenol/acetone. The acquisition of Artenius San Roque will bring about important synergies derived from captive consumption of PTA as a raw material of PET, and from the optimization of purchase and logistics costs.

Products	Company	% Share
Raw materials for detergents (LAB, LABSA)	CEPSA Química-Spain	100
	CEPSA Chimie Bécancour-Canada	51
	DETEN-Brazil	72
Raw material for the polyester sector (PTA, PIA, PET)	CEPSA Química-Spain	100
	CEPSA Chimie Montreal-Canada	51
Phenol and acetone	CEPSA Química-Spain	100
Solvents and intermediates	CEPSA and CEPSA Química-Spain	100

CEPSA Química works with the Group's Research Center in the development of new manufacturing and optimization processes in collaboration with official bodies, such as the Spanish National Research Council (CSIC, as per the Spanish acronym), as well as external centers and universities.

Spain

In Spain the company has two production plants in San Roque (Cadiz) and one in Palos de la Frontera (Huelva). The Guadarranque Plant produces purified terephthalic acid (PTA) with a capacity of 650,000 Mt/y, purified isophthalic acid (PIA) with a capacity of 220,000 Mt/y and polyethylene terephthalate polymer (PET) with a capacity of 175,000 Mt/y, the basic raw materials for the polyester industry. In addition, in San Roque the Puente Mayorga Plant integrated within the CEPSA "Gibraltar-San Roque" Refinery, produces linear alkyl benzene (LAB) with a capacity of 220,000 Mt/y, sulfonic acid (LABSA), with 80,000 Mt/y, n-paraffins with 400,000 Mt/y, dearomatized solvents and heavy alkylates.

The Palos de la Frontera Plant in Huelva province is located within the same industrial complex as the CEPSA "La Rábida" Refinery, which supplies benzene and propylene for the manufacture of phenol. This plant has a capacity of 600,000 Mt/y, 370,000 Mt/y of acetone and 24,000 Mt/y of alpha-methyl-sterene.

Canada

In Canada we have two production plants located in Quebec: the Becáncour factory (51% CEPSA Química – 49% Société Générale de Financement), the first in the world to use DETAL technology (fixed-bed alkylation), for the production of linear alkyl benzene (LAB) with a capacity of 120,000 Mt/y; and the Montreal Plant (51% CEPSA Química – 49% Société Générale de Financement), constructed in collaboration with SGF, for the purpose of supplying purified terephthalic acid (PTA) with a capacity of 600,000 Mt/y, to the NAFTA market (United States, Canada and Mexico).

Brazil

In 1999 CEPSA acquired 72% of the Brazilian company Detén Química, S.A, thus becoming the majority stockholder. DETEN is one of the major producers of linear alkyl benzene (LAB) with a capacity of 220,000 Mt/y and sulfonic acid (LABSA) with a capacity of 80,000 Mt/y in South America, which also operates with UOP technology.

Europe

Products from our plants and those manufactured at the CEPSA "Gibraltar-San Roque" and "La Rábida" Refineries are distributed and sold around the world, through sales offices and affiliates located in Italy, the United Kingdom, Belgium, the Netherlands and Portugal.

IN-DEPTH

NEW PHENOL PLANT IN CHINA

In 2011, CEPSA began construction of a chemical plant in Shanghai, which is key for our international expansion in one of the markets with the greatest potential for growth in the world. The new plant, located in the Shanghai Chemical Industrial Park (SCIP), will be equipped with the best available technology, and will have a capacity to produce 250,000 tons of phenol and 150,000 tons of acetone. The plant, which is scheduled to begin production in 2014, will cover the existing gap between supply and demand of phenol and acetone in China that currently means it has to import considerable amounts of these raw materials. CEPSA has sales agreements with the principal consumers of these products in this country. In addition, the company will improve flexibility in the production of CEPSA Química by having two factories (Spain and China) and consolidating its worldwide presence in the petrochemical industry. These facilities will make CEPSA Química the second largest producer of phenol and acetone in the world. Investments in the new plant total 342 million dollars.

Activities

Gas & Power

The Gas & Power division supplies gas in wholesale and retail markets, and electricity to industrial customers and third-party consumers.

Key Indicators

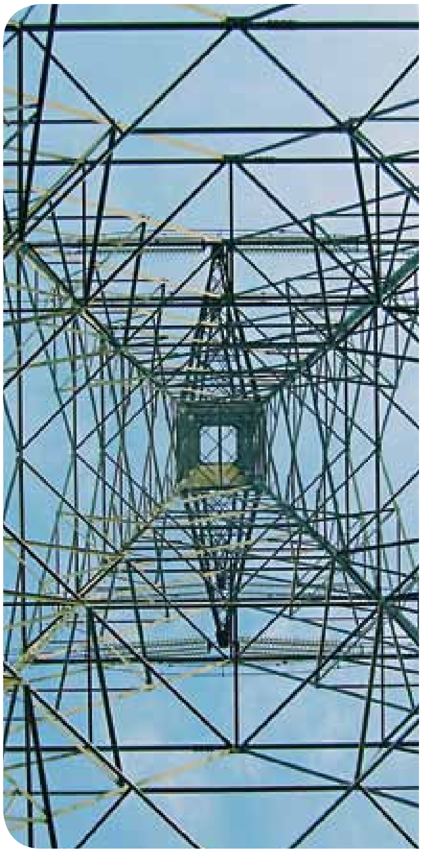
Indicator	2011	2010	2009
NATURAL GAS SALES (GWh)	25,250	25,624	21,338
ELECTRIC POWER SALES (GWh)	3,573	3,613	3,273
STEAM SALES Thousands of tons	5,019	4,621	4,321
SALES TURNOVER (EXCLUDING TAXES) Millions of euros	974	726	398
ADJUSTED OPERATING INCOME Millions of euros	29	21	57
INVESTMENTS IN THE YEAR Millions of euros	38	69	101

Natural Gas

CEPSA's natural gas activities are focused on consolidating security of supply to meet the needs of the Group and sell gas to wholesale and retail customers. In order to guarantee its supply, CEPSA has two long-term contracts with Sonatrach and Total. The opening of the MEDGAZ pipeline in April 2011 represents a major improvement in supply.

Gas is sold through CEPSA Gas Comercializadora, in which CEPSA has a 35% share. In 2011, 25,250 GWh were sold, 1.5% less than in 2010, due to the decreased industrial activity, a consequence of the economic and financial crisis. The majority of this is supplied to the CEPSA Group (one of the principal industrial gas consumers in Spain), in addition to other external customers. In 2011, CEPSA's market share reached 6.7% in the entire market and 10% in the industrial sector. Our objective for the near future is to establish our own supply sources and increase our market share.

Electric Power



Following the start-up of the new cogeneration facility at the Lubrisur plant (Campo de Gibraltar), CEPSA has a total capacity of 1,131 MW, distributed among seven cogeneration power units in the refineries and industrial plants, with a capacity of 351 MW, plus a combined cycle plant with a capacity of 780 MW, in which CEPSA has a 50% share.

Cogeneration results in savings in refinery costs by means of access to less expensive thermal energy and greater independence in the supply of electricity. The decrease in electricity consumption and the production of steam for refining, thus avoiding additional CO_2 emissions, are two extra features that are key factors in the competitive capability of CEPSA's refining system. Thanks to cogeneration, CEPSA has avoided 235,000 tons of CO_2 emissions, which improves its position in the National Allocation Plan for greenhouse gas allowances.

In September 2011 the Lubrisur cogeneration plant began operations, with an installed capacity of 39 MW, which will replace the boilers of the "Gibraltar San Roque" refinery. In addition, in 2011 improvements were carried out in three cogeneration plants of the Group, for the purpose of increasing its efficiency and reducing NOx emissions, and to comply with the specifications set out in the Integrated Pollution Prevention and Control Permit granted by the Autonomous Community in which the industrial installation is located, for its care in operations with reference to the environment and health.

Electricity sales rose to 3,573 GWh, 1.1% less than in 2010. The average pool price was 35% higher than in 2010, following the upward trend that began during the first part of the year. The commencement of operations at the new cogeneration plant at the "La Rábida" refinery at the end of 2010, and at the new Lubrisur cogeneration plant in August 2011, has compensated for the decrease in activity at the combined cycle plant at Gibraltar-San Roque (NGS).

IN-DEPTH

MEDGAZ

A project led and promoted by Sonatrach and CEPSA in which Iberdrola, Endesa and Gaz de France Suez all participate. This is the pipeline that links Algeria (Beni-Saf) with Europe (Almeria). It is the first pipeline in the Mediterranean to be built in ultra deep water, with a maximum depth of 2,160 meters (7,085 feet; 1,342 miles) and a length of 210 km (130 miles). Its total capacity is 8 bcm (billion cubic meters/year), 20% of which CEPSA transports yearly. From the beginning of its operations in April 2011, its average capacity utilization is 43%.
The commencement of operations at MEDGAZ has improved security of gas supply to Europe.

Thanks to cogeneration, CEPSA has avoided 235,000 tons of CO_2 emissions

Customers

CEPSA sells and distributes a wide variety of products and services through its service station network, and indirectly through distribution agreements and external sales channels.

Commitment to Quality and Customer Satisfaction

Product and service quality and customer satisfaction are the cornerstones of the relationship between CEPSA and its customers. We understand quality to mean that our products and services are valuable to our customers and meet their expectations. Our customer service strategy is geared toward loyalty, on-time deliveries and proper handling of complaints.

In order to measure customer satisfaction, surveys are carried out in all business locations with the support of external specialized companies. Results are evaluated by the Quality Control Committee, which is the responsible body for monitoring the quality of products and services and the satisfaction index, and to implement necessary corrective measures.

Customer complaints are channeled through the Customer Service Center at each business location. All complaints are duly attended to and analyzed in order to respond to the customer's complaint and, if necessary, take corrective measures. CEPSA's customer satisfaction rate in 2011 stood at 99%, in line with the previous year's levels.

Among our initiatives to improve customer satisfaction we have available a forum for sales channels and customers in which 770 inquiries were registered in 2011, in order to respond to questions related to installations, product quality, safety, certifications, etc., 20% of which have come directly from end customers, either by direct calls or by using our online Customer Service Center.

Our service stations take care of an average of 850,000 customers a day

Service Station Network

The Company strives to ensure that the products and services offered in the network of service stations meet the demands and needs of our customers. For this reason, in addition to general research into sector trends and developments, market studies are continually being carried out in order to determine upon and design products and services in accord with the needs and demands of the customer and ascertain their degree of satisfaction.

During 2011, numerous products and services focused on customer satisfaction have been developed, including the following:

- Integration of CEPSA *Wifree*, free Wi-Fi for customers.
- The launching of the CEPSA application for iPhone and Android, where customers can find the service station nearest their location, learn about traffic conditions and find points of interest
- Development of the CEPSA Star Direct Card, the first free card in the field that offers advantages and discounts, for freelancers and SMEs.
- Electronic billing for Service Stations and Direct Sales.
- Agreements with DIA, HP, El Corte Inglés, Legalitas and McDonalds in order to benefit CEPSA's customers

In the lubricants unit, during 2011 the ORBITA CEPSA project was consolidated, having been initiated in 2009, with the objective of bringing our lubricants to the end customer. As of December 31st, 2011, there were 320 ORBITA CEPSA shops, which offer lubricants to end customers that feature the latest technology, which can be used without risking vehicle warranties, as an alternative to the brands recommended by car manufacturers. In addition, in December CEPSA MOTORCHECK was launched, an innovative service, unique in the Spanish market, which allows the end customer to determine the status of the car's engine by testing the lubricant in use. As for product improvement, at the end of the year the ACEA 2010 quality levels were updated in the CEPSA Xtar/Star and STAR AVANT lubricant lines for passenger cars in accordance with the new API SN classification. CEPSA Lubricants launched a complete and modern range of marine lubricants that cover practically all the needs of any ship.

The low temperature bitumen line was commercially launched in 2011. This involves bitumens that are specially formulated in order to reduce manufacturing and spreading temperatures of bituminous mixes up to 40 ºC, without affecting their mechanical characteristics. In 2011, the computer program that began to be developed last year was launched, in order to continually offer innovation to our customers. This is a very powerful tool that can be used to place orders, consult invoices, past due balances and complaints status.

In 2011, the Company continued its expansion strategy for marine fuels, an area in which it is a leader in the Canary Islands and in the Gibraltar Straits region, and enjoys leading positions in Morocco, Malta and Panama. Expansion of the Isla Verde CLH terminal in Algiers was begun in that year, which doubles current capacity from 95,000 m^3 to 190,000 m^3. CEPSA is the sole supplier of RMK 500 in Spain. RMK 500 is a high quality fuel available in only four ports throughout the world, one of those being Algiers. CEPSA is always in touch with its bunker customers and has a program for visiting customers in order to encourage direct contact and know their needs.

In November 2011, CEPSA GAS Licuado obtained the +400 seal of the Excellence for Quality Management model (EFQM). CEPSA Gas Licuado also possesses the ISO 9001 and 14001 quality certifications, as well as the OHSAS 18001 certification. During the year, new measures were introduced in order to improve service quality and product safety. Among these we wish to highlight internal norms for tank draining operations, and the RFID microchip has continued to be installed in butane canisters for better control of refilling operations and packaging quality.

In order to measure customer satisfaction, surveys are carried out in all business locations with the support of external specialized companies

Product and Service Safety

CEPSA is committed to responsible and ethical management of the chemical products that it works with, thus promoting Product Stewardship during the entire life cycle of the same.

Safety, health and the environment are considered when handling and using products. For this, activities are carried out, such as the evaluation of the physical-chemical dangers and placing appropriate information in the product files (product labels and TREMcards). In addition, the evaluation of risks associated with new substances or applications is performed, and all relevant information about the product, its distribution, current legislation and the safe use of the product is at the customer's disposal.

The CEPSA Brand

The brand is one of the key elements in achieving a competitive advantage for our products and services in the market. The brand is the visual identity of the Company and its products, and it should be managed as one of the most valuable intangible assets of the Group. For this reason, CEPSA's brand strategy seeks to strengthen our commercial brands by way of publicity and sports sponsorship, as a means of reinforcing communication with our stakeholders.

Commercial Communications and Data Protection

CEPSA is a member of the Association for the Self-regulation of Commercial Communication (Autocontrol), associated with the European Advertising Standards Alliance. The members of Autocontrol are committed to carrying out their commercial communications in a responsible manner and to contributing to the reinforcement of publicity self-regulation as a means of protecting the rights of customers and competitors. In addition, the Company is a member of "Confianza", a comprehensive self-regulatory system for interactive publicity and e-commerce with customers organized by the Federation of E-Commerce and Direct Marketing (FECEMD, as per the Spanish acronym), the Spanish Association of Electronic Commerce (AECE, as per the Spanish acronym), Autocontrol and the Spanish Association of Advertisers (AEA, as per the Spanish acronym).

CEPSA has implemented the required legal measures for the protection of personal data of individuals (customers, suppliers, employees and candidates), in addition to those associated with the strictest principles of confidentiality and the adoption of IT safety measures.

Suppliers

Stable and long-lasting relationships with suppliers and contractors are an essential element of efficiency in production processes and value creation.

At CEPSA we have implemented a corporate policy of responsible purchasing and contracting, based on transparency, efficiency in management, and value generation for the entire supply chain that governs relationships with our suppliers, and requires of them the same level of compliance regarding human and labor rights, workplace safety, and environmental protection that we apply to our employees.

The management of suppliers and contractors is a transverse function that serves business units throughout the entire Group. In the past two years, we have shifted from a decentralized model in the selection and hiring of purchase suppliers to a centralized model, for the purpose of facilitating transparency and equal opportunities in the procurement of goods and services.

The Supplier Evaluation and Approval System guarantees maximum objectivity as regards selection and ensures the quality of products and services, workplace safety management, and environmental protection throughout the entire value chain. When contracting, economic (price) and technical (depending on the specific requirement) aspects are evaluated, as well as previous supplier performance (evaluation of previous contracts). Among the selection criteria, supplier compliance with norms and legislation is evaluated, as well as with CEPSA's standards of quality, for example ISO Quality and Environmental certifications, and OHSAS safety certification.

Beginning in 2010, the CEPSA website has included a specific area for suppliers that expedites processing of necessary documentation and facilitates interaction between the supplier and the Group during purchase operations.

Transactions with Suppliers by Expenses Included in Income Statement

Millions of euros

	2011	2010	2009
Procurement	21,095	16,053	12,876
Transportation and freight	354	344	318
Labor, supplies, and external services	1,390	1,311	1,285
Environmental costs	12	16	19
Other operating expenses	158	162	126
Financial expenses	22	15	12
Total	23,031	17,901	14,637

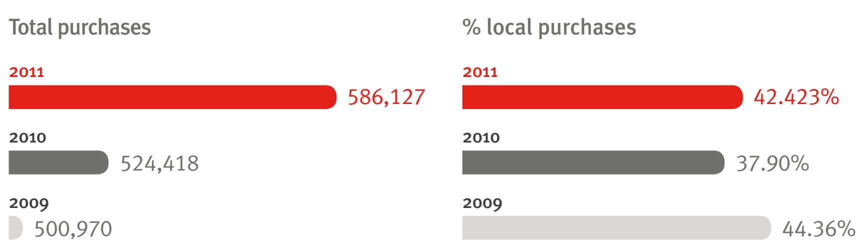
Transactions with Suppliers by Investments Made

Millons of euros

	2011	2010	2009
Exploration & Production	429	156	214
Refining & Marketing	214	356	594
Petrochemicals	53	32	34
Technology, Gas and Cogeneration	38	69	101
Corporation	8	8	8
Total	742	621	951

Local Purchases and Contracts in Spain

Thousands of euros



Local Purchases and Contracts

In 2011 we bought goods and services in Spain amounting to 586 million euros. We seek to benefit the community in the surrounding areas in which we operate. We attempt to collaborate with local suppliers using training programs so that they may be more efficient and competitive, and can bid along with other suppliers. In this way, we promote the procurement of local goods and services. Furthermore, we help local suppliers to develop and compete in other markets.

CEPSA and Its Environment

- Society
- Health and Safety
- Environment
- Greenhouse Gases

We strive to be perceived as a good corporate citizen that makes a positive and lasting contribution to social development and environmental protection wherever we operate

Society

Our commitment is to build an atmosphere of trust, proximity and transparency which makes it possible to establish quality relationships with all those people with whom CEPSA has contact through its activities. Dialogue, shared knowledge and participation in projects with the communities in our area of influence are essential to achieve this.

CEPSA has specific policies and procedures whose guidelines identify, foresee and minimize the possible impacts on the social environment. In short, the Company's objective is to ensure that its presence is accepted by society as an element that boosts social development and environmental protection.

CEPSA's strategy for its relationships with society has two aspects: on the one hand, the management of relationships with neighboring communities and the promotion of sustainable development; and on the other, support for disadvantaged groups.

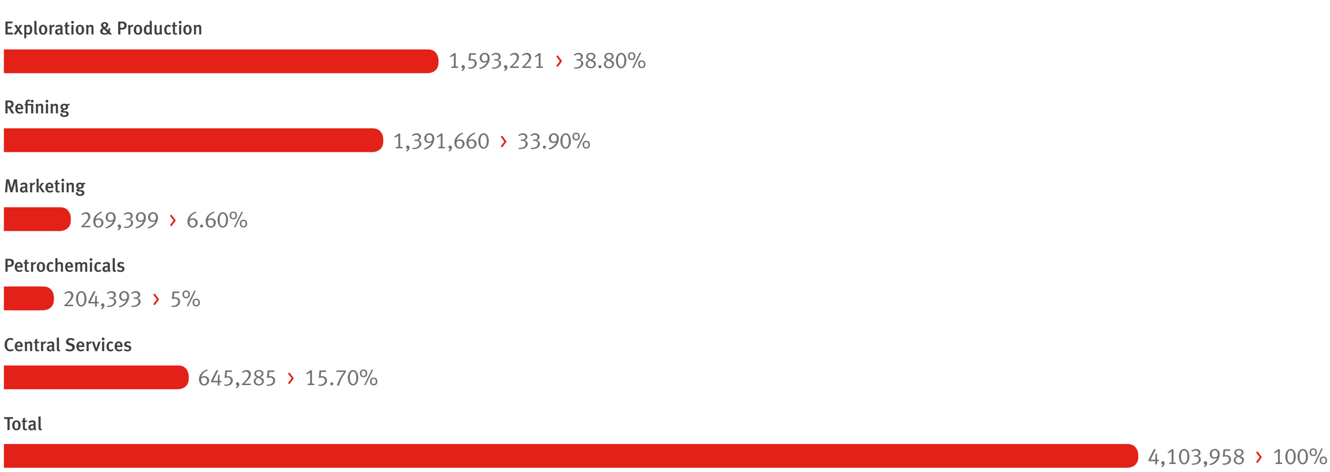
Investments in Responsible Initiatives

	Euros	%
Society	1,794,095	44
Cultural	1,085,433	26
Environmental	258,157	6
Sports	645,013	16
Others*	321,259	8
Total	**4,103,958**	**100**

* In 2011, concepts related to the Group's Social Orientation Services have been included that were not considered in previous years

Distribution by Business Area

Euros › %



Community Relations

We start with the conviction that supporting the community is key to the viability of our projects. For this reason, from the initial phase of its projects, CEPSA makes all of the resources available for creating a relationship based on trust which gives it the legitimacy and license to operate.

When CEPSA works outside of Europe, it faces legal, social, economic and environmental challenges in the different countries in which it operates. As such, CEPSA must make sure that it carries out its activities in a way that ensures its contribution is beneficial to the different groups, in accordance with the characteristics of each geographical region.

Exploration & Production

The Company's basic commitment is to use natural resources with due consideration and respect for the culture and traditions of the local communities and to promote their social development.

Environmental and Social Impact Studies are fundamental parts of this process. Before starting a project, the stakeholders involved are identified, as well as making an initial diagnosis to define the sensitive areas of a social, legal and environmental nature. Likewise, the needs and issues of the communities close to the installations are identified and assessed, and steps are taken to ensure the participation of all groups in the informed consent procedures.

From the initial phase of its projects, CEPSA makes all of the resources available for creating a relationship based on trust with the communities in which it operates

Refining and Petrochemicals

Refining and petrochemical activities are located in Spain, Canada and Brazil. The installations are situated in industrial hubs close to city centers, with a permanent presence in the life of the community. Furthermore, in this case, the Company maintains a close relationship with its neighbors and in each case, it establishes the appropriate relationship channels.

The mechanisms that CEPSA has for community relations include the following:

- Participation in community committees that seek to address matters related to industrial and occupational safety, environmental protection, corporate responsibility and community issues.
- Open days which are held every year at the production centers to allow open access for the community.
- Public consultations for the approval of specific projects.

Social Action

CEPSA contributes to sustainable development by means of its business, but also through supporting social projects, in four specific areas: promotion of community development, raising environmental awareness, disseminating culture and education, and promoting sport in the local community.

This year, the CEPSA "Social Value" Awards were held once again, with the aim of recognizing and supporting the best social projects carried out by various associations, NGOs and institutions. At CEPSA, we are proud of this initiative that seeks to promote charitable values amongst our employees - "sponsors of social projects".

The CEPSA "Social Value" Awards have now been held seven times in Huelva, five times in Madrid, four times in Tenerife and Portugal and three times in Campo de Gibraltar. In 2011, 250 projects were received in total, which were sponsored by over 1,400 employees, of which 23 projects received awards. This year, the judges particularly appreciated the fact that the winning projects had a component of innovation and facilitated the participation of CEPSA employees as volunteers in these projects.

Community Development

This line of action is aimed at projects which focus on the groups that are most in need and which seek to improve people's standard of living. CEPSA collaborates with specialist independant organizations which promote health, development and food safety projects.

- In Campo de Gibraltar, the Hippotherapy Centre for autistic children at the Santa María Polo Foundation, the objective of which is to perform care work and promote the integration and development of children and young people through the values inherent in the practice of sport, and the promotion of the latter as a social integration tool for people suffering from any kind of disability.
- Food Collection Campaign at the Company's centers in Tenerife, Huelva, Campo de Gibraltar and Madrid. In 2011, 4.1 tons of food were collected and sent to the World Food Bank.
- Orinoquia Women's Convention for 340 women belonging to the UNUMA community of the Wacoyo Indigenous Reservation, located in Puerto Gaitán, Meta (Colombia). The topics that were covered were: handicraft production, women's rights, and social development and welfare.

Promotion of Culture and Education

Culture and education are two fundamental aspects in people's development. CEPSA is committed to promoting and preserving local customs, culture and historical heritage and to promoting training through collaborating in cultural and scientific activities.

- Supporting maintenance work at the Carteia site in Campo de Gibraltar and constructing the new Carteia Museum, which is scheduled to open in 2012. Publication of the book Carteia III Memorial.
- CEPSA also works hard to promote the dissemination of music, giving its support to the Canary Island Classical Music Festival in Tenerife, with 58 concerts on the archipelago's islands. The Matoshinos Jazz Festival promotes music and its values amongst young people by supporting the Youth Symphony Orchestra of the University of Lisbon to organize its End of Year concert.
- In Colombia, CEPSA has co-financed the project to create the Interactive Petroleum Museum in Puerto Gaitán.

IN-DEPTH

HEALTHY INDIGENOUS COMMUNITIES PROJECT TAMAYA BASIN, PERU

Objective: To improve people's capacity and knowledge concerning initiatives and information on Promoting Health and Sickness Prevention through a process of providing people with resources and guidelines for healthcare and the promotion of healthy lifestyles.

Location: In three villages, CP Puerto Alegre, CN Puerto Purín and CN Nueva Yarina, on the River Tamaya.

Impact: Improved lifestyles and environments, through participative management, resulting in improved quality of life.

Promotion of Sport

CEPSA understands that sport is a medium for integrating children in society and for promoting values such as teamwork, solidarity and fair play. In this respect, the Company supports activities aimed at promoting sport, fundamentally through local sports clubs and sports schools in its areas of influence.

At CEPSA we support local sport through collaboration agreements with schools for different sporting disciplines and also Spanish competitive sport, sponsoring the National Spanish Football Team.

We also have a presence in the world of motorsport, where we can best contribute the Group's knowledge and experience. In the Formula 1 World Championship, we sponsor the Toro Rosso team, a drivers' school with a promising future; in Rallies, we sponsor the lorry driver Antonio Albacete, triple European truck racing champion; and in motorcycling, we sponsor Dani Torres, world Freestyle champion in 2011.

We lend our support to Spanish competitive sports by sponsoring the National Spanish Football Team

Health and Safety

CEPSA understands safety to mean an overall policy that covers people, operations and products.

Commitment to Safety

The safety culture, reflected in its Health and Safety at Work Policy and developed in the Basic Occupational and Industrial Risk Prevention Regulations, implies a commitment to the safety of people and installations in everyday operations, risk analysis and management of changes to processes, the organization and products, and the participation of all staff in prevention.

Safety is a Group priority and is totally integrated in all business units. The regulations and audits cover all of our activities. CEPSA's commitment is reflected in the "Visible leadership and zero tolerance of unsafe acts" programme aimed at Group managers so that they actively participate in the implementation of the safety culture at company sites.

The programme includes the following activities:

- Active participation in the investigation of accidents, causes, definition and implementation of corrective measures.
- Carrying out Preventive Safety Observations (PSO).
- Checking the effectiveness of safety communication down to technician level.
- Involvement in the issuing and withdrawal of field work permits.
- Publication of incident report, ensuring that the main incidents come to light.
- Regular safety meetings.

Safety is a Group priority and is totally integrated in all business units

Occupational Risk Prevention

CEPSA has a firm commitment to the health and safety of its employees, something that is detailed in its Health and Safety Policy, which sets the annual objectives on this subject. The general agreements detail CEPSA's practices on this matter. The Company places particular emphasis on training as a means of improving health and safety, and it substantially increased the number of health and safety training hours from 48,098 hours in 2010 to 73,899 hours in 2011.

Operational Safety

Our production processes can have an impact on the health and safety of those in charge of carrying out these processes or who live in an area where there are company sites. For this reason, CEPSA, in accordance with its regulations, performs the actions required to prevent or mitigate the identified impacts. The end result of this work is a substantial improvement in the accident rate and job absenteeism data.

Accident and Absenteeism Rate[1] of Company Employees

	2011	2010	2009
Number of accidents at work resulting in sick leave [2]	66	81	89
Frequency rate of accidents resulting in sick leave [3]	3.07	3.76	4.11
Accident seriousness indicator [4]	0.09	0.14	0.11
Rate of absenteeism due to common illness (%) [5]	2.50	3.10	3.43
Rate of overall absenteeism (%) [6]	3.92	4.80	5.30

1 Absenteeism data refers to companies based in Spain .
2 An accident that causes temporary disability, disability or death.
3 Number of accidents resulting in sick leave per million hours worked (company staff).
4 Number of calendar days lost due to accidents resulting in sick leave per thousand hours worked.
5 Number of hours absent due to common illness in the theoretical annual working day.
6 Number of hours absent due to any reason in the theoretical annual working day.

Accident Frequency Rate

	2011	2010	2009
Company staff and contractors	2.80	4.10	3.59
Company staff	3.07	3.76	4.11

Accident Frequency Rate (Company Staff) by Business Area

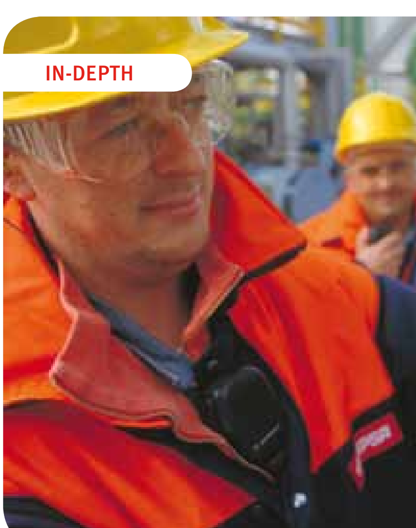
	2011	2010	2009
Exploration and Production	1.18	1.30	2.59
Refining, Distribution and Marketing	3.41	2.88	2.36
Petrochemicals	1.80	5.09	3.39

Product Stewardship

CEPSA is committed to Product Stewardship, in other words, the responsible and ethical management of a chemical product with regard to safety, health protection and environmental aspects throughout its lifecycle. Product Stewardship is Responsible Care, the initiative that originated in Canada in 1985 to promote the worldwide chemical industry's commitment to sustainability, as applied to products. Based on the information provided by the Company and in accordance with its own product safety regulations, the customer is responsible for understanding the risks involved in products sold in order to ensure their proper and safe handling. The product safety data record is required by law for products classified as hazardous. CEPSA voluntarily extends this practice to practically all of its products.

REACH

An important part of CEPSA Química's work in this area is to register all of the substances as part of the REACH initiative (Registration, Evaluation, Authorization and Restriction of Chemical substances), a single comprehensive system established by the European Union which regulates the registration, evaluation and authorization of chemical substances and preparations and their free circulation in the European market. The REACH initiative originated as a response to society's growing concern about health, safety and environmental matters, and enables us to learn about the intrinsic properties of chemical substances used in industrial processes and products. CEPSA applies the actions required to ensure compliance with the REACH regulations and actively participates in the construction and development of this system at a European level. In 2011, five chemical substances were registered that affect eight products



PREVENTIVE SAFETY OBSERVATIONS (PSO)

PSO is a work methodology aimed at identifying safe and unsafe behavior and promoting a collective safety conscience through the consolidation of safe behavior. In order to achieve this, observers are appointed amongst the employees who are responsible for recommending that a person change their attitude if they see that they are displaying an unsafe attitude in the workplace. The observers identify and draw up an inventory of behavior that has most frequently been associated with accidents at work in order to find areas for improvement and to increase safety, and they are responsible for training people so that they are aware of the risks associated with unsafe behavior. In 2011, a total of 9,952 PSO were carried out, of which 8,133 took place at the "La Rábida", "Tenerife" and "Gibraltar-San Roque" refineries and 1,819 at the network of service stations. In cases where unsafe behavior was identified, corrective measures were taken in order to prevent it from being repeated.

Environment

Our environmental management strategy has two main areas: technological innovation and efficiency, both in terms of raw material and energy consumption in production processes and in the reduction of atmospheric emissions. The treatment of water and waste, and the prevention and remedying of possible spillages complete the aspects of managing the environmental impacts of CEPSA's activity.

IN-DEPTH

TO PREVENT, MINIMIZE AND REMEDY ENVIRONMENTAL IMPACTS

Atmosphere: We use the best techniques available in order to obtain the optimum energy efficiency in the operation of processes which also translates into reduced fuel consumption in industrial processes, or their replacement with other less pollutant fuels, and the reduction of atmospheric emissions.

Dumping in water: We have industrial effluent treatment plants on our premises, carrying out a strict control of the waste dumped in the water environment which noticeably minimizes the impacts to the receptor environment.

Soil/Groundwater: Our facilities have piezometric control networks which enable us to check, at all times, the state of the soil and groundwater, as well as being able to act swiftly in the event of detecting pollution due to a possible incident.

Waste: We apply a preventive policy in the production of waste by promoting its minimization, reuse, recycling and recovery for the purposes of protecting the environment and human health.

Marine pollution: Actions aimed at fulfilling the provisions of the Internal Contingency Plans for cases of Accidental Marine Pollution and of the internal procedures for the prevention and fight against this kind of pollution and the improvement of the effectiveness of the maritime terminals and installations, minimizing the risk of the activities.

Exploration and Production of hydrocarbons: CEPSA applies strict environmental criteria in order to minimize the impact of its activities, paying the utmost respect to both the natural environments in which it operates and to the local communities that exist in these areas.

Environmental Policy and Management

CEPSA's position on the subject of the environment, safety and quality is set out in the Letter of Environmental Protection, Hazard Prevention and Management Excellence Principles that is currently in force, which contains a statement concerning the sustainable development policies as a corporate value (natural resources, emissions, greenhouse gases and process energy efficiency).

The Letter of Principles covers the identification, prevention, assessment and control of hazards; crisis management protocols for coping with possible environmental accidents; transparency and dialogue with the communities in the area of activity, service companies, suppliers, customers and other organizations.

The principles of the Letter are developed in the Basic Environmental Regulation and materialize in CEPSA's Environmental Management System, which supports the making of commitments that are legally binding, involve continuous improvement and prevent pollution, as set out in the Group's environmental policies. Their implementation is detailed in the annual management programme, where the objectives and goals aimed at complying with the environmental policy are set out and documented. The department responsible for Environmental Protection, Safety and Quality schedules and carries out internal and external audits, in order to monitor compliance with the regulations and identify areas for improvement.

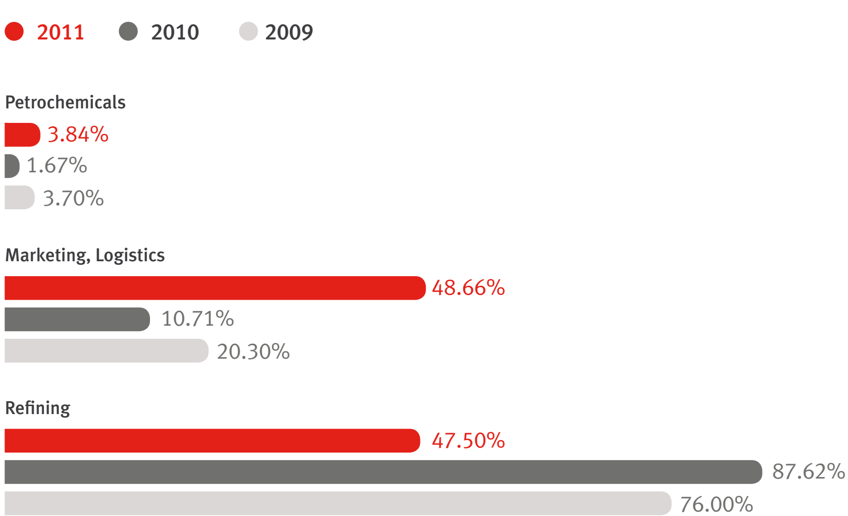
CEPSA encourages its employees to participate via the Green Mailbox, a corporate channel that collects initiatives that are environmentally-friendly and/or represent an energy saving or use fewer raw materials. These initiatives are rewarded annually.

Environmental Investment and Cost

Millions of euros

	2011	2010	2009
Environmental investment	20.6	66.08	41.11
Environmental expenditure	72.71	70.70	78.87
Environmental training	6.99	3.05	4.71

Investment by Business Unit



Environmental Investment and Cost

In 2011, CEPSA continued with its policy of environmental investment and expenditure, basically aimed at reducing emissions in refining and Petrochemicals activities and water treatment. Likewise, staff training levels were maintained on the subject, seeking both competence in performing tasks and to raise the awareness of every employee with regard to a topic that is considered to be a key component of management quality at CEPSA.

During the year 2011, environmental investment was 20.6 million euros, lower than that made in 2010, a year which included the investments related to the project to expand the "La Rábida" Refinery. Meanwhile, the environmental expenditure was 72.71 million euros, 2.8% more than in 2010 (70.7 million euros). Amongst the environmental investments made in 2011 (water, atmosphere, waste, soil and groundwater), noteworthy were the following:

- Two new cogeneration units and improved efficiency at the existing Detisa sites.
- At CEPSA Chemicals, efficiency improvements and heat recovery, principally at DETEN (plant in Brazil) and also at the plant in Montreal.
- In fuels, improved motor diesel additives for the reduction of NOx emissions.
- In refining, energy efficiency improvements, reduced CO_2 emissions and production of biofuels from vegetable oils.

In 2011,CEPSA continued with its policy of environmental investment and expenditure, basically aimed at reducing emissions

Consumption of Raw Materials and Energy

During 2011, CEPSA used a total of 26.7 million tons of raw materials, of which 22.7 million were crude oil distilled at refineries and the rest (3.9 millions) were other raw materials used in Petrochemicals. In 2011, the direct energy consumed reached 105.6 million gigajoules, practically the same as in 2010. Likewise, 8.2 million gigajoules of indirect energy were consumed, which represents 5% more than last year. More significant than consumption in absolute terms, is the energy efficiency ratio. This indicator makes it possible to connect the evolution of energy consumption to the volume of activity in the units. For Refining, the amount of crude oil treated is used as a reference, whilst for Petrochemicals, plant production is used. In the Refining area, the energy efficiency ratio remained stable compared to 2010 and witnessed a slight increase compared to 2009. The efficiency ratio of the Petrochemicals area improved by 13.6% since 2009.

Consumption of Raw Materials

Thousands of tons

	2011	2010	2009
Refining	22,770	21,865	20,950
Petrochemicals	3,995	3,731	3,417
Total	**26,765**	**25,596**	**24,367**

Direct and Indirect Energy Consumption

Thousands of gigajoules

	2011	2010	2009
Fuel gas and fuel oil	47,336	51,360	47,426
Natural gas	47,205	44,390	39,583
Coke, kerosene, diesel oil	11,129	9,919	8,785
Direct energy	105,670	105,669	95,794
Electricity	8,281	7,864	7,734
Indirect energy	8,281	7,864	7,734
Total energy consumed	**113,951**	**113,533**	**103,528**

Energy Efficiency

	2011	2010	2009
Refining (gigajoule/ton treated)	3.08	3.08	2.85
Petrochemicals (gigajoule/ton produced)	4.69	5.29	5.43

Atmospheric Emissions

CEPSA's effort to increase energy efficiency in its operations can be seen in the stability of the emission indicators despite new production units coming into operation, along with the change to cleaner fuels such as natural gas.

The main emissions into the atmosphere are nitrogen oxides (NOx), sulphur dioxide (SO_2), non-methanic organic compounds and particles. Our actions to reduce greenhouse gas emissions (CO_2) are set out in another chapter of this Report. Overall, atmospheric emissions are continuing their downward trend, as a result of our improvement efforts and the investments made.

SO_2 Emissions

	2011	2010	2009
Refining (kg /ton treated)	0.48	0.50	0.66
Petrochemicals (kg /ton produced)	0.03	0.02	0.02

NOx Emissions

	2011	2010	2009
Refining (kg /ton treated)	0.23	0.25	0.33
Petrochemicals (kg /ton produced)	0.45	0.48	0.30

Atmospheric Emissions

	2011	2010	2009
NOx	11,923	12,396	12,580
SO_2	11,062	11,064	13,791

Water Management

Our industry uses large amounts of water in exploration and production operations, as well as at refining and petrochemicals installations. Given the importance of this resource, the efficient use of water forms part of our environmental protection policies and contribution to sustainable development, although none of our plants are located in an area with water shortages.

CEPSA measures its water footprint, studies the use of water at its plants, identifies risks (excess consumption, defects in subsequent treatment), defines the corrective measures and puts them into practice. Then it measures once again in order to verify the result of the measures and introduce new ones in a process of continual improvement.

Volume of Water Consumed

Thousands of m^3

	2011			2010			2009		
	Total	Recycled	%	Total	Recycled	%	Total	Recycled	%
Exploration and Production	14,597	0	0.0	11,541	96	0.8	10,105	56	0.5
Refining	14,832	477	3.2	15,045	1,849	12.3	13,355	1,033	7.7
Petrochemicals	10,564	10	0.0	10,069	15	0.1	9,095	14	0.1
Marketing	1,596	0	0.0	1,753	0.4	0.0	1,801	1	0.0
Research	1,820	0	0.0	1,003	0	0.0	1,051	0	0.0
Total	**43,409**	**487.1**	**1.12**	**39,413**	**1,960**	**4.9**	**35,408**	**1,106**	**3.1**

A fundamental aspect is to keep an eye on the volume and quality of controlled discharge as a consequence of production processes.

Liquid effluent treatment plants guarantee that the waste that is produced complies with the regulations which apply to the associated environmental permits

Volume of Waste

Thousands of m^3

	2011	2010	2009
Exploration and Production	102.3	92.0	27.4
Refining	8,815.6	9,768.8	7,832.6
Petrochemicals	6,273.4	5,832.0	5,503.3
Marketing	1,761.9	1,679.1	1,721.3
Research	195.4	170.2	--
Total	**17,148.7**	**17,542.1**	**15,084.6**

Pollutants in Refining and Petrochemicals

Tons

	2011	2010	2009
Refining			
Total organic carbon (TOC)	251.1	315.1	306.1
Suspended solids	330.8	379.6	260.3
Oils and grease	49.5	64.6	42.8
Petrochemicals			
Total organic carbon (TOC)	1,122.9	1,179.4	992.8
Suspended solids	665.7	643.5	509.4
Oils and grease	8.3	7.7	10.1

IN-DEPTH

WATER IN PETROCHEMICALS

As part of the Group's sustainability strategy, the Petrochemicals area has carried out a study at its three sites, which is aimed at identifying actions to save and reuse water. Currently, annual water consumption at the sites analyzed is 6,811,456 m3 and the volume of waste is 3,780,292 m3. As a result of the study, 24 actions for improvement have been identified, the gradual implementation of which will contribute towards reducing consumption by around 15-20% and increase reuse by 10-15%.

As a first measure and by way of a pilot experience, the manufacturing process will be reviewed with an external company specializing in one of the business units that consumes the most water. The results of the review process shall be compared with the best available technologies in order to identify and apply all of the necessary improvements in order to reduce consumption and increase reuse. In parallel and at the same time as this measure, every site has already created improvement teams and has work plans in progress, and is implementing actions to minimize consumption and increase the reuse of water.

Waste Management

The three refineries and CEPSA Chemicals sites share a new waste management system. The principal features of the application are:

- Management of hazardous and non-hazardous waste.
- Inventory Control.
- Generation of the annual waste management statement.
- Generation of the annual waste production statement.
- Generation of the waste book.

Depending on its characteristics, the waste is separated from the moment that it is generated, so that it can be sent for treatment, recycling or dumping, via a comprehensive management system. Waste recovery involves using it for energy or as an auxiliary material for other processes.

CEPSA is a signatory of the MARPOL Agreement (Marine Pollution), an International agreement for the prevention of marine pollution. As such, the CEPSA refineries and the logistics terminals for supplying ships in the Canary Islands and Ceuta have treatment plants which receive waste from ships. During 2011, 85,669 tons of MARPOL waste were treated, which represents 9.13% more than in 2010 (78,505.49 tons).

Prevention of Spillages and Pollution

CEPSA has a series of regulations and procedures for preventing and managing accidental spillages in Exploration and Production. Likewise, special attention is paid to soil pollution and cleanup.

Waste Generated

Tons

	2011	2010	2009
Hazardous waste	25,853	23,834	21,212
Non-hazardous waste *	50,985	24,303	20,772
Total	**76,838**	**48,137**	**41,984**

* In 2011, non-hazardous building/demolition waste from some sites was included for the first time, not having been included in previous years.

Hazardous Waste by Volume of Activity

	2011	2010	2009
Refining (kg/Mt of crude treated)	0.53	0.57	0.59
Petrochemicals (kg/Mt produced)	2.91	2.67	2.11

During 2011, 85,669 tons of MARPOL waste were treated, which represents 9.13% more than in 2010 (78,505.49 tons)

Biodiversity

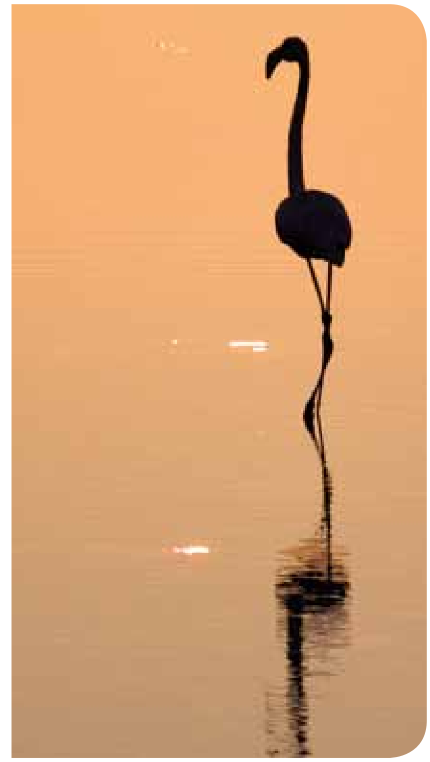
CEPSA recognizes the importance of protecting the biodiversity of species and the environment in which they carry out their activities, as the foundation of the systems that support the availability of clean air, water, soil and, in general, the resources required to preserve the natural balance that is necessary for life.

The Regulation for Biodiversity Conservation was approved in March 2011 and defines the Company's policy and criteria for acting in relation to the preventive and active protection of nature, both in terms of its processes, and product design or installation location. Furthermore, CEPSA has training programs aimed at raising staff awareness on this matter and scientific research and knowledge.

Every year, CEPSA implements a programme of initiatives, the principal objective of which is to reduce the impact on biodiversity in the area of influence of its installations. In the Biodiversity Action Plans concerning Madrevieja at the "Gibraltar-San Roque" complex and at Laguna Primera in Palos de la Frontera, the impact on protected areas and those with a high ecological value is identified and continually assessed, enabling the improvement of the environmental strategy at the same time as mitigating the risks derived from its activities.

Furthermore, the Group actively participates in restoring habitats of species from the areas in which it operates and in recovering deteriorated ecosystems, some of which are now classed as protected thanks to CEPSA's collaboration. The indirect impact on biodiversity is often managed jointly with the local authorities and affected third parties.

CEPSA also collaborates in raising citizens' environmental awareness through scientific articles and activities aimed at local schools.



SOME OF CEPSA'S ACTIONS IN THE AREA OF ECOSYSTEM RESTORATION AND MAINTENANCE ARE:

- In Huelva, as part of the Odiel Marshes project, it launched a pioneering initiative which enables the observation and control of the colonies of flamingos and ospreys through a video surveillance system.
- Likewise, in Brazil, the Forest Factory project is being carried out, reforesting the industrial area of the industrial complex of Camaçari with local plants which reached the figure of 130,000 plants last year.
- In Cadiz, an inventory was carried out at the Madrevieja environmental station of the bird species inhabiting Madrevieja, with the aim of understanding the evolution of bird life following the environmental improvements that have been implemented.
- Maintenance of the Forest Plantation in Colombia, 86 hectares have been reforested in the Wacoyo Indigenous Reservation and in the town of Maní using unskilled labor from the area.
- In Brazil, its projects include supporting the TAMAR – Arembepe Base programme which is aimed at protecting the five turtle species. In 2011, around 2350 turtles laid eggs in the Arembepe area resulting in the release of over 150,000 hatchlings into the sea.

The Group actively participates in restoring habitats of species from the areas in which it operates and in recovering deteriorated ecosystems, some of which are now classed as protected thanks to CEPSA's collaboration

Greenhouse Gases

The emission of Greenhouse Gases basically occurs at CEPSA refineries and chemical plants in Spain which are subject to the National Allocation Plan for Carbon Emission Allowances, and at the chemical plants in Canada and Brazil.

Carbon Strategy

CEPSA's objective is the continued reduction of greenhouse gas emissions through technological innovation and improved efficiency at facilities and operational processes. The management of Greenhouse Gas (GHG) emissions is centralized in two units: the CO_2 Committee, which monitors compliance with the related legislation in force and plans the actions, and the GHG Management Department, which establishes the CO_2 emissions control systems and supervises compliance of the Kyoto Protocol guidelines and the regulations in force.

CEPSA's performance in the area of GHG emissions has focused upon the following points:

- Continued reduction of GHG emissions through energy saving control measures and process optimization.
- Participation in carbon capture and storage projects, in carbon sink projects (reforestation, algae cultivation) and in CO_2 transformation projects.
- Participation in initiatives such as Clean Development Mechanisms (CDM) and Joint Implementation, through the Spanish Carbon Fund, and in the emissions allowance market.
- Collaboration, along with the rest of the participating companies, in the process for closing the Spanish Carbon Fund portfolio.
- Participation, through various organizations, in the establishment of an allocation system for the next period 2013-2020.

Process and Product Improvement

For several years, CEPSA has been implementing an action plan with the aim of optimizing its processes, looking for savings and energy efficiency as the key elements for minimizing GHG.

The development and launch of the projects associated with this plan have been carried out in a staggered fashion in recent years, firstly tackling those which represent high energy recovery, and continuing with those which have a lesser impact.

Investment in Energy Saving and CO_2 Emission Reduction Projects

Thousands of euros

	2011	2010	2009
Refining	22,565	9,741	12,870
Petrochemicals	998	114	9,670
Cogeneration	16,178	43,347	59,415
Total	39,741	53,202	81,955

In 2011, CEPSA invested 39.7 million euros in projects related to improving energy efficiency and reducing GHG emissions

Direct GHG Emissions

Key GHG emissions reduction projects:

- Implementation of technical improvement projects at the "Tenerife" refinery.
- Line insulation improvements at PROAS.
- Launch of cogeneration at Lubrisur to replace the old boilers.
- Modification of the acetic acid balance line in order to increase the efficiency of the CEPSA Chemicals plant in Montreal (Canada).
- Energy efficiency optimization actions at CEPSA Química- Palos.
- Pre-condenser in the paraffins column at the CEPSA Química-Puente Mayorga plant.
- New high-pressure separator in the HDS-3 unit at the "La Rábida" Refinery, with the resulting increase in energy efficiency.
- Actions for the co-processing of vegetable oils in the HDT, HDS-3 and HDS-4 units at the "La Rábida" Refinery.
- Improvement in the crude exchanger train at the "La Rábida" Refinery.
- New cogeneration turbines at the "Gibraltar–San Roque" Refinery and at CEPSA Química Guadarranque.
- Product quality, in terms of its "bio component" content, is fundamental to reducing their GHG emissions. Both their composition and a better performance have a direct impact on the level of emissions. In this respect, the incorporation of 60,000 tons of bioethanol in our petrols and almost 400,000 tons of biodiesel (FAME and hydro-treated oil) in our diesels in 2011, have effectively contributed towards the reduction of these emissions.

GHG emissions have been calculated taking into account the fuel consumption data, the emission factors for each GHG, the procedures recommended by CONCAWE and the criteria defining the scope of the inventory. The inventory includes the CEPSA installations which are featured in the National Allocation Plan for Emission Allowances in Spain and elsewhere.

Spain	3 refineries 7 cogeneration plants 1 combined-cycle plant 1 asphalt plant 1 lubricants plant
Canada	2 chemical plants
Brazil	1 chemical plant
Colombia, Algeria, Peru, Egypt and Spain	Exploration & Production Facilities

In 2011, the Group's emissions went up by 5% compared to the previous year. This increase, partially compensated by the improved energy intensity rating at CEPSA Química and the lower production at the "Tenerife" refinery, was mainly due to the increased production at the "La Rábida" refinery, as a consequence of the increased capacity of medium distillates coming into operation, and the increased emissions in Exploration and Production, due to operational issues in the Ourhoud field, which forced unloading for safety reasons and which represented an increase of almost 13%. Where the fulfillment of the National Allocation Plan for Carbon Emission Allowances is concerned, CEPSA, as in 2010, registered an emission level in 2011 that was within the authorized limits.

Direct GHG Emissions

Thousands of tons

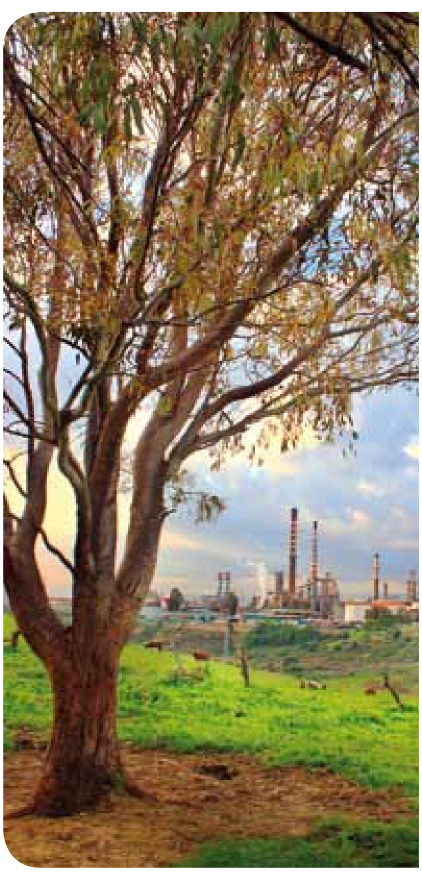
	2011		2010		2009	
	CO_2 eq	Variation	CO_2 eq	Variation	CO_2 eq	Variation
Inside Spain [1]	5,633	4.3%	5,402	3.2%	5,237	-8.1%
Outside Spain	611	12.9%	541	-1.3%	548	10.6%
Total	**6,244**	**5.1%**	**5,943**	**2.7%**	**5,785**	**-4.7%**

1 Installations included in the National Allocation Plan for emission allowances and emissions which are not included from process furnaces and flares.

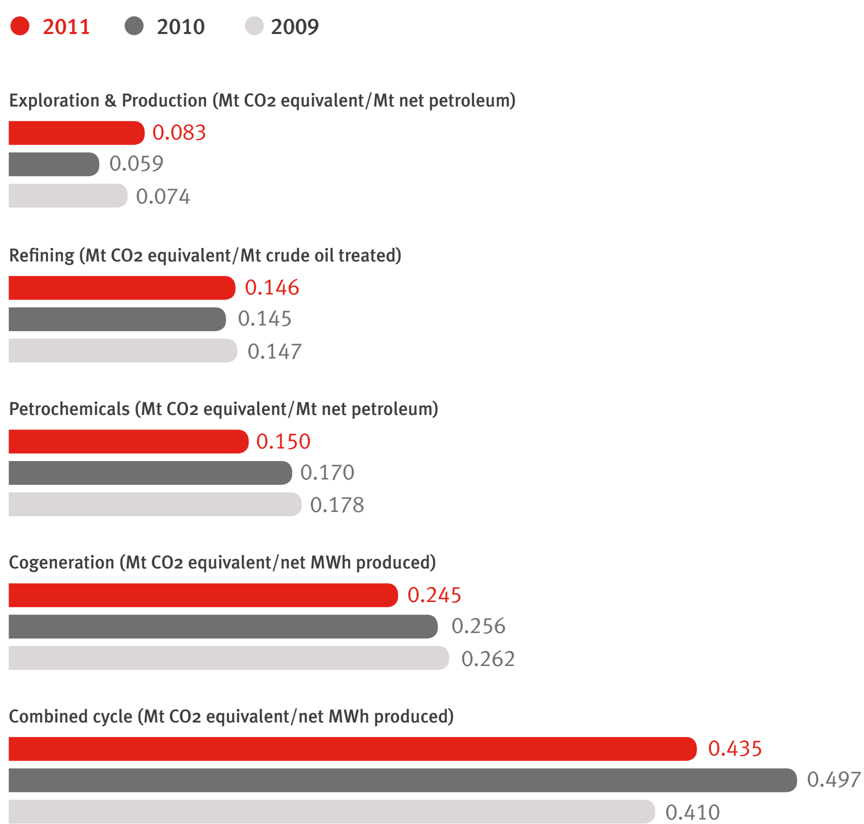
Emissions by Business Unit

Thousands of tons

	2011		2010		2009	
	CO_2	CO_2 eq	CO_2	CO_2 eq	CO_2	CO_2 eq
Exploration & Production	461	470	376	393	389	406
Refining	3,311	3,336	3,203	3,215	3,139	3,151
Petrochemicals	637	640	670	672	676	678
Gas & Power						
Cogeneration	1,215	1,223	914	918	886	893
Mixed Combined Cycle	569	574	739	745	651	657
Total	**6,193**	**6,244**	**5,902**	**5,943**	**5,742**	**5,785**



Intensity of Emissions by Business Unit



Other Information

- Auditors' Report and Consolidated Financial Statements
- Other Financial Information
- Glossary

For more information
www.cepsa.com

Auditors' Report and Consolidated Financial Statements

ERNST & YOUNG

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Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To Sole Shareholder of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U.:

We have audited the consolidated financial statements of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. (the Parent Company) and its subsidiaries (the CEPSA Group), which comprise the consolidated statement of financial position at December 31, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the directors are responsible for the preparation of the Group's financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the CEPSA Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied and the estimates made are in agreement with the applicable regulatory framework for financial information.

In our opinion, the accompanying 2011 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. and subsidiaries at December 31, 2011, and the consolidated results of operations and consolidated cash flow for the year then ended, in conformity with IFRS, as adopted by the European Union, and other applicable provisions in the regulatory framework for financial information.

On February 25, 2011, other auditors issued their audit report on the consolidated financial statements for 2010 of the CEPSA Group, in which they expressed an unqualified opinion.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid
Inscrita en el Registro Mercantil de Madrid al
Tomo 12749, Libro 0, Folio 215, Sección 8ª,
Hoja M-23123, Inscripción 116. C.I.F. B-78970506

ERNST & YOUNG

The accompanying 2011 consolidated management report contains such explanations as the directors of COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A.U. consider appropriate concerning the situation of the CEPSA Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2011 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned 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.

ERNST & YOUNG, S.L.

Basilio Gómez Salinas

March 27, 2012

Consolidated Balance Sheets
at December 31, 2011 and 2010 (Notes 1, 2 and 3)

Compañía Española de Petróleos, S.A.U. and Subsidiaries (Consolidated Group)

	Thousands of euros	
Assets	**2011**	**2010**
Non-current assets		
Intangible assets (Note 4)		
Intangible assets and rights	740,997	527,789
Impairment losses and amortisation charge	(284,674)	(258,044)
Total intangible assets	456,323	269,745
Goodwill in consolidation (Note 5)	62,382	65,941
Property, plant and equipment (Note 6)		
Tangible assets and rights	11,388,888	10,997,367
Impairment losses and depreciation charge	(6,561,973)	(5,927,968)
Total property, plant and equipment	4,826,915	5,069,399
Investments accounted for using the equity method (Note 7)	118,633	104,289
Non-current financial assets (Note 8)	139,325	150,979
Deferred tax assets (Note 14)	76,302	66,442
Total non-current assets	**5,679,880**	**5,726,795**
Current assets		
Inventories (Note 9)	2,605,213	2,016,418
Trade and other receivables (Note 10)	2,798,557	2,739,714
Current income tax assets	30,494	36,145
Other current financial assets (Note 8)	125,810	102,145
Other current assets	16,164	13,398
Cash and cash equivalents (Note 11)	1,315,014	841,080
Total current assets	**6,891,253**	**5,748,900**
Total assets	**12,571,133**	**11,475,695**

(The accompanying Notes 1 to 29 are an integral part of these Consolidated Balance Sheets)

Thousands of euros

Shareholders' equity and liabilities	2011	2010
Equity (Note 12)		
Shareholders' Equity		
Share capital	267,575	267,575
Share premium	338,728	338,728
Revaluation reserve	90,936	90,936
Retained earnings	4,742,225	4,362,475
Profit attributable to the Parent	639,709	633,946
Interim dividend paid	(160,545)	(120,409)
Total equity	**5,918,628**	**5,573,251**
Adjustments for changes in value		
Translation differences	129,388	127,794
Other adjustments for changes in value	(21,604)	(12,544)
Total adjustments for changes in value	**107,784**	**115,250**
Total equity attributable to shareholders of the parent	**6,026,412**	**5,688,501**
Minority interests (Note 12.f)		
Equity attributed to minority interests	56,073	56,792
Profit attributed to minority interests	16,883	13,833
Total minority interests	**72,956**	**70,625**
Total equity	**6,099,368**	**5,759,126**
Non-current liabilities		
Bank borrowings (Note 13)	1,957,673	1,666,613
Other financial liabilities (Note 13)	151,572	161,779
Deferred tax liabilities (Note 14)	336,216	333,135
Grants related to assets (Note 15)	78,234	90,233
Provisions (Notes 16 and 17)	155,985	156,064
Other non-current liabilities (Note 18)	40,171	23,845
Total non-current liabilities	**2,719,851**	**2,431,669**
Current liabilities		
Bank borrowings (Note 13)	636,640	538,428
Other financial liabilities (Note 13)	83,997	90,463
Trade and other payables (Note 18)	2,971,335	2,632,719
Current income tax liabilities	52,507	15,427
Other current liabilities	7,435	7,863
Total current liabilities	**3,751,914**	**3,284,900**
Total equity and liabilities	**12,571,133**	**11,475,695**

(The accompanying Notes 1 to 29 are an integral part of these Consolidated Balance Sheets)

Consolidated Statements of Income

for the years ended December 31, 2011 and 2010 (Notes 1, 2 and 3)

Compañía Española de Petróleos, S.A.U. and Subsidiaries (Consolidated Group)

Thousands of euros

	2011	2010
Sales and services relating to ordinary activity	24,988,713	19,744,045
Excise tax on oil and gas charged on sales	2,210,038	2,340,439
Revenue (Notes 3.n and 25)	**27,198,751**	**22,084,484**
Changes in inventories of finished goods and work in progress	445,550	249,539
In-house work on non-current assets	57,849	60,017
Procurements (Note 25)	(21,160,684)	(16,050,317)
Other operating income (Note 25)	40,318	45,330
Staff costs (Note 25)	(586,786)	(572,216)
Changes in operating allowances	(11,824)	(22,116)
Other operating expenses:		
Excise tax on oil and gas	(2,211,269)	(2,341,055)
Other expenses (Note 25)	(1,921,973)	(1,848,772)
Amortisation charge	(729,256)	(695,072)
Allocation to profit or loss of grants related to non-financial assets and other grants (Note 25)	118,826	70,677
Impairment and gains or losses on disposals of non-current assets (Note 25)	(97,533)	(5,154)
Profit from operations (note 24)	**1,141,969**	**975,345**
Share in profit of companies accounted for using the equity method (Note 7)	42,616	31,969
Finance income (Note 27)	57,163	53,277
Finance costs (Note 27)	(64,319)	(37,978)
Impairment and gains or losses on disposals of financial instruments	519	(662)
Consolidated profit before tax	1,177,948	1,021,951
Income tax (Note 3.m and 14)	(521,356)	(374,172)
Consolidated profit for the period from continuing operations	**656,592**	**647,779**
Consolidated profit for the period	**656,592**	**647,779**
Attibutable to:		
Shareholders of the Parent	**639,709**	**633,946**
Minority interests	**16,883**	**13,833**
Earnings per share:		
Basic	**2.39**	**2.37**
Diluted	**2.39**	**2.37**

(The accompanying Notes 1 to 29 are an integral part of these Consolidated Statements of Income)

Consolidated Cash Flow Statements

for the years ended December 31, 2011 and 2010

Compañía Española de Petróleos, S.A.U. and Subsidiaries (Consolidated Group)

Thousands of euros

Cash Flows from operating activities	**2011**	**2010**
Profit for the year before tax	1,177,949	1,021,951
Depreciation and amortisation charge and impairment losses	826,789	700,226
Changes in provisions for contingencies and expenses	42,341	83,322
Grants related to assets and other deferred income	(119,481)	(70,844)
Impairment and gains or losses on disposals of financial instruments	(519)	662
Change in operating allowances	11,824	17,494
Other changes	(42,045)	(75,804)
Cash flows from operating activities before change in operating working capital	**1,896,858**	**1,677,008**
Interest paid	(52,004)	(29,923)
Interest received	30,602	14,890
Dividends received	30,466	31,150
Income tax paid/received	(485,027)	(281,922)
Other cash flows from operating activities	**(475,963)**	**(265,805)**
Change in operating working capital	**(305,839)**	**(559,769)**
Total cash flows from operating activities (a)	**1,115,056**	**851,434**

Cash Flows from investing activities	**2011**	**2010**
Payments		
Intangible assets	(226,255)	(37,268)
Property, plant and equipment	(460,009)	(663,523)
Financial assets		
Associates and other investments	(12,207)	(2,824)
Other financial assets	(28,037)	(17,174)
Acquisition of subsidiary, net of cash acquired	(5,333)	-
Grants received	6,229	2,972
Total payments	**(725,612)**	**(717,817)**
Collections		
Intangible assets	1,098	977
Property, plant and equipment	15,426	5,745
Financial assets	14,487	15,679
Total collections	**31,011**	**22,401**
Total cash flows from investing activities	**(694,601)**	**(695,416)**

Cash Flows from financing activities	**2011**	**2010**
Dividends paid:		
To shareholders of the Parents	(294,332)	(227,439)
To minority interests	(11,366)	(11,572)
Total dividends paid	**(305,698)**	**(239,011)**
Net change in non-current financial liabilities	324,488	838,729
Net change in current financial liabilities	37,000	(498,629)
Net change in financial investments with returns	5,155	(12,996)
Finance lease payments	(5,230)	(8,122)
Total cash flows from bank borrowings	**361,413**	**318,982**
Detail of changes of operational working capital		
Inventory	(586,529)	(567,132)
Trade and other receivables	(100,612)	(365,753)
Other current financial assets	10,006	132,282
Trade and other payables	357,897	305,388
Other changes	13,399	(64,554)
Total changes in operational working capital	**(305,839)**	**(559,769)**

Consolidated Statement of Comprehensive Income

for the years ended December 31, 2011 and 2010

Compañía Española de Petróleos, S.A.U. and Subsidiaries (Consolidated Group)

Thousands of euros

	2011	2010
Consolidated profit for the period of the income statement	**656,592**	**647,779**
Income and expenses recognised directly in equity	**(11,141)**	**35,646**
Cash flow hedges	(12,788)	(42,580)
Translation differences	(1,592)	64,871
Companies accounted for using the equity method	(667)	(187)
Tax effect	3,906	13,542
Transfers to profit or loss	**448**	**(38,080)**
Cash flow hedges	572	(44,436)
Tax effect	(84)	6,356
Total recognised income / (expenses)	**645,939**	**645,345**
a) Attributable to the Parent	632,242	628,384
b) Attributable to minority interests	13,697	16,961

(The accompanying Notes 1 to 29 are an integral part of these Consolidated Statement of Comprehensive Income)

Consolidated Statement of Changes in Equity

for the years ended December 31, 2011 and 2010

Compañía Española de Petróleos, S.A.U. and Subsidiaries (Consolidated Group)

Thousands of euros

	Share Capita	Share Premium	Revaluation Reserve	Retained Earnings	Translation Differences	Interim Dividend	Reserve for Fair Value Accounting of Assets and Liabilities	Minority Interests	Totall
Balance at 01/01/10	267,575	338,728	90,936	4,576,535	66,050	(107,030)	54,762	65,236	5,352,792
Profit for the year				633,946				13,833	647,779
Gains (losses) recognised directly in equity									
Financial assets available for sale							(37)		(37)
Cash Flow hedges							(67,119)		(67,119)
Translation differences					61,744			3,128	64,871
Companies accounted for using the equity method							(151)		(151)
Total gains (losses) recognised directly in equity	**267,575**	**338,728**	**90,936**	**633,946**	**61,744**	**-**	**(67,306)**	**16,961**	**645,345**
Changes due to transactions with shareholders									
Acquisition of interest in a subsidiary								-	-
Proposed gross dividend				(214,060)		107,030		(9,080)	(116,110)
Interim dividend for the financial year						(120,410)		(2,492)	(122,901)
Total transactions with shareholders	**-**	**-**	**-**	**(214,060)**	**-**	**(13,380)**	**-**	**(11,574)**	**(239,011)**
Balance at 31/12/2010	**267,575**	**338,728**	**90,936**	**4,996,421**	**127,793**	**(120,409)**	**(12,544)**	**70,625**	**5,759,126**

	Share Capita	Share Premium	Revaluation Reserve	Retained Earnings	Translation Differences	Interim Dividend	Reserve for Fair Value Accounting of Assets and Liabilities	Minority Interests	Total
Balance at 01/01/11	267,575	338,728	90,936	4,996,421	127,794	(120,409)	(12,544)	70,625	5,759,126
Profit for the year				639,709				16,883	656,592
Gains (losses) recognised directly in equity									
Available for sale financial assets				-			-		-
Cash Flow Hedges							(9,060)		(9,060)
Companies accounted for using the equity method				-	1,594			(3,186)	(1,592)
Total gains (losses) recognised directly in equity	**-**	**-**	**-**	**-**	**1,594**	**-**	**(9,060)**	**(3,186)**	**(10,652)**
Changes due to transactions with shareholders									
Acquisition of interest in a subsidiary								-	-
Proposed gross dividend				(254,196)		120,409		(11,366)	(145,153)
Interim dividend for the financial year						(160,545)		-	(160,545)
Total transactions with shareholders	**-**	**-**	**-**	**(254,196)**	**-**	**(40,136)**	**-**	**(11,366)**	**(305,698)**
Balance at 31/12/2011	**267,575**	**338,728**	**90,936**	**5,381,934**	**129,388**	**(160,545)**	**(21,604)**	**72,956**	**6,099,368**

(The accompanying Notes 1 to 29 are an integral part of these Consolidated Statement of Changes in Equity)

Cepsa Group Financial Information

Statement of Income for the years ended December 31

	2011	2010	2009	2008	2007
Sales of products and services	24,989	19,744	16,084	22,831	18,888
Excise tax on oil and gas charged to sales	2,210	2,340	2,281	2,285	2,342
Net sales	**27,199**	**22,084**	**18,365**	**25,116**	**21,230**
Adjusted gross operating income (*)					
Exploration & Production	789	635	472	581	499
Refining & Marketing	453	515	380	642	691
Petrochemicals	247	215	143	183	133
Gas & Power	49	43	63	87	60
Total adjusted gross operating income	**1,538**	**1,408**	**1,058**	**1,493**	**1,383**
Adjusted operating income (*)					
Exploration & Production	487	334	236	332	380
Refining & Marketing	121	180	113	394	440
Petrochemicals	185	145	62	88	63
Gas & Power	29	21	57	66	34
Total adjusted operating income	**822**	**680**	**468**	**880**	**917**
Inventory gains / (losses)	385	252	159	(350)	160
Other non-recurring items	(65)	43	(53)	(7)	4
Total operating income IFRS	**1,142**	**975**	**574**	**523**	**1,081**
Income before taxes IFRS	**1,178**	**1,022**	**663**	**535**	**1,170**
Corporate income taxes	(521)	(374)	(272)	(244)	(405)
Net income (before minority interests) IFRS	**657**	**648**	**391**	**291**	**765**
Minority interests	(17)	(14)	(16)	(16)	(17)
Net income IFRS	**640**	**634**	**375**	**275**	**748**
Net losses / (gains) from non-recurring items in the period	(215)	(216)	(110)	249	(110)
Adjustment to minority interests due to net losses / (gains) from non-recurring items in the period	-	-	5		
Adjusted net income	**425**	**418**	**270**	**524**	**638**

(*) Adjusted using the Replacement Cost method to eliminate inventory price variations and other non-recurring items in the period

Tangible Fixed Assets, Intangible Assets and Long-Term Financial Investments in Associated Companies (Breakdown by Business Segments)

	2011	2010	2009	2008	2007
Exploration & Production	429	156	214	742	98
Refining & Marketing	214	356	594	680	413
Petrochemicals	53	32	34	27	65
Technology, Gas & Cogeneration	38	69	101	125	55
Corporate Area	8	8	8	5	4
Total	**742**	**621**	**951**	**1.579**	**635**

Statements of Cash Flows for the years ended December 31

Cash flows from operating activities	2011	2010	2009	2008	2007
Cash flows from operating activities (before changes in working capital)	1,421	1,482	428	1,365	1,154
Changes in operating working capital	(306)	(631)	647	(498)	(229)
Total cash flows from operating activities	**1,115**	**851**	**1,075**	**867**	**925**
Cash flows used in investing activities					
Capital expenditures	(732)	(720)	(985)	(1,357)	(650)
Capital grants received	6	3	7	1	7
Proceeds from asset sales	31	22	63	48	52
Investments due to changes in Group					
Total cash flows used in investing activities	**(695)**	**(695)**	**(915)**	**(1,308)**	**(591)**
Cash flows (used in)/from financing activities					
Changes in short or long term loans	362	319	213	1,048	(116)
Cash dividend paid	(306)	(239)	(292)	(309)	(342)
Total cash flows (used in)/from financing activities	**56**	**80**	**(79)**	**739**	**(458)**
Total net increase/(decrease) in cash and cash equivalents	**476**	**236**	**81**	**298**	**(124)**

Balance Sheet (before profit distribution) at December 31

	2011	2010	2009	2008	2007
Assets					
Fixed assets	**5,618**	**5,661**	**5,646**	**5,492**	**4,521**
Intangible assets	456	270	247	261	152
Tangible fixed assets	4,828	5,069	5,112	4,864	3,988
Long-term financial investments	334	322	287	367	381
Goodwill in consolidation	**62**	**66**	**61**	**53**	**41**
Non-current assets	**5,680**	**5,727**	**5,707**	**5,545**	**4,562**
Current assets					
Inventories	2,605	2,016	1,449	1,337	1,739
Accounts receivable	2,829	2,777	2,318	2,095	2,808
Other short-term investments	126	102	266	184	110
Other current assets	16	13	9	9	14
Cash and cash equivalents	1,315	841	598	481	208
Current assets	**6,891**	**5,749**	**4,640**	**4,106**	**4,879**
Non-current assets held for sale and from discontinued operations	-	-	-	-	-
Total assets	**12,571**	**11,476**	**10,347**	**9,651**	**9,441**

	2011	2010	2009	2008	2007
Shareholders' equity and liabilities					
Equity attributable to shareholders of the parent company	**6,026**	**5,688**	**5,288**	**5,139**	**5,212**
Equity	**5,919**	**5,573**	**5,168**	**5,060**	**5,080**
Subscribed capital stock	268	268	268	268	268
Paid-in surplus	339	339	339	339	339
Revaluation reserve	91	91	91	91	91
Retained earnings	4,742	4,361	4,202	4,194	3,781
Income attributable to the parent company	640	634	375	275	748
Interim dividend paid in the year	(161)	(120)	(107)	(107)	(147)
Adjustments for changes in value	**107**	**115**	**120**	**79**	**132**
Translation differences	129	128	66	54	34
Other adjustments for changes in value	(22)	(13)	54	25	98
Minority interests	**73**	**71**	**65**	**66**	**71**
Total shareholders' equity	**6,099**	**5,759**	**5,353**	**5,205**	**5,283**
Non-current liabilities					
Payable to credit entities	1,958	1,667	1,110	917	287
Other interest-bearing loans	152	162	151	200	146
Capital grants	78	90	81	70	70
Provisions	156	156	130	165	202
Other non-current liabilities	376	357	261	378	478
Non-current liabilities	**2,720**	**2,432**	**1,733**	**1,730**	**1,183**
Current liabilities					
Payable to credit entities	637	538	741	738	257
Other interest-bearing loans	84	90	70	18	66
Other current liabilities	3,031	2,657	2,450	1,960	2,652
Current liabilities	3,752	3,285	3,261	2,716	2,975
Total shareholders' equity and liabilities	**12,571**	**11,476**	**10,347**	**9,651**	**9,441**

Intangible and Tangible Fixed Assets at December 31

	2011	2010	2009	2008	2007
Gross intangible assets	**741**	**528**	**481**	**513**	**397**
Operating licenses, concessions, patents, etc.	83	75	74	70	80
EDP computer software	169	156	147	136	128
Other intangible assets	489	297	260	307	189
Amortization and provisions of intangible assets	**285**	**258**	**234**	**252**	**245**
Operating licenses, concessions, patents, etc.	45	43	39	35	41
EDP computer software	135	125	116	107	102
Other intangible assets	105	90	79	110	102
Net intangible assets	**456**	**270**	**247**	**261**	**152**
Operating licenses, concessions, patents, etc.	38	32	35	35	39
EDP computer software	34	31	31	29	26
Other intangible assets	384	207	181	197	87
Gross tangible fixed assets	**11,389**	**10,997**	**10,340**	**9,500**	**8,090**
Land and structures	397	388	384	373	341
Technical installations and machinery	7,324	7,171	5,901	5,539	5,349
Investments in oil and gas assets with proven and unproven reserves	2,515	2,154	1,975	1,892	1,216
Other installations, tools and furniture	134	132	128	121	110
Advances and construction in progress	307	460	1,248	877	428
Other fixed assets	712	692	704	698	646
Depreciation and provisions of tangible fixed assets	**6,561**	**5,928**	**5,228**	**4,636**	**4,102**
Land and structures	116	109	100	101	83
Technical installations and machinery	4,215	3,935	3,576	3,302	3,073
Investments in oil and gas producing assets	1,761	1,452	1,155	933	691
Other installations, tools and furniture	103	96	96	91	82
Other fixed assets	366	336	301	209	173
Net tangible fixed assets	**4,828**	**5,069**	**5,112**	**4,864**	**3,988**
Land and structures	281	279	284	272	258
Technical installations and machinery	3,109	3,236	2,325	2,237	2,276
Investments in oil and gas producing assets	754	702	820	959	525
Other installations, tools and furniture	31	36	32	30	28
Other fixed assets	346	356	403	489	473
Advances and construction in progress	307	460	1,248	877	428

Statement of Capital Employed (before profit distribution) at December 31

	2011	2010	2099	2008	2007
Capital employed					
1. Net fixed assets	5,640	5,658	5,671	5,472	4,546
2. Working capital	2,501	2,266	1,542	1,672	1,970
Net assets	8,141	7,924	7,213	7,144	6,516
3. Long-term operating liabilities	(611)	(604)	(472)	(614)	(751)
Capital employed	**7,530**	**7,320**	**6,741**	**6,530**	**5,765**
Capital used					
4. Total Shareholders' equity	6,099	5,759	5,353	5,205	5,283
4.1. Shareholders' equity	6,026	5,688	5,288	5,139	5,212
4.2. Minority interests	73	71	65	66	71
5. Net debt	1,431	1,561	1,388	1,325	482
5.1. Long-term financing	2,110	1,829	1,261	1,117	433
5.2. Short-term financing	721	628	811	756	323
5.3. Short-term interest-bearing loans	(85)	(55)	(86)	(67)	(66)
5.4. Cash and cash equivalents	(1,315)	(841)	(598)	(481)	(208)
Capital used	**7,530**	**7,320**	**6,741**	**6,530**	**5,765**

Breakdown of Adjusted Capital Employed by Business Segments at December 31

	2011	2010	2009	2008	2007
Adjusted Capital Employed					
Exploration & Production	883	833	949	1,052	493
Refining & Marketing	4,160	4,527	3,936	3,847	3,476
Petrochemicals	1,295	1,054	996	1,029	1,044
Gas & Power	378	362	492	345	251
Adjusted Capital Employed	**6,716**	**6,776**	**6,373**	**6,273**	**5,264**
Inventory gains / (losses) after taxes	814	544	368	257	501
Total Capital Employed	**7,530**	**7,320**	**6,741**	**6,530**	**5,765**

Structure of Statement of Capital Employed (before profit distribution) at December 31

	2011	2010	2009	2008	2007
1. Net fixed assets	74.90%	77.30%	84.13%	83.80%	78.86%
2. Working capital	33.21%	30.96%	22.87%	25.60%	34.17%
3. Long-term operating liabilities	(8.11)%	(8.25)%	(7.00)%	(9.40)%	(13.03)%
Capital employed	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
4. Shareholders' equity	81.00%	103.66%	79.41%	96.81%	99.15%
5. Net Debt	19.00%	(3.66)%	20.59%	3.19%	0.85%

Profitability and Equity Ratios at December 31

	2011	2010	2009	2008	2007
Return on Average Capital Employed (ROACE (1)	6.8%	6.7%	4.6%	9.8%	12.6%
Return on Average Equity (ROAE) (2)	10.9%	11.6%	7.2%	5.3%	15.0%
Ajusted Return on Average Equity (ROAE) (3)	8.2%	8.3%	5.5%	10.9%	14.0%
Net income attributable to the parent company/ Average number of shares	2.4	2.4	1.4	1.0	2.8
Adjusted net income attributable to the parent company/ Average number of shares	1.6	1.6	1.0	2.0	2.4
Net Income attributable to the parent company/ Net sales revenues (4)	2.6%	3.2%	2.3%	1.2%	4.0%
Adjusted net income attributable to the parent company/ company / Net sales revenues (5)	1.7%	2.1%	1.7%	2.3%	3.4%
Average financial debt / Cash flows from operating activities	1.3	1.7	1.3	1.0	0.5
Net interest-bearing debt (includes internal allowances)/ Shareholders' equity (GEARING)	23.5%	27.1%	25.9%	25.5%	9.1%

(1) Net Income before interest, deducting operating taxes / Adjusted average capital employed.
(2) Net income attributable to the parent company / Average shareholders' equity.
(3) Adjusted net income attributable to the parent company / Adjusted average shareholders' equity.
(4) Net Income attributable to the parent company / Net sales revenues excluding excise tax on oil and gas charged to sales.
(5) Adjusted net income attributable to the parent company / Net sales revenues excluding excise tax on oil and gas charged to sales.

Operating Environment Indicators

	2011	2010	2009	2008	2007
Brent crude t ($/barrel)	111.27	79.47	61.51	96.99	72.52
Exchange rate ($/€)	1.392	1.326	1.395	1.471	1.370

Glossary

Barrel: Measure of volume equivalent to 159 liters .

Bcm: Billion cubic meters.

Biodiesel: Fuel which comes from vegetable oils for use in diesel engines.

Clean Development Mechanisms (CDM): Emission Reduction Projects in less-developed countries within the framework of the Kyoto Protocol .

CO2: Carbon dioxide.

Cogeneration: Energy generation system which simultaneously produces heat and electricity .

Combined cycle: Energy generation system which combines a gas turbine cycle with a steam turbine cycle obtaining a greater output with a lower environmental impact.

Commercial risk: A commercial risk is understood to be the value of the debt that a customer maintains, from the moment that a marketing department acquires the commitment to supply until the date on which it is paid off.

CONCAWE: European oil company organization for the protection of the environment and health.

Conversion: Post-distillation process in which the heaviest products, such as fuel and diesel oils, are transformed into lighter ones.

Cracking: This involves breaking up or splitting high molecular weight hydrocarbons (fuels such as diesel oil and fuel oil) into lower molecular weight compounds (naphthas).

Effluent: Liquid waste which is usually discharged as a result of the various processes at a productive plant.

Emission allowances: Permits or credits awarded to organizations which enable them to fulfill the objectives of the Kyoto protocol and can subsequently be sold in a regulated market .

Farm in: Acquisition of rights or shares in a contract.

Farm out: Sale of rights or shares in a contract.

Gearing: Financial analysis ratio that is defined as the proportion between the company's fixed interest borrowed funds and its total capital (owned and borrowed).

GJ: Gigajoule: 109 joules (1 billion joules). The joule is the International System of Units unit of work, which is equivalent to the work done by a force of one newton acting over a distance of one meter in the direction of the force.

Hydrocracker: Unit which makes it possible to transform heavy distillation fractions, which due to their characteristics would not be useable as fuels, into fractions of greater value (propane, butane, kerosene and diesel oil) through high-pressure catalytic processes in the presence of hydrogen.

Hydrogen Plant: High-purity hydrogen production units (greater than 99.9%). The hydrogen that is obtained from it is used in other refinery units in order to increase the production of diesel oils and to remove the sulphur from diesel and petrol.

Hydroskimming: A refinery with a configuration that only includes distillation, reformation and some hydrotreatment.

ILO (International Labor Organization): United Nations body that promotes social justice and internationally recognized human and labor rights.

ISO: International Organization for Standardization

ISO 9001: Certifiable quality management regulation.

LAB: Linear alkylbenzene is the most common raw material in the production of biodegradable detergents .

LABSA: Is the most versatile surfactant and is widely used in all kinds of detergent formulations: powders, liquids, gels, agglomerates, bars, tablets.

Mt: Metric Ton.

Mwh: Megawatt hour. Unit for measuring energy.

mmHg: The millimeter of mercury is a unit of pressure also called a torr in honor of its discoverer, Evangelista Torricelli. The atmospheric pressure that surrounds us is equivalent to 760mmHg, and as such, any pressure that is lower than this implies working in a vacuum.

National Allocation Plan for emission allowances (NAP): Legislative Act which regulates the trading of greenhouse gas emission allowances (approved by the Spanish government and which adapts European Directive 87/2003 concerning this trading, to our legal system), which seeks to contribute towards the reduction of emissions which cause climate change, fulfilling the commitment taken on by Spain under the Kyoto Protocol.

NOx: Nitrogen oxides.

Occupational Hazard Prevention: Series of activities aimed at preventing accidents at work, which may be due to environmental conditions at the place of work, the physical nature of the work, job conditions or conditions derived from the organizational system of the work. Each occupational hazard has a related preventive plan in order to prevent it or lessen its seriousness.

Offshore: Away from the coast or out to sea. This label is given to different kinds of activities that are performed at high sea, such as, for example, the exploitation of oil rigs.

Onshore: Along the coast line, on land.

Ovens: Plant equipment that provides the heat required for manufacturing products.

PET: Polyethylene terephthalate. A high-quality plastic used to produce fibers with textile applications and for the manufacturing of lightweight, transparent and totally recyclable containers.

PIA: Purified Isophthalic Acid for the manufacturing of polyesters.

Piezometric networks: They are used to find out the temporary evolutions of the water potentials.

Pool: Wholesale electricity market. In this market, governed by the operator OMEL, electricity is purchased and sold on a daily basis.

PSC: Production-Sharing Contract.

PTA: Purified Terephthalic Acid. Over 90% of PTA is used to manufacture PET fiber and film.

REACH: Registration, Evaluation and Authorization of Chemicals. Single comprehensive system established by the European Union which regulates the registration, evaluation and authorization of chemical substances and preparations and their free circulation in the European market.

Regulation UNE 150008 EX: Spanish regulation for the Assessment of Environmental Risk at facilities where business activities are carried out, especially aimed at the industrial sector.

Regulation UNE-EN ISO: International regulation concerning Spain.

Responsible Care: Initiative that originated in Canada in 1985, to promote the worldwide chemical industry's commitment to sustainability, applied to products.

Risk analysis: Assessment of the probability of a risk occurring and study of its consequences for people, the environment and goods, in order to remove it or manage it.

Safety data record: Document aimed at customers and employees which contains the special characteristics, properties and use of a specific substance.

Seismic: Method for establishing the detailed underground rock structure by means of the detection and measurement of the impact of reflected acoustic waves on the different rock strata. It is used to locate structures which potentially contain crude oil or gas before drilling. Processing such data enables the generation of 3D images of the underground structures.

SO2: Sulphur Dioxide.

Sulphur plant: Treatment plant which recovers this product so that it may be controlled and marketed.

Treatment: Group of plants whose purpose is to adapt the products to the required specifications. This is the case of the ETBE, Alkylation and Isomerization plants, which make it possible to obtain high-quality unleaded petrol.

United Nations Global Compact: Initiative that seeks to disseminate the assumption of environmental, labor, human rights protection and anti-corruption commitments amongst the private sector.

Waste recovery: Any procedure that enables the use of the resources contained in waste.

Working interest: Total share production, calculated before applying the contractual terms, when Production-Sharing Contracts are involved.

This report provides a comprehensive overview of CEPSA's business activities and those of the subsidiary companies over which CEPSA has management responsibility, its results for the 2011 fiscal year, corporate strategy and information regarding its contribution to development and social well-being. Additional information on the contents of this report is available on the Company's website: www.cepsa.com and in the Group's other corporate publications. For any clarification regarding this document, please contact the Communications and Institutional Relations Division at the Group's headquarters.

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"Tenerife" Refinery	Avda. Manuel Hermoso Rojas, 3 38005 Santa Cruz de Tenerife Tenerife (Islas Canarias)	922 60 26 00	922 21 88 03
"La Rábida" Refinery	Polígono Industrial Nuevo Puerto 21080 Palos de la Frontera (Huelva)	959 37 94 00	959 37 94 23
"Gibraltar-San Roque" Refinery	Puente Mayorga, s/n 11360 San Roque (Cádiz)	956 02 30 00	902 10 22 06

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CEPSA COLOMBIA, S.A.	Avda. Ribera del Loira, 50 28042 Madrid	91 337 72 10	91 337 72 15
CEPSA E. P., S.A.	Avda. Ribera del Loira, 50 28042 Madrid	91 337 72 10	91 337 72 15
CEPSA EGYPT, S.A., B.V.	Claude Debussylaan 24 1082 MD Amsterdam The Netherlands	00 202 2522 9500	00 202 2522 9501
CEPSA COMERCIAL PETRÓLEO, S.A.	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 75 58
CEPSA GAS LICUADO, S.A.	Avda. Ribera del Loira, 50 28042 Madrid	902 416 416	91 337 96 48
CEPSA LUBRICANTES, S.A.	Avda. Ribera del Loira, 50 28042 Madrid	91 337 75 55	91 337 95 86
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CEPSA PERÚ, S.A.	Avda. del Partenón, 12 28042 Madrid	91 337 72 10	91 337 72 15
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NUEVA GENERADORA DEL SUR, S.A.	Avda. de San Luis, 77 28033 Madrid	91 210 78 77	91 567 60 88
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PROMIMER	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 62 25
PETROPESCA	Avda. del Partenón, 12 28042 Madrid	91 337 62 20	91 337 97 29