Compañía Española de Petróleos, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2021 and Consolidated Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Compañía Española de Petróleos, S.A.,

Opinion

We have audited the consolidated financial statements of Compañía Española de Petróleos, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Significant Audit Matters

The most significant audit matters are those matters that, in our professional judgement, were considered to be the most significant risks of material misstatement in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those risks.

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Estimation of oil and gas reserves	
Description	**Procedures applied in the audit**
The estimation of the oil and gas reserves and resources is a key process for the Company's decision-making and in the application of the Successful Efforts Method used by the Group to account for its exploration and production activities, as described in Note 3.B to the accompanying consolidated financial statements. Specifically, the estimation of oil and gas reserves and resources has a significant impact on the analysis of the recoverability of the intangible assets and property, plant and equipment associated with the exploration and production cash-generating units (CGUs), and on the calculation of their depreciation and amortisation (as described in Notes 4.4 and 13.2 to the consolidated financial statements). That estimation is an area of significant judgement due to the technical uncertainty in the assessment of the volumes and to the complex contractual arrangements in force that govern the Group's interest in the volumes declared and, accordingly, we considered this to be a significant matter in our audit.	Our audit procedures included, among others, obtaining an understanding of the method used by the Group for estimating oil and gas reserves and resources in order to evaluate its conformity with the applicable regulatory financial reporting framework, as well as reviewing the design and implementation thereof, and performing tests on the operating effectiveness of the relevant controls established by the Group in this connection. We evaluated the methods and policies for estimating the Group's reserves and resources and analysed the key assumptions made therein, which were, among others, production profiles, investment costs, operating costs, decommissioning costs and the various taxes application to each asset. Also, we validated the consistency of the estimate of the volume of reserves made with that considered in other areas of estimation such as the impairment tests. In addition, we obtained the most recent auditor's report of reserves conducted by an independent expert in the oil and gas industry in 2020 and that relating to 2021 performed by Group internal experts. We compared the data in the aforementioned reports with those used by the Group in its estimations, performing a retrospective evaluation thereof by reconciling the actual production for 2021 with that estimated in the preceding year. In order to determine the adequacy of their reports for use as audit evidence, we evaluated the competence and capability of the Group's internal and external experts by reviewing the findings and conclusions of their work, and obtained an understanding of their qualifications, objectivity and experience. Lastly, we checked that the accompanying consolidated financial statements contained the disclosures required in this connection by the applicable regulatory financial reporting framework.

Assessment of the carrying amount of exploration and production assets	
Description	**Procedures applied in the audit**
As described in Notes 8 and 10 to the accompanying consolidated financial statements, at 31 December 2021 the Group had property, plant and equipment and intangible assets allocated to the exploration and production segment. Those assets are allocated to the cash-generating units (CGUs) as indicated in Note 13 to the accompanying consolidated financial statements. At least once a year, management performs an impairment test on each of the CGUs in this segment. These tests require management to make significant judgements and estimates, including most notably the projections of future oil and gas prices, the costs and investments, discount rates, the estimates of oil and gas reserves and the general economic conditions of each of the businesses. Note 13 to the consolidated financial statements details the assessment performed by management, as well as the impairment losses recognised and reversed in the year. In addition, a sensitivity analysis of the key assumptions in included which, on the basis of historical experience, could have a significant impact on the result obtained. We determined the aforementioned tests and valuations to constitute a significant matter in our audit as they include significant judgements and estimates, since future changes in the assumptions used could have a significant impact on the consolidated financial statements.	Our audit procedures included, among others, the review of the design and implementation of the relevant controls established by the Group for estimating the fair values of the exploration and production assets, as well as tests to verify that the aforementioned controls operate effectively. We obtained the impairment tests performed by the Group and carried out the following substantive procedures: • Based on external data, we estimated a reasonable range of oil and gas selling prices and compared it with the price assumptions used. We also checked that these price assumptions had been used uniformly in all the Group's estimations. • With the assistance of our internal valuation experts, we evaluated the discount rates used in the valuations, verifying that the risks of specific countries and tax adjustments were reasonably reflected in them. • We confirmed that the key assumptions were adequately supported, principally those relating to revenue, investment costs and operating costs, and that they were consistent with the budgets approved by the Parent's directors. In addition, we checked that the valuations made were consistent with the estimations of reserves carried out by the Group and evaluated, together with our internal valuation experts, the appropriateness of the methodology used in the valuation models. Lastly, we checked that the notes to the accompanying consolidated financial statements contained the disclosures required by the regulatory financial reporting framework applicable to the Group.

Recoverability of tax assets	
Description	**Procedures applied in the audit**
As indicated in Note 26.3 to the consolidated financial statements, the consolidated balance sheet as at 31 December 2021 includes deferred tax assets amounting to EUR 943 million, of which EUR 299 million relate to tax assets (mainly tax loss and tax credit carryforwards) and EUR 295 million relate to losses incurred by certain subsidiaries, which will be recoverable in the context of the Spanish tax group headed by the Parent. At the end of the year Group management prepares financial models to assess the recoverability of the deferred tax assets recognised, taking into consideration new legislative developments and the most recently approved business plans. The recoverability of the deferred tax assets in relation to the losses incurred by the Coastal Group is based on the liquidation of these companies and on the conclusion reached by management in relation to the probability that there will be sufficient future taxable profits to make it possible to offset these deferred tax assets. We identified this matter as one of the most significant in our audit since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate made of the recoverability of the tax assets.	Our audit procedures included, among others, obtaining an understanding of, and reviewing, the Group's processes for assessing the recoverability of the deferred tax assets, including the revision of the design and implementation of the relevant controls established in respect of the data and assumptions used in the analysis, as well as tests to verify that the aforementioned controls operate effectively. In addition, we reviewed the aforementioned financial models, including their clerical accuracy, that the key assumptions included in the business plans were adequately supported by the approved budgets and the reasonableness thereof based on the current circumstances of the companies and the expectations as to their potential future performance, as well as the consistency of those financial models with those used in other areas of estimation, such as the impairment test on the Group's exploration and production assets. We also reviewed the tax legislation applicable to the deferred tax assets recognised. Also, we involved our internal experts from the tax area in the analysis of the reasonableness of the principal tax assumptions considered. Lastly, we evaluated whether Note 26.3 to the accompanying consolidated financial statements contained the disclosures required in this connection by the regulatory financial reporting framework applicable to the Group.

Other Matter

The Group’s consolidated financial statements for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 4 March 2021.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2021, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the consolidated non-financial information statement has been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Parent's Directors for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Fernando García Beato
Registered in ROAC under no. 18.142

15 March 2022

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent's directors, we determine those risks that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

CONSOLIDATED FINANCIAL STATEMENTS

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

for the year ended December 31, 2021

Contents

Consolidated Balance Sheet

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)
Consolidated Balance Sheet at December 31st, 2021 and 2020

Assets	**Notes**	**2021**	**2020**
		Thousand of euros	
Non current assets			
Intangible assets, net	Note 8	419,731	565,445
Consolidated goodwill, net	Note 9	105,263	102,254
Property, plant and equipment, net	Note 10	5,567,942	5,604,187
Right of use, net	Note 11	661,586	616,842
Investments in equity accounted investees	Note 7.1	290,284	230,266
Non-current financial assets	Note 12	120,527	169,992
Deferred tax assets	Note 26.3	943,222	894,217
Total non-current assets		***8,108,555***	***8,183,203***
Current assets			
Inventories	Note 14	3,024,589	1,418,812
Trade and other receivables	Notes 12 and 15	2,293,845	1,289,413
Other current assets	Note 15	174,464	125,795
Other current financial assets	Note 12	231,467	69,389
Cash and cash equivalents	Note 16	657,053	1,358,407
Assets held for sale and discontinued operations	Note 5.2	160,266	588
Total current assets		***6,541,684***	***4,262,404***
Total assets		***14,650,239***	***12,445,607***

(The accompanying Notes 1 to 35 are an integral part of this Consolidated Balance Sheet)

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)
Consolidated Balance Sheet at December 31st, 2021 and 2020

Thousand of euros

Shareholders' Equity and Liabilities	Notes	2021	2020
Equity			
Share capital	Note 17.1	268,175	267,575
Share premium	Note 17.1	351,581	338,728
Revaluation reserve	Note 17.2	90,936	90,936
Retained earnings	Note 17.3	2,648,145	4,095,395
Profit attributable to equity holders of the parent		660,953	(918,758)
Adjustments for changes in value	Note 17.4	150,054	70,259
Total equity attributable to shareholders of the parent		**4,169,844**	**3,944,135**
Non-controlling interest	Note 17.7	137,500	84,607
Total equity		***4,307,344***	***4,028,742***
Non-current liabilities			
Deferred tax liabilities	Note 26.3	639,315	517,600
Capital grants	Note 19	25,274	23,313
Employee defined benefit liabilities	Note 20.2	42,443	50,756
Provisions	Note 21	425,642	346,985
Non-current financial liabilities	Notes 18 and 22	3,266,116	4,042,812
Leases liabilities, non-current	Notes 18 and 24	552,140	530,357
Other non-current liabilities	Notes 18 and 22	477,509	248,093
Total non-current liabilities		***5,428,439***	***5,759,916***
Current liabilities			
Leases liabilites, current	Notes 17 and 24	135,058	95,468
Current financial liabilities	Notes 18 and 24	149,497	140,586
Trade payables	Note 22	2,819,835	1,765,794
Other current liabilities	Note 22	1,683,665	655,101
Liabilities held for sale and discontinued operations	Note 5.2	126,401	-
Total current liabilities		***4,914,456***	***2,656,949***
Total equity and liabilities		***14,650,239***	***12,445,607***

(The accompanying Notes 1 to 35 are an integral part of this Consolidated Balance Sheet)

Consolidated Income Statement

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)
Consolidated Income Statement at December 31st, 2021 and 2020

	Notes	2021	2020
			Thousand of euros
Sales of goods and rendering of services		22,335,065	13,643,255
Excise tax on oil and gas charged on sales		2,196,582	2,116,889
Revenue from contracts with customers	Note 23	***24,531,647***	***15,760,144***
Changes in inventories of finished goods and work in progress		256,530	(318,992)
In-house work on non-current assets	Notes 8 and 10	37,901	26,719
Procurements	Note 23	(18,122,161)	(10,382,367)
Other operating income		48,333	49,218
Staff costs	Note 23	(614,938)	(670,962)
Changes in operating allowances		52,053	(60,734)
Other operating costs:			
Excise tax on oil and gas		(2,197,692)	(2,119,818)
Other operating costs	Note 23	(2,037,088)	(1,702,289)
Amortization charge	Notes 8,10 and 11	(774,395)	(791,990)
Allocation to profit or loss of grants related to non-finance assets and other grants	Notes 19 and 23	107,253	75,599
Impairment and gains or losses on disposals of non-current assets	Note 23	172,418	(686,620)
Operating Profit		***1,459,861***	***(822,092)***
Share of results of equity accounted investees	Note 7.1	57,950	(48,124)
Finance income	Note 25	203,640	152,153
Finance costs	Note 25	(344,264)	(285,056)
Impairment and gains or losses on disposals of financial instruments	Note 25	(6,799)	(157)
Consolidated profit before tax		***1,370,388***	***(1,003,276)***
Income tax	Note 26.1	(647,745)	88,469
Consolidated profit for the year from continuing operations		***722,643***	***(914,807)***
Consolidated profit for the year		***722,643***	***(914,807)***
Non-controlling interests	Note 17.7	61,690	3,951
Equity holder of the parent		***660,953***	***(918,758)***
Earnings (loss) per share:			
Basic	Note 27	1.24	(1.72)
Diluted		1.24	(1.72)

(The accompanying Notes 1 to 35 are an integral part of this Consolidated Income Statement)

Consolidated Statement of Comprehensive Income

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)
Consolidated Statement of Comprehensive Income at December 31st, 2021 and 2020

	Notes	2021	2020
			Thousand of euros
Consolidated profit for the year		**722,643**	**(914,807)**
Items to be reclassified to profit or loss:			
Gains and (losses) arising during the year		**39,602**	**(163,928)**
Net changes in cost of hedging	Note 17.4.B	11,418	(41,050)
Net (losses) gains on cash flow hedges	Note 17.4.B	(10,802)	(43,709)
Net (losses) gains on net investment hedge	Note 17.4.B	(184,391)	215,780
Exchange gains (losses) on translation of foreign operations		178,832	(262,330)
Tax effect	Note 26.1	44,545	(32,619)
Reclassification during the year to statement of profit/loss		**44,461**	**12,948**
Net (losses) gains on hedge costs	Note 17.4.B	1,686	3,271
Net (losses) gains on cash flow hedges	Note 17.4.B	12,991	14,150
Net (losses) gains on net investment hedge	Note 17.4.B	42,759	-
Tax effect	Note 26.1	(12,975)	(4,473)
Other comprehensive income/loss for the year net of tax		***84,063***	***(150,980)***
Total consolidated comprehensive income/loss		***806,706***	***(1,065,787)***
a) Attributable to equity holders of the Parent		740,748	(1,060,494)
b) Attributable to non-controlling interests		65,958	(5,293)

(The accompanying Notes 1 to 35 are an integral part of this Consolidated Statement of Comprehensive Income)

IAS 1 requires separate disclosure of items which will be reclassified in the Consolidated Income Statement from those which will not, so, it should be noted that in all the above cases, the items are eligible for reclassification in the Consolidated Income Statement.

Consolidated Statement of Changes in Equity

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)
Consolidated Statements of Changes in Equity at December 31st, 2021 and 2020

Thousand of euros

	Equity attributable to equity holders of the parent								
	Share Capital	Share premium	Revaluation reserve	Retained earnings	Profit attributable to equity holders of the parent	Interim dividend	Adjustments for changes in value	Non-controlling interest	Total
Balance at 01/01/2021	***267,575***	***338,728***	***90,936***	***4,095,395***	***(918,758)***	-	***70,259***	***84,607***	***4,028,742***
Consolidated profit or loss for the period	-	-	-	**(918,758)**	**918,758**	-	-	-	-
Consolidated profit or loss for the period	-	-	-	-	660,953	-	-	61,690	722,643
Other comprehensive income for the period	-	-	-	-	-	-	79,795	4,268	84,063
Total consolidated comprehensive income	-	-	-	-	**660,953**	-	**79,795**	**65,958**	**806,706**
Changes due to transactions with shareholders									
- Dividend paid	-	-	-	(522,551)	-	-	-	(5,005)	(527,556)
- Interim dividend paid for the financial year	-	-	-	-	-	-	-	(8,060)	(8,060)
Other changes in equity									
- Capital increase/acquisition of non-controlling interest	600	12,853	-	(5,905)	-	-	-	-	7,548
- Other variations	-	-	-	(36)	-	-	-	-	(36)
Total shareholder transactions	**600**	**12,853**	-	**(528,492)**	-	-	-	**(13,065)**	**(528,104)**
Balance at 12/31/2021	***268,175***	***351,581***	***90,936***	***2,648,145***	***660,953***	-	***150,054***	***137,500***	***4,307,344***

Thousand of euros

	Equity attributable to equity holders of the parent								
	Share Capital	Share premium	Revaluation reserve	Retained earnings	Profit attributable to equity holders of the parent	Interim dividend	Adjustments for changes in value	Non-controlling interest	Total
Balance at 01/01/2020	***267,575***	***338,728***	***90,936***	***3,687,701***	***820,023***	***(216,415)***	***211,995***	***100,412***	***5,300,955***
Consolidated profit or loss for the period	-	-	-	**603,608**	**(820,023)**	**216,415**	-	-	-
Consolidated profit or loss for the period	-	-	-	-	(918,758)	-	-	3,951	(914,807)
Other comprehensive income for the period	-	-	-	-	-	-	(141,736)	(9,244)	(150,980)
Total consolidated comprehensive income	-	-	-	-	**(918,758)**	-	**(141,736)**	**(5,293)**	**(1,065,787)**
Changes due to transactions with shareholders									
- Dividend paid	-	-	-	(196,000)	-	-	-	(9,940)	(205,940)
- Interim dividend paid for the financial year	-	-	-	-	-	-	-	(3,147)	(3,147)
Other changes in equity									
- Capital increase/acquisition of non-controlling interest	-	-	-	-	-	-	-	2,575	2,575
- Other variations	-	-	-	86	-	-	-	-	86
Total shareholder transactions	-	-	-	**(195,914)**	-	-	-	**(10,512)**	**(206,426)**
Balance at 12/31/2020	***267,575***	***338,728***	***90,936***	***4,095,395***	***(918,758)***	-	***70,259***	***84,607***	***4,028,742***

(The accompanying Notes 1 to 35 are an integral part of this Consolidated Statement of Changes in Equity)

Consolidated Statement of Cash Flows

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)
Consolidated Statement of Cash Flows at December 31st, 2021 and 2020

Thousand of euros

Cash Flows from operating activities	2021	2020
Profit before tax from continuing operations	**1,370,388**	**(1,003,276)**
Depreciation and amortisation charge and impairment losses	620,567	1,397,765
Changes in provisions for contingencies and costs	96,221	79,107
Grants related to assets and other deferred income	(110,854)	(62,730)
Change in operating allowances	(39,654)	60,907
Finance income and costs	150,305	140,723
Share of results of equity accounted investees	(60,400)	47,518
Other changes	211,719	728
Cash flows generated from operating activities before changes in operating working capital	**2,238,292**	**660,741**
Changes in operating working capital	**(575,184)**	**603,246**
Dividends received	14,580	12,816
Income tax paid	(371,991)	(257,429)
Other cash flows used in operating activities	**(357,411)**	**(244,613)**
Total cash flows generated from operating activities	***1,305,697***	***1,019,374***
Cash Flows used in investing activities		
Payments		
Intangible assets	(56,791)	(42,629)
Property, plant and equipment	(440,877)	(656,514)
Acquisition of subsidiary, net of cash acquired	(6,632)	(77,597)
Grants received	3,382	3,170
Total payments	**(500,918)**	**(773,570)**
Collections		
Property, plant and equipment	86,357	14,514
Finance assets	23,496	-
Total collections	**109,853**	**14,514**
Total cash flows used in investing activities	***(391,065)***	***(759,056)***
Cash Flows from financing activities		
Dividends paid		
To equity holders of the parent	(522,551)	(196,000)
To non-controlling interests	(5,005)	(13,087)
Total dividends paid	**(527,556)**	**(209,087)**
Proceeds from borrowings	429,967	1,974,719
Repayment of borrowings	(1,299,752)	(988,771)
Interest paid	(92,999)	(96,977)
IFRS16 Debt payments	(134,080)	(136,135)
Total cash flows from bank borrowings	**(1,096,864)**	**752,836**
Total cash flows from financing activities	***(1,624,420)***	***543,749***
Net increase (decrease) in cash and cash equivalents	***(709,788)***	***804,067***
Effect of changes in foreign exchange rates	8,434	(8,328)
Effect of exchange rate changes	-	1,508
Cash and cash equivalents at beginning of the period	***1,358,407***	***561,160***
Cash and cash equivalents at the end of the period	***657,053***	***1,358,407***
Detail of changes of operating working capital		
Inventories	(760,027)	510,098
Trade and other receivables	(1,062,989)	784,416
Other current Finance assets	(60,072)	(8,001)
Trade and other payables	1,307,905	(683,266)
Other changes	(1)	(1)
Total changes in operating working capital	***(575,184)***	***603,246***

(The accompanying Notes 1 to 35 are an integral part of this Consolidated Statement of Cash Flows)

Table of Contents - Notes to the Consolidated Financial Statements

Notes to the Financial Statements for the year ended December 31, 2021
Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)

1. Corporate information and regulatory framework

A) Corporate information

Compañía Española de Petróleos, S.A. (hereinafter "CEPSA" or "the Company") was incorporated on September 26, 1929, for an indefinite period of time, with registered address at Paseo de la Castellana, 259 A, 28046 Madrid (Spain). It is registered in the Madrid Mercantile Register, Volume 588 of the Companies Book, Sheet 35, Page M-12689, and its Tax Identification Number is A-28003119.

CEPSA shares are mainly owned by two shareholders: the company CEPSA Holding, LLC, owner of shares representing 61.36% of the share capital, a company incorporated in the United Arab Emirates and ultimately controlled by Mubadala Investment Company, PJSC ("MIC"), and the company Matador Bidco, S.À.R.L., owner of shares representing the remaining 38.41% of the share capital, a company incorporated in Luxembourg and ultimately controlled by The Carlyle Group, Inc. (See **Note 17.1**)

CEPSA and its investees (hereinafter "the CEPSA Group") form a diversified business Group which operates in the energy industry in Spain and abroad, engaging in business activities related to the exploration and extraction of crude oil and natural gas, the production of petrochemical and energy products, asphalts and lubricants, and their distribution and marketing, gas distribution and electricity generation, as well as trading activities.

B) Regulatory framework

CEPSA Group activity carried out in Spain or abroad is subject to numerous legal, regulatory, safety, and environmental protection regulations. Any changes that may arise in applicable legislation can affect the framework in which these activities are carried out and therefore the results generated by the Group's operations.

The hydrocarbons sector, in which the CEPSA Group operates, is basically regulated by Law 34/1998 of October 7 on the Oil and Gas Sector, amended by Law 11/2013 of July 26 and Law 8/2015 of May 21 which regulates certain measures to support entrepreneurship and stimulate growth and tax and non-tax measures related to exploration, research and development of hydrocarbons.

Regarding oil product retailing, Law 11/2013 introduced certain limits on the agreements on exclusive supply arrangements for petroleum products between wholesale operators and retailers, which have obliged the Group's supply companies to adapt a significant part of the contracts in its network in order to incorporate these limitations.

Law 8/2015 introduced significant changes in the activities performed by operators in the hydrocarbons industry, including drilling, refining, commercialization of petrol products, liquefied petroleum gas ("LPG") and natural gas.

The changes made by Law 8/2015, in the fuels and combustibles industry, established certain limits on the growth of wholesale operators depending on their market share and established the possibility of retail operators supplying each other.

As far as refining activities are concerned, there are numerous industrial safety and environmental protection regulations, particularly Royal Legislative Decree 1/2016, dated December 16, which published the revised text of the law on the integrated prevention and control of pollution.

Regarding natural gas, the CEPSA Group's marketing activity is regulated not only by the Hydrocarbons Sector Law, but also by Royal Decree 1434/2002, of December 27, which regulates the activities of transportation, distribution, marketing, supply and authorization procedures for natural gas facilities.

The CEPSA Group also operates in the electricity sector as a seller, producer and agent, all of which is regulated by Law 24/2013, of December 26, on the Electricity Sector, Royal Decree 1955/2000, of December 1, which regulates the activities of transportation, distribution, marketing, supply and authorization procedures for electrical power facilities, and Royal Decree 413/2014, of June 6, which regulates the activity of electrical power production from renewable energy, cogeneration and waste sources.

Through Law 18/2014 of October 15, a National Energy Efficiency Fund was created in Spain. All wholesale petroleum product and liquefied petroleum gas operators as well as natural gas and electricity supply companies are required to contribute annually to this fund, with the resulting financial impact on these business segments.

2. Basis of presentation

2.1. Statement of compliance

The accompanying Consolidated Financial Statements have been prepared based on the accounting records of Compañía Española de Petróleos, S.A. and its subsidiaries, and in accordance with all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and with all the interpretations issued by the International Financial Reporting Interpretations Committee (CINIIF/IFRIC) of the IASB applicable as at December 31, 2021 provided that they had been adopted at that date by the European Union with the exception of those applied in advance, if any.

The Consolidated Financial Statements for 2021 were adopted by the Board of Directors of Compañía Española de Petróleos, S.A. on March 15, 2022, and will be submitted to the General Shareholders' Meeting for approval. The Board of Directors considers that they will be approved without any change.

The 2020 Financial Statements of CEPSA and the CEPSA Group were adopted by the Board of Directors of Compañía Española de Petróleos, S.A. on March 4, 2021, and approved without amendment at the General Shareholders' Meeting on March 8, 2021.

Reporting currency

The Consolidated Financial Statements are presented in euros, which is the functional currency of the parent company and the reporting currency of the Consolidated Financial Statements. Figures are rounded to the nearest thousands, except when otherwise indicated.

Classification of debts and credits

In the accompanying Consolidated Balance Sheet, debts or loans falling due within twelve months are classified as current while those due to be settled within more than twelve months are classified as non-current.

There are loans falling due within twelve months but whose long-term refinancing is assured at the Company's discretion through existing long-term credit facilities. Such loans are classified as non-current liabilities.

Statement of cash flows

In accordance with the options for presentation contained in *IAS 7 Statement of Cash Flows*, the Group reports the information regarding cash flows and cash equivalents from operations using the *indirect method*, which implies starting with the PROFIT BEFORE TAXES on the Consolidated Income Statement and subsequently adjusting this figure for the effects of non-monetary transactions and accruals for the period, as well as items on the Consolidated Income Statement relating to cash flows from investing or financing operations.

In addition, the amount of interest payments related to the Group's financing, including the finance costs arising from booked leases pursuant to the provisions of IFRS 16, have been included in Financial CASH FLOWS.

2.2. Comparative information

The effects of the COVID-19 pandemic have entailed a significant change affecting how 2021 compares to the previous financial year, which was significantly impacted by the pandemic. In 2021, these impacts have softened, mainly due to the effect of vaccination on the population, although it has not been a year free of certain uncertainties linked to new variants of the disease, such as Omicron at the end of 2021. In this context, demand for oil products has gradually recovered, without yet reaching pre-pandemic levels, and crude oil prices have rebounded, reaching average prices above $70/barrel in several months of the year, positively impacting both effects on the Group's Consolidated Income Statement. The main impacts of the COVID-19 in 2021 on the Group's Consolidated Income Statement are as follows:

- The Commercial segment has continued to be impacted by the drop in demand experienced by the different lines of the business that sell our products. The sale of aviation fuels stands out, where the activity has not recovered from the significant drop in 2020 due to the worldwide travel and mobility restrictions.

- The Refining area, as a result of the drop in demand, decided in October 2020 to temporarily extend the maintenance shutdown of two units at the Huelva refinery in order to adapt production to current demand. This shutdown lasted until May 2021, impacting this year's refinery utilization rate.

2.3. Changes in accounting policies

The accounting policies used to prepare these Consolidated Financial Statements are the same as those applied in the preparation of the Consolidated Financial Statements for the year ended December 31, 2020, except for the application of the following standards, interpretations, and modifications, which were applied for the first time as of January 1, 2021. Their impacts are as follows:

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest rate benchmark reform

In 2020, these amendments provided for a number of exceptions that apply to all hedge ratios directly affected by the reference interest rate reform. A hedge ratio is affected if said reform leads to uncertainty on the time and/or amount of cash flow linked to the interest rate of the hedged item or hedging instrument.

In this financial year, phase 2 of these amendments was adopted. These amendments enable reflecting the effects of the transition from interbank offered rates (IBOR) to alternative benchmark interest rates (also called "risk free rates" or RFR) without giving rise to accounting impacts that would not provide meaningful information to readers of the Financial Statements.

These amendments did not have a significant impact on the Consolidated Financial Statements.

Amendments to IFRS 16 COVID-19-related Rent Concessions

These 2020 amendments allow, as a practical relief, that lessees may choose not to account for COVID-19-related rent concessions as an amendment to the lease. If they choose to do so, the lessee will account for the concessions by applying the criteria of IFRS 16 Leases as if the change were not a lease modification.

This practical solution may only be applied to rent concessions directly related to COVID-19. The following conditions must be fulfilled: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments that were originally due on or before 30 June 2021, extended in this financial year to payments that were originally due on or before 30 June 2022; and (iii) there is no substantive changes to other terms and conditions of the lease.

These amendments did not have a significant impact on the Consolidated Financial Statements.

3. Accounting estimates, assumptions and significant adjustments

The information in these Consolidated Financial Statements is the responsibility of the Directors of the parent company, who expressly declare that all principles, policies, and criteria included in the International Financial Reporting Standards in force in the European Union (IFRS-EU) have been applied.

In the preparation of the Consolidated Financial Statements, according to the IFRS-EU standards, relevant estimates, assumptions and judgments by Management are required which could significantly affect the valuation of registered assets and liabilities, the presentation of contingent assets and liabilities, as well as the revenue and expenditure recorded in the financial year and presented in these Consolidated Financial Statements.

These relevant estimates, assumptions and judgments are based on historical experience and other factors that are considered reasonable at the date of preparation of the financial statements. They are continuously reviewed by Management and could therefore be reviewed in the future if circumstances change or as a result of new information. A new methodology for accounting estimates would be applied, pursuant to IAS 8, on a forward-looking basis, recognizing the effects of the change in estimate on the Consolidated Income Statement.

In 2021 there are no significant changes with respect to 2020 in the methodology used to make accounting estimates.

The following summary provides additional information about the key relevant estimates, assumptions and judgments that have been used in the preparation of the Consolidated Financial Statements and accompanying notes. These should be read in conjunction with the sections of the notes mentioned in that summary.

A) Going concern

The Directors of the parent company drafted these Consolidated Financial Statements applying the going concern principle, based on the following:

- The CEPSA Group's financial strength. Positive Equity at year-end.
- In 2021, the Group has a positive result of 660,953 thousand euros.
- The solid Group's liquidity position, with positive working capital and a strong cash position.

B) Estimate of hydrocarbon reserves

Estimating Reserves is a key process for the decision-making of the Company and the application of the *Successful Efforts Method* used by the Group to account for its Exploration and Production activities.

The volume of Proved and Probable (2P) oil and gas reserves is taken into account to calculate amortization charges applying the *Unit of Production Method*. In addition, 2P Reserves, together with Contingent Resources in certain instances, are considered in assessing the recoverability of investments in Exploration and Production segment assets.

CEPSA's Contingent Resource and Reserve Evaluation Procedure follows the guidelines established by the Society of Petroleum Engineers (SPE), the American Society of Petroleum Geologists (AAPG), the World Petroleum Council (WPC), the Society of Petroleum Evaluation Engineers (SPEE) and the Society of Exploration Geologists (SEG) in March 2007, which were revised in November 2011 and June 2018, and is known by the abbreviated term "SPE-PRMS" (Petroleum Resources Management System). To determine the reserves, the procedure takes into account, among other factors: estimates of the volume of oil and natural gas in place, recovery factors, assumptions of price forecasts, and estimates of costs and investments.

Reserves are certified annually by the Group's internal experts, who are independent from the Exploration and Production area. Additionally, every two years, the registered volumes are audited by independent specialized firms. The last external audit of Reserves was as at 31 December 2019, being conducted by these firms during 2020 and certified in July 2020. Said audit did not generate significant differences with those recorded in the Group. The next reserves audit will take place in the first half of 2022, for reserves as of December 31, 2021.

The impairment tests on Exploration and Production assets set out in **Note 13** used this new assessment.

The *Successful Efforts Method* and tangible and intangible assets in Exploration and Production projects are presented in **Note 4.4**.

C) Impairment of assets

As part of the determination of the recoverable value of impairment assets (IAS 36), estimates, assumptions and judgments relate mainly to variations in crude oil prices, variation activity, anticipated losses or crisis situations in the geographical areas where the Group operates. The estimates and assumptions used by Management are determined internally by specialized departments, based on available information on economic conditions and analysis by independent experts. The discount rate is reviewed annually.

The grouping of the assets in different cash-generating units[1] (CGUs) relies on professional judgments and the consideration, among other parameters, of the business segments and the geographic areas in which the Group operates.

Judgments and estimates were also formed to determine the recoverable amount in order to calculate impairment losses on certain assets: intangible assets, property, plant and equipment, and investments in associates and joint ventures.

The impairment of assets and the method applied to calculate it are described in **Note 13**.

D) Obligations resulting from the decommissioning of assets

Obligations for decommissioning of assets used for the production, development, transformation, and sale of hydrocarbons are recorded in the period in which such an obligation is expressed, based on a reasonable cost estimate. The estimates are based on the information available in terms of costs and work program.

The dismantling provisions are regularly updated to reflect trends in estimated costs and the discount rates. This calculation is complex due to both the initial recognition of the present value of the estimated future costs and in the subsequent adjustments made to represent, inter alia, the passage of time, changes in estimates due to changes in the

[1] *In accordance with IAS 36, a cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.*

assumptions initially used due to technological advances, regulatory changes, economic, political, and environmental safety-related factors, variations in schedules or in operation conditions, etc. The discount rate is revised each year.

The method applied in the calculation of obligations and their recording in profit or loss are described in **Notes 10** and **21**.

E) INCOME TAX

Deferred tax assets are recorded to the extent that it is probable that there will be sufficient future taxable profits to offset them. Significant management judgment is required to determine the amount of deferred tax assets that can be recorded, based upon the likely timing and the level of future taxable profits, as well as the offset period.

In the application of IFRS interpretation 23, Management uses its best judgment in assessing uncertainty about the *tax position* with regard to:

- Measuring the effect of uncertainty on the treatment of income tax individually for each case or jointly if they are correlated.
- Determining the degree of probability that the tax authority will accept the Company's tax position, in order to apply the relevant calculation method that best predicts the resolution of uncertainty.

Also, with respect to tax provisions, the assessment of possible outcomes of claims and contingencies is based on the analysis made the Group's legal and tax counsel and takes into account the status of the proceedings, as well as their overall professional experience. Since the outcome may ultimately be decided by courts, they may be different from the estimates.

The Group relies on the assessment of its legal counsel with regard to the probability that penalties and interest thereon will be applied. As a result of this assessment, it determines whether to record the corresponding cost and if so, under which Consolidated Income Statement heading to record it.

The calculation processes and criteria used are described in **Note 26.**

F) LIABILITIES FOR PROVISIONS

With regard to the assessment of potential effects of legal claims and contingencies other than those mentioned above, the Group relies on the analysis of its legal counsel, based on their best professional judgment and taking into account the present status of the proceedings and their overall legal experience regarding the different issues. Since the outcome may ultimately be decided by courts, they may be different from the estimates.

Similarly, judgments and estimates are made to evaluate costs and establish provisions for write-offs and environmental repair using current information on expected repair costs and plans. Most write-off events do not occur in the near term, and the exact requirements that must be met when the event occurs are uncertain. Political, environmental, safety and public expectations are constantly changing.

This section also includes actions arising from environmental compliance in terms of reducing and eliminating greenhouse gases.

These criteria are outlined in **Note 21**.

G) OTHER MATTERS SUBJECT TO ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Other matters that are subject to estimates, assumptions and judgments are summarized below:

- Determination of the existence of significant control or influence by the Group over an investee (see **Note 4.1**)
- The process of valuation of assets and liabilities in Business Combinations requires, on the part of Group Management, the judgments and estimates indicated in **Note 4.2**.
- Useful lives of tangible and intangible assets (see **Notes 8** and **10**).
- The calculation of inventory valuation (see **Note 14).**
- When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured using quoted prices in active markets, this value is measured using alternative valuation techniques including the *Discounted Cash Flows* model. The data used in these models is taken from observable markets where possible. When it is not, certain value judgments are needed to establish fair values. Judgments include considerations of inputs such as liquidity risk, credit risk (own and counterparty), and volatility (see **Note 29**). Changes in assumptions about these factors could affect the reported fair value of financial instruments (see **Note 31**).

- The assessment of the expected losses, according to IFRS 9, adjusted to the Probability of Default (PD), an adjustment based on forward looking estimates of the Strategic Plan of the business area and/or macroeconomic variables.
- In relation to IFRS 16, we must determine whether a lease contract grants control over the use of the leased asset for the purpose of the effective application of the said standard and the duration of the contract including renewals that are considered likely to be exercised.

H) JUDGMENTS IN THE CASE OF TRANSACTIONS NOT ADDRESSED IN RULES OR INTERPRETATIONS ISSUED

Furthermore, when the accounting treatment of a particular transaction is not addressed in a published rule or interpretation, Management uses its judgment to define and apply accounting policies that provide information consistent with the general principle of IFRS: true and fair presentation, relevance, and materiality.

4. Summary of general accounting policies

4.1. Consolidation principles

Consolidated Financial Statements include the Financial Statements of the Company and the Company's controlled entities (its subsidiaries) prepared as of December 31 of each year.

The entities directly controlled [2] by the parent company (Compañía Española de Petróleos, S.A.), or indirectly through a directly controlled entity, are fully consolidated.

Investments in *(joint ventures)* are consolidated through the *equity method* (see **Note 7**). The Group accounts for joint operations recognizing their stake in assets, liabilities, income and expenditures.

Investments in associated entities, in which the Group has significant influence, are accounted for using the *Equity Method*. The situation of significant influence is understood to be:

- on a general basis, in companies where the stake is between 20% and 50%, and
- in companies where, although the interest is less than 20%, this influence is understood to exist due to various factors, such as, among others, the CEPSA Group being represented on the Board of Directors, or a high volume of transactions.

For fully consolidated companies all intra-group balances and transactions are eliminated, as well as income and expenses not incurred (except for foreign exchange gains and losses arising from transactions and balances in foreign currencies) arising from intra-group transactions. In the case of joint ventures, this elimination is limited to the Group's ownership interest.

With regard to Group transactions with companies consolidated by the equity method, any unrealized profit is written off against the investment by the percent of the Group's interest in the investee; unrealized losses are written off in the same way, provided there are no signs of impairment in the Group's interest in said companies.

4.2. Business combinations and goodwill on consolidation

Business combinations are accounted for using the *acquisition method*. This method entails the recognition in the books at the acquisition date of the identifiable assets acquired and liabilities assumed at their fair value on that date, provided that this value can be reliably measured (see explanation in **Note 5**).

The Group records a goodwill on the date of purchase for the excess of:

- the consideration transferred (fair value of the assets delivered, of the equity instruments issued and the liabilities incurred or assumed at the date of exchange and of any additional consideration that depends on future events, whenever it is likely and can be reliably measured), the amount of the non-controlling interest

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[2] *According to IFRS 10, there is control when the Company:*

- *has power over the investee;*
- *is exposed, or has rights, to variable returns from its involvement with the investee; and*
- *has the ability to use its power over the investee to affect the amount of returns it receives.*

and, in business combinations achieved in stages, the fair value at the date of acquisition of the investment previously held in the acquired company;

- on the fair value at the date of acquisition of the net identifiable assets of the acquired entity.

If this difference is negative, it is accounted for as income in the Consolidated Income Statement (for both situations, see **Note 9**).

The non-controlling interest is recorded for the proportional value in the net assets of the acquired company or at its fair value.

Any deferred contingent consideration is recorded at the fair value at the date of acquisition. If there is an obligation to pay out contingent compensation that meets the definition of a financial instrument, it is classified as equity. It is then not reassessed and the settlement is accounted for under equity. Otherwise, the contingent compensation is measured again at fair value on each filing date and any subsequent changes in fair value of the contingent compensation are recorded under results.

When business combination is deemed incomplete at the end of the reporting period, IFRS 3 requires issuers to disclose that fact and provide the provisional amounts of assets, liabilities, non-controlling interests as well as the items of the consideration paid. Additionally, issuers should disclose the reasons why the business combination accounting is incomplete and the nature and amount of any measurement period adjustments recorded during the reporting period.

In accordance with IFRS 3 and IAS 36, goodwill is not amortized. On the other hand, it is subjected to an impairment test at least once a year (more often if there are indicators).

4.3. Foreign currency translation

A) Transactions in foreign currency

Transactions in a currency other than the functional currency of a Group company are converted to the functional currency applying the exchange rates in force at the time of the transaction. Profit or loss due to exchange differences arising between the time of accounting and the time of collection or payment are taken to profit or loss and included within the financial results.

Additionally, monetary items in currencies expressed on the Consolidated Balance Sheet at year end are restated in the functional currency at the year-end rates. Differences with respect to the exchange rates prevailing at the transaction date thereof are recorded in profit or loss for the financial year.

However, foreign currency differences arising from the translation of the following items are recorded under Adjustments for Changes in Value, forming part of Other Comprehensive Income in the Consolidated Income Statement:

- an investment in variable income designated as FV-OCI (except for impairment, in which case foreign currency differences recorded under OIC are reclassified under results);
- a financial liability designated as a net investment hedge in a foreign business to the extent the hedge is effective; and
- allowable cash flow hedges to the extent they are effective.

B) Consolidation of financial statements of companies with a functional currency other than the euro

The financial statements of the Group's companies with a functional currency other than the euro have been converted to euros using the *Year-End Exchange Rate Method*. Specifically:

- assets and liabilities, including goodwill and fair value adjustments, are converted at the year-end exchange rate;
- income and expenditure, including those corresponding to impairment, at the weighted average exchange rate for the financial year; and
- the historical exchange rate for equity is maintained.

The resulting translation differences, if any, are recorded under Other Comprehensive Income in the Consolidated Statement of Comprehensive Income, and are accumulated under Adjustments for changes in value in the Total Equity of the attached Consolidated Balance Sheet.

When an interest in this kind of company is disposed of in full or in part such that control, significant influence, or joint control is lost, the amount accrued in the conversion reserve associated with that interest is reclassified under results as profit or loss on disposal. If the Group disposes of part of its interest in a company but retains control, the relevant proportion of the accrued amount is reclassified under Non-controlling Interests. When the Group disposes of only a part of an associate or joint venture while maintaining significant influence or joint control, the relevant proportion of the accrued amount is reclassified under profit or loss.

The effect of fluctuations in exchange rates in the evolution of account balances on the balance sheet between periods shown for each item in the respective tables in **Notes 6** to **28** under the OTHER CHANGES column.

4.4. Non-current assets in exploration, development, and production of hydrocarbon reserves.

Investments in exploration, development, and production of hydrocarbons are recorded based on the *Successful Efforts Method*. The accounting treatment for incurred expenditure is as follows:

A) RESERVES ACQUISITION COSTS THROUGH A BUSINESS COMBINATION.

Assets incorporated as a result of a business combination are classified under POSSIBLE OR CONTINGENT RESERVES or as PROVEN RESERVES under INTANGIBLE ASSETS, depending on the development phase of such an asset.

The acquisition cost of such acquired assets will remain under INTANGIBLE ASSETS throughout their useful life, even if they relate to or later become proven reserves.

This acquisition cost will be amortized according to criteria shared with other categories of assets in exploration and production, in line with their corresponding tangible asset in exploration and production:

- If the project results in the discovery of proven reserves, the production unit method will be used to determine the annual allocation to profit or loss, in a process coordinated with the rest of the project assets. These will be included in OIL & GAS ASSETS under PROPERTY, PLANT AND EQUIPMENT.
- If the project does not lead to the discovery of reserves, the accumulated cost will be fully amortized against profit or loss in the year in which it occurs.

However, expenditure incurred in a business combination subsequent to the acquisition thereof is not recorded here, but in the following notes.

B) ACQUISITION COSTS OF RESERVES DIRECTLY BY THE GROUP.

Expenditure made on projects initiated by the Group, or on projects acquired through a business combination following the acquisition of an interest, consists of:

1. The costs of acquiring exploration permits are capitalized under the EXPLORATION AND PRODUCTION ASSETS caption of INTANGIBLE ASSETS.
    a. They are amortized from the date of purchase throughout the life of the exploration contract.
    b. In the event of a discovery of proven reserves, amortization is stopped and, in due course [3], the net value of these investments will be transferred to the OIL & GAS ASSETS caption of PROPERTY, PLANT AND EQUIPMENT.
2. Geology and geophysics costs, and other costs, prior to well drilling, are charged to profit and loss as incurred, via capitalization and automatic amortization/depreciation in the same month.
3. Exploration well drilling costs are temporarily capitalized in EXPLORATION AND PRODUCTION ASSETS under INTANGIBLE ASSETS until it is assessed if they have been used to discover reserves that justify commercial development.
    a. If no reserves have been found, the drilling costs initially capitalized are amortized and recorded in the Consolidated Statement of Income.
    b. If they have been successfully used to discover proven reserves, the accumulated cost will be transferred [3] to the OIL & GAS ASSETS caption of PROPERTY, PLANT AND EQUIPMENT.
4. Exploration costs other than the above are recorded directly in the Consolidated Income Statement when they are incurred.

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[3] *The event which determines the transfer of an intangible asset to PP&E asset occurs when governmental authorization is obtained that allows first the development, and later the commercial exploitation, of a field during a specific period.*

At the same time, feasibility analyses are carried out for each cash-generating unit (CGU) on the basis of the results of the exploration and, where appropriate, the corresponding impairment tests (see **Note 13**) that could affect the net capitalized value of amortizations are also carried out.

C) DEVELOPMENT COSTS

Expenditure made in project development activities initiated by the Group, or in projects acquired through a business combination after acquisition of an interest, consist of:

1. Development costs incurred to extract proven reserves (productive wells, dry development wells, oil and gas extraction and treatment facilities, recovery improvement systems, platforms, etc.) are capitalized at the acquisition cost under the OIL & GAS ASSETS caption of PROPERTY, PLANT AND EQUIPMENT.

2. Field abandonment and decommissioning costs are calculated individually for each field and recorded under OIL & GAS ASSETS at the current estimated value.

Development investments capitalized in accordance with criteria 1 and 2 above, together with the amounts referred to in paragraph B above received from Intangible assets at the date of trade, are amortized according to the following rules:

a. Investments in the acquisition of reserves transferred from intangible assets and investments in common facilities are amortized over the estimated commercial life of the field, based on the reserves extracted during the financial year with respect to the reserves estimated as proven and probable developed as recoverable at the beginning of each year (*production unit method*).

b. Costs incurred in exploratory drilling for the development of the reserves are amortized over the estimated commercial life of the field, based on the reserves extracted during the year with respect to the reserves estimated as proven and probable developed as recoverable at the beginning of each year.

c. With respect to production sharing contracts, this calculation is based on the proportion of production in the financial year and reserves assigned to the Group taking into account the estimates based on the contractual clauses.

D) IMPAIRMENT

An impairment test is periodically performed for each and every category of these assets. During the exploration phase (paragraphs A and B), feasibility analyses are carried out on the basis of exploratory results and, where necessary, appropriate evidence of impairment, which could affect the net capitalized value of amortizations in intangible assets.

Likewise, during the development and operation phase, regular impairment tests are performed.

In all cases, the assets are grouped into CGUs and the criteria set out in **Note 13** are followed. Impairment losses are recorded in the Consolidated Income Statement.

4.5. Fair value measurement

A) FINANCIAL INSTRUMENTS

The Group measures financial instruments such as derivatives at *fair value* at each Reporting Date [4].

B) NON-FINANCIAL ASSETS

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic profits and reflects the assets highest and best use or its sale to another market participant that would make the highest and best use of the asset.

For the calculation of fair value, the Group uses appropriate valuation techniques according to circumstances and based on available information, maximizing the use of relevant observable variables and minimizing the use of non-observable variables.

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[4] *Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the transfer date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:*

• On the principal market for the asset or liability, or

• In the absence of a principal market, in the most advantageous market for the asset or liability transaction

The principal or the most advantageous market must be accessible by the Group.

To determine and disclose the fair value of financial instruments by valuation method, the Group uses the following hierarchy (see **Note 31**):

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Other techniques in which all variables with a significant effect in accounted-for fair value are directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.6. Other published standards to be applied in the future

The following standards and interpretations published by the IASB and the IFRS IC are not yet effective as of December 31, 2021:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued its amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to clarify the requirements to be applied to the classification of liabilities as current or non-current. It specifically clarified:

- What it means to have the right to defer settlement;
- That the right to defer settlement must exist at year end;
- That the classification is not altered by the probability that the right to defer will be exercised;
- The clauses must be complied with at the close of the period, even if verification of such compliance is not foreseen in the contract until a later date;
- A definition of "settlement of the liability" is included, being the transfer to the counterparty of cash, goods, services or own equity instruments involving the cancellation of the liability.

Only if a derivative implicit to a convertible liability is an equity instrument in and of itself, will the liability's conditions have no impact on its classification.

These amendments are effective for periods beginning on or after January 1, 2023 and are to be applied retroactively.

Amendments to the IFRS 3 Business Combinations: Reference to the conceptual framework

Issued by the IASB in May 2020, these amendments are to replace the 1989 Conceptual Framework with a reference to the 2018 framework, with no significant changes to requirements.

The IASB has also added to IFRS 3 the requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at acquisition date a present obligation exists as a result of past events. For a lien (within the scope of IAS 37 or IFRIC 21), the acquirer applies this standard to determine whether the event giving rise to a liability for the lien payment has occurred at acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

These amendments are effective for periods beginning on or after January 1, 2022 and can be applied prospectively. The Group does not expect any impact as a result of these amendments.

Amendments to IAS 16 Property, Plant, and Equipment: Amounts received prior to planned use

These amendments issued by IASB in May 2020 prohibit deducting from asset acquisition costs amounts received from sales made from the asset while bringing it to the location and condition necessary for it to be capable of operating in the manner intended by Management. Instead, these amounts will be recorded in the Consolidated Income Statement.

These amendments become effective for periods beginning on or after January 1, 2022, and are to be applied retrospectively only to items of property, plant, and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by Management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The Group does not expect any significant impact as a result of these amendments.

Amendments to IAS 37 – Cost of Fulfilling a Contract

These amendments issued by the IASB in 2020 specify the costs that companies should include when assessing whether a contract is onerous or loss-making. The amendments propose a "direct cost approach." Costs that relate directly to fulfilling a contract to deliver goods or provide services include both the incremental costs and an allocation of costs that relate directly to the contract. Administrative costs and overhead are not directly attributable to a contract, therefore they are excluded from the calculation unless they are explicitly passed along to the counterparty pursuant to the contract.

These amendments are effective for periods beginning on or after January 1, 2022.

2018-2020 Annual Improvements

As part of the 2018-2020 annual improvements to IFRS, the IASB published an amendment to IFRS 9 and IFRS 16.

i. IFRS 9 Financial instruments: fees in the "10% test"

This amendment clarifies which fees to consider when analyzing whether changes to the terms of a financial liability are substantially different from the original financial liability. These expenses only include those paid or received by the creditor or the borrower, including those paid or received by one on behalf of the other.

This amendment is effective for periods beginning on or after January 1, 2022 and early application is permitted. The comparative figures are unchanged and the adjustment will be recorded against the opening reserves for the period.

ii. Leases IFRS 16

Illustrative example 13 is modified to remove any possible confusion about the handling of lease incentives.

Amendments to IAS 1 - Definition of Materiality

Amendments were made to the definition of materiality to make it easier to determine what is material. The definition of material helps companies to decide whether information should be included in the Consolidated Financial Statements. These amendments clarify said definition and include guidance on how it should be applied. Additionally, the explanations included with the definition have been improved and are now consistent in all standards.

These amendments are effective for periods beginning on or after January 1, 2023 and can be applied prospectively. The Group does not expect any impact as a result of these amendments.

Amendments to IAS 8 - Definition of accounting estimates

The amendments replace the definition of a "change in accounting estimates" with the definition of "accounting estimates." According to the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measuring uncertainty." Thus, the definition of change in accounting estimates was removed.

However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in the accounting estimate resulting from new information or new developments is not the correction of an error.
- The effects of a change in an input or measuring technique used to develop an accounting estimate are changes in accounting estimates if they are not the result of correcting prior period errors.

These amendments are effective for periods beginning on or after January 1, 2023 and can be applied prospectively. The Group does not expect any impact as a result of these amendments.

Amendments to IAS 12 - Deferred taxes from assets and liabilities resulting from a single transaction

Amendment that implies the non-application of the IAS 12 exemption in the initial recording of an asset/liability when the same transaction gives rise to deductible and taxable equivalent temporary differences.

This amendment is effective for annual periods beginning on or after January 1, 2023.

5. Business combinations and changes in the scope of consolidation

ACCOUNTING POLICIES

Business combinations are accounted for using the Acquisition Method*.*

Acquisition cost consists of the fair value of the delivered assets, of the issued equity instruments and of the incurred liabilities assumed at the exchange date, as well as of any additional consideration that may depend on future events (provided that it is probable and can be reliably measured). Acquisition-related costs are expensed as they are incurred.

The Group records any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

*If there are differences between the acquisition cost and the amount of any non-controlling interest in the acquired entity, the policy described in **Note 9** on goodwill applies.*

If a business combination is achieved in stages, the accounting value for which the previous stake in the acquired company is listed in the Group is reassessed at the fair value at the date of the last acquisition and any resulting profit or loss with respect to the previous accounting value, if it exists, is recorded in profit or loss. The amounts arising from the interest in the acquired company prior to the date of last acquisition which have previously been recorded in OTHER COMPREHENSIVE INCOME shall be reclassified to consolidated profit or loss, where it would correspond in the event that this interest was sold.

5.1. Main variations

The variations in the scope of consolidation of the 2021 and 2020 financial years are:

Variation in consolidation perimeter

Year 2021	Full consolidation	Equity method	Year 2020	Full consolidation	Equity method
CCP Hydrocarbures, S.R.A.L.	I		Bitulife, S.A.		I
Cepsa Oleos e Gas Do Brasil, LTD	E		Cepsa Chemical Products (Shanghai), Ltd	I	
Chanteiro Renovables, S.L.U.	I		Cepsa Trading Americas, INC	I	E
Coastal Energy Malasya SDN BHD	E		Intransport Service XXI, S.L.	I	
Gasib Sociedad Ibérica de Gas Licuado, S.L.U.	I		Ocean 66, Ltd	E	
Gasib Sociedade Iberica de Gás Liquefeito, LDA	I		Plastificantes de Lutxana, S.A.	E	
Intransport Service XXI, S.L.U.	E		Sorexi, S.A.		I
Magna Expergere, S.A.U.	I		Teide RE, S.A.	I	
Mitra Alfa, S.L.U.	I				
Mitra Beta, S.L.U.	I				
Mitra Delta, S.L.U.	I				
Mitra Epsilon, S.L.U.	I				
Mitra Gamma, S.L.U.	I				
Mitra Iota, S.L.U.	I				
Mitra Lambda, S.L.U.	I				
Mitra Médulas, S.L.U.	I				
Mitra Nu, S.L.U.	I				
Mitra Omicron, S.L.U.	I				
Mitra Pi, S.L.U.	I				
Mitra Sigma, S.L.U.	I				
Redes Renovables, S.L.U.	I				
Seselle Renovables, S.L.U.	I				
Terminal Puerto Tartessos, S.A.		I			

I=Inclusion
E=Exclusion

Table I at the end of this document, which forms part of this Report, details the main subsidiaries, jointly controlled companies and associates, directly or indirectly held, which, together with CEPSA, are members of the Consolidated Group. The registered office and activity of these companies are indicated, as well as the most significant economic and financial data corresponding to the 2021 financial year.

Changes in 2021 include:

- In 2020, the Group incorporated the companies "Gasib Sociedad Ibérica de Gas Licuado, S.L.U." and "Gasib Sociedade Iberica de Gas Liquefeito, LDA", located in Spain and Portugal, respectively, and engaged in the marketing of liquefied petroleum gases. In 2021, the Group has completed the spin-off of the branch of activity of the business until then integrated in the company Cepsa Comercial Petróleo, S.A.U. for business in Spain and the company "Cepsa Portuguesa de Petróleos, S.A." for business in Portugal.
- The Group has incorporated the companies "Magna Expergere, S.A.U.", "Chanteiro Renovables, S.L.U.," "Redes Renovables, S.L.U." and "Seselle Renovables, S.L.U.

- The Group has incorporated, together with EXOLUM, the company "Terminal Puerto Tartessos, S.A." which will operate a new pier in the port of Huelva.
- The other companies MITRA have seen their commercial activity relaunched, which will focus on renewable activities in Spain. Therefore, they acquire greater importance and become fully consolidated (in 2020 they were not consolidated).
- The company "Intransport Service XXI, S.L." merged with "Cepsa Comercial Petróleo, S.A.U."
- The companies "Cepsa Oleos e Gas Do Brasil, LTD" and "Coastal Energy Malasya SDN BHD" have been liquidated.

Regarding changes in the 2020 financial year, the most significant were the exclusions from the scope of consolidation due to their liquidation of the companies "Ocean 66, LTD" and "Plastificantes de Lutxana, S.A." The additions were due to the commencement of activity in that year of "Cepsa Chemical Products (Shanghai), Ltd" and the acquisition of the companies "Sorexi, S.A.", "Bitulife S.A." and "Intransport Service XXI, S.L.", as well as the companies "Cepsa Trading Americas, Inc" (formerly "Cepsa Química USA") and "Teide RE, S.A.," which became fully consolidated.

The effect on equity of the change in consolidation method, as well as the effect of the additions and removals of the companies included in the scope of consolidation, is shown, for in the movement tables for the year shown in the **Notes 6** to **28**, in the columns OTHER CHANGES or BUSINESS COMBINATIONS, as appropriate.

The information contained in this Report for financial year 2020 is presented only for purposes of comparison with information from financial year 2021.

5.2. Divestments

ACCOUNTING PRINCIPLES

Following IFRS 5, assets and liabilities belonging to the consolidated group and assets and liabilities of subsidiaries held for sale are presented separately in the Consolidated Balance Sheet. Depreciation of assets is interrupted from the date of reclassification.

*Assets held for sale. The entity measures **non-current assets** (or disposal groups) classified as **held for sale**, at the lower of carrying amount and fair value less costs to sell. Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction and not continued use, or of a distribution to the owners, instead of through their continued use.*

This condition is considered to be fulfilled when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale should presumably be completed within one year of the asset's classification as held for sale.

*On the other hand, a **discontinued operation** is a component of an entity that has been disposed of or otherwise disposed of or classified as held for sale, and*

- Represents a separate line of business or geographical area.

- Forms part of an individual and coordinated plan to sell or otherwise dispose of a separate line of business or geographical area of operations; or

- Is a subsidiary entity acquired exclusively with a view to its subsequent sale.

In the Consolidated Income Statement for the reporting period and prior-year comparison, the results of discontinued operations are reported separately from those of continuing operations.

A) DIVESTMENTS EXECUTED

During 2021 and 2020 there have been no divestments in Group companies.

B) ONGOING DIVESTMENTS – ASSETS HELD FOR SALE

At the Board of Directors' Meeting held on February 4, 2021, authorization was given to initiate the process for the future divestment of 7 electricity and steam cogeneration plants and a combined cycle power plant.

The transaction has not yet materialized, however, the asset is available for immediate sale in its current condition and the Group estimates that the sale will be completed within one year from the date of classification. Consequently, the assets and liabilities contributed by this business to the Group have been removed by nature in the consolidated balance sheet and transferred to ASSETS HELD FOR SALE and LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE, respectively.

The company "Decal Panamá, S.A.", which at December 31, 2020 was recorded as "held for sale", is again considered a Group company for all purposes at December 31, 2021, as a result of the decision to suspend the sale process. This was classified as "held for sale" in fiscal year 2019 when the Board of Directors approved the sale of the Group's stake in the company "Decal Panamá, S.A."

Companies held for sale - Assets and Liabilities

Thousand of euros

Assets	Notes	2021	2020	Liabilities	Notes	2021	2020
Intangible assets	Note 8	3,362	-	Account payables		120,194	-
Property, plant and equipment	Note 10	151,063	-	Deferred tax liabilities	Note 26.3	2,359	-
Rights of use		-	-	Provisions for third-party liability	Note 21	2,951	-
Deferred tax assets	Note 26.3	1,986	-	Other liabilities		897	-
Account receivabes		3,847	-				
Other assets		8	588				
Total assets		**160,266**	**588**	**Total liabilities**		**126,401**	**-**

6. Segment reporting

The CEPSA Group divides its businesses into four business segments: Exploration and Production, Refining, Sales and Distribution, and Petrochemicals. For these segments, there are responsible managers and information is reported to the Board of Directors separately using this structure. The results of these segments are regularly reviewed by the highest operating decision-making authority to decide on the resources to be allocated and assess their performance.

The key financial data reported for each operating segment are as follows:

Earnings Before Interest, Taxes, Depreciation, and Amortization *(EBITDA [5]) comprises the revenues and expenses derived from the ordinary operations of the segment. It does not include: amortization, impairment, or the result of disposal of its assets, or financial profits, derivatives of shares consolidated by the equity method, or income taxes.*

Adjusted Operating Profit/Loss *has been prepared using the same basis as that used for internal reporting for business management.*

Accordingly, due to the special nature of certain economic events, some income and expense items are classified as non-recurring items *and are excluded from the segment results (see* ***Note 6.3****). These non-recurring items generally relate to transactions that are unusual, but significant, and to the difference in the value of inventories between Average Unit Cost (used in the financial statements) and Replacement Cost (used to measure business operations, thus facilitating analysis of the performance of business segments, as well as year-on-year comparison).*

Adjusted Capital Employed is reported in the section on operating segment assets and liabilities. ***Adjusted Capital Employed*** *is made up of NON-CURRENT NON-FINANCIAL ASSETS plus WORKING CAPITAL (adjusted to replacement cost) less non-current non-financial liabilities. The figure is equivalent to EQUITY (adjusted at replacement cost) plus NET FINANCIAL DEBT. Net Borrowings basically consist of current and non-current borrowings minus cash and cash equivalents and non-current financial assets.*

The CASH FLOW section of the segments has information on both operating cash flows from operating activities before changes in operating working capital and CASH FLOW from investing activities to present the calculation of free cash flows before changes in working capital.

The information disclosed in relation to the geographical segments in which the Group carries on its activity was prepared based on the location of the assets, while information on income was prepared based on the location of clients.

6.1. Business segment reporting:

The activities of the CEPSA Group's business segments are:

- Exploration and Production includes exploration, development, and production of crude oil and natural gas reserves.
- Refining includes the supply and refining activities of crude oil products and their export, sale of manufacturing surpluses, trading activities (more than 81% of the volume of operations is for refining activity), generation of electrical power (45% of refining consumption of electrical power is equivalent to the energy produced by Gas and Power activities) and steam, activities that play a very important role in production processes and sales to industrial customers.
- Commercial comprises the distribution and commercialization of oil and gas products.
- Petrochemicals includes the production, distribution, and sale of petrochemical and oleochemical products.

[5] *Earnings Before Interest, Taxes, Depreciation and Amortization.*

Lastly, the amounts for corporate functions carried out by the parent company are reported under Corporate, which is not a business segment.

The selling prices applied to transactions between these reporting business segments are valued at market prices, and income, expenses, assets, and liabilities have been determined before the eliminations on consolidation, except for the internal eliminations of each business segment.

The segments have been defined on the basis of the delimitation of different activities that generate income and expenses, and also on the basis of the structure approved by the Board of Directors for the best management of each business. The management team (Management Committees for each segment) analyzes the main operational and financial figures for decision-making on resource allocation and performance assessment of the Group. The Group has not performed segment groupings for the presentation of the information.

The following breakdown shows information as of December 31, 2021 and 2020, by segment and, in terms of the net profit attributable to the parent company, the profit obtained in accordance with IFRS, and the profit adjusted to the management approach (next two pages):

Thousands of euros

Segments Reporting

Year 2021	Exploration & Production	Refining	Commercial	Petrochemical	Corporation	Intra-Group Eliminations	Total	CCS Adjustments Non-Recurring Items	Total Consolidated
	Information excluding CCS Adjustments and Non-Recurring Items								
Income/(Losses)									
Revenue									
Revenue from external customers	994,003	7,609,497	13,032,263	2,893,477	2,407	-	24,531,647	-	24,531,647
Intra-group revenue	381	7,291,600	38,189	969,060	69,357	(8,368,587)	-	-	-
Total Revenue	***994,384***	***14,901,097***	***13,070,452***	***3,862,537***	***71,764***	***(8,368,587)***	***24,531,647***	***-***	***24,531,647***
Excise tax on oil and gas charged on sales	-	162	(2,196,741)	(3)	-	-	(2,196,582)	-	(2,196,582)
Revenue without excise tax on oil and gas	***994,384***	***14,901,259***	***10,873,711***	***3,862,534***	***71,764***	***(8,368,587)***	***22,335,065***	***-***	***22,335,065***
Procurements and changes in inventories of finished goods & work in progress	(55,519)	(16,915,846)	(6,254,341)	(2,990,476)	(1,909)	7,927,152	(18,290,939)	425,308	(17,865,631)
Changes in operating allowances	60	12,287	(3,637)	(1,807)	59	-	6,962	45,091	52,053
Change in provisions for liabilities and charges	(3,009)	(5,754)	(4,325)	(177)	(70)	-	(13,335)	(26,883)	(40,218)
Gains or losses on disposals of non-recurring assets	27	104,974	3,729	15,238	(20)	-	123,948	-	123,948
Other operating income and costs	(30,941)	1,995,737	(4,137,565)	(424,372)	(190,872)	441,435	(2,346,578)	(64,946)	(2,411,524)
Result (EBITDA)	***905,002***	***92,657***	***477,572***	***460,940***	***(121,048)***	***-***	***1,815,123***	***378,570***	***2,193,693***
Amortisation charge	(185,156)	(323,488)	(169,744)	(80,733)	(15,274)	-	(774,395)	-	(774,395)
Impairment of non-current assets	-	-	(591)	4	-	-	(587)	49,057	48,470
Allocation to profit or loss of grants related to non-financial assets and others	(5,434)	(2,792)	(2,454)	2,875	(102)	-	(7,907)	-	(7,907)
Adjusted operating profit (losses)	***714,412***	***(233,623)***	***304,783***	***383,086***	***(136,424)***	***-***	***1,032,234***	***427,627***	***1,459,861***
Share in profit of companies accounted for using the equity method	11,972	1,225	6,036	31,269	-	-	50,502	7,448	57,950
Net financial profit							(140,248)	(376)	(140,624)
Impairment and gains or losses on disposals of financial instruments							(647)	(6,152)	(6,799)
Consolidated profit before tax							***941,841***	***428,547***	***1,370,388***
Income tax							(573,040)	(74,705)	(647,745)
Consolidated net profit for the period for continuing operations							***368,801***	***353,842***	***722,643***
Consolidated net profit for the period for discontinued operations							-	-	-
Consolidated net profit of the period							***368,801***	***353,842***	***722,643***
Non-controlling interests							(59,173)	(2,517)	(61,690)
Equity holder of the parent (*)	***143,520***	***(180,347)***	***224,742***	***308,606***	***(186,893)***	***-***	***309,628***	***351,325***	***660,953***
Assets and liabilities									
Non-current assets without investments in associates & JV	2,713,168	2,404,928	1,540,835	916,015	263,629	-	7,838,575	(20,304)	7,818,271
Investments in associates and JV companies	44,833	37,639	62,651	145,161	-	-	290,284	-	290,284
Total non-current capital invested	***2,758,001***	***2,442,567***	***1,603,486***	***1,061,176***	***263,629***	***-***	***8,128,859***	***(20,304)***	***8,108,555***
Capital Employed	***1,977,481***	***2,876,433***	***1,372,049***	***1,372,736***	***48,740***	***-***	***7,647,439***	***105,663***	***7,753,102***
Cash flow statement									
Cash flow from operating activities before change in operating working capital IFRS	879,193	546,485	458,691	535,238	(181,315)	-	2,238,292		
Clean CCS Adjustment	-	(365,703)	7,564	(67,169)	-	-	(425,308)		
Cash flow from operating activities before change in operating working capital CCS	***879,193***	***180,782***	***466,255***	***468,069***	***(181,315)***	***-***	***1,812,984***		
Other cash flow from operating activities	(286,163)	(10,018)	(50,294)	(58,555)	47,619	-	(357,411)		
Total cash flow from operating activities before change in working capital CCS	***593,030***	***170,764***	***415,961***	***409,514***	***(133,696)***	***-***	***1,455,573***		
Total cash flows from investing activities	***(127,132)***	***(123,694)***	***(65,508)***	***(57,178)***	***(17,553)***	***-***	***(391,065)***		
Free cash flow before change in working capital	***465,898***	***47,070***	***350,453***	***352,336***	***(151,249)***	***-***	***1,064,508***		

(*)

CCS Profit attributable to parent company	***143,520***	***(180,347)***	***224,742***	***308,606***	***(186,893)***		***309,628***
Non-Recurring Items	47,520	302,631	(9,444)	47,827	(37,209)		351,325
IFRS Profit attributable to parent company	***191,040***	***122,284***	***215,298***	***356,433***	***(224,102)***		***660,953***

Thousands of euros

Segments Reporting Year 2020	Exploration & Production	Refining	Commercial	Petrochemical	Corporation	Intra-Group Eliminations	Total	CCS Adjustments Non-Recurring Items	Total Consolidated
	Information excluding CCS Adjustments and Non-Recurring Items								
Income/(Losses)									
Revenue									
Revenue from external customers	770,489	3,773,728	9,259,001	1,953,833	3,093	-	15,760,144	-	15,760,144
Intra-group revenue	60	4,679,541	31,325	593,930	59,951	(5,364,807)	-	-	-
Total Revenue	***770,549***	***8,453,269***	***9,290,326***	***2,547,763***	***63,044***	***(5,364,807)***	***15,760,144***	***-***	***15,760,144***
Excise tax on oil and gas charged on sales	-	(1,570)	(2,115,319)	-	-	-	(2,116,889)	-	(2,116,889)
Revenue without excise tax on oil and gas	***770,549***	***8,451,699***	***7,175,007***	***2,547,763***	***63,044***	***(5,364,807)***	***13,643,255***	***-***	***13,643,255***
Procurements and changes in inventories of finished goods & work in progress	(78,783)	(9,126,139)	(4,414,889)	(1,812,003)	(717)	5,181,414	(10,251,117)	(450,242)	(10,701,359)
Changes in operating allowances	1,564	(1,236)	(1,091)	313	653	-	203	(60,937)	(60,734)
Change in provisions for liabilities and charges	19,076	(1,026)	(5,707)	(223)	5,683	-	17,803	-	17,803
Gains or losses on disposals of non-recurring assets	(2,537)	(35,338)	6,442	(7,333)	-	-	(38,766)	-	(38,766)
Other operating income and expenses	(251,579)	722,145	(2,360,161)	(371,101)	(107,405)	183,393	(2,184,708)	(53,206)	(2,237,914)
Result (EBITDA)	***458,290***	***10,105***	***399,601***	***357,416***	***(38,742)***	***-***	***1,186,670***	***(564,385)***	***622,285***
Amortisation charge	(203,106)	(340,499)	(164,268)	(83,234)	(883)	-	(791,990)	-	(791,990)
Impairment of non-current assets	(19)	-	392	-	-	-	373	(648,227)	(647,854)
Allocation to profit or loss of grants related to non-financial assets and others	(1,147)	(87)	(808)	(191)	(2,300)	-	(4,533)	-	(4,533)
Adjusted operating profit (losses)	***254,018***	***(330,481)***	***234,917***	***273,991***	***(41,925)***	***-***	***390,520***	***(1,212,612)***	***(822,092)***
Share in profit of companies accounted for using the equity method	6,658	1,246	3,073	(254)	-	-	10,723	(58,847)	(48,124)
Net financial profit							(132,903)	-	(132,903)
Impairment and gains or losses on disposals of financial instruments							(157)	-	(157)
Consolidated profit before tax							***268,183***	***(1,271,459)***	***(1,003,276)***
Income tax							(258,293)	346,762	88,469
Consolidated net profit for the period for continuing operations							***9,890***	***(924,697)***	***(914,807)***
Consolidated net profit for the period for discontinued operations							-	-	-
Consolidated net profit of the period							***9,890***	***(924,697)***	***(914,807)***
Non-controlling interests							(8,453)	4,502	(3,951)
Equiy holder of the parent (*)	***(74,340)***	***(270,661)***	***168,802***	***204,702***	***(27,066)***	***-***	***1,437***	***(920,195)***	***(918,758)***
Assets and liabilities									
Non-current assets without investments in associates and Joint Ventures	2,505,455	2,781,140	1,574,052	921,015	73,080	-	7,854,742	98,195	7,952,937
Investments in associates and JV companies	29,064	31,995	58,150	111,057	-	-	230,266	-	230,266
Total non-current capital invested	***2,534,519***	***2,813,135***	***1,632,202***	***1,032,072***	***73,080***	***-***	***8,085,008***	***98,195***	***8,183,203***
Capital Employed	***1,927,555***	***3,095,996***	***1,420,308***	***1,267,338***	***14,102***	***-***	***7,725,299***	***(245,741)***	***7,479,558***
Cash flow statement									
Cash flow from operating activities before change in operating working capital IFRS	417,049	(427,469)	411,959	315,769	(56,567)	-	660,741		
Clean CCS Adjustment	-	421,481	(13,196)	41,957	-	-	450,242		
Cash flow from operating activities before change in operating working capital CCS	***417,049***	***(5,988)***	***398,763***	***357,726***	***(56,567)***	***-***	***1,110,983***		
Other cash flow from operating activities	(245,915)	(700)	(2,327)	4,076	253	-	(244,613)		
Total cash flow from operating activities before change in working capital CCS	***171,134***	***(6,688)***	***396,436***	***361,802***	***(56,314)***	***-***	***866,370***		
Total cash flows from investing activities	***(173,972)***	***(309,831)***	***(138,145)***	***(107,317)***	***(29,791)***	***-***	***(759,056)***		
Free cash flow before change in working capital	***(2,838)***	***(316,519)***	***258,291***	***254,485***	***(86,105)***	***-***	***107,314***		

(*)

Clean CCS Profit attributable to parent company	***(74,340)***	***(270,661)***	***168,802***	***204,702***	***(27,066)***		***1,437***
Non-Recurring Items	(320,007)	(549,065)	(9,155)	(29,594)	(12,374)	-	(920,195)
IFRS Profit attributable to parent company	***(394,347)***	***(819,726)***	***159,647***	***175,108***	***(39,440)***		***(918,758)***

6.2. Geographical segment reporting:

The breakdown of net sales, net property, plant and equipment, net intangible assets and investments by geographical segment for the years 2021 and 2020 is as follows:

Geographic segments reporting

Thousand of euros

	Revenues from third parties		Intangible and PPE assets		Additions in intangibles and PPE	
	2021	2020	2021	2020	2021	2020
Spain (*)	**14,306,428**	9,861,342	**3,398,917**	3,837,104	**439,714**	548,010
Rest of European Union	**3,577,279**	2,124,297	**83,098**	86,448	**6,660**	6,741
Africa	**1,419,218**	1,025,109	**337,152**	316,375	**26,836**	23,382
America	**1,482,497**	918,641	**226,400**	204,728	**20,411**	21,815
Rest of the world	**3,746,225**	1,830,755	**1,942,106**	1,724,977	**104,291**	128,525
Total consolidated	**24,531,647**	**15,760,144**	**5,987,673**	**6,169,632**	**597,912**	**728,473**

(*) In Spain, 2021 and 2020 figures in the capiton "incomes from sales to third parties" includes excises.

The main reason for the significant increase in 2021 in revenues shown in the table compared to the previous year is due to the recovery in activity volume and market prices which were impacted by COVID-19 in 2020.

6.3. Information on non-recurring items:

The main concepts explaining the differences between the IFRS result and the adjusted result for 2021 and 2020 are shown below:

Non-recurring items

Thousand of euros

Year 2021	Exploration and production	Refining	Commercial	Petro-chemical	Corporate	Total
On Adjusted operating profit (losses)						
Difference in valuation and replacement cost	-	410,274	(7,693)	67,818	-	**470,399**
Depreciation, impairment and gains/losses on disposal of assets	44,516	(8,386)	(3,898)	16,825	-	**49,057**
Restructuring expenses and others	(1,951)	(417)	-	(12,964)	(49,614)	**(64,946)**
Provisions	(16,260)	-	-	(10,623)	-	**(26,883)**
Total	**26,305**	**401,471**	**(11,591)**	**61,056**	**(49,614)**	**427,627**
Consolidated net profit						
Difference in valuation and replacement cost	-	309,233	(6,093)	47,448	-	**350,588**
Non-recurring items by companies accounted for using the equity method	6,630	-	(427)	1,245	-	**7,448**
Depreciation, impairment and gains/losses on disposal of assets	32,492	(6,289)	(2,924)	16,825	-	**40,104**
Impairment on financial instruments	6,958	-	-	-	-	**6,958**
Restructuring expenses and others	(1,251)	(313)	-	(9,723)	(37,209)	**(48,496)**
Adjustment to tax for temporary differences and provisions	2,691	-	-	(7,968)	-	**(5,277)**
Total	**47,520**	**302,631**	**(9,444)**	**47,827**	**(37,209)**	**351,325**

Year 2020	Exploration and production	Refining	Commercial	Petro-chemical	Corporate	Total
On Adjusted operating profit (losses)						
Difference in valuation and replacement cost	-	(462,583)	13,184	(41,421)	-	**(490,820)**
Impairment losses on current assets	-	(20,359)	-	-	-	**(20,359)**
Depreciation, impairment and gains/losses on disposal of assets	(406,154)	(240,795)	(1,278)	-	-	**(648,227)**
Restructuring expenses and others	(4,042)	(8,915)	(21,867)	(1,884)	(16,498)	**(53,206)**
Total	**(410,196)**	**(732,652)**	**(9,961)**	**(43,305)**	**(16,498)**	**(1,212,612)**
Consolidated net profit						
Difference in valuation and replacement cost	-	(347,208)	8,204	(29,804)	-	**(368,808)**
Impairment losses on current assets	-	(15,269)	-	-	-	**(15,269)**
Non-recurring items by companies accounted for using the equity method	(60,470)	-	-	1,623	-	**(58,847)**
Depreciation, impairment and gains/losses on disposal of assets	(267,008)	(179,915)	(959)	-	-	**(447,882)**
Restructuring expenses and others	(3,335)	(6,673)	(16,400)	(1,413)	(12,374)	**(40,195)**
Adjustment to tax for temporary differences and provisions	10,806	-	-	-	-	**10,806**
Total	**(320,007)**	**(549,065)**	**(9,155)**	**(29,594)**	**(12,374)**	**(920,195)**

Non-recurring items include the difference between the *Average Cost Method* – used in the Consolidated Financial Statements – and the *Replacement Cost Method* – used to measure operating segments – in the value of inventory sold, as well as the valuation adjustment applied to the year over the book balance to adjust it to the year-end market value.

Replacement cost makes it easy to analyze the performance of the business segments and to make comparisons between years. In the replacement cost method, the cost of sales is determined with reference to average market prices in the current month rather than the historical value derived from the accounting valuation method. Consequently, the adjustment to replacement cost is determined as the difference between these two methods.

The Group considers non-recurring items to be those atypical revenues or expenses that are not directly related to the company's main activity and which are unusual. In general, these non-recurring items are:

- Impairment of assets;
- Results of assets disposals (significant amounts);
- Restructuring costs;
- Exceptional fiscal expenses or income;
- Costs associated with mergers / acquisitions;
- Profit/loss from discontinued operations.

In 2021, the following non-recurring changes should be highlighted:

- Allowances and reversals of impairment losses on fixed assets, net amounting to 48 million euros (see **Note 13**), plus the related tax effect. This mainly corresponds to the tax in Abu Dhabi and Colombia and in Spain the tax effect of the impairment reversals are netted against the impairment allowances;
- impairment for the long-term provision of "Cepsa Oleos e Gas Do Brasil, LTD" and "Cepsa Química, S.A.", amounting to 26 million euros, plus the corresponding tax effect (see **Note 21**);
- provision recorded for the exceptional expenses associated with the transformation process in which the Group is immersed, the purpose of which is to provide the businesses with greater flexibility, as well as the "Voluntary Redundancy Plan" (VRP) (see **Note 20.2**), amounting to 65 million euros, plus the corresponding tax effect of 16 million euros; and
- other adjustments to non-recurring tax expenditure of 15 million euros in Colombia (see **Note 26**).

In the case of companies accounted for using the Equity Method, the adjustments are the same as above, i.e., adjustment to the replacement cost and asset impairment on these companies' results.

The breakdown of DIFFERENCE IN VALUATION AND REPLACEMENT COST in 2021 and 2020 is as follows:

Difference in valuation and replacement cost — Thousand of euros

Year 2021	Refining	Commercial	Petrochemical	Total
On Result (EBITDA)				
Changes in inventory	365,703	(7,564)	67,169	**425,308**
Changes in inventory impairment	44,571	(129)	649	**45,091**
Total	**410,274**	**(7,693)**	**67,818**	**470,399**

Year 2020	Refining	Commercial	Petrochemical	Total
On Result (EBITDA)				
Changes in inventory	(421,481)	13,196	(41,957)	**(450,242)**
Changes in inventory impairment	(41,102)	(12)	536	**(40,578)**
Total	**(462,583)**	**13,184**	**(41,421)**	**(490,820)**

7. Investments in associates and joint ventures

ACCOUNTING POLICIES

A) ASSOCIATES

*An associate is a company over which the Group has a financial stake that does not give it control and yet allows it to have significant influence (see **Note 4.1**).*

Investments in an associate are accounted for using the equity method*, which is described below within the policies applicable to joint ventures.*

B) JOINT ARRANGEMENTS

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor within the arrangement, rather than the legal structure of the joint arrangement. CEPSA has equity interests in both modalities. A fundamental feature of joint arrangements is the existence of two or more parties exercising joint control.

Joint control is the contractually agreed sharing of control of an economic unit, which exists only when decisions about the relevant activities of said unit always require the unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. These parties are called joint operators. The Group works in these types of joint arrangements, particularly in the area of Exploration and Production.

Recognition of Joint Operations. The Group records its:

- *Assets, including its share of any assets held jointly;*
- *Liabilities, including its share of any liabilities incurred jointly;*
- *Revenue from the sale of its share of the output arising from the joint operation;*
- *Its share of the revenue from the sale of the output by the joint operation; and*
- *Its expenses, including its share of any expenses incurred jointly.*

In addition, in the consolidation process, balances, revenues, expenses and results for operations with companies consolidated by this procedure have been eliminated, depending on the stake held.

A joint venture is a type of joint arrangement whereby the parties that have joint control solely have rights to the net assets of the joint venture.

Recognition of Joint Ventures and investments in Associates. The Group uses the Equity Method. Under this method, an investment in a joint venture (and in an associate) is initially recorded at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the net assets of the joint venture (of the associate) since the acquisition date. The goodwill arising from the interest in the joint venture (or associate) is included in the carrying value of the investment and is not tested for impairment separately.

After applying the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture (associate) and its carrying amount, and then records this impairment as a debit or credit in the statement of profit or loss under PROFIT SHARING IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD, with debtor sign Reversals of impairment amounts recorded in previous periods are calculated and recorded in the same way, as credits.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and records any retained investment at its fair value. Any difference between the carrying value of the associate or joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recorded in the Consolidated Income Statement.

All subsidiaries, associates and jointly controlled entities within the CEPSA Group have a December 31st closing date.

7.1. Record of interests

The following table shows a breakdown of the balance at 2021 and 2020 year-ends under INVESTMENTS IN ASSOCIATES AND INTERESTS IN JOINT VENTURES:

Thousand of euros

Investments in Associates and joint ventures

	Type of participation	Book value		Profit / (loss) by integration	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Sorexi, S.A.	Joint ventures	**33,211**	27,793	**3,286**	1,316
Abu Dhabi Oil CO, Ltd (ADOC)	Associates	**51,445**	35,880	**18,745**	(53,662)
Nueva Generadora del Sur, S.A.	Joint ventures	**13,077**	13,338	**242**	502
Cepsa Gibraltar, S.A.	Associates	**9,397**	8,476	**322**	17
Asfaltos Españoles, S.A.	Joint ventures	**18,183**	17,516	**668**	266
Sinarmas Cepsa Group	Joint ventures	**121,795**	89,227	**24,737**	(3,713)
Other companies		**43,176**	38,036	**9,950**	7,150
Total		***290,284***	***230,266***	***57,950***	***(48,124)***
Where:					
Joint ventures		***210,645***	***164,773***	***30,935***	***112***
Associates		***79,639***	***65,493***	***27,015***	***(48,236)***

Changes in investments

The breakdown of the changes in 2021 and 2020 in the above-mentioned heading is as follows:

Variation in investments accounted under the equity method

Thousand of euros	2021	2020
Opening balance at the beginning of the year	***230,266***	***268,608***
Profit after taxes incurred in the year (discontinued operations included)	51,320	12,346
Impairments	6,630	(60,470)
Share of results of equity accounted investees	57,950	(48,124)
Dividends received during the year	(12,219)	(12,211)
Additions of investments in associates and joint ventures	5,000	35,323
Disposals:		
Mergers/Change in consolidation method	-	(16)
Other changes	9,287	(13,314)
Closing balance at the end of the year	***290,284***	***230,266***

In the 2021 financial year the following changes took place:

- Reversal of impairment of the Group's interest in "Abu Dhabi Oil Co. Ltd" (ADOC) amounting to 6,630 thousand euros, which is included in the income statement of the investee and therefore in the investment's entry. (See **Note 7.3**)
- In 2021 the Group incorporated, together with EXOLUM, the company "Terminal Puerto Tartessos, S.A., for an amount of 5,000 thousand euros, to operate a new pier in the port of Huelva.
- OTHER MOVEMENTS includes translation differences, mainly of "SinarMas Cepsa." It also includes the changes in the goodwill of "Sorexi, S.A." and "Bitulife, S.A." as a result of the recording of contingent liabilities that the Group has considered as highly probable.

The most significant changes in 2020 were:

- Additional impairments in the Group's interest in "Abu Dhabi Oil Co. Ltd" (ADOC) amounting to 60,470 thousand euros, which is included in the income statement of the investee and therefore in the investment's entry. (See **Note 7.3**)
- In June 2020 the acquisition of the companies "Sorexi, S.A." and "Bitulife, S.A.," engaged in the manufacture and marketing of asphalts in Morocco, was completed for 367,420 thousand Moroccan Dirhams (33,955 thousand euros) including the capital increase subscribed in full by the CEPSA Group.
- OTHER MOVEMENTS includes translation differences, mainly from "SinarMas Cepsa", "CSChem Ltd" and "Abu Dhabi Oil Co. Ltd (ADOC)."

The principal financial aggregates, by percentage share, relating to Companies accounted for using the equity method at the end of 2021 and 2020 are summarized below:

Main figures

Investments accounted under the equity method (Thousand of euros)	2021	2020
Total assets	647,870	571,264
Total current and non current liabilities	355,186	332,380
Net assets	***292,684***	***238,884***
Total revenues	647,973	452,945
Profit for the year	***239,848***	***(417,324)***
Share of results of companies accounted for by using the equity method (discontinued operations included)	***57,950***	***(48,124)***

7.2. Goodwill

The 2021 and 2020 breakdown of goodwill on companies accounted for using the equity method, reported by unit and business segment to which it was allocated, is as follows:

Thousand of euros

Goodwill in companies accounted under the equity method

Year 2021	Segments	Balance at 01/01/2021	Acquisitions	Others movements	Balance at 12/31/2021
Distribution network companies	Commercial	30,662	-	(1,131)	29,531
Petrochemical companies	Petrochemical	7,104	-	161	7,265
Total Goodwill		**37,766**	**-**	**(970)**	**36,796**

Year 2020	Segments	Balance at 01/01/2020	Acquisitions	Others movements	Balance at 12/31/2020
Distribution network companies	Commercial	6,667	24,161	(166)	30,662
Petrochemical companies	Petrochemical	8,629	-	(1,525)	7,104
Total Goodwill		**15,296**	**24,161**	**(1,691)**	**37,766**

The acquisition of "Sorexi, S.A." and "Bitulife, S.A." in 2020 generated goodwill totaling 24,161 thousand euros.

7.3. Impairment

The CEPSA Group periodically analyzes the existence of impairment in its financial interests, including the goodwill resulting from acquisitions, as described at the beginning of the Accounting Policies note.

In 2021, an impairment reversal was recorded for the interest in "Abu Dhabi Oil Co. Ltd," 6,630 thousand euros, as indicated in the **Notes 7.1** and **13.3**, which is included in the income statement of the investee and therefore in the investment's entry. In 2020, an impairment allowance of 60,470 thousand euros was recorded in relation to the stake held in this subsidiary.

7.4. Financial information of investee companies and businesses.

A) JOINT VENTURES

The summarized financial information for the joint ventures partly owned by CEPSA as at December 31, 2021 and 2020 is as follows:

Summarized financial information of main joint ventures, at 100%

Thousand of euros

	Sorexi, S.A.		Asfaltos Españoles, S.A.		Nueva Generadora del Sur, S.A.		SinarMas Cepsa Pte, LTD	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenue	93,342	37,857	56,079	34,743	5,059	4,837	373,059	215,744
Expenses	(80,225)	(32,944)	(49,772)	(28,885)	(2,466)	(2,105)	(298,907)	(196,112)
Amortization charge	(796)	(327)	(7,155)	(7,104)	(2,141)	(2,141)	(18,418)	(17,401)
Impairment on non-current assets	-	-	-	-	-	-	-	-
Share in profit of companies accounted for using the equity method	-	-	-	-	-	-	-	-
Other operating income (expenses)	-	-	2,454	2,055	19	324	-	-
Net foreign exchange gain (loss)	-	-	(15)	-	-	-	-	-
Finance income	(259)	184	11	-	-	55	1	(217)
Finance costs	-	-	(38)	(62)	-	-	(6,327)	(8,650)
Gains or losses on disposals of non-current assets	-	-	-	(7)	-	-	-	-
Other gains (losses) on financial instruments	-	-	-	-	-	-	-	-
Profit before tax	12,062	4,770	1,564	740	471	970	49,408	(6,636)
Income tax	(3,848)	(1,479)	(228)	(208)	12	34	66	(790)
Profit for the period from continuing operations	8,214	3,291	1,336	532	483	1,004	49,474	(7,426)
Profit for the period from discontinued operations	-	-	-	-	-	-	-	-
Net profit for the period	8,214	3,291	1,336	532	483	1,004	49,474	(7,426)
Other comprehensive income/loss	-	-	-	-	-	-	-	-
Total comprehensive income	8,214	3,291	1,336	532	483	1,004	49,474	(7,426)
% stakeholding	40.00%	40.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Contribution to consolidated profits	3,286	1,316	668	266	242	502	24,737	(3,713)
Dividends	1,079	-	-	-	503	260	-	-

	Sorexi, S.A.		Asfaltos Españoles, S.A.		Nueva Generadora del Sur, S.A.		SinarMas Cepsa Pte, LTD	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Non-current assets	6,046	6,277	48,898	49,912	21,367	23,515	305,455	295,005
Current assets	68,535	37,030	15,452	8,308	9,017	7,135	176,793	102,500
TOTAL ASSETS	74,581	43,307	64,350	58,220	30,384	30,650	482,248	397,505
Non-current liabilities	9,493	5,811	5,933	13,858	335	379	141,708	113,216
Current liabilities	41,218	16,318	22,051	9,331	3,896	3,596	96,951	105,836
TOTAL LIABILITIES	50,711	22,129	27,984	23,189	4,231	3,975	238,659	219,052
NET ASSETS	23,870	21,178	36,366	35,031	26,153	26,675	243,589	178,453
% stakeholding	40.00%	40.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Stake in net assets	9,548	8,471	18,183	17,516	13,077	13,338	121,795	89,227
Goodwill	23,663	19,322	-	-	-	-	-	-
Carrying value of investment	33,211	27,793	18,183	17,516	13,077	13,338	121,795	89,227

In 2021, dividends were received totaling 2,182 thousand euros (260 thousand euros in 2020).

Table II at the end of this document, which forms part of this Report, details the joint arrangements in the form of joint ventures and jointly controlled assets in which the CEPSA Group holds an interest. The accompanying Consolidated Financial Statements include the assets, liabilities, expenses and income arising from these investments based on the percentage of ownership in them.

B) Associates

The summarized financial information for the main associates of the CEPSA Group as at December 31, 2021 and 2020 is included as follows:

Summarized financial information of main associates, at 100%

Thousand of euros

	Abu Dhabi Oil CO, Ltd (ADOC)		Cepsa Gibraltar	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenue	644,389	722,236	304,924	212,590
Expenses	(330,426)	(428,380)	(304,085)	(212,491)
Amortization charge	-	-	-	-
Impairment on non-current assets	51,458	(469,344)	-	-
Share in profit of companies accounted for using the equity method	-	-	-	-
Other operating income (expenses)	-	-	-	-
Net foreign exchange gain (loss)	-	5,652	(25)	5
Finance income	-	6,953	-	-
Finance costs	(1,876)	(17,989)	(1)	(3)
Gains or losses on disposals of non-current assets	-	(11,927)	-	-
Other gains (losses) on financial instruments	-	-	-	-
Profit before tax	363,545	(192,799)	813	101
Income tax	(218,057)	(223,702)	(170)	(68)
Profit for the period from continuing operations	145,488	(416,501)	643	33
Profit for the period from discontinued operations	-	-	-	-
Net profit for the period	145,488	(416,501)	643	33
Other comprehensive income/loss	-	-	-	-
Total comprehensive income	145,488	(416,501)	643	33
% stakeholding	12.88%	12.88%	50.00%	50.00%
Contribution to consolidated profits	18,739	(53,645)	322	17
Dividends	1,929	5,512	-	-

	Abu Dhabi Oil CO, Ltd (ADOC)		Cepsa Gibraltar	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Non-current assets	847,206	945,016	12,948	12,340
Current assets	377,430	466,623	65,926	23,562
TOTAL ASSETS	1,224,636	1,411,639	78,874	35,902
Non-current liabilities	696,105	853,032	-	-
Current liabilities	129,238	280,125	60,081	18,951
TOTAL LIABILITIES	825,343	1,133,157	60,081	18,951
NET ASSETS	399,293	278,482	18,793	16,951
% stakeholding	12.88%	12.88%	50.00%	50.00%
Stake in net assets	51,445	35,880	9,397	8,476
Goodwill	-	-	-	-
Carrying value of investment	51,445	35,880	9,397	8,476

The CEPSA Group holds an indirect interest of 12.88% in "ADOC;" however, this company is included in the Consolidated Financial Statements by the *equity method*, since the Group exercises significant influence over this company, as can be seen from the agreements between the main shareholders.

In 2021, dividends were received from associates totaling 10,037 thousand euros (2020: 11,951 thousand euros).

8. Intangible assets

ACCOUNTING POLICIES

A) EXPLORATION AND PRODUCTION ASSETS

*See **Note 4.4***

B) OTHER INTANGIBLE ASSETS

Intangible assets of an definite life that have been acquired individually are recorded at cost minus accumulated depreciation and accumulated impairment losses. Depreciation is recorded on a straight-line basis over the estimated useful life shown in the table below. The estimated useful life and depreciation method are reviewed at the end of each accounting period, and the effect of any change in estimates will be counted on a forward-looking basis.

Intangible assets of an indefinite life that have been acquired individually are recorded at cost minus accumulated impairment losses.

Research and development costs are charged to profit or loss as incurred. However, development costs for projects whose technical and economic viability has been established are capitalized retroactively when their viability has been determined; once they have been implemented, they are depreciated according to their useful life.

Manufacturing license rights are amortized at the same rates as those used to depreciate the industrial units to which they relate.

Service station surface rights and flagging contracts are amortized over an average of 20 and five years, respectively, based on the contracts for transactions of this type.

Investments in computer applications amortize over a maximum period of five years.

Other intangible assets include the right to transport crude oil via the Central Pipeline (OCENSA) in Colombia.

The useful lives the Group takes into account to amortize intangible assets are summarized in the following table:

Amortization of other intangible assets	***Years of useful life***
Concessions, patents and license rights (*)	*Up to 50*
Computer applications	*Up to 5*
Goodwill	*Indefinite*
Other Intangible Assets (**)	*Up to 48*

** Licenses on some Company Owned Company Operated (COCO) service stations have a useful life of 45 years.*

*** Among Other intangible assets, gas stations flagging contracts and other management contracts are included, with useful lives contained within the indicated range.*

C) EMISSION ALLOWANCES

In order to comply with the recent European Union commitments to reduce greenhouse gas emissions by 55% by 2030 compared to 1990 levels, as reflected in the European Climate Law of June 30, 2021, several EU and national regulations were issued to comply with the new 2021-2030 compliance period, such as Law 9/2020 and Royal Decree 1089/2020. The preliminary free-of-charge allocation rights were published by the Administration in July 2021.

*Allowances received for free under the National Emission Allowance Assignment Plan are measured at the market price in force at the beginning of the year to which they correspond and recorded as an asset under Intangible Non-amortizable Asset; with the offsetting entry under Grants (see **Note 19**).*

Emission allowances acquired from third parties are also recorded as an intangible non-amortizable asset; their initial recognition is at acquisition price.

All emission allowances are canceled when they are delivered to the National Register of Greenhouse Gas Emission Allowances (RENADE) and are transferred to third parties or the conditions set for their expiration are fulfilled.

At the end of the accounting period or when impairment indicators are identified, the net realizable value of the emission allowances is compared with the carrying value and if the latter is higher, they are written down to market value. In the case of rights acquired on an onerous basis, the appropriate impairment of the asset's value would be provided; if they are rights received from the government free of charge, in addition to the previous correction, the value of the Capital Grants would be adjusted to the same amount, with the balancing entry in Non-financial and other capital grants of the Consolidated Income Statement.

D) IMPAIRMENT

*As mentioned above, all items in this section of intangible assets are tested for impairment where there are indications. In particular, they are reviewed annually in the case of indefinite life assets and those that are not yet available for use, regardless of the presence of such indications (see **Note 13**).*

The breakdown of the gross investments in intangible assets, the related accumulated amortization and impairment for 2021 and 2020 is as follows:

Thousand of euros

Intangible assets Year 2021	Notes	Balance at 01/01/2021	Additions or Charge for the year	Transfers	Other changes	Retirements or Disposals	Balance at 12/31/2021
Assets							
Exploration and evaluation assets		587,541	4,048	468	40,116	(182,325)	**449,848**
O&G possible or contingent reserves (B.C.)		19,508	-	-	1,628	-	**21,136**
O&G proven reserves (B.C.)		2,327,437	-	-	194,193	(275,444)	**2,246,186**
Total O&G assets		*2,934,486*	*4,048*	*468*	*235,937*	*(457,769)*	***2,717,170***
Concessions, patents and licences		109,773	3,942	1,072	2,172	(331)	**116,628**
Computer software		342,603	34,507	4	1,643	(6,496)	**372,261**
Other intangible assets		747,963	136,703	(1,543)	15,641	(226,791)	**671,973**
Total Assets		**4,134,825**	**179,200**	**1**	**255,393**	**(691,387)**	**3,878,032**
Amortisation							
Exploration and evaluation assets		(550,536)	(3,166)	(9,339)	(37,160)	150,464	**(449,737)**
O&G possible or contingent reserves (B.C.)		(65)	-	-	(5)	70	**-**
O&G proven reserves (B.C.)		(921,878)	(18,417)	(9,449)	(77,384)	52,518	**(974,610)**
Total O&G assets		*(1,472,479)*	*(21,583)*	*(18,788)*	*(114,549)*	*203,052*	***(1,424,347)***
Concessions, patents and licences		(76,939)	(2,971)	(4)	(1,011)	453	**(80,472)**
Computer software		(237,482)	(35,618)	1,806	(1,200)	6,163	**(266,331)**
Other intangible assets		(254,785)	(14,842)	(146)	(5,319)	771	**(274,321)**
Total Amortisation		**(2,041,685)**	**(75,014)**	**(17,132)**	**(122,079)**	**210,439**	**(2,045,471)**
Impairments							
Exploration and evaluation assets		(18,395)	(11,646)	-	(483)	30,524	**-**
O&G possible or contingent reserves (B.C.)		(19,442)	-	-	(1,693)	-	**(21,135)**
O&G proven reserves (B.C.)		(1,369,916)	-	-	(116,933)	224,389	**(1,262,460)**
Total O&G assets		*(1,407,753)*	*(11,646)*	-	*(119,109)*	*254,913*	***(1,283,595)***
Concessions, patents and licences		(1,385)	-	-	599	-	**(786)**
Other intangible assets		(118,557)	(89)	-	(9,803)	-	**(128,449)**
Total Impairments	Note 13.3	**(1,527,695)**	**(11,735)**	**-**	**(128,313)**	**254,913**	**(1,412,830)**
Total O&G assets		*54,254*	*(29,181)*	*(18,320)*	*2,279*	*196*	***9,228***
Total other intangible		*511,191*	*121,632*	*1,189*	*2,722*	*(226,231)*	***410,503***
Intangible assets, net		**565,445**	**92,451**	**(17,131)**	**5,001**	**(226,035)**	**419,731**

(B.C. = Business combinations)

Thousand of euros

Intangible assets Year 2020	Notes	Balance at 01/01/2020	Additions or Charge for the year	Transfers	Other changes	Retirements or Disposals	Balance at 12/31/2020
Assets							
Exploration and evaluation assets		524,371	8,628	99,397	(43,225)	(1,630)	**587,541**
O&G possible or contingent reserves (B.C.)		21,309	-	-	(1,801)	-	**19,508**
O&G proven reserves (B.C.)		2,511,332	-	30,949	(214,844)	-	**2,327,437**
Total O&G assets		*3,057,012*	*8,628*	*130,346*	*(259,870)*	*(1,630)*	***2,934,486***
Concessions, patents and licences		112,254	799	1,416	(4,654)	(42)	**109,773**
Computer software		321,159	29,078	4,193	(3,240)	(8,587)	**342,603**
Other intangible assets		801,253	127,176	(1,875)	(17,237)	(161,354)	**747,963**
Total Assets		**4,291,678**	**165,681**	**134,080**	**(285,001)**	**(171,613)**	**4,134,825**
Amortisation							
Exploration and evaluation assets		(499,171)	(3,249)	(91,012)	41,536	1,360	**(550,536)**
O&G possible or contingent reserves (B.C.)		(71)	-	-	6	-	**(65)**
O&G proven reserves (B.C.)		(977,272)	(11,359)	(17,894)	84,647	-	**(921,878)**
Total O&G assets		*(1,476,514)*	*(14,608)*	*(108,906)*	*126,189*	*1,360*	***(1,472,479)***
Concessions, patents and licences		(74,735)	(3,082)	(36)	906	8	**(76,939)**
Computer software		(218,917)	(28,370)	(996)	2,147	8,654	**(237,482)**
Other intangible assets		(244,436)	(17,787)	833	6,340	265	**(254,785)**
Total Amortisation		**(2,014,602)**	**(63,847)**	**(109,105)**	**135,582**	**10,287**	**(2,041,685)**
Impairments							
Exploration and evaluation assets		(18,821)	-	-	426	-	**(18,395)**
O&G possible or contingent reserves (B.C.)		(19,894)	-	-	452	-	**(19,442)**
O&G proven reserves (B.C.)		(1,487,015)	-	-	117,099	-	**(1,369,916)**
Total O&G assets		*(1,525,730)*	-	-	*117,977*	-	***(1,407,753)***
Concessions, patents and licences		(1,514)	-	-	129	-	**(1,385)**
Other intangible assets		(96,433)	(63,564)	-	23,470	17,970	**(118,557)**
Total Impairments	Note 13.3	**(1,623,677)**	**(63,564)**	**-**	**141,576**	**17,970**	**(1,527,695)**
Total O&G assets		*54,768*	*(5,980)*	*21,440*	*(15,704)*	*(270)*	**54,254**
Total other intangible		*598,631*	*44,250*	*3,535*	*7,861*	*(143,086)*	**511,191**
Intangible assets, net		**653,399**	**38,270**	**24,975**	**(7,843)**	**(143,356)**	**565,445**

(B.C. = Business combinations)

Additions

The ADDITIONS to intangible assets recorded in 2021 and 2020, amounting to 179,200 and 165,681 thousand euros, respectively, relate mainly to the investment in computer software, as well as the free allocation (see **Note 19**) of CO_2 emission allowances under the National Allocation Plans and the market purchases of these allowances classified under OTHER INTANGIBLE ASSETS.

ADDITIONS also included for 2021 and 2020, respectively, 2,281 and 1,608 thousand euros related to capitalized expenses which were credited to their corresponding captions in the Consolidated Income Statement.

Transfers

In 2021, TRANSFERS mainly include the reclassification to assets held for sale amounting to 1,557 thousand euros (see **Note 5.2**), and 15,576 thousand euros transferred as depreciation to property, plant and equipment (see **Note 10**).

Other changes

OTHER CHANGES mainly reflects the impact of exchange rate fluctuations with respect to the euro in some of the foreign subsidiaries.

Derecognitions

The DISPOSALS line includes divestments associated with computer software, CO_2 emission allowances, for both annual deliveries for allowances consumed in the respective preceding years and sales to the market (see "Greenhouse gas emission allowances"), settlements of several exploratory fields located in Algeria that were fully amortized and the proven O&G reserves of "CEC International."

Impairment

During 2021 an impairment of 11,646 thousand euros was recorded corresponding to the fixed assets of the subsidiary "Cepsa Oleo e Gas do Brasil, LTDA", a company liquidated in 2021.

In 2020, an impairment of 45,978 thousand euros was recorded in relation to the "Colombia-Los Llanos" CGU, of which 38,814 thousand euros was for the preferential right of use of the Colombia Central Pipeline and other items for 7,164 thousand euros, both under Other Intangible Assets. In addition, an impairment of 17,586 thousand euros was recorded for CO_2 emission allowances; upon delivery of these rights to the RENADE in 2021, they were partially used for their intended purpose, and the excess was reversed for 2,844 thousand euros.

Accumulated impairment losses on December 31, 2021 and 2020 amounted to 1,412,830 thousand euros and 1,527,695 thousand euros, respectively. They mainly relate to Oil and Gas Reserves, both *proven* and *possible* reserves, acquired through business combinations and to a lesser extent, to the preferential right of use of the Central Oil Pipeline of Colombia, which is a right contributed by "Cepsa Colombia, S.A.".

OTHER INTANGIBLE ASSETS includes, among others, the following particularly significant assets belonging to specific Group companies at as at the end of 2021:

- Payments made by the subsidiary "Cepsa Comercial Petróleo, S.A.U." to the service stations *Dealer Owner, Dealer Operated* (DODOs) for trademark representation, amounting to 203,778 thousand euros gross, although their accumulated amortization is 114,584 thousand euros;
- Strategic positioning of service stations, for a gross amount of 145,211 thousand euros and its accumulated amortization of 20,964 thousand euros;
- Preferential right to use the Colombian Central Pipeline, for a gross value of 203,380 thousand euros, fully amortized and impaired;
- Greenhouse gas emission allowances in companies with industrial plants, for a gross value of 7,603 thousand euros.

Greenhouse gas emission allowances

The greenhouse gas emission allowances, recorded under OTHER INTANGIBLE ASSETS, at year-end 2021 and 2020 have changed as follows:

Greenhouse gas emissions allowances		2021		2020	
	Notes	Thousand of euros	Thousand of metric tons	Thousand of euros	Thousand of metric tons
Opening balance		**101,681**	**5,076**	**139,127**	**5,366**
Asignments / acquisitions		**130,912**	**3,943**	123,251	5,085
Gains / Losses and Impairments	Note 23	**-**	**-**	(14,742)	-
Deliveries / disposals		**(224,990)**	**(8,873)**	(161,081)	(5,375)
Impairment disposed		**-**	**-**	15,126	-
Closing balance		**7,603**	**146**	**101,681**	**5,076**

The average cost of allowances acquired in 2021 was 40.80 euros/ton (18.95 euros/ton in 2020).

Pursuant to current regulations, the CEPSA Group must deliver CO_2 emission allowances equal to the volume of emissions made during the year in the first few months of the following year. The CEPSA Group delivered emission allowances valued at 90,137 and 107,466 thousand euros in 2021 and 2020, respectively.

In addition, in 2021, write-offs of 134,853 thousand euros were recorded for CO_2 emission allowances sold to the market during the year. The capital gain recorded in the Group's income statement in this transaction, adjusted by expenses related to it, was 79,090 thousand euros representing a cash inflow for the Group.

Other disclosures

As at December 31, 2021 and 2020, the Group had intangible asset purchase commitments amounting to 45,893 and 67,792 thousand euros, respectively.

As at December 31, 2021 and 2020, fully amortized intangible assets still in use totaled 905,121 and 1,205,619 thousand euros, respectively.

As at December 31, 2021 and 2020, intangible assets with an indefinite useful life had a net value of 24,483 and 23,748 thousand euros, respectively.

9. Goodwill on consolidation

ACCOUNTING POLICIES

*See **Note 4.2** regarding the recognition and calculation of the goodwill arising in business combinations.*

The fair value of net assets comprises the fair value of the assets and liabilities that are identifiable and meet the other requirements for them to be recorded and, lastly, the contingent liabilities which can be reliably measured based on the information available upon valuation.

In accordance with IFRS 3 and IAS 36, goodwill is not amortized, but is regularly tested for impairment at least once a year or more frequently if there is any indication of impairment.

Goodwill is deemed to be an asset of the acquired company. Consequently, goodwill in foreign currency pertaining to the Group companies' resident abroad with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the date of the Consolidated Balance Sheet, and any resulting variations are recorded as translation differences.

Impairment tests are performed for cash-generating units to which goodwill has been allocated, to verify the recoverability of the carrying amount. When the recoverable amount is deemed to be lower than the carrying amount, an impairment loss has been recorded as an expense under Impairment and Gains or Losses on Disposals of Non-Current Assets in the Consolidated Income Statement.

The breakdown of GOODWILL ON CONSOLIDATION, disclosed by business unit, in 2021 and 2020 is as follows:

Consolidated goodwill — Thousand of euros

Year 2021

Cash Generating Units	Balance at 01/01/2021	Additions	Others	Balance at 12/31/2021
CGU Petrochemical LAB/LAS	14,973	-	151	**15,124**
CGU Power	119	-	-	**119**
CGU Refining & Commercial	87,162	-	2,858	**90,020**
Total	**102,254**	**-**	**3,009**	**105,263**

Year 2020

Cash Generating Units	Balance at 01/01/2020	Additions	Others	Balance at 12/31/2020
CGU Petrochemical LAB/LAS	21,133	-	(6,160)	**14,973**
CGU Power	119	-	-	**119**
CGU Refining & Commercial	86,426	736	-	**87,162**
Total	**107,678**	**736**	**(6,160)**	**102,254**

The line OTHER CHANGES includes the effect of the change in exchange rates on the goodwill of "Detén Química, S.A.", as it was translated at the closing exchange rate (see **Note 4.3**) and the absorption of "Intrasport Service XXI, S.L." by "Cepsa Comercial Petróleo, S.A.U."

No impairment was recorded in 2021 or 2020. The recoverable amount of the business units was determined on the basis of their value in use calculated consistent with the assumptions and cash flows included in the Group's strategic plan.

10. Property, plant and equipment

ACCOUNTING POLICIES

A) EXPLORATION AND PRODUCTION ASSETS

*See **Note 4.4**.*

B) OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT

These assets are initially recorded at acquisition cost. This cost includes the purchase price and transaction costs. When it comes to the acquisition, construction, or production of certain qualified assets (which are assets that require a substantial period of use), other directly attributable costs such as personnel costs, financial expenses, and other items incurred until the time the assets are substantially ready for use or sale, are added to their cost.

*In addition, the estimated present value of the abandonment costs to be borne by the CEPSA Group in those cases where appropriate, is recorded (see **Note 21**).*

Assets acquired before December 31, 2003, were revalued, where appropriate, pursuant to applicable legislation.

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalized as a larger investment and are part of the acquisition cost when incurred. On the other hand, repair, conservation and maintenance costs are charged to the profit or loss as incurred.

Removed assets and items and the related acquisition cost and accumulated depreciation are derecognized.

*As at the reporting date of the Consolidated Balance Sheet, assessment is underway as to whether there are fixed assets not included in a CGU showing signs of impairment. If such indication exists, the asset is tested for impairment, and where appropriate, the related impairment loss is recorded. (See **Note 13**).*

The Group depreciates its property, plant and equipment, net of their residual value, using the straight-line method, i.e., *by equitably distributing assets' costs among the years of estimated useful life.*

Depreciation of other property, plant and equipment	***Years of useful life***
Buildings and other structures	*33 to 50*
Complex and specialized plants	*12 to 33*
Machinery, other installations, fixtures and furnishings	*10 to 15*
Other items	*4 to 20*

Tank heel inventory

*As indicated in **Note 14**, the volume of crude oil and product at tank heels under the lowest operable level is considered not part of operating stock, but is rather considered a fixed asset inherent to the company's operations. In this sense, it should be recorded as PROPERTY, PLANT AND EQUIPMENT - TECHNICAL INSTALLATIONS.*

Said volume of crude oil and product is recorded as a fixed asset as long as it is stored at the bottom of tanks. If a tank is drained for inspection or repair, the full content is moved to other tanks, transferred to the production system, or released for sale. This draining also includes the volume considered to be the tank heel, which is allocated to the proper use and purpose. In the case of crude oil, a portion of this volume is discarded as it is not fit for production. In these products, the entire tank heel is generally valid.

The crude oil and product transferred in 2020 from inventory was valued at inventory cost as at the date of transfer (January 01, 2020). It is considered a non-depreciable asset, except for the estimated portion of crude oil to be discarded at the time the tank is drained. The estimated volume to be discarded is estimated at 10% of the tank heel volume. The value corresponding to this expendable crude oil depreciates linearly over the course of the period between tank inspections, which is estimated to be 15 years for crude oil tanks.

When the tank is drained, the value of the tank heel volume that is not discarded is transferred back to inventory at historical cost. At this time, the difference between the net carrying value of the tank heel and the value transferred to inventory is recorded as profit or loss in the Income Statement.

Henceforth, when an out-of-service tank is started up, the volume of crude oil or product corresponding to the tank heel will be calculated at the inventory cost as of the day of the transfer and another transfer from Inventory to Property, Plant, and Equipment will be recorded.

The breakdown of the gross investments in Property, Plant and Equipment, accumulated depreciation and impairment for 2021 and 2020 is as follows:

Thousand of euros

Property, plant and equipment

Year 2021	Notes	Balance at 01/01/2021	Additions or Charge for the year	Transfers	Other changes	Retirements or Disposals	Balance at 12/31/2021
Assets							
Land and structures		467,721	2,999	25,870	12,705	(3,065)	**506,230**
Plant and machinery		9,255,501	7,427	121,734	86,551	(230,290)	**9,240,923**
Oil & Gas Assets		4,198,681	113,433	6,494	323,955	(88,278)	**4,554,285**
Other facilites, furniture		117,114	203	9,159	4,763	(452)	**130,787**
Advances and property, plant and equipment under construction		1,044,731	294,558	(540,303)	8,938	(231,585)	**576,339**
Other property, plant and equipment		1,222,361	92	15,234	63,529	(65,624)	**1,235,592**
Total Assets		**16,306,109**	**418,712**	**(361,812)**	**500,441**	**(619,294)**	**16,244,156**
Depreciation							
Land and structures		(151,433)	(9,268)	(884)	7,258	141	**(154,186)**
Plant and machinery		(6,437,479)	(385,468)	206,240	(34,352)	174,250	**(6,476,809)**
Oil & Gas Assets		(2,040,715)	(160,538)	19,659	(98,017)	32,422	**(2,247,189)**
Other facilites, furniture		(101,607)	(5,109)	(163)	(4,276)	428	**(110,727)**
Other property, plant and equipment		(394,213)	(26,877)	145	(8,419)	25,173	**(404,191)**
Total depreciation		**(9,125,447)**	**(587,260)**	**224,997**	**(137,806)**	**232,414**	**(9,393,102)**
Impairments							
Land and structures		(1,352)	-	-	-	-	**(1,352)**
Plant and machinery		(552,902)	(15,961)	4,192	(9,995)	290,260	**(284,406)**
Oil & Gas Assets		(403,295)	-	-	(35,635)	112,436	**(326,494)**
Other facilites, furniture		(317)	-	-	-	-	**(317)**
Other property, plant and equipment		(618,609)	-	-	(51,934)	-	**(670,543)**
Total Impairments	Note 13.3	**(1,576,475)**	**(15,961)**	**4,192**	**(97,564)**	**402,696**	**(1,283,112)**
Property, plant and equipment, net		**5,604,187**	**(184,509)**	**(132,623)**	**265,071**	**15,816**	**5,567,942**

Thousand of euros

Property, plant and equipment

Year 2020	Notes	Balance at 01/01/2020	Additions or Charge for the year	Transfers	Other changes	Retirements or Disposals	Balance at 12/31/2020
Assets							
Land and structures		465,478	52	1,531	927	(267)	**467,721**
Plant and machinery		8,795,004	11,816	644,847	(81,570)	(114,596)	**9,255,501**
Oil & Gas Assets		4,112,622	132,114	158,649	(204,129)	(575)	**4,198,681**
Other facilites, furniture		115,741	462	6,558	(5,176)	(471)	**117,114**
Advances and property, plant and equipment under construction		1,146,699	418,176	(505,847)	(4,789)	(9,508)	**1,044,731**
Other property, plant and equipment		1,418,970	172	29,220	(79,132)	(146,869)	**1,222,361**
Total Assets		**16,054,514**	**562,792**	**334,958**	**(373,869)**	**(272,286)**	**16,306,109**
Depreciation							
Land and structures		(139,908)	(7,227)	(7,142)	2,761	83	**(151,433)**
Plant and machinery		(6,175,170)	(385,367)	(12,261)	49,704	85,615	**(6,437,479)**
Oil & Gas Assets		(1,887,154)	(176,086)	(76,056)	97,681	900	**(2,040,715)**
Other facilites, furniture		(102,051)	(4,809)	43	4,809	401	**(101,607)**
Other property, plant and equipment		(436,232)	(29,976)	(236)	13,050	59,181	**(394,213)**
Total depreciation		**(8,740,515)**	**(603,465)**	**(95,652)**	**168,005**	**146,180**	**(9,125,447)**
Impairments							
Land and structures		(1,352)	-	-	-	-	**(1,352)**
Plant and machinery		(336,561)	(227,807)	-	10,599	867	**(552,902)**
Oil & Gas Assets		(52,513)	(360,195)	-	8,984	429	**(403,295)**
Other facilites, furniture		(317)	-	-	-	-	**(317)**
Other property, plant and equipment		(784,675)	-	(21,809)	88,413	99,462	**(618,609)**
Total Impairments	Note 13.3	**(1,175,418)**	**(588,002)**	**(21,809)**	**107,996**	**100,758**	**(1,576,475)**
Property, plant and equipment, net		**6,138,581**	**(628,675)**	**217,497**	**(97,868)**	**(25,348)**	**5,604,187**

Additions of assets

The additions of new assets in 2021 and 2020 amount to 418,712 and 562,792 thousand euros, respectively, and are recorded in ADDITIONS OR CHARGE FOR THE YEAR. The following should be noted:

- In the Exploration and Production segment, investments to develop or increase activity, notably in the United Arab Emirates, where 101 million euros have been invested in 2021 in the Sateh Al Razboot and Umm Lulu reservoirs, in offshore Abu Dhabi, which meant an investment in 2020 of 119 million euros, derived from the 40-year concession agreement signed with ADNOC, for a 20% stake in the aforementioned reservoirs. To a lesser extent, additions in Algeria and Colombia are worth mentioning, with 10 million euros and 46 million euros respectively in 2021 and 2020.

- In the Refining segment, investments made to improve industrial facilities, aimed at minimizing environmental impact and increasing efficiency and conversion rate, as well as focused on operational safety. Notably, the additions to the San Roque Refinery, located in the Bay of Gibraltar, exceeded 71 and 152 million euros in 2021 and 2020, respectively, and those carried out in the La Rábida refinery exceeded 84 million euros and 76 million euros in 2021 and 2020, respectively.
- In the Commercial segment, investments to maintain or improve market shares in markets such as service stations, for more than 41 and 36 million euros in 2021 and 2020, respectively.
- In the Petrochemical segment, investments for upgrading or maintenance of our plants, most notably those located in Spain, for over 49 and 70 million euros in 2021 and 2020, respectively.
- Capitalized overhead expenses relating to the start-up period of various items of property, plant, and equipment components which were credited to the accompanying Consolidated Income Statement are also included, amounting to 35,620 and 25,111 thousand euros in 2021 and 2020, respectively. There are no significant amounts of financial nature.

Transfers

TRANSFERS include 152,867 thousand euros relating to assets of businesses classified as held for sale (see **Note 5.2.B**), and 15,576 thousand euros transferred from intangible assets (see **Note 8**).

Additionally, in 2020, the return to the scope of consolidation of "Cepsa Peruana S.A.C." led to an increase in the gross value of fixed assets of 165 million euros, without this change entailing a disbursement (61 million euros net of accumulated depreciation).

Other changes

OTHER CHANGES mainly reflects the impact of exchange rate fluctuations with respect to the euro of companies with a different functional currency.

Disposals

The DISPOSALS line includes in 2021 the divestment of "CEC International" amounting to 189 million euros, fully depreciated by 95 million euros and impaired by 94 million euros, disposals of assets at the La Rábida refinery due to the shutdown of its facilities which were fully depreciated and disposals of assets on the Refining-Commercial CGU for 230 million euros fully impaired.

In 2020, divestments were recorded with the sale of Mobile Offshore Platform Units (MOPUs), contributed to the Group by the subsidiary "MOPU Holdings (Singapore) Pte, Ltd." for a gross amount of 167 million euros, practically depreciated and impaired, write-offs of catalysts removed at the end of their useful life; and write-offs at the La Rábida refinery due to the shutdown of its facilities, all of which were fully depreciated.

Impairment

In 2021, asset impairment reversals of 75,481 thousand euros were recorded, mainly associated with Exploration and Production assets and Chemicals assets. This account for impairment reversals recorded in the Abu Dhabi CGU amounting to 11,683 thousand euros, in the Peru CGU for 5,530 thousand euros, in the Colombia CGU for 17,805 thousand euros, in the Timimoun CGU for 21,145 thousand euros, in the Shanghai CGU for 9,215 thousand euros and in Becancour for 7,609 thousand euros. On the other hand, impairment losses were recorded on certain assets of the Refining-Commercial CGU amounting to 15,356 thousand euros and in Portugal amounting to 604 thousand euros.

The following impairments were recorded in 2020: in the Peru CGU for 34,080 thousand euros, in the Abu Dhabi CGU for 188,695 thousand euros, in the Timimoun CGU for 128,699 thousand euros and in the Colombia CGU for 8,702 thousand euros. Additionally, assets were impaired for a value of 221,861 thousand euros in the Refining-Commercial CGU. Lastly, the Company recorded an impairment loss of 4,192 thousand euros relating to the estimated impairment of a combined cycle plant in the Gas and Power business.

Other disclosures

At December 31, 2021 and 2020, the Group had property, plant, and equipment purchase commitments amounting to 1,193,189 and 998,749 thousand euros, respectively, mostly associated with exploration and production investments.

At December 31, 2021 and 2020, no material items of property, plant and equipment had been pledged to secure compliance with obligations relating to the ownership thereof.

At December 31, 2021 and 2020 fully depreciated property, plant, and equipment still in use totaled 4,726,545 and 4,468,409 thousand euros respectively. All these assets refer to facilities in operation and are not depreciated as part of the equipment involved.

In 1996 certain consolidated Group companies revalued their property, plant and equipment pursuant to Royal Decree-Law 7/1996 of June 7, increasing the carrying amount of these assets by 117,350 thousand euros. This increase in value is being depreciated (the depreciation charge is a tax-deductible expense) with a charge to profit in 1997 and subsequent years based on the years of residual useful lives of the revalued assets.

Certain CEPSA Group companies have been granted administrative concessions by the Spanish government to use mooring facilities and access and adjacent areas at the ports of Santa Cruz de Tenerife which will revert to the State in 2027, Algeciras-La Línea—which will revert in 2065—and Palos de la Frontera—which will revert from 2022 to 2065. CEPSA Group Management expects that these concessions will be renewed when they expire. It also considers it unnecessary to make a provision for the decommissioning of these investments, as they are properly maintained and their renewal is foreseeable.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject to and the claims that might be filed against it for carrying on its business activities. These policies are considered to sufficiently cover the related risks.

Travel restrictions implemented as a result of COVID-19 led to a sustained drop in demand. To adapt to this situation and optimize refinery operations, following the routine maintenance shutdown of the Combustibles 1 and Vacío 2 units at the La Rábida refinery in Huelva in September 2020, it was decided to keep these units idle until domestic demand recovered significantly. In the month of May 2021, activity was restarted in all units of La Rábida refinery due to the favorable evolution of the international market in recent months and the geographical location of our facilities in Palos de la Frontera (Huelva) and San Roque (Cádiz), which made it possible to grasp new opportunities.

11. Rights of use

ACCOUNTING POLICIES AND PROCEDURES

The Group understands that a lease provides control over the use of the leased asset, and is therefore classified as operating when the lessee obtains at least 80% of the economic benefits from the use of the asset. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer.

*The Group values whether a contract is or contains a lease at the beginning of the contract. The Group records a RIGHT OF USE and the corresponding LEASE DEBT for all lease agreements in which it is a lessee, except for the excluded leases (with respect to debt recognition and the excluded leases, see **Note 24**, in Accounting Policies).*

Where the Group incurs an obligation to bear the costs of decommissioning and withdrawing the leased asset, restoring the location where the leased asset is located or restoring the underlying asset to the condition required by the provisions of the lease, a provision under IAS 37 must be recorded and quantified. To the extent that these costs are related to an asset for rights of use, these costs are included in the cost of acquisition of the asset for rights of use, unless such costs are incurred to produce inventories.

Rights-of-use assets depreciate over the lease life or the useful life of the underlying asset, whichever is shortest. If a lease transfers ownership of the underlying asset or the cost of the rights-of-use asset reflects that the Group expects to exercise the purchase option, the corresponding rights-of-use asset depreciates over the useful life of the underlying asset. Depreciation begins at the start date of the lease.

Rights-of-use assets are presented on a separate line in the Consolidated Balance Sheet.

Impact on Group Accounting as a Lessee

<u>Former operating leases</u>

*In the application of IFRS 16, for all leases (except those of low value or short-term contracts – see **Note 24**), the Group:*

- Recognizes RIGHT-OF-USE ASSETS and LEASE LIABILITIES in the consolidated balance sheet, initially measured at the present value of the future lease payments;

- Recognizes depreciation of RIGHT-OF-USE ASSETS and interest on LEASE LIABILITIES in the Consolidated Income Statement.

- Separately reports the total amount of cash paid into a principal portion and interest (both presented within financing activities) in the Consolidated Cash Flow Statement.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets.

<u>Finance leases</u>

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group records as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

Since IFRS 16 entered into force, the Group has recorded equipment acquired via finance lease previously included in property, plant, and equipment within the line item for RIGHT-OF-USE ASSETS; and the lease liability, previously presented within borrowing, has been presented in a separate line for lease liabilities.

Impairment

*The Group applies IAS 36 to determine whether a rights-of-use asset is deteriorating in value and accounts for any impairment loss identified as described in **Note 13**.*

Impact on Consolidated Cash Flow Statement.

Under IFRS 16, lessors must present:

• short-term lease payments, low-value lease payments, and variable lease payments not included in the debt valuation for leases as part of operational activities;

• payments for the fraction of interest on a lease debt as either operational activities or as financing activities, as permitted under IAS 7 (the Group has chosen to include interest payments as part of financing activities); and

• payments for the principal of the debt for leases, as part of the financing activities.

The changes to use rights over the course of 2021 and 2020 is shown in the following table:

Thousand of euros

Rights of use

Year 2021	Balance at 01/01/2021	Additions or Charge for the year	Transfers	Other changes	Retirements or Disposals	Balance at 12/31/2021
Assets						
Land and structures	518,187	152,266	(1,077)	407	(7,826)	**661,957**
Plant and machinery	177,747	12,549	-	7,918	(4,129)	**194,085**
Other facilites, furniture	9	-	-	-	-	**9**
Other property, plant and equipment	154,958	5,942	473	10,395	(640)	**171,128**
Total Assets	**850,901**	**170,757**	**(604)**	**18,720**	**(12,595)**	**1,027,179**
Depreciation						
Land and structures	(127,570)	(67,547)	(19)	(10,738)	1,175	**(204,699)**
Plant and machinery	(63,411)	(27,888)	-	(1,761)	961	**(92,099)**
Other facilites, furniture	(4)	(2)	-	(1)	-	**(7)**
Other property, plant and equipment	(43,074)	(22,486)	19	(3,288)	41	**(68,788)**
Total depreciation	**(234,059)**	**(117,923)**	**-**	**(15,788)**	**2,177**	**(365,593)**
Total rights of use	**616,842**	**52,834**	**(604)**	**2,932**	**(10,418)**	**661,586**

Thousand of euros

Rights of use

Year 2020	Balance at 01/01/2020	Additions or Charge for the year	Transfers	Other changes	Retirements or Disposals	Balance at 12/31/2020
Assets						
Land and structures	510,796	14,522	-	42	(7,173)	**518,187**
Plant and machinery	180,851	30,030	-	(1,936)	(31,198)	**177,747**
Other facilites, furniture	9	-	-	-	-	**9**
Other property, plant and equipment	169,131	2,046	-	(11,440)	(4,779)	**154,958**
Total Assets	**860,787**	**46,598**	**-**	**(13,334)**	**(43,150)**	**850,901**
Depreciation						
Land and structures	(65,923)	(68,544)	7,058	(163)	2	**(127,570)**
Plant and machinery	(33,065)	(33,658)	-	3,153	159	**(63,411)**
Other facilites, furniture	(2)	(2)	-	-	-	**(4)**
Other property, plant and equipment	(24,416)	(22,474)	42	2,468	1,306	**(43,074)**
Total depreciation	**(123,406)**	**(124,678)**	**7,100**	**5,458**	**1,467**	**(234,059)**
Total rights of use	**737,381**	**(78,080)**	**7,100**	**(7,876)**	**(41,683)**	**616,842**

Additions

During the 2021 financial year, 170,757 thousand euros were added to lease contracts, mainly relating to additions and extensions of the term of service station contracts, additions to the La Granadilla concession, additions to the Helios building and updating of barge leases, under LAND AND BUILDINGS AND TECHNICAL INSTALLATIONS.

Derecognitions

During the year 2021, there have been cancellations of leasing contracts, amounting to 12,595 thousand euros, corresponding mainly to cancellations of service station contracts, decrease in fixed income from LAND AND STRUCTURES AND TECHNICAL INSTALLATIONS rentals.

Right-of-use assets and lease liabilities have a tax treatment consistent with the accounting treatment.

The impact of the application of IFRS 16 on earnings from basic and diluted shares is shown in **Note 27**.

12. Financial Assets

ACCOUNTING POLICIES

The Group applies IFRS 9 in the recognition of these assets.

Trade receivables and debt securities issued by the Group are recorded for the first time when they are created. All other financial assets are recorded for the first time when the Group is made party to the instrument's contractual provisions.

At initial recognition, the Group measures financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss (FV-CPG)*, transaction costs that are directly attributable to the acquisition of the financial asset. On the other hand, the transaction costs of the financial assets accounted for at* fair value through profit or loss *are taken to profit or loss.*

Subsequent measurement depends on the group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. For purposes of subsequent measurement, financial assets are classified in four categories:

I. Financial assets at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- financial assets are maintained within a business model whose objective is to maintain financial assets to obtain contractual cash flows, and

- the contractual conditions of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recorded directly in profit or loss.

II. Financial assets at fair value through other comprehensive income (FV-OCI) (debt instruments).

The Group measures debt instruments at fair value through other comprehensive income (OCI) if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both obtaining contractual cash flows and for sale, and

- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Group's debt instruments recorded at FV-OCI include the sub-portfolio of trade receivables subject to possible securitization.

III. Financial assets at fair value through other comprehensive income (FV-OCI) (equity instrument)

The Group can choose to classify irrevocably its equity investments as equity investments designated at fair value through OCI. The classification is determined on an instrument-by instrument basis. The Group has chosen not to classify any equity investment under this category.

IV. Financial assets at fair value through profit or loss (FV-CPG).

Assets that do not meet the criteria of the previous categories are measured at FVPL.

Upon initial recognition, an asset does not change categories unless the Group modifies its business model to manage its financial assets.

IMPAIRMENT OF FINANCIAL ASSETS

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recorded from initial recognition of the assets.

DERECOGNITIONS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated Balance Sheet) when:

- *The rights to receive cash flows from the asset have expired or*
- *the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and also:*
- *the Group has transferred substantially all the risks and rewards of the asset, or*
- *the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.*

If the group does not transfer or substantially retain all risks and benefits of the property and continues to have control of the transferred asset, the Group records the interest retained in the asset and an associated liability for the amounts it may be obliged to pay.

If the Group substantially retains all the risks and benefits of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also records collateral indebtedness for the income received.

By derecognizing a financial asset valued at amortized cost, the difference between the carrying amount of the asset and the amount of the collection received and due to receive is recorded in profit or loss. Additionally, by derecognizing an investment in a debt instrument classified as a financial asset at fair value with other comprehensive income, the profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. On the contrary, by derecognizing an investment in a capital instrument that the Group has chosen at the beginning to measure at fair value with other comprehensive income, the profit or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but transferred to reserves.

The breakdown of the financial assets, with the exception of cash and cash equivalent, as of December 31, 2021 and 2020, classified by nature and by category for valuation purposes, is as follows:

Thousand of euros

Financial assets by type/ category

		Financial assets valued at				
Year 2021	**Notes**	**FVTPL**	**Amortised cost**	**FVTOCI**	**Hedging derivatives**	**Total**
Equity instruments		3,717	-	-	-	**3,717**
Loans		-	46,668	-	-	**46,668**
Derivatives		20,139	-	-	29,371	**49,510**
Other Finance assets		-	20,632	-	-	**20,632**
Non current		**23,856**	**67,300**	**-**	**29,371**	**120,527**
Equity instruments		152	-	-	-	**152**
Loans		-	22,240	-	-	**22,240**
Derivatives		60,918	-	-	45,389	**106,307**
Other Finance assets		-	102,768	-	-	**102,768**
Subtotal		61,070	125,008	-	45,389	**231,467**
Trade and accounts receivable	Note 15	-	1,903,598	390,247	-	**2,293,845**
Current		**61,070**	**2,028,606**	**390,247**	**45,389**	**2,525,312**
Total		**84,926**	**2,095,906**	**390,247**	**74,760**	**2,645,839**

		Financial assets valued at				
Year 2020	**Notes**	**FVTPL**	**Amortised cost**	**FVTOCI**	**Hedging derivatives**	**Total**
Equity instruments		8,188	-	-	-	**8,188**
Loans		-	63,614	-	-	**63,614**
Derivatives		5,375	-	-	74,388	**79,763**
Other Finance assets		-	18,427	-	-	**18,427**
Non current		**13,563**	**82,041**	**-**	**74,388**	**169,992**
Equity instruments		423	-	-	-	**423**
Loans		-	40,085	-	-	**40,085**
Derivatives		6,991	-	-	6,111	**13,102**
Other Finance assets		-	15,779	-	-	**15,779**
Subtotal		7,414	55,864	-	6,111	**69,389**
Trade and accounts receivable	Note 15	-	1,090,078	199,335	-	**1,289,413**
Current		**7,414**	**1,145,942**	**199,335**	**6,111**	**1,358,802**
Total		**20,977**	**1,227,983**	**199,335**	**80,499**	**1,528,794**

Note: FVTPL Financial assets at fair value through profit and loss
FVTOCI Financial assets at fair value through OCI

The movements and balances in financial assets accounts for 2021 and 2020, excluding trade receivables, are as follows:

Financial Assets - Variations

Thousand of euros

Year 2021	Notes	Balance at 01/01/2021	Additions	Transfers	Other charges	Disposals	Balance at 12/31/2021
Non-current loans to associates and joint ventures		14,966	-	14,486	1,668	(226)	**30,894**
Other non-current loans		55,615	582	(362)	(28,207)	(4,408)	**23,220**
Other non-current finance assets		107,078	27,336	19,641	(26,497)	(53,073)	**74,485**
Impairment	Note 13.3	(7,667)	(744)	-	(16)	355	**(8,072)**
Total non-current		**169,992**	**27,174**	**33,765**	**(53,052)**	**(57,352)**	**120,527**
Current loans to associates and joint ventures		4,895	15,645	(14,486)	356	(1,776)	**4,634**
Other current loans		45,515	9,208	(19,279)	65,734	(73,211)	**27,967**
Other current finance assets		29,305	229,386	-	(48,935)	(529)	**209,227**
Impairment	Note 13.3	(10,326)	(370)	-	(3)	338	**(10,361)**
Total current		**69,389**	**253,869**	**(33,765)**	**17,152**	**(75,178)**	**231,467**
Year 2020		**01/01/2020**	**Additions**	**Transfers**	**charges**	**Disposals**	**12/31/2020**
Non-current loans to associates and joint ventures		7,027	-	13,147	(967)	(4,241)	**14,966**
Other non-current loans		55,579	1,017	(277)	1,183	(1,887)	**55,615**
Other current finance assets		117,788	82,377	(82,679)	(7,260)	(3,148)	**107,078**
Impairment	Note 13.3	(7,528)	(491)	-	215	137	**(7,667)**
Total non-current		**172,866**	**82,903**	**(69,809)**	**(6,829)**	**(9,139)**	**169,992**
Current loans to associates and joint ventures		5,675	9,408	(9,032)	(424)	(732)	**4,895**
Other current loans		35,412	25,323	277	(473)	(15,024)	**45,515**
Other current finance assets		57,507	16,657	82,679	(214)	(127,324)	**29,305**
Impairment	Note 13.3	(11,499)	(22)	-	828	367	**(10,326)**
Total current		**87,095**	**51,366**	**73,924**	**(283)**	**(142,713)**	**69,389**

In response to the COVID-19 crisis and within the scope of IFRS 9, corrections were implemented in 2020 to mitigate the impact of the change in the estimated creditworthiness of debtors. In this sense, and despite the fact that collections were at very positive levels, the probability of default was increased, in accordance with the references observed in the 2007/08 crisis, in the mathematical model that calculates the reasonable amounts to be provisioned. In this respect, the impact on the final balance and results in 2020 was not significant, as the increases in allowances for outstanding balances were offset by the overall reduction in the balance of loans and receivables. Thus, it became evident that the materialized defaults and their impact on results were lower than expected, therefore, the statistical analysis was overly-cautious and not predictive. In 2021 the impact on the final balance and results has not been significant either.

There is no new evidence of any impairment in the other loans in 2021.

NON-CURRENT LOANS TO ASSOCIATES AND JOINT VENTURES include loans to associates as well as the loans granted to jointly controlled entities. The CEPSA Group has granted a series of loans to the "SinarMas Cepsa" group to finance the construction and management of a new fatty alcohol treatment plant located in Indonesia, as part of its strategy of diversification in the manufacture and sale of surfactants. This financing arrangement, on market terms and conditions in its area of activity, amounts to 29 million euros in 2021 and 9 million in 2020 and its nearest maturity date is in January 2023.

ADDITIONS to OTHER NON-CURRENT FINANCIAL ASSETS mainly include derivatives designated as hedges to reduce the risks arising from changes in the value of firm commitments to purchase gas, as well as hedges to reduce the risks related to the purchase and sale of energy.

The breakdown by maturity of the balances of LOANS TO ASSOCIATES AND JOINT VENTURES and OTHER RECEIVABLES, as of December 31, 2021 and 2020, is as follows:

Maturity of financial assets

Thousand of euros

Year 2021	2022	2023	2024	2025	2026	Over 5 years	Total
Loans to associates and joint ventures	4,634	24,280	-	-	6,614	-	**35,528**
Other loans	27,967	14,396	590	609	289	7,336	**51,187**
Total	**32,601**	**38,676**	**590**	**609**	**6,903**	**7,336**	**86,715**

Year 2020	2021	2022	2023	2024	2025	Over 5 years	Total
Loans to associates and joint ventures	4,895	-	8,149	-	-	6,817	**19,861**
Other loans	45,515	38,784	1,429	365	187	14,850	**101,130**
Total	**50,410**	**38,784**	**9,578**	**365**	**187**	**21,667**	**120,991**

The average interest rate applied by CEPSA to loans granted to related parties in 2021 and 2020 was similar to the average cost of external financing for the same type of transaction.

13. Impairment of assets

ACCOUNTING POLICIES

The CEPSA Group assesses at the closing date, or whenever it is necessary in light of the circumstances, whether there is evidence of impairment value losses in assets recorded in the Balance Sheet, and especially in certain property, plant & equipment, intangible assets, or investments in associates and joint ventures, due to circumstances such as the fall in crude oil prices, expected losses, reduction of activity or crisis situations in the country, proceeding, where appropriate, to estimate the recoverable amount of the same.

In addition, and regardless of the existence of any indication, for intangible assets of indefinite useful life, for those not available for use and goodwill, a comparison is made at least once a year between their carrying amount as against their recoverable amount (see ***Notes 4.4, 8*** *and* ***9****).*

The recoverable amount is the higher of an asset's fair value less transfer or disposal costs, or the value in use.

When the asset does not generate cash flows that are independent of those of other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. In accordance with IAS 36, a cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business segments and determining the CGUs

- *Chemicals: each CGU corresponds to one of the industrial plants.*
- *Exploration and Production: Each CGU corresponds to each of the different contractual areas commonly known as "blocks"; as an exception, in cases where the cash flows generated by several blocks are interdependent with each other, these blocks are grouped into a single CGU, as is the case of the Algerian or Colombian CGU. In 2020, the Timimoun gas field was spun off from the former Algeria CGU (see reasons in* ***Note 13.3****) and renamed Algeria-Oil.*
- *Refining and Commercial: These two segments are considered to be a single CGU due to the interrelation of flows that exists throughout their production process. This treatment does not apply, within the refining segment, to the area of gas and electricity, where each plant corresponds to a CGU since they have an individual remuneration by the Spanish government.*

In order to perform the aforementioned impairment test, the carrying amount of the CGU will:

a. Include the carrying amount of only those assets that can be attributed directly, or allocated on a reasonable and consistent basis, to the CGU and assets that will generate the future cash inflows used in determining the CGU's value in use;

b. Not include the carrying amount of any recorded liability, unless the recoverable amount of the CGU cannot be determined without consideration of this liability;

c. As regards Exploration and Production assets, expected costs of decommissioning and restoring areas of operation are aggregated both to the carrying value and to the value in use of the assets.

The goodwill acquired in a business combination is distributed among each of the CGU or groups of CGUs that benefit from the synergies of the business combination. An estimate of the CGU's recoverable value is made with the limit of the business segment.

Nevertheless, considering that segments (see ***Note 6****) are broader than the above-mentioned CGU, for the impairment tests of goodwill associated with said segments, their cash flow is considered separately.*

The recoverable value of each CGU is determined to be the higher of:

- *the value in use, and*
- *fair value minus transfer or disposal costs otherwise to be obtained from assets associated with the CGU.*

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying value, its value is reduced to its recoverable amount and an impairment loss is recorded as an expense, under IMPAIRMENT AND GAINS OR LOSSES ON DISPOSALS OF NON-CURRENT ASSETS in the Consolidated Income Statement.

Reversal of impairment losses

The impairment losses recorded in previous years can be reversed to the original value of the asset, except those recorded for the goodwill, which cannot be reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU), is increased up to the revised estimate of its recoverable amount, except for goodwill, recognizing an income item, in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recorded for the asset (or CGU) in prior years. The impairment previously recorded on the goodwill is not reversed.

13.1. Impairment/reversal indicators in the year and their treatment

In 2020, due to the crisis caused by COVID-19, several relevant impairment indicators were identified in each business segment. Coupled with the drop in crude oil prices, this circumstance especially affected a number of assets in the Exploration and Production area, whose carrying value was appropriately adjusted as detailed below.

In 2021, the recovery of crude oil prices due to improved demand, following the gradual lifting of mobility restrictions, has been considered as an indication of impairment reversal in Exploration and Production assets. In this regard, impairment tests have been performed and the corresponding reversals have been recorded as detailed in **Note 13.3** "Recording of impairment calculated in the accounting period."

Along the same lines, the improvement in market conditions and good results of the Chemicals plant in China (after several years of losses that resulted in the recording of impairment in previous years), have been considered as indications of reversal and the corresponding reversal test was performed. As a result of these tests, the reversal of part of the impairment from previous years was warranted. Additionally, at the Canadian Chemicals plant, the impairment recorded in 2013 may be reversed due to improved estimates of future performance.

No indications of impairment or reversal have been identified for the Refining-Commercial CGU.

13.2. Hypotheses and estimates used to calculate impairment in 2021

A) Cash flows

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market valuations of the time value of money and the risks specific to the asset, risks that have not been adjusted for in the estimated future cash flows, using assumptions consistent with the CEPSA Group's 2022 Budget and updated long-term plan.

In addition, due to the volatility of hydrocarbon prices and the uncertainties observed in long-term prices, the "expected cash flow approach", as set forth in IAS 36, has been used for the valuation of Exploration and Production CGUs to reflect expectations about possible cash flows instead of a single most probable cash flow. For this purpose, two price scenarios have been used as explained below.

These future forecasts cover the next five years, except for Exploration and Production, and include a residual value appropriate to each business in which a constant expected growth rate is applied (on the cash flows of the fifth year) that varies between 0% and 2%, based on the expected long-term CPI and specific to each business line analyzed. For the purpose of calculating residual values, the only investment considered is maintenance capital expenditure and any investment needed for renewal and refurbishment in order to maintain the asset's or CGU's productive capacity.

Valuations of Exploration & Production assets (Upstream) use cash flow projections for a period that covers the economically productive lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. The general principles applied to determine the variables that most affect the cash flows of this business line are described below:

Oil and gas sales prices

The estimated crude oil prices used to project cash flows for each of the assets are similar to those used in the Group's 2022 Budget and long-term plan. These estimates are based on estimates made by various international organizations. To mitigate the effect of volatility in crude oil prices, CEPSA has used a sensitivity analysis to different price curves for its impairment analysis.

As mentioned above, the Group has considered two scenarios for future prices:

- Scenario 1 (75% weighted): the prices considered are USD 70, 65, 60, 61 and 62 per barrel for each year of the 2022-2026 period. Subsequently prices are increased by a CPI of 2.2%. The quoted Brent crude oil price is used as the base price, and the remaining international prices are calculated with the use of differentials.

- Scenario 2 (25% weighted): with a price curve per barrel, of USD 58, 57, 56, 55 and 55 for the 2022-2026 period, after which prices increase annually with the same CPI as that used in "Scenario 1."

Regarding the weighting between both scenarios, 75% has been considered for the first one and 25% for the second one, considering the high price scenario of 2021 and early 2022.

Reserves and production schedules

For each asset a long-term development plan is established with an annual production schedule. This production schedule takes into account the most probable and proven reserves (2P) and the best estimate of contingent resources (2C), if applicable, weighted by associated risk factors. CEPSA's Contingent Resource and Reserve Evaluation Procedure follows the guidelines established by the Society of Petroleum Engineers (SPE), the American Society of Petroleum Geologists (AAPG), the World Petroleum Council (WPC), the Society of Petroleum Evaluation Engineers (SPEE) and the Society of Exploration Geologists (SEG) in March 2007, which were revised in November 2011 and June 2018, and is known by the abbreviated term "SPE-PRMS" (Petroleum Resources Management System). To determine the reserves, the procedure takes into account, among other factors: estimates of the volume of oil and natural gas in place, recovery factors, assumptions of price forecasts, and estimates of costs and investments.

Reserves are certified annually by the Group's internal experts, who are independent from the Exploration and Production area. Additionally, every two years, the recorded volumes are audited by independent specialized firms. The last Reserves audit as at December 31, 2019 was prepared by these firms over the course of 2020 and certified in July 2020. Said audit did not generate significant differences with those recorded in the Group. The next reserves audit will take place in the first half of 2022, for reserves as of December 31, 2021.

Operating and investment costs (Opex and Capex)

For the Exploration and Production assets, the development plan established for each asset takes into account the investments necessary for production of the estimated reserves and resources. For both capital expenditure and operating expenses, according to current purchasing contracts and our best estimate, the inflation rate used, when applicable, depends on the country where the asset is located.

B) DISCOUNT RATE

For the purpose of calculating the present value of these cash flows, they are discounted at a rate equivalent to the weighted average cost of capital (WACC) adjusted for country risk, in addition to considering the inherent business risk for each asset or CGU.

Below are the after-tax discount rates used for the assets or CGUs grouped by each business segment in 2021 and 2020:

Discount rates used in impairment analysis - Segmented

	2021	2020
Exploration & Production	9.0% - 12.5%	9.0% - 12.5%
Refining & Commercial	7.0% - 7.5%	7.0% - 7.5%
Petrochemical	8.0% - 15.0%	7.0% - 13.0%
Gas & Power	5.0% - 5.5%	5.0%

The parameters taken into account to determine the aforementioned key discount rates were:

- Risk-free rate: normalized yield of government bonds [6] corresponding to each geographical or country. For flows in dollars, the yield on the US 10-year Treasury bond is used. For flows in euros, US the 10-year Treasury bond yield is used as a reference, adjusted for the expected inflation spread between the US relative to the Euro-Zone over the same period (10 years).
- Equity risk premium: 5.5% as a general rule.
- Country risk-premium based on where the asset is located.
- Beta: it is calculated using the average of comparable companies for each business, leveraging it based on the average capital structure of the comparable companies.
- Average cost of debt: calculated as the aggregate of the risk-free rate, an average spread (calculated as the difference between the average cost of debt observed for a group of integrated O&G companies and the yield on the US 10-year Treasury bond) and, if applicable, the country risk premium.
- Capital structure: Debt to Equity ratio: average of comparable companies based on the business segment.

These discount rates have been calculated taking into account the local currencies of the cash generating units, except for Exploration and Production and Indonesia Petrochemical, which are shown in U.S. dollars.

All data inputs for the calculation were obtained from reliable outside sources with a solid track record.

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[6] *Risk-free rate in USD: Average UST 10Y rate + long-term inflation forecasts in the US.*

Risk-free rate in EUR: Average US 10Y + long-term inflation forecasts in the US + long-term inflation forecasts between the US and the eurozone.

The discount rates after taxes used for the CGU in the countries where impairment indicators existed in 2021 and 2020 are as follows:

Discount rates used in impairment analysis - CGU breakdown

	2021	2020
Exploration & Production		
Colombia	**12.5%**	10.0%
Algeria	**12.5%**	12.5%
Abu-Dhabi	**9.0%**	9.0%
Peru	**11.0%**	10.0%
Refining & Commercial		
Spain	**7.0% - 7.5%**	-
Gas & Power		
Spain	**5.0% - 5.5%**	5.0%
Petrochemical		
Brazil	**15.0%**	10.0%
Canada	**6.5%**	-
Nigeria	**11.5%**	-
China	**9.0%**	8.5%
Indonesia	**8.0%**	9.0%

13.3. Recognition of the impairment calculated in the accounting period

The CEPSA Group performs an impairment test on its assets and cash-generating units at the closing date of the balance sheet or whenever there are circumstances that indicate this is required. The recoverable amount of the assets is estimated in order to perform the aforementioned impairment test as described above. Based on the afore mentioned impairment tests performed, the breakdown of impairments recorded in 2021 and 2020 is as follows:

Thousand of euros

Impairments of assets		2021		2020	
	Notes	Charges for the year	Reversal	Charges for the year	Reversal
Intangible assets	Note 8	**11,735**	**(685)**	63,564	(2,845)
Property, plan and equipment	Note 10	**15,961**	**(75,482)**	588,002	(867)
Investments in companies accounted for using the "equity method"	Note 7.3	**-**	**(6,630)**	60,470	-
Other financial assets	Note 12	**1,114**	**(693)**	513	(504)
Inventories - Spare parts		**-**	**-**	20,359	-
Total		**28,810**	**(83,490)**	**732,908**	**(4,216)**
Registered under Impairment and gains or losses on disposals of non-current assets	Note 23	**27,696**	**(76,167)**	651,566	(3,712)
Registered under Changes in operating allowances	Note 14	**-**	**-**	20,359	-
Registered under Share of results of equity accounted investees	Note 7.3	**-**	**(6,630)**	60,470	-
Registered under Impairment and gains or losses on disposals of financial instruments	Note 25	**1,114**	**(1,087)**	513	(338)
Applied to purpose		**-**	**394**	-	(166)
Total		**28,810**	**(83,490)**	**732,908**	**(4,216)**

The main impairment allowances/reversals made in 2021 were as follows:

- Exploration and Production Assets, an allowance of 12 million euros and a reversal of 56 million euros in non-current assets and a reversal of 7 million euros in equity-accounted investees recorded in the financial statements of the investees.
- Chemical Assets, reversal of 17 million euros corresponding to the plants in China and Canada.

Thousand of euros

Impairments of assets		2021		2020	
	Segment	Charges for the year	Reversal	Charges for the year	Reversal
Colombia	Exploration & Production	**-**	**(17,805)**	54,680	-
Peru	Exploration & Production	**-**	**(5,530)**	34,080	-
Abu Dhabi	Exploration & Production	**-**	**(18,313)**	249,165	-
Algerie	Exploration & Production	**-**	**(21,145)**	128,699	-
Brasil	Exploration & Production	**11,646**	**-**	-	-
Spain	Refining	**11,473**	**(3,087)**	242,220	-
Spain	Gas & Power	**-**	**-**	4,192	-
China	Petrochemicals	**-**	**(9,215)**	-	-
Canada	Petrochemicals	**-**	**(7,609)**	-	-
Others	Assorted	**5,691**	**(786)**	19,872	(4,216)
Total		**28,810**	**(83,490)**	**732,908**	**(4,216)**

In 2020 the main impairment write-downs were as follows:

- Exploration and Production Assets for 407 million euros in non-current assets and 60 million euros of investments in associates accounted for using the equity method.
- Assets in the Refining-Commercial CGU for 242 million euros, of which 222 million correspond to the impairment of certain assets and projects whose profitability has been affected by the evolution of certain petroleum

products, strongly impacted by COVID-19 (see **Note 10**), and the rest to spare parts and obsolete materials (see **Note 14**).

- Gas and Power assets for 4 million euros, corresponding to a combined cycle plant.

In 2020, the impairment losses on Exploration and Production projects were mainly due to the effect of the fall in international crude oil prices and the updating of discount rates on the recoverable value of projects. Meanwhile, estimated reserves did not vary significantly.

Specifically, the Timimoun Gas Project, in Algeria, was subject to impairment in 2020 once it was spun off from the Algeria CGU. This spin-off occurred primarily as a result of the growing divergence between the prices of Brent (which is a reference when calculating CEPSA's gas entitlement in the Project) and TTF gas in Europe. This meant that Timimoun did not have the same market as the other oil reservoirs that make up the Algerian CGU. Secondly, because of the continuous reduction in the volumes extracted from the Timimoun field due to the oversupply of gas in the Algerian market.

13.4. Sensitivity analysis

In the case of those assets or CGUs for which the Group performs an impairment test as a result of identifying indications of impairment, the Group analyzes whether reasonably foreseeable changes in the key assumptions used to determine their recoverable amounts would have a material impact on the financial statements. In the case of those assets or CGUs for which the recoverable amount exceeds the unit's carrying amount by a significant margin, it is assumed that these 'reasonably foreseeable changes' would not have a material impact. In the case of those assets or CGUs for which the margin is below this threshold, the Group performs sensitivity analyses in order to quantify changes in the recoverable amounts of these assets or CGUs as a result of changes in key assumptions deemed reasonably foreseeable.

Specifically, the most relevant sensitivity analyses carried out in 2021 and 2020 were as follows, for all CGUs:

Impairment tests - sentitivity analysis

	Increase in the impairment losses net of tax impact in the Consolidated Financial Statements			
	2021		2020	
	Variation	Amount	Variation	Amount
Discount rate increase	**50 p.b**	**86**	50 p.b	62
Decrease in price of crude oil	**10%**	**106**	11,5%	66
Average exchange rate decrease $ vs €	**0.05 $/€**	**0.5**	0.05 $/€	0.5

Based on the forward curves posted by leading market analysts [7], the Group considers the two price scenarios in terms of hydrocarbon prices and probability to be reasonable for calculating the recoverable value in the impairment tests performed.

14. Inventory

ACCOUNTING POLICIES

Crude oil, oil derivatives and petrochemical products, acquired as raw materials, are measured at the lower of weighted average cost and net realizable value. Spare parts and supplies and other inventories are measured at the lower of average acquisition or production cost or net realizable value.

The cost of production includes those of direct materials and, where applicable, direct labor costs and general manufacturing costs and the fraction of the depreciation of the non-current asset items used in the production process.

The Group assesses the net realizable value of the inventories at the end of each year and records the appropriate impairment if this value is lower than the carrying amount. When circumstances that previously caused the valuation adjustment no longer exist or when there is clear evidence of an increase in net realizable value due to a change in economic circumstances, the impairment adjustment is reversed. Inventory impairment or excess that is reversed is included in trade provisions impairment in the Consolidated Income Statement.

Costs are allocated to refined products in proportion to the selling price thereof (isomargin method) due to the complexity of assigning production costs to each product.

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[7] *Analysts considered are Wood Mackenzie, JP Morgan, Barclays, Societé Generale, Citi, IHS, Morgan Stanley and the US Energy Information Administration.*

The breakdown of INVENTORIES at December 31, 2021 and 2020 is as follows:

Inventories (Thousand of euros)

	2021	2020
Crudes	**778,169**	320,599
Other raw materials	**173,572**	120,253
Finished goods (refined and others)	**1,966,968**	935,755
Other supplies	**43,883**	26,376
Spare Parts	**76,626**	88,891
Impairment	**(14,629)**	(73,062)
Total	**3,024,589**	**1,418,812**

Pursuant to the Directorate-General of Energy Policy and Mining resolution dated March 30, 2009, CEPSA and other Group companies which act as operators are required to maintain minimum oil product safety stocks equivalent to 50 days of sales of the preceding 12 months in the domestic market, excluding sales to other wholesalers. The inspection and control of these stocks and sales is carried out by the Corporation of Strategic Reserves of Petroleum Products (CORES). CEPSA management considers that the consolidated Group has been meeting this obligation.

For the year 2021, FINISHED GOODS includes an amount of 891 million euros corresponding to the change in the fair value of the firm commitment to purchase gas, since the application of the fair value hedge by the CEPSA Group (see **Note 30**).

In 2021, 8,792 thousand euros (186,388 thousand euros in 2020) corresponding to the value of permanent inventories in tanks was reclassified from INVENTORIES, CRUDE AND FINISHED PRODUCTS TO FIXED ASSETS.

In 2021, impairment reversals of raw materials and finished products were recorded for 58,885 thousand euros, net (Financial year 2020: net provision of 38,004 thousand euros, and accumulated provision of 73,062 thousand euros). These amounts are included in the Consolidated Income Statement in the caption CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS.

Also, in 2021, part of the impairment of spare parts and sundry materials that arose in the Group's refineries in 2020 amounting to 20,359 thousand euros was reversed for 5,571 thousand euros.

15. Trade receivables and other current assets

The breakdown of trade and other operating receivables for the years 2021 and 2020 is as follows (see **Note 29**):

Trade and other receivables (Thousand of euros)

	Notes	2021	2020
Trade receivables for sales and services		**2,359,822**	1,369,427
Receivable from associates and joint ventures	Note 32.1	**42,458**	19,028
Advances to suppliers		**9,639**	29,211
Allowances for bad debts		**(118,074)**	(128,253)
Total	Note 12	**2,293,845**	**1,289,413**

The changes in allowances for the years 2021 and 2020, included in the Consolidated Income Statement under CHANGES IN OPERATING ALLOWANCES, include the provisions for bad debts of trade receivables and trade debtors, and were as follows:

Allowances for bad debts (Thousand of euros)

	2021	2020
Balance at the beginning of the year	**(128,253)**	**(135,837)**
Additions	**(15,013)**	(12,283)
Applications	**25,187**	19,167
Other	**5**	700
Closing balance for the year	**(118,074)**	**(128,253)**

The Group has entered into various financial asset transfer agreements (non-recourse factoring agreements and securitization transactions) with financial institutions. In the framework of these agreements, the Group transfers receivables denominated in euros and foreign currency to the respective financial institutions. Debtors that may be involved in securitization or factoring transactions are now valued at fair value in accordance with IFRS 9 (see **Note 12).**

The breakdown of trade and other receivables in 2021 and 2020 is as follows:

Other current assets	2021	2020
	Thousand of euros	
Public Administration	70,737	91,717
Current income tax assets	82,417	19,332
Other non-trade receivables	9,784	6,435
Prepayments	11,526	8,311
Total	**174,464**	**125,795**

The PUBLIC ADMINISTRATION section mainly includes receivables from tax authorities for VAT and other taxes.

CURRENT INCOME TAX ASSETS relates mainly to the Corporate Income Tax advanced by the Group in Spain through payments on account, calculated on the basis of the accounting result, pursuant to Article 40 of Law 27/2014, of November 27, on Corporate Income Tax, and which will be subject to refund once the final Tax calculated on the taxable income is presented under the terms provided for in the applicable regulations.

16. Cash and cash equivalents

ACCOUNTING POLICIES

This caption includes cash and cash equivalents and other liquid assets.

Cash equivalents include bank deposits and other investments with an initial maturity of three months or less.

The breakdown of cash and cash equivalents at year-end 2021 and 2020 is shown below:

Cash and cash equivalents	2021	2020
	Thousand of euros	
Cash in hand	11,609	13,055
Time deposits	334,076	1,054,855
Current accounts	311,368	290,497
Total	**657,053**	**1,358,407**

In 2020, in compliance with the actions taken by the Group to maintain and improve its level of cash flow, additional drawdowns were made on the credit lines arranged with banks. During 2021 as the volatile situation caused by the COVID-19 crisis eased, the cash position was unwound, although a portion of these additional funds remained in cash and cash equivalents balances at the end of 2021.

17. Equity

17.1. Share capital and share premium

At the beginning of 2021, the share capital amounted to 267,574,941 euros, represented by 535,149,882 registered shares of 0.50 euros par value each, of the same class and series, fully subscribed and paid up.

As a result of the capital increases carried out during the year, at year-end 2021, the share capital amounted to 268,175,000 euros, represented by 536,350,000 registered shares of 0.50 euros par value each, of the same class and series, fully subscribed and paid up. (See **Note 27**).

At year-end 2021, CEPSA's shares were held mainly by two shareholders (see **Note 1.A)**:

- "Cepsa Holding, LLC," a company incorporated in the United Arab Emirates and ultimately controlled by "Mubadala Investment Company, PJSC," holding shares representing 61.36% of the share capital.
- "Matador Bidco, S.A.R.L.," a company incorporated in Luxembourg and ultimately controlled by "The Carlyle Group, Inc." holds shares representing 38.41% of the share capital.

The Companies Act expressly permits the use of the share premium account balance to increase share capital and does not establish any specific restrictions as to its use. In 2021 and 2020 the balance of this account amounts to 351,581 thousand euros and 338,728 thousand euros, respectively.

17.2. Revaluation reserve

In 1996, CEPSA revalued its property, plant and equipment pursuant to Royal Decree-Law 7/1996 of June 7, and increased its equity by 58,438 thousand euros. This amount is included under REVALUATION RESERVE, in EQUITY of the Consolidated Balance Sheet.

Similarly, several companies of the Consolidated Group carried out this revaluation for 70,495 thousand euros. This latter figure was recorded under CONSOLIDATED RESERVES on consolidation, which is included in RETAINED EARNINGS.

The REVALUATION RESERVE also includes 32,498 thousand euros relating to the revaluations made in 1979 and 1981 pursuant to State Budget Laws 1/1979 and 74/1980, respectively, which can now be transferred to unrestricted voluntary reserves.

The balance of the "Revaluation Reserve, Royal Decree-Law 7/1996" account can be used, free of tax, to eliminate recorded losses and to increase capital. As of January 1, 2007 (i.e. ten years after the date of the balance sheet reflecting the revaluation transactions), it can be allocated to unrestricted reserves, provided that the monetary surplus has been realized. The surplus will be deemed to have been realized with regard to the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognized. At December 31, 2021 the entire amount of this reserve is considered unrestricted.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

17.3. Other reserves

At year-end 2021 and 2020, the breakdown of the balance of the Other Reserves caption is as follows:

Other reserves	Thousand of euros 2021	2020
Unrestricted reserves	**2,632,992**	3,157,296
Legal reserves	**53,605**	53,605
Restricted reserves	**568,535**	535,195
Prior years losses	**(815,545)**	-
Global consolidation reserves	**420,566**	506,982
Equity consolidation reserves	**(212,008)**	(157,683)
Total	**2,648,145**	**4,095,395**

17.4. Valuation adjustments

At year-end 2021 and 2020, the breakdown by type of the ADJUSTMENTS FOR CHANGES IN VALUE is as follows:

Adjustments for changes in value	Notes	Thousand of euros 2021	2020
Foreign currency translation differences	Note 17.4.A	**693,870**	519,308
Cost of hedging	Note 17.4.B	**(32,932)**	(42,780)
Net investment hedge	Note 17.4.B	**(481,271)**	(375,050)
Cash flow hedge	Note 17.4.B	**(29,613)**	(31,219)
Total		**150,054**	**70,259**

A) TRANSLATION DIFFERENCES

At year-end 2021 and 2020, the breakdown by company of the balance of TRANSLATION DIFFERENCES is as follows:

Translation reserve	Thousand of euros 2021	2020
Company		
CEC International Ltd.	**67,260**	183,086
Detén Química, S.A.	**(49,023)**	(51,040)
Cepsa Chemical (Shanghai), CO., LTD	**27,595**	13,036
Cepsa Perú, S.A.	**18,458**	12,972
Cepsa Colombia, S.A.	**92,993**	114,035
Mopu Holdings Ltd.	**58,244**	70,464
Coastal Energy Company S.L.U.	**296,008**	175,382
Cepsa ReR (Rhourde El Rouni)	**28,366**	11,805
Cepsa EP Abu Dhabi, S.L.U.	**132,751**	19,575
Cepsa Internacional, B.V.	**21,387**	1,281
Other companies	**(169)**	(31,288)
Total	**693,870**	**519,308**

The change in the balance under this caption from 2021 was basically due to the fluctuation in the year-end exchange rates of the US dollar between the start and the end of the year.

B) Coverage reserves

Under its risk management policy the Group has a number of hedges in place, which are broken down as follows with respect to the relevant valuation adjustments:

Thousand of euros

Hedge reserves	Cost of hedging			Net investment hedge			Cash flow hedges		
Year 2021	Gross balance	Tax effect	Total	Gross balance	Tax effect	Total	Gross balance	Tax effect	Total
Opening balance	**(57,041)**	**14,261**	**(42,780)**	**(500,079)**	**125,029**	**(375,050)**	**(41,648)**	**10,429**	**(31,219)**
Gains and losses recognised in OCI	11,418	(3,227)	**8,191**	(184,391)	46,099	**(138,292)**	(10,802)	1,673	**(9,129)**
Reclassification during the year to profit or loss	1,686	(29)	**1,657**	42,762	(10,691)	**32,071**	12,991	(2,256)	**10,735**
Closing balance	**(43,937)**	**11,005**	**(32,932)**	**(641,708)**	**160,437**	**(481,271)**	**(39,459)**	**9,846**	**(29,613)**

	Cost of hedging			Net investment hedge			Cash flow hedges		
Year 2020	Gross balance	Tax effect	Total	Gross balance	Tax effect	Total	Gross balance	Tax effect	Total
Opening balance	**(19,262)**	**4,816**	**(14,446)**	**(715,859)**	**178,974**	**(536,885)**	**(12,089)**	**3,021**	**(9,068)**
Gains and losses recognised in OCI	(41,050)	10,263	**(30,787)**	215,780	(53,945)	**161,835**	(43,709)	11,063	**(32,646)**
Reclassification during the year to profit or loss	3,271	(818)	**2,453**	-	-	**-**	14,150	(3,655)	**10,495**
Closing balance	**(57,041)**	**14,261**	**(42,780)**	**(500,079)**	**125,029**	**(375,050)**	**(41,648)**	**10,429**	**(31,219)**

17.5. Treasury shares

At year-end 2021, the Company holds 156,671 treasury shares and its wholly-owned subsidiary Magna Expergere, S.A.U. holds 400,000 shares of the Company which are recorded under reserves. In total, these shares represent 0.1% of the share capital. At 2020 year-end, the Company did not hold any treasury shares.

The treasury shares correspond to new shares, from capital increases carried out during the year, and acquired by the Company to give greater flexibility to its shareholding structure.

17.6. Dividends

ACCOUNTING POLICIES

The dividends paid out in kind were measured at the reasonable value of the asset to be distributed and, in the event of a differential with the dividend value, this difference is recognized in the income statement.

Approved in 2021

On December 13, 2021, the Company's General Shareholders' Meeting of the Company approved a dividend of 0.58 euros per share to be paid out of Unrestricted Reserves, bringing the total distribution to 310,851 thousand euros. Said dividend was paid on December 15, 2021.

On July 14, 2021, the Extraordinary General Shareholders' Meeting of the Company approved a dividend of 0.395 euros per share to be paid out of Unrestricted Reserves, bringing the total distribution to 211,700 thousand euros. Said dividend was paid on July 15, 2021.

Approved in 2020

On March 4, 2020, the Company's General Shareholders' Meeting approved a final dividend of 0.056 euros per share out of 2019 earnings, for a total distribution of 30 million euros. The above dividend was in addition to the 2019 interim dividend, for a total amount of 216,415 thousand euros paid the previous year. Said dividend was paid in April 2020.

On December 17, 2020, the Company's General Shareholders' Meeting approved an extraordinary dividend of 0.31 euros per share to be paid out of reserves, for a total distribution of 166 million euros. Said dividend was paid on December 21, 2020.

17.7. Non-controlling interests

The breakdown of "Non-controlling interests" at December 31, 2021 and 2020 is as follows:

Thousand of euros

Non controlling interests	2021 Non-dominant percentage	2021 Equity non-controlling interest	2021 Profit (loss)	2020 Non-dominant percentage	2020 Equity non-controlling interest	2020 Profit (loss)
Company						
C.M.D. Aeropuertos Canarios, S.L.	**40.00%**	**11,143**	**1,106**	40.00%	10,850	293
Deten Química, S.A.	**28.56%**	**14,364**	**21,891**	28.56%	16,573	10,110
Generación Eléctrica Peninsular, S.A.	**30.00%**	**25,490**	**15,062**	30.00%	25,381	109
Cepsa Química China & Shanghai & CCPS	**25.00%**	**29,387**	**5,098**	25.00%	16,786	9,254
Coastal Energy KBM Sdn. Bhd.	**30.00%**	**2,312**	**(64)**	30.00%	4,581	(2,444)
Cepsa Gas Comercializadora, S.A	**30.00%**	**(6,886)**	**18,597**	30.00%	6,485	(13,371)
Total		**75,810**	**61,690**		**80,656**	**3,951**

In 2021, the Company distributed dividends amounting to 13,065 thousand euros corresponding to "Deten Química, S.A."

18. Financial liabilities

ACCOUNTING POLICIES

In its initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss (FV-PL)*: loans, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.*

All financial liabilities are recorded initially at fair value and, in the case of bank borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans, including bank overdrafts, and derivative financial instruments.

Banks borrowings are the Group's most significant financial liability. Upon initial recognition, its value is reviewed at amortized cost using the effective interest rate method.

*Accounting policies for derivatives and hedging instruments are disclosed in **Note 30** Derivative financial instruments and hedge accounting.*

Except for derivative financial liabilities (see **Note 30**), all financial liabilities relate to loans and trade payables valued at amortized cost, according to the IFRS 9 classification.

The breakdown of current and non-current liabilities for 2021 and 2020 is as follows:

Thousand of euros

Financial liabilities and payables

Year 2021	Notes	Current	Non-current	Total
Bank borrowings relating to finance leases	Note 24	135,058	552,140	**687,198**
Other bank borrowings				
Variable rate		120,629	1,764,269	**1,884,898**
Fixed rate		3,077	2,379	**5,456**
Bonus, obligations and similar issuances		17,582	1,489,936	**1,507,518**
Other Finance liabilities		8,209	9,532	**17,741**
Subtotal financial liabilities		**284,555**	**3,818,256**	**4,102,811**
Trade payables	Note 22	3,724,031	64,209	**3,788,240**
Derivatives	Note 22 and 30	779,466	413,300	**1,192,766**
Total		**4,788,052**	**4,295,765**	**9,083,817**

Year 2020	Notes	Current	Non-current	Total
Bank borrowings relating to finance leases	Note 24	95,468	530,357	**625,825**
Other bank borrowings				
Variable rate		113,934	2,426,638	**2,540,572**
Fixed rate		2,300	114,521	**116,821**
Bonus, obligations and similar issuances		12,959	1,487,748	**1,500,707**
Other Finance liabilities		11,393	13,905	**25,298**
Subtotal financial liabilities		**236,054**	**4,573,169**	**4,809,223**
Trade payables	Note 22	2,379,404	64,949	**2,444,353**
Derivatives	Note 22 and 30	34,741	183,144	**217,885**
Total		**2,650,199**	**4,821,262**	**7,471,461**

In 2021, as has been customary since the 2 billion euros syndicated revolving credit was signed in 2014, approval was received from the 18 banks participating in this facility to extend its maturity for an additional year, up to September 2026, notably improving CEPSA's liquidity quality. There were no amounts drawn down as at December 31, 2021 or on the date of issue of this report.

On the other hand, in 2019 the CEPSA Group obtained approval from the Central Bank of Ireland for a debt issuance program of up to 3 billion euros, the securities of which are listed on the Irish Stock Exchange after issuance. These bonds have been rated investment grade by the three main international rating agencies -Moody's, S&P and Fitch-. The Investment Grade rating has been confirmed for 2021 following reviews in March, August and April by Fitch, Moody's and S&P, respectively.

The breakdown of bonds in circulation at the end of 2021 is as follows:

Bonds and securities issued

Thousand of euros

Title	Notes	Fair value	Date of issue	Issue currency	Emission value	Initial maturity	Remuneration	
Bonds XS1996435688		508,930	2019 May	Eur	500,000	2025 Feb	Anual coupon	1.00%
Bonds XS2117485677		487,925	2020 Feb	Eur	500,000	2028 Feb	Anual coupon	0.75%
Bonds XS2202744384		530,470	2020 Jul	Eur	500,000	2026 Feb	Anual coupon	2.25%
Total	Note 31	**1,527,325**			**1,500,000**			

The breakdown by maturity of all financial liabilities at December 31, 2021 and 2020, is as follows:

Thousand of euros

Financial liabilities - Maturities

Year 2021	2022	2023	2024	2025	2026	Others	Total
Bank borrowings relating to finance leases	135,058	106,882	91,587	77,081	64,754	211,836	**687,198**
Other bank borrowings							
Variable rate	120,629	454,253	136,920	224,962	639,702	308,432	**1,884,898**
Fixed rate	3,077	1,209	585	585	-	-	**5,456**
Bonus, obligations and similar issuances	17,582	-	-	497,976	495,496	496,464	**1,507,518**
Other Finance liabilities	8,209	4,175	1,770	1,053	908	1,626	**17,741**
Subtotal financial liabilities	**284,555**	**566,519**	**230,862**	**801,657**	**1,200,860**	**1,018,358**	**4,102,811**
Trade payables	3,724,031	58,581	591	590	684	3,763	**3,788,240**
Derivatives	779,466	330,478	26,793	13,952	24,001	18,076	**1,192,766**
Total	**4,788,052**	**955,578**	**258,246**	**816,199**	**1,225,545**	**1,040,197**	**9,083,817**

Year 2020	2021	2022	2023	2024	2025	Others	Total
Bank borrowings relating to finance leases	95,468	94,064	82,626	75,413	62,480	215,774	**625,825**
Other bank borrowings							
Variable rate	113,934	77,232	585,492	1,088,244	280,842	394,829	**2,540,573**
Fixed rate	2,300	2,300	575	111,645	-	-	**116,820**
Bonus, obligations and similar issuances	12,959	-	-	-	497,443	990,305	**1,500,707**
Other Finance liabilities	11,393	5,744	3,430	1,902	1,164	1,665	**25,298**
Subtotal financial liabilities	**236,054**	**179,340**	**672,123**	**1,277,204**	**841,929**	**1,602,573**	**4,809,223**
Trade payables	2,379,404	22,079	35,750	597	514	6,009	**2,444,353**
Derivatives	34,741	134,518	2,084	27,696	771	18,075	**217,885**
Total	**2,650,199**	**335,937**	**709,957**	**1,305,497**	**843,214**	**1,626,657**	**7,471,461**

The breakdown by currency [8] of the bank borrowings and other financial liabilities as at December 31, 2021 and 2020, is as follows:

Thousand of euros

Financial liabilities - Currencies

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Euros	140,822	2,956,947	**3,097,769**	104,502	3,152,889	3,257,391
Dollars ($ USA)	43,935	663,233	**707,168**	37,321	1,207,652	1,244,973
Other foreign currencies	99,798	198,076	**297,874**	94,231	212,628	306,859
Total financial liabilities	**284,555**	**3,818,256**	**4,102,811**	**236,054**	**4,573,169**	**4,809,223**

[8] *Cross Currency Swaps exist in respect of 1,869 million euros that transform this debt into 2,134 million USD, so that the respective volumes of USD debt and EUR debt in 2021, for currency and interest rate risk purposes, are similar to those of the previous year, after the application of IFRS 16 in 2021.*

The breakdown of the bank borrowing movements for the third quarter is as follows:

Gross borrowing - Movements

Thousand of euros

	2021	2020
Bank borrowings - Non current - at the beginning of period	4,573,169	3,799,728
Bank borrowings - Current - at the beginning of period	236,054	267,955
Total at the beginning of period	**4,809,223**	**4,067,683**
Additions	429,967	973,863
Bonds issuance	-	1,000,856
Overdrafts movements	(327,804)	16,713
Repayments	(971,944)	(1,005,578)
Other movements		
Foreign exchange fluctuations	102,000	(109,855)
IFRS 16 impact - Leasing	61,369	(134,459)
Bank borrowings - Non current - at the end of period	3,818,256	4,573,169
Bank borrowings - Current - at the end of period	284,555	236,054
Total at end of the period	**4,102,811**	**4,809,223**

The average annual nominal interest rate on the loans in euros was 0.66% and 0.73% in 2021 and 2020 respectively, and on foreign currency debts of 3.21% and 2.87%, mainly in US dollars and Chinese yuan. In aggregate, the weighted average cost of financing was 2.49% in 2021 and 2.19% in 2020, including the effect of interest rate derivatives.

As at December 31, 2021, and throughout the year, the CEPSA Group was not affected by the need to comply with any financial ratios as it is an externally rated company.

As at December 31, 2021 and 2020, the companies comprising the CEPSA Group had undrawn credit facilities of 2,819 and 3,191 million euros, respectively. In addition to these amounts available, at those dates there were CASH AND CASH EQUIVALENTS on hand included under CASH ASSETS in the Consolidated Balance Sheet amounting to 657 million euros and 1,358 million euros in 2021 and 2020, respectively (see **Note 16**).

19. Capital Grants

ACCOUNTING POLICIES

Grants related to assets are measured at fair value. Non-refundable grants are recorded as deferred income under NON-CURRENT LIABILITIES in the Consolidated Balance Sheet and are released to income based on the amortization of the investment financed by the grant. Repayable grants are recorded as non-current debt transformable into grants under OTHER NON-CURRENT LIABILITIES. Operating subsidies are paid on the basis of results as their accrual occurs.

CAPITAL GRANTS RELATED TO GREENHOUSE GAS EMISSION ALLOWANCES includes allowances received for free, as provided for in the National Emission Allowance Assignment Plan, which are initially measured at the market price prevailing at the beginning of the year to which they relate. Such grants are taken to income as a release of NON-FINANCIAL CAPITAL GRANTS:

- *Generally, as the costs incurred on the actual emissions accrue (see **Note 23**).*
- *If an impairment loss was recorded on the emission allowances received from the Government, as an adjustment to the initially recorded value (see **Note 8**).*

The changes in 2021 and 2020 and the balances, classified by items, at year end are as follows:

Capital grants

Year 2021	Notes	Balance at 01/01/2021	Additions	Transferred to profit and loss	Balance at 12/31/2021
Grants related to assets		10,085	2,658	(3,295)	**9,448**
Greenhouse gas emissions allowances		13,228	106,556	(103,958)	**15,826**
Total	Note 23	**23,313**	**109,214**	**(107,253)**	**25,274**

Year 2020	Notes	Balance at 01/01/2020	Additions	Transferred to profit and loss	Balance at 12/31/2020
Grants related to assets		13,171	84	(3,170)	**10,085**
Greenhouse gas emissions allowances		8,033	77,624	(72,429)	**13,228**
Total	Note 23	**21,204**	**77,708**	**(75,599)**	**23,313**

In 2021 and 2020, grants received mainly relate to those from Regional Governments, most notably from the Andalusian Regional Government, and those received from the Central Government, namely from the Industry Ministry.

Additions to GREENHOUSE GAS EMISSION ALLOWANCES include the market value of the emission allowances assigned for no consideration at the date of assignment. Transferred to Profit and Loss includes the valuation adjustment initially recorded for the amount recorded as an impairment loss on allowances received from the government and the recognition in income of the value of the allowances assigned for CO_2 emissions made in the year (see **Note 8**).

20. Pension and similar obligations

20.1. Defined contribution plans

ACCOUNTING POLICIES

CEPSA and several of its subsidiaries have the following pension commitments with employees and their beneficiaries:

• Commitments covered by the occupational Pension Plan under the CEPSA GROUP PENSIONS FUND. These pension plans establish the participants' right to receive retirement or, if applicable, death or disability benefits in accordance with their plan specifications.

The plans take the form of hybrid plans:

• Defined contribution plans, which cover retirement, whereby the sponsor makes periodic contributions.

• Defined benefit plans which cover benefits for death or disability through an annually renewable policy taken out with an insurance company. The sponsor undertakes to make the contributions corresponding to the Pension Plan to finance the premium covering the above activity risk contingencies.

The accrued amount of the risk assumed by the sponsor is covered every year by the annual contribution.

• Life insurance (excess policy): It sets out the contributions to be made by the Company taking out the insurance, as a supplement to the Pension Plan, or because the commitment assumed toward the personnel exceeds the maximum limits on contributions to pension plans. This insurance guarantees retirement contingencies or, where appropriate, death and disability under defined contribution schemes.

• Life annuities for retired employees. These are obligations prior to the arrangement of pension plans, which entitle personnel or their beneficiaries to receive supplementary social security pension benefits in the event of retirement, death or permanent disability. This commitment has been externalized in full through the related insurance policies.

The adjustments arising from CPI increases or decreases, which affect only the policies covering obligations tied to annual CPI performance, are recorded as expenses or income for the year, as appropriate, and their amount was not material.

During 2021 and 2020, CEPSA and several of its subsidiaries recorded the following expenses for defined contribution obligations:

Defined contribution plans		Thousand of euros
	2021	**2020**
Retirements (pension plan)	**9,149**	10,571
Life insurance	**7,022**	6,992
Total	**16,171**	**17,563**

20.2. Defined benefit obligations

ACCOUNTING POLICIES

The Group has entered into a commitment with a certain group of employees for the payment of an annuity arising from the closing of company stores. Actuarial studies are performed annually and the actuarial gains and losses are recorded as appropriate.

Group employees have the right to receive from the company medals for seniority and value awards. In the La Rábida refinery, workers have the right to receive amounts/remuneration in kind for length of service. On an annual basis, an actuarial study is performed, recognizing the actuarial gains and losses as expenses or income, as applicable.

In 2020, allowances were recorded in favor of a group of employees who signed up to a Voluntary Redundancy Plan, whereby the Group guaranteed them an income until their retirement date.

The net amounts of expenses and revenues recorded in the Consolidated Income Statement and the variation in defined benefit obligations on the liability side of the Consolidated Balance Sheet are as follows:

Defined benefit obligations	2021	2020
	Thousand of euros	
Balance at January 1	**50,756**	**10,508**
Current service cost	**2,219**	49,091
Interest cost of benefit	**984**	158
Others	**114**	(137)
Effect of reductions or settlements	**(11,630)**	(8,864)
Balance at December 31	**42,443**	**50,756**

The breakdown by nature of the defined benefit obligations at December 31, 2021 and 2020, is as follows:

Defined benefit obligations - Breakdown Thousand of euros

Year 2021	Balance at 01/01/2021	Additions	Interest cost	Other	Benefits paid	Balance at 12/31/2021
Medal Award	3,232	199	49	1	(72)	**3,409**
Company Store active employees	1,766	-	26	-	(120)	**1,672**
Company Store retired employees	1,669	-	24	-	(177)	**1,516**
La Rábida Fidelity Award	3,078	54	45	-	(203)	**2,974**
VSP (Voluntary Suspension Plan)	40,329	341	840	59	(8,761)	**32,808**
Other provisions	682	1,625	-	54	(2,297)	**64**
Total non current	**50,756**	**2,219**	**984**	**114**	**(11,630)**	**42,443**

Year 2020	Balance at 01/01/2020	Additions	Interest cost	Other	Benefits paid	Balance at 12/31/2020
Medal Award	2,818	481	35	-	(102)	**3,232**
Company Store active employees	1,939	-	27	-	(200)	**1,766**
Company Store retired employees	1,853	-	24	-	(208)	**1,669**
La Rábida Fidelity Award	3,066	204	41	-	(233)	**3,078**
VSP (Voluntary Suspension Plan)	-	46,744	31	(78)	(6,368)	**40,329**
Other provisions	832	1,662	-	(59)	(1,753)	**682**
Total non current	**10,508**	**49,091**	**158**	**(137)**	**(8,864)**	**50,756**

In 2020, the Group started up a voluntary redundancy plan for employees closest to retirement age (those aged 57 or older as of December 31, 2020). This consists of an agreement whereby eligible employees who signed up for the scheme would be paid severance for a three-year period that is automatically renewable. The conditions for these redundancies include maintaining a set level of ordinary income, contributions to pension plans, and insurance coverage for the risk contingencies set out therein. One hundred and fifty-five people signed up for this plan and left the Company in 2020.

The total amount allocated by the Group in respect of the liability for future payments amounted to 52,089 thousand euros, with a charge to the Consolidated Income Statement under Personnel Expenses. Of this amount, at December 31, 2021, 32,808 thousand euros are recorded as long-term allowances and 8,996 thousand euros, corresponding to payments to be made in the next 12 months, are recorded as short-term allowances under OTHER CURRENT LIABILITIES. The effect on tax expense for the period can be seen in **Note 26.**

The provisions were calculated discounting the expected payment flow until the date of retirement at 1.71%. The average payment period for this group amounted to 6.33 years.

The main assumptions used to determine the pension obligations and post-employment benefits under the plans of CEPSA and several of its subsidiaries are as follows:

Main assumptions - Company Store	2021	2020
Discount rate	**1.500%**	1.500%
Expected salary increase rate	**0.250%**	0.250%
Mortality tables	**PEMF2000**	PEMF2000

21. Provisions

ACCOUNTING POLICIES

PROVISIONS consist of liabilities arising from ongoing litigation, environmental risks, abandonment costs and other risks to which there is uncertainty about their amount or maturity.

These provisions are recorded when:

- *there is a current obligation arising from a past event, and it is considered probable that its settlement will result in an outflow of resources incorporating economic benefits, and*
- *the amount of the corresponding liability can be reliably estimated.*

The provision amount recorded is the present value of the expenditures expected to be required to settle the obligation, discounted at the readjustment rate without tax. It is periodically revised on the basis of information available at the date of preparation of each Consolidated Balance Sheet.

***CO_2 Emission Allowances** (See also **Note 8**)*

The obligation to deliver emission allowances for the CO_2 emissions produced in the year is recorded as the greenhouse gas emissions are made. These costs are charged to OTHER OPERATING EXPENSES in the Consolidated Income Statement and credited to a short-term provision included under TRADE AND OTHER PAYABLES, until the date the related emission allowances are delivered. The unit value to be assigned to emissions is determined by reference to:

- *Firstly, the carrying amount of the emission allowances received for free;*
- *Secondly, the cost of the other emission allowances capitalized in the Consolidated Balance Sheet;*
- *Then, if necessary, the latest estimate of how much it would cost to acquire the remainder of the rights.*

Details of the changes and the balances in 2021 and 2020, are as follows:

Thousand of euros

Provisions for third-party liability

Year 2021	Notes	Balance at 01/01/2021	Additions	Interest cost	Other changes	Utilization	Unused provisions	Balance at 12/31/2021
Provisions for third-party liability		64,173	48,021	1,833	1,342	(20,825)	(10,432)	**84,112**
Dismantling provisions		243,523	2,321	9,336	52,053	(1,209)	(2,339)	**303,685**
Environmental provisions	Note 28	23,722	3,659	119	-	(2,009)	(124)	**25,367**
Other provisions		15,567	2,036	103	(121)	(4,977)	(130)	**12,478**
Total		**346,985**	**56,037**	**11,391**	**53,274**	**(29,020)**	**(13,025)**	**425,642**

Year 2020	Notes	Balance at 01/01/2020	Additions	Interest cost	Other changes	Utilization	Unused provisions	Balance at 12/31/2020
Provisions for third-party liability		66,690	8,411	290	(5,506)	(3,439)	(2,273)	**64,173**
Dismantling provisions		242,853	5,099	9,043	40,796	(22,622)	(31,646)	**243,523**
Environmental provisions	Note 28	22,118	3,254	162	-	(1,633)	(179)	**23,722**
Other provisions		20,959	5,838	681	-	(6,228)	(5,683)	**15,567**
Total		**352,620**	**22,602**	**10,176**	**35,290**	**(33,922)**	**(39,781)**	**346,985**

PROVISIONS FOR THIRD-PARTY LIABILITIES cover the contingencies arising from the Group companies' ordinary operations that might give rise to actual liabilities in their dealings with third parties. The main items were obligations to third parties relating to contractual undertakings and contingencies relating to ongoing tax inspection proceedings on taxes other than the Corporate Income Tax or equivalent.

At the end of 2021, this caption includes the appeals filed by the Company against the resolutions of the National Markets and Competition Commission ("CNMC") of January and February 2015, whereby CEPSA was imposed penalties of 10 and 2.5 million euros. These appeals (already in the cassation phase before the Supreme Court, having been previously rejected by the National High Court) are in the process of being processed, pending the possible scheduling of a public hearing.

In addition, in 2021, allowances of 16 million euros have been recorded in respect of "Cepsa Oleos e Gas Do Brasil, LTD."

DECOMMISSIONING includes provisions and subsequent updates for the abandonment of crude oil production fields once the recoverable reserves have been extracted. These provisions are updated with financial adjustments and discount rates have been used depending on the geographical area:

- Thailand 3.50%,
- Colombia 5.40%,
- Peru 3.81%,
- Algeria 5.00%,
- United Arab Emirates 3.25%, and
- Spain 3.25%.

The PROVISION FOR ENVIRONMENTAL ACTIVITIES includes the Group's best estimates of the contractual or legal obligations and commitments to prevent, reduce, or repair damage to the environment charged to professional services or repairs and upkeep expenses. It also includes the estimated amounts for environmental action to remedy the risk of gradual soil pollution, the only contingency which is not covered by the contracted insurance.

The OTHER PROVISIONS caption includes, inter alia, provisions for possible legal or contractual contingencies.

CEPSA's directors consider that the provisions recorded in the accompanying balance sheet adequately cover the risks relating to litigation, arbitration proceedings and other transactions described in this note and therefore do not expect that any additional liabilities will arise.

22. Other non-current liabilities and Trade and other payables

The breakdown of the balances for 2021 and 2020 for TRADE AND OTHER PAYABLES are shown below:

Trade payables

Thousand of euros

	2021	2020
Trade payables	2,696,727	1,745,431
Trade payables to associates and joint ventures	88,159	14,902
Customers advances	34,950	5,461
Total	**2,819,836**	**1,765,794**

The breakdown of the required information for the Spanish companies within the CEPSA Group relative to information on average supplier payment periods is as follows. Third Additional Provision "Disclosure requirements" under Law 15/2010, of July 5:

Information on average supplier payment periods

	2021 Days	2020 Days
Average period for payment to suppliers	25	28
Ratio of paid transactions	24	27
Ratio of outstanding payment transactions	45	58
	Thousand of euros	**Thousand of euros**
Total payments made	36,667,103	16,171,618
Total payments pending	1,013,631	881,900

The breakdown of the balances of OTHER PAYABLES AND LIABILITIES ACCRUED FOR NON-FINANCIAL TRANSACTIONS in 2021 and 2020 is as follows:

Other current liabilities

Thousand of euros

		2021		2020	
	Notes	Non-current	Current	Non-current	Current
Liabilities from taxes other than income tax		-	282,176	-	225,592
Tax income payables		-	45,070	-	33,951
Fixed assets payables		57,617	59,817	57,491	69,835
Payroll		-	101,414	-	86,322
Non-trade payables to associates and joint ventures		-	2,690	-	4,371
Other liabilities		2,276	222,776	3,873	92,776
Liabilities from derivatives	Note 18	413,300	779,466	183,144	34,741
Guarantees/deposits received		4,316	5,163	3,585	4,630
Provisions, short term		-	185,093	-	102,883
Total		**477,509**	**1,683,665**	**248,093**	**655,101**

FINANCIAL DERIVATIVE LIABILITIES at December 31, 2021 include mainly the valuation of commodity swaps as part of the strategy to hedge the fair value of firm gas purchase commitments, as well as certain cross currency swaps contracted for currency and interest rate hedges. (See **Note 30**).

PROVISIONS at December 31, 2021 and 2020 mainly include an amount of 172,112 and 90,328 thousand euros, respectively, corresponding to the obligation to deliver emission allowances for CO_2 emissions made.

23. Operating income and expenses

ACCOUNTING POLICIES

Income and expenses are imputed on the basis of the accrual criterion.

The Group records revenue from contracts with customers based on a five step model as set out in IFRS 15: Identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

The Group considers whether there are other commitments in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer.

VARIABLE CONSIDERATION

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and is restricted until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recorded will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

SIGNIFICANT FINANCING COMPONENT

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at the start of the contract, that the period between the transfer of the promised good or service to the customer and payment by the customer for that good or service will be one year or less.

The Group also receives long-term advances from customers for the sale of goods. In order to take into account the significant financing component in this case, the transaction price of such contracts is discounted using the rate that would be manifested in a separate financing transaction between the Group and its customers at the start of the contract.

NON-MONETARY CONSIDERATION

The Group applies the requirements of IFRS 13 Fair value measurement *in measuring the fair value of the non-cash consideration. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price. The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the goods or services.*

CONSIDERATION PAYABLE TO THE CUSTOMER

The consideration payable to a customer is accounted for as a reduction of the transaction price. Consideration payable to a customer includes cash amounts that CEPSA pays or is expected to pay to a customer. (for example: customer award credits or loyalty programs)

OIL PRODUCTION

Crude production revenues are recorded:

- *on the basis of the Group's* working interest*, when the Group holds a stake with other producers; and*
- *according to the contractual conditions in contracts for the distribution of production.*

OTHER CIRCUMSTANCES

REVENUE does not include the value of exchanges of strategic stocks arranged with other operators.

In accordance with the legislation applicable to companies operating in the oil and gas industry, the excise tax on oil and gas sales is recorded as part of the selling price and as an addition to cost under REVENUE and OTHER OPERATING EXPENSES, respectively, in the Consolidated Income Statement.

Revenues from services rendered are recorded considering the degree of progress in completing the service at the balance sheet date, provided that the transaction results may be reliably estimated.

The breakdown of operating income and expenses relating to 2021 and 2020 is as follows:

Thousand of euros

Revenue	**2021**	**2020**
Sales of goods	**22,251,928**	13,537,656
Services provided	**219,863**	231,602
Sales returns and volume discounts	**(136,726)**	(126,003)
Oil and gas exercise duties	**2,196,582**	2,116,889
Total	**24,531,647**	**15,760,144**

The amount of income generated by exchange transactions with other operators, not included in NET REVENUE in 2021 and 2020 amounted to 1,253,761 thousand euros and 703,296 thousand euros, respectively.

Thousand of euros

Procurements	**2021**	**2020**
Purchases	**17,660,576**	10,481,971
Changes in inventories	**461,585**	(99,604)
Total	**18,122,161**	**10,382,367**

The breakdown of personnel expenses is as follows:

Staff costs

Thousand of euros

	Notes	2021	2020
Wages and salaries		**473,055**	474,479
Pension contributions and life insurance premiums	Note 20.1	**16,171**	17,563
Other staff costs		**125,712**	178,920
Total		**614,938**	**670,962**

In 2021, an incentive plan has been implemented for the achievement of certain objectives in line with the expectations set for the Group. As of December 31, 2021, no accounting allowance has been accrued for this item.

The average number of employees in 2021 and 2020, by category and regardless of the employment relationship, was as follows:

Workforce by professional category

Average headcount

	2021	2020
Executive Directors	**1**	1
Managers	**9**	8
Executives/ Department Heads	**750**	741
Other line personnel	**3,193**	3,261
Skilled employees/ Assistants/ Clerical staff	**5,834**	5,944
Total	**9,787**	**9,955**

At December 31, 2021 and 2020, the number of employees, by professional category and gender, is as follows:

Workforce at closing by professional category and sex

Headcount at closing date

	2021			2020		
	Women	Men	Total	Women	Men	Total
Executive Directors	-	1	**1**	-	1	1
Managers	1	8	**9**	1	7	8
Executives/ Department Heads	203	590	**793**	168	548	716
Other line personnel	987	2,187	**3,174**	1,006	2,190	3,196
Skilled employees/ Assistants/ Clerical staff	2,458	3,385	**5,843**	2,339	3,420	5,759
Total	**3,649**	**6,171**	**9,820**	**3,514**	**6,166**	**9,680**

The average number of employees at December 31, 2021 and 2020, with disability greater than or equal to thirty-three percent, by professional category, is as follows:

Workforce by professional category - Disabled staff

Average headcount

	2021	2020
Executives / Department heads	**3**	3
Other line personal	**24**	21
Skilled employees / Assistants / Clerical staff	**83**	85
Total	**110**	**109**

At December 31, 2021 and 2020, the breakdown of OTHER OPERATING COSTS is as follows:

Other operating costs

Thousand of euros

	2021	2020
Third party services received	**1,316,699**	1,212,120
Transport and freight	**337,302**	338,678
Taxes and other tax income	**56,519**	69,961
Environmental costs	**14,603**	34,495
Other operating costs	**311,965**	47,035
Total	**2,037,088**	**1,702,289**

In addition, under OTHER OPERATING EXPENSES in the above table, the following information must be provided concerning auditing and similar services:

Thousand of euros

Audit fees	2021 Lead Auditor	2021 Others Auditors	2020 Lead Auditor	2020 Others Auditors
Financial Audit Services				
In Spain	800	224	948	131
Abroad	385	140	371	64
Other assurance services	461	6	238	-
Other services	721	132	57	81
Total	**2,367**	**502**	**1,614**	**276**

The breakdown at December 31, 2021 and 2020 of NON-FINANCIAL CAPITAL GRANTS AND OTHERS is as follows:

Thousand of euros

Allocation of capital grants	Notes	2021	2020
Allocation of Greenhouse Gas allowances		103,958	72,429
Allocation of capital allowances		3,295	3,170
Total	Note 19	**107,253**	**75,599**

In 2021 and 2020, the breakdown of impairment losses and gains or losses on the disposal of non-current assets recorded is as follows:

Thousand of euros

Impairment and gain or losses on disposals of non-current assets	Notes	2021	2020
Impairment/Reversal of Greenhouse allowances	Note 8 and 13.3	-	(14,742)
Impairment of other non-current assets	Note 13.3	48,471	(633,112)
Gain or (losses) on disposals of non-current assets		123,947	(38,766)
Total		**172,418**	**(686,620)**

In 2021 the IMPAIRMENT OF OTHER NON-CURRENT ASSETS corresponds mainly to the reversal of impairment of certain miscellaneous assets, generally in Exploration and Production and Petrochemicals, as described in **Note 13.3**. In 2020, the Company recorded an impairment on these same assets.

RESULTS ON DISPOSAL OF FIXED ASSETS includes disposals of fixed assets that contributed to the Group's income, including most notably, in 2021, the sale of CO2 rights (see **Note 8**) and the sale of the platinum contained in the catalytic converters and other precious metals (see **Note 10**). In 2020, the sale of CO_2 rights and the sale of piped gas supply points to the REDEXIS company are included.

24. Leases

ACCOUNTING POLICIES

*Effective as of January 1, 2019, IFRS 16 introduced a new procedure for the accounting of operating lease contracts, equivalent to the existing procedure for financial lease contracts. On that date, the Group first applied and recorded lease debt at the present value of pending lease payables as at January 1, 2019, discounted using the incremental borrowing rate at that date. See **Note 11** for the financial impact of the first application of the standard.*

In applying the Standard, the Group evaluates whether a contract is or contains a lease at the beginning of the contract. The Group records a right of use and the corresponding lease debt for all lease agreements in which it is a lessee, except for the excluded contracts that are listed below.

Lease payments included in the lease debt calculation include:

- *Fixed lease Payments, less any lease incentives to be received;*
- *Variable lease payments that depend on an index or rate, initially calculated using the index or rate at the start date;*
- *The amount expected from the residual value guarantees to be paid by the lessee;*
- *The strike price of the purchase options, if the lessee has reasonable certainty of exercising the options; and*
- *Payments of penalties for terminating the lease, if the conditions of the contract reflect the exercising of a termination option.*

Lease debt is subsequently revised by increasing the balance to reflect the financial cost on the debt (using the effective interest method*), and reducing the balance to reflect the lease payments made.*

The Group separates the total amount of the payments for the principal of the lease and interest, and presents both within financing activities in the consolidated cash flow statement.

Operating lease contracts excluded from this treatment

Due to materiality or practical effects, the following types of contracts are excluded from the treatment set out in this note:

- short-term leases (defined as leases for a duration equal to or less than 12 months), and

- leases of assets of reduced value.

For these leases, the Group records lease payments as a linear operating expense throughout the life of the contract, unless an alternative form of sharing is more representative of the temporary pattern in which the economic benefits of leased assets are consumed. Therefore, there is no debt for future payments.

The Group acquired the use of certain assets through finance and operating leases.

The future maturities of the nominal amounts payable under leases as of December 31, 2021 and 2020 are as follows:

Thousand of euros

Lease contracts - Maturities

Year 2021	Operating: Outside IFRS 16	Operating: Under IFRS 16	Financial IFRS 16	Total
2022	24,912	154,078	910	**179,900**
2023	1,590	130,933	910	**133,433**
2024	1,191	103,135	741	**105,067**
2025	868	87,599	357	**88,824**
2026	735	70,233	129	**71,097**
2027 and beyond	81	237,700	1	**237,782**
Total future payments	**29,377**	**783,678**	**3,048**	**816,103**
Less Interest	-	(99,528)	-	**(99,528)**
Present value of minimum payments	**29,377**	**684,150**	**3,048**	**716,575**
Less planned current payments	-	-	-	-
Non current liabilities of leasing contracts	**29,377**	**684,150**	**3,048**	**716,575**

Year 2020	Operating: Outside IFRS 16	Operating: Under IFRS 16	Financial IFRS 16	Total
2021	19,393	120,089	678	**140,160**
2022	1,509	100,812	597	**102,918**
2023	760	94,030	597	**95,387**
2024	394	84,843	428	**85,665**
2025	211	70,560	44	**70,815**
2026 and beyond	237	246,754	26	**247,017**
Total future payments	**22,504**	**717,088**	**2,370**	**741,962**
Less Interest	-	(93,633)	-	**(93,633)**
Present value of minimum payments	**22,504**	**623,455**	**2,370**	**648,329**
Less planned current payments	-	-	-	-
Non current liabilities of leasing contracts	**22,504**	**623,455**	**2,370**	**648,329**

A) Operating leases

The most significant operating leases relate to the rental of buildings, plant, tankers for the transport of crude oil and oil products and service stations leased from third parties.

In 2021, lease payments under operating lease arrangements totaled 134,080 thousand euros (136,135 thousand euros in 2020). Contingent payments recorded in the Consolidated Income Statement are not significant, as was the case in 2020.

B) Finance Leases

The main items of Property, Plant and Equipment held under finance leases are computers and other technical installations (see **Note 10**).

25. Financial Income and Expense

ACCOUNTING POLICIES

Income and expenses from investments include the following:

- *Income and expenses from interest, including the portion of interest in lease payments.*

- *Dividend income.*
- *Profit or loss due to exchange differences on financial assets and liabilities.*
- *Ineffective hedges recorded under results.*
- *The reclassification of net earnings previously recorded under Other Comprehensive Income, on cash flow hedges for interest rate and foreign currency risks on loans and credits.*

Interest income and expenses are accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable. Dividends are recorded under results on the date when the Group became entitled to receive payment.

Financial income and expense for 2021 and 2020 are as follows:

Thousand of euros

Finance income	2021	2020
Interest income on loans	14,325	10,159
Income from equity investments	2,366	607
Net exchange differences	-	14,168
Other finance income	186,949	127,219
Total	**203,640**	**152,153**

Finance cost	2021	2020
Interest on borrowings	125,312	123,907
Finance costs from reameasurement	15,995	9,867
Net exchange differences	81,472	-
Other finance cost	121,485	151,282
Total	**344,264**	**285,056**

The breakdown of the FINANCE COST OF NET BORROWINGS and other finance income and costs for 2021 and 2020, are as follows:

Thousand of euros

Finance cost of net borrowings	2021	2020
Finance income	14,325	10,159
Finance cost	(125,312)	(123,907)
Total	**(110,987)**	**(113,748)**

Other finance income and costs	2021	2020
Income from equity investments	2,366	607
Gains (losses) on financial instruments measured at fair value (financial derivatives)	62,700	(10,396)
Exchange differences	(81,472)	14,168
Income and costs from commisions	(8,373)	(4,761)
Finance costs from reameasurement	(15,995)	(9,867)
Other finance income and costs	11,137	(8,906)
Total	**(29,637)**	**(19,155)**

In 2021 and 2020, the breakdown of impairment losses and gains or losses on the disposal of financial instruments is as follows:

Thousand of euros

Impairment and gains / (losses) on disposal of Finance instruments	Notes	2021	2020
Increase/decrease in finance instrument impairments	Note 13.3	(27)	(175)
Finance instruments disposal result		(6,772)	18
Total		**(6,799)**	**(157)**

In 2021 the GAINS ON DISPOSAL OF FINANCIAL INSTRUMENTS caption includes mainly, gains from the liquidation of "Cepsa Oleo e Gas do Brasil, LTDA." and "Coastal Energy Malasya SDN BHD".

26. Tax matters

ACCOUNTING POLICIES

Current and deferred income taxes are recorded under INCOME TAX in the accompanying Consolidated Income Statement, except when they arise from economic events that have been directly recorded in OTHER COMPREHENSIVE INCOME or EQUITY.

The current income tax expense is the result of applying the tax rate to the taxable profit for the year, after deducting the allowable tax credits. The current income tax charge is calculated on the basis of the Group's interpretation of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income, considering the Group's tax position, *and including the* uncertain tax treatments *(following IFRIC 23).*

Deferred tax is accounted for using the liability method based on the balance sheet, *under which temporary differences are determined as the difference between the tax bases of assets and liabilities and their carrying amounts. However, deferred taxes are not accounted for:*

- if they arise from the initial recognition of the goodwill; or

- if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets for taxable income to be offset, outstanding tax credits, and deductible temporary differences are recorded when it is considered that, according to the best estimate on the Group's future results, it is likely that said assets will be recovered.

Deferred tax assets and liabilities are measured based on the tax legislation and the tax rates in force when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Group reassesses recorded deferred tax assets and tax credits at each Consolidated Balance Sheet date, and reduces the amount for any that are not likely to have future taxable profit will allow them to be recovered.

Following the same principles, recorded deferred tax assets and unrecorded tax credits are reassessed with the same frequency and their amount is recorded for those which, given the new information, it is likely that future taxable profit will be available for their recovery.

Deferred tax liabilities for taxable temporary differences relating to investments in subsidiaries, associates and joint ventures are recorded with the exception of those deferred tax liabilities where the Group is not able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future within the period allowed by law. Generally, the Group is not able to control the reversal of temporary differences for associates. The temporary difference is recorded only when there is an agreement through which the Group has the capacity to control reversal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities derive from the tax on gains which relate to the same taxation authority, and apply to the same entity or taxpayer, or different entities or taxpayers, which intend to settle the current tax assets and liabilities on a net basis.

The treatment of Corporate Tax penalties ensures that any significant uncertainty as to the penalty and interest payable may be clearly distinguished from the valuation of the tax. In that case, penalties are recorded as an operating expense. If, by contrast, there is considered to be significant doubt surrounding the amount of tax to be paid, an accounting policy of recognizing the penalties as tax expense is considered acceptable. CEPSA, given the high degree of uncertainty, decided to recognize this as a tax expense.

CEPSA and certain Group companies pay the Corporate Income Tax under the consolidated taxation scheme in Group 4/89, with CEPSA being the parent company. Table I at the end of this document includes a list of the main companies making up the tax group in 2021.

Since 2010, in Spain, the CEPSA Group has adhered to the Code of Good Tax Practices drawn up by the Large Companies Forum jointly with the Spanish tax authorities.

26.1. Tax expense recorded in results and equity

The breakdown of the CORPORATE TAX EXPENSE for 2021 and 2020 is as follows:

Thousand of euros

Income tax

In the consolidated statement of profit and loss	**2021**	**2020**
Current tax cost		
Period tax cost	518,363	87,480
Adjustments to the tax cost for the period or prior years	(2,592)	41,185
Deferred tax cost		
Related to the creation or reversal of temporary differences	131,974	(217,134)
Total tax cost (income) recognised in the Consolidated Statement of Profit or Loss	**647,745**	**(88,469)**
In the consolidated statement of changes in equity	**2021**	**2020**
Deferred tax cost		
Related to the creation or reversal of temporary differences	31,570	(37,092)
Total tax cost / (income) recognised in Other Comprehensive Income (Equity)	**31,570**	**(37,092)**

The tax expense/(income) in the Consolidated Income Statement excludes the Group's share in the tax expense of the companies consolidated by the equity method, which amounted to 34,289 thousand euros in 2021 (2020: 31,488 thousand euros).

26.2. Reconciliation of the effective tax rate

The corporate income tax expense is obtained from the ACCOUNTING PROFIT BEFORE TAXES as indicated below:

Reconciliation of accounting profit and income tax

Thousand of euros

	2021	2020
Accounting profit (before taxes)	**1,370,388**	**(1,003,276)**
25% tax rate	342,597	(250,819)
Difference due to different tax rates	246,120	107,524
Permanent differences	84,389	122,115
Tax credits and relief applied	(22,769)	(108,474)
Adjustments to the tax cost for the period or prior years	(2,592)	41,185
Total income tax cost / (income)	**647,745**	**(88,469)**

The line DIFFERENCE DUE TO DIFFERENT TAX RATES includes mainly the effect of the difference in tax rates to which CEPSA is subject due to the different taxes on profit from hydrocarbon production activities applied in Algeria, Thailand (until 2020) and Abu Dhabi. Other foreign establishments or subsidiaries have no significant influence on this rate differential.

With regard to Algeria, the following taxes apply:

- the TAX ON REMUNERATION FOR PRODUCTION ACTIVITIES is similar to the Spanish Corporate Income Tax as it taxes gross annual income in barrels of Saharan Blend crude oil, withheld and settled through the Algerian state-owned company Sonatrach, on behalf of CEPSA;
- in addition, under Algerian law, the WINDFALL PROFIT TAX (effective August 2006) applies, whose tax rate is higher the higher the price of crude oil;
- the Tax on Petroleum Revenue (TRP);
- the Supplementary Income Tax (ICR) whose tax rate is based on the profits;
- the Royalty on production (redevance).

The combined accrued share of both taxes for 2021 and 2020 amounts to 143,158 and 73,044 thousand euros respectively.

Until the production shutdown in 2020, the Coastal Group's activity was mainly carried out in Thailand, where it was subject to the following taxes:

- the EXPENSE FOR THE COUNTRY'S HYDROCARBON SECTOR TAX (*Petroleum Income Tax*, PIT); and
- the SPECIAL REMUNERATION BENEFIT (SRB), which is calculated separately for each concession the company holds. This tax is determined on the basis of production volumes and crude prices, and is subject to certain adjustments, such as changes in the consumer price index, the wholesale price index and the depth of exploration. The tax is calculated on the production results of each year and includes deductions for expenses incurred in the concessions;
- and Royalty on production.

The amount liability accrued jointly for these taxes for 2020 amounted to 8,965 thousand euros.

In Abu Dhabi, hydrocarbon exploration, development and operation activities are subject to corporate (INCOME TAX) and a SPECIAL TAX ON ADDITIONAL PROFITS (Windfall Profit Tax).

The tax payable for all taxes for 2021 and 2020 amounts to 425,007 thousand and 22,440 thousand euros, respectively.

In other tax jurisdictions, the differences in tax rates do not show significant differences overall.

The PERMANENT DIFFERENCES line is mainly due to non-deductible expenses or income not eligible from a tax point of view. Those recorded in 2021 and 2020 correspond mainly to certain impairments of fixed assets, dividends, income obtained through Permanent Establishments located abroad, income tax settled abroad which was not included in the gross tax payable in accordance with Article 31.2 of Law 27/2014, other allocations to allowances, penalties and adjustments due to the application of consolidation.

In calculating the Corporate Income Tax expense for each year, the Group takes into account the applicable tax credits for double international taxation for income received abroad via Permanent Establishments and dividends, certain activities, and other tax incentives, in accordance with the rules applicable in each period.

Due to the radical change of scenario in 2020 (COVID-19 and crisis in the hydrocarbon markets), CEPSA changed the mechanism to avoid international double income taxation from its establishments abroad for the year 2019, applying the exemption mechanism to the taxable base (and not the allocation mechanism as a deduction considered in its 2019 Spanish corporate income tax forecast), which implied, on the one hand, an increase in the 2020 tax expense by 35 million euros, and, on the other hand, a higher amount to be refunded derived from the tax group's corporate income tax settlement by approximately 31 million euros. In 2020, CEPSA applied the allocation method as a mechanism to avoid double taxation and in 2021 it applied the exemption method.

The amounts included in the line ADJUSTMENTS TO INCOME TAX FOR THE CURRENT PERIOD OR PRIOR TAX PERIODS, which in 2021 and 2020 amounted to 2,592 thousand euros of income and 41,185 thousand euros of expenses, respectively, include the difference between the income tax expense recorded at December 31, 2020 and 2019 and that which corresponds according to the final settlement for those years. In 2020, the Company included the amount of the said expense of 35 million euros and other income tax adjustments from prior years.

26.3. Changes in balances due to deferred tax

The balances of deferred tax assets and liabilities at the end of 2021 are shown below, broken down according to their origin:

Deferred tax assets and liabilities in the CEPSA Group by origin

Thousand of euros

Year 2021	Balance at 01/01/2021	Additions	Interest cost	Derecog-nitions	Movements in equity	Translation difference	Transfers (note 5.2)	Other changes	Balance at 12/31/2021
Deferred tax assets									
Depreciation	24,212	11,264	-	(7,938)	-	(1)	(168)	1	**27,370**
Impairment	341,045	43	-	(58,554)	22,223	5	-	-	**304,762**
Tax loss carryforwards	158,568	36,022	-	(17,358)	-	861	349	(2,230)	**176,212**
Tax deductions pending application	115,180	12,504	-	(8,800)	-	7,593	(359)	(3,416)	**122,702**
Losses in permanent establishments	23,736	153	-	-	-	1,980	-	(2,717)	**23,152**
Hedging	168,662	-	-	(84)	27,696	(1)	(1,785)	-	**194,488**
Inventories	6,334	5	-	(4,651)	-	-	-	-	**1,688**
Provisions	26,430	18,168	-	(10,464)	15	108	(23)	(1)	**34,233**
Uncertain tax treatments	6,856	17,072	11,076	-	-	-	-	-	**35,004**
Others	23,194	1,321	-	(4,218)	(1)	2,025	1,293	(3)	**23,611**
Total deferred tax assets	**894,217**	**96,552**	**11,076**	**(112,067)**	**49,933**	**12,570**	**(693)**	**(8,366)**	**943,222**
Deferred tax liabilities									
Depreciation	236,648	124,900	-	(16,120)	-	9,970	(699)	829	**355,528**
Impairment	3,995	9,414	-	(238)	-	-	(3,980)	-	**9,191**
Leasing	5,895	-	-	(446)	-	-	-	-	**5,449**
Hedging	47,247	-	-	(3,886)	(3,874)	-	-	-	**39,487**
Inventories	967	-	-	-	-	-	-	-	**967**
Provisions	3,138	1,894	-	(222)	-	182	219	-	**5,211**
Uncertain tax treatments	202,641	155	3,647	(1,881)	-	4,225	(1,581)	(6,198)	**201,008**
Others	17,069	2,506	-	383	-	1,061	1,559	(104)	**22,474**
Total deferred tax liabilities	**517,600**	**138,869**	**3,647**	**(22,410)**	**(3,874)**	**15,438**	**(4,482)**	**(5,473)**	**639,315**
Net deferred taxes	**376,617**	**(42,317)**	**7,429**	**(89,657)**	**53,807**	**(2,868)**	**3,789**	**(2,893)**	**303,907**

The DEFERRED TAX ASSETS caption on the Consolidated Balance Sheet essentially records:

- the tax effect of hedging the net investment in foreign companies, amounting to 194 million euros,
- the tax credit generated by the losses of the "Coastal Group" subsidiaries and other subsidiaries, recorded in the parent company, amounting to 295 million euros,
- the tax effect of additional impairments of certain non-current assets in the amount of 10 million euros,
- tax loss carryforwards amount to 176 million euros,
- 123 million euros of deductions pending application.

DEFERRED TAX LIABILITIES on the Consolidated Balance Sheet mainly records:

- those arising from temporary differences between accounting and tax depreciation of 356 million euros, mainly in Abu Dhabi, as well as that applied in accordance with the provisions of the eleventh additional provision introduced in the Text of the Corporate Income Tax Act on the basis of Article 1.12 of Law 4/2008 of December 23, regulating the freedom of depreciation with maintenance of employment, and
- liabilities for uncertain tax treatments amounts to 201 million euros, mainly due to non-compliant tax records and arrears interest thereon.

The situation at year-end 2020 was as follows:

Thousand of euros

Deferred tax assets and liabilities in the CEPSA Group by origin

Year 2020	Balance at 01/01/2020	Additions	Interest cost	Derecog-nitions	Movements in equity	Translation difference	Transfers	Other changes	Balance at 12/31/2020
Deferred tax assets									
Depreciation	41,907	246	-	(16,978)	-	(963)	-	-	**24,212**
Impairment	382,527	57,603	-	(98,945)	-	(140)	-	-	**341,045**
Tax loss carryforwards	2,130	148,669	-	(12,584)	-	(1,163)	21,516	-	**158,568**
Tax deductions pending application	117,670	117,842	-	(120,330)	-	(2)	-	-	**115,180**
Losses in permanent establishments	33,766	-	-	(14)	-	(2,853)	(9,656)	2,493	**23,736**
Hedging	179,156	-	-	-	(10,155)	(349)	10	-	**168,662**
Inventories	2,928	5,112	-	(10)	-	(6)	(1,690)	-	**6,334**
Provisions	29,313	19,209	-	(21,151)	(37)	(1,494)	590	-	**26,430**
Uncertain tax treatments	6,856	-	-	-	-	-	-	-	**6,856**
Others	3,105	20,974	-	(1,805)	-	(209)	1,129	-	**23,194**
Total deferred tax assets	**799,358**	**369,655**	**-**	**(271,817)**	**(10,192)**	**(7,179)**	**11,899**	**2,493**	**894,217**
Deferred tax liabilities									
Depreciation	294,383	93,946	-	(185,104)	-	(17,397)	42,453	8,367	**236,648**
Impairment	4,082	-	-	(87)	-	-	-	-	**3,995**
Leasing	7,606	-	-	(1,711)	-	-	-	-	**5,895**
Hedging	10,796	9,869	-	-	26,582	-	-	-	**47,247**
Inventories	967	-	-	-	-	-	-	-	**967**
Provisions	6,820	-	-	(2,453)	-	(958)	(218)	(53)	**3,138**
Addittions for business combinations	38,532	-	-	-	-	-	(38,532)	-	**-**
Uncertain tax treatments	219,891	68,416	90	(80,276)	-	(2,301)	(2,885)	(294)	**202,641**
Others	40,550	(705)	-	(21,191)	-	(2,293)	219	489	**17,069**
Total deferred tax liabilities	**623,627**	**171,526**	**90**	**(290,822)**	**26,582**	**(22,949)**	**1,037**	**8,509**	**517,600**
Net deferred taxes	**175,731**	**198,129**	**(90)**	**19,005**	**(36,774)**	**15,770**	**10,862**	**(6,016)**	**376,617**

26.4. Uncertainty related to treatment of corporate income tax and other taxes

In the normal course of business, the Group's operations were subject to review by the tax authorities of the various countries where it operates. On occasion, this led to differences in interpretation of existing regulations. The Group's interpretation is based on the opinion of internal experts as well as, where applicable, external experts on each of the relevant matters and jurisdictions to improve estimations of tax applicability and amounts.

In this regard, there are tax assessments for various taxes in Spain, including corporate income tax for the periods 2005-2008 and 2009-2012, in respect of which the CEPSA Group has filed the corresponding appeals with the relevant courts. The Group has duly created provisions that fulfill the specified probability requirements to cover the amounts relating to said tax assessments up to 2021 year end.

In 2021, the National High Court ruled in favor of the Group, voiding the corporate income tax assessments for the years 2009 to 2012. As a result of this Resolution, CEPSA recorded an income of 29 million euros (17 million euros in fees and 11 million euros in interest).

The tax inspections for the years 2013-2016 relating to Corporate Income Tax, VAT, Personal Income Tax Withholdings, and Non-Resident Income Tax for the CEPSA Tax Group were initiated in July 2018 and concluded in July 2020 identifying no major liabilities beyond those set out in the attached Financial Statements. Furthermore, 2017 and subsequent financial years remain open to inspection.

In December 2019, the Colombian authorities closed the Income Tax audit corresponding to financial year 2015 and issued assessments amounting to 82 million euros, which were signed in disagreement. The corresponding interest on arrears calculated based on a rate of 30% since 2016 would also need to be applied. Said assessments stem from an interpretative discrepancy with the DIAN (*National Tax and Customs Department*) regarding the regulations applicable to the branches, which could result in a double taxation for the branch office in Colombia, and other additional issues such as the tax deductibility of the cost of production of royalties paid to the National Hydrocarbons Agency.

In addition and for the same reason, in September 2021, the DIAN notified two settlements for 26 million euros for Income Tax and CREE corresponding to 2016, including the same assessments signed on a contested basis relating to 2015, to which the corresponding late payment interest calculated in the same way, from 2017, should be added. The Company has appealed these settlements.

In line with the criterion previously followed by the DIAN, in November 2021 the DIAN notified a settlement proposal in the amount of 4 million euros for income tax for the 2017 financial year, including similar items to those on a contested basis with respect to the 2015 and 2016 financial years.

Supported by the judgment of leading external consultants hired to analyze this matter, the Company considers that the possibility of obtaining a favorable outcome for the Group in judicial proceedings is very high, although the tax procedure has some uncertainties arising from the likely prolonged litigation time (6 to 7 years) throughout the different judicial instances. For this reason, the risk has been classified as not probable and no provisions for this item have been recorded in the 2021 and 2020 financial statements.

There are also several additional closed tax records in previous financial years, for a lower amount, including one for income tax for the years 2009 and 2011, which were signed in non-compliance. "Cepsa Colombia, S.A." has filed the relevant appeals before the Council of State. The amount of the assessments amounts to 5 million euros, plus the subsequent penalty of up to 365% and late payment interest calculated based on a rate of 30% from the years 2009 and 2011. Appropriate allowances have been made for these items. Furthermore, 2017 and subsequent financial years remain open to inspection by Colombian authorities.

In Thailand, following the closure of the 2015-2019 PIT inspection, 2020 and 2021 remain open for inspection for that tax, and 2015 and subsequent years remain open for inspection for SRB.

In Algeria, financial year 2017 and subsequent financial years remain open to inspection, while in Abu Dhabi only financial year 2018 and subsequent financial years remain open to inspection.

CEPSA management does not expect any additional material liabilities for which provisions have not been recorded to arise for the parent company or for the other consolidated Group companies as a result of the appeals filed or of inspections of the years open to inspection.

In the opinion of the Company's Directors and its tax advisors, related party transactions are carried out at market value, transfer prices are adequately supported and it is estimated that there are no significant risks of major liabilities arising in the future in this respect.

26.5. Unrecorded deferred tax assets and liabilities

The Group has not recorded deferred tax liabilities arising from taxable temporary differences related to investments in subsidiaries, associates and joint ventures amounting to 173,468 thousand euros at December 31, 2021 compared to 130,171 thousand euros at December 31, 2020.

The Group has not recorded deferred tax assets arising from tax loss carryforwards of 59,687 thousand euros in 2021 and 58,380 thousand euros in 2020, since, according to its projected recoverability of results, it is not considered possible.

Finally, with regard to tax assessments in Colombia, it is worth noting that, in addition to the above-mentioned amount payable and interest on arrears, the tax authorities could impose a penalty of up to 194%, although the contingent tax liability has not been recorded, as a decision against the Group's interests has been deemed unlikely.

27. Earnings per share

ACCOUNTING POLICIES

Basic earnings per share are calculated by dividing the net consolidated profit attributable to equity holders of the parent by the average number of shares outstanding during the year.

There are no other equity instruments giving rise to diluted earnings per share differing from basic earnings per share.

The number of outstanding shares is 536,350,000 in 2021 and 535,149,882 in 2020 (see **Note 17.1**).

Profit per share		Thousand of euros
	2021	2020
Consolidated profit for the year from continuing operations	**722,643**	**(914,807)**
Non controlling interests	61,690	3,951
Profit attributable to equity holders of the Parent	**660,953**	**(918,758)**
Average number of shares outstanding (thousands)	536,350	535,150
Profit per share:		
Basic	1.24	(1.72)
Diluted	1.24	(1.72)

28. Environmental matters

ACCOUNTING POLICIES

Environmental investments are defined as investments included in the Group's assets for use in its business on a lasting basis which are mainly for the purpose of minimizing the environmental impact and protecting and improving the environment, including the reduction or elimination of pollution in the future caused by the operations performed by Group companies.

Environmental expenses are deemed to be those incurred to prevent, reduce or repair damage to the environment, i.e., the natural surroundings, as well as those relating to environmental commitments.

With respect to provisions for environmental risks and liabilities, the Group records provisions for environmental actions to remedy the risk of gradual soil pollution, with a charge to OTHER OPERATING EXPENSES in the Consolidated Income Statement, based on in-house estimates and technical studies. The Group has also taken out insurance policies covering other damage to the environment that might arise, including such civil liability as might derive from such damage.

Information corresponding to changes in the environmental investments for 2021 and 2020 is as follows:

Thousand of euros

Environmental investments

	Balance at 01/01/2021	Additions (charges)	Disposals/ amounts used	Other movements	Balance at 12/31/2021
Environmental assets	648,400	34,129	(2,925)	(1,540)	**678,064**
Accumulated depreciation environmental assets	(442,781)	(27,884)	2,426	(379)	**(468,618)**
Total	**205,619**	**6,245**	**(499)**	**(1,919)**	**209,446**

	Balance at 01/01/2020	Additions (charges)	Disposals/ amounts used	Other movements	Balance at 12/31/2020
Environmental assets	670,570	16,420	(1,586)	(37,004)	**648,400**
Accumulated depreciation environmental assets	(406,820)	(27,978)	1,323	(9,306)	**(442,781)**
Total	**263,750**	**(11,558)**	**(263)**	**(46,310)**	**205,619**

With a view to contributing to Sustainable Development the CEPSA Group has established programs for the ongoing improvement of its production processes, the reduction of waste water effluents, the elimination of effluent spills and its management of solid waste. To achieve this goal, an Environmental Management System has been implemented and is kept updated, ensuring compliance with applicable legal obligations and the aforementioned commitment to ongoing improvement. CEPSA's environmental investments reflect the commitments it has undertaken through its environmental targets.

The most significant environmental assets are the sulfur recovery plants, amine and acidified water treatment plants, wastewater treatment plants (chemical and biological) and technical improvements to production plant equipment in order to achieve enhanced energy efficiency and reduce CO_2 and NO_x emissions.

Thousand of euros

Environmental provisions

	Notes	2021	2020
Opening balance for the year		**23,722**	**22,118**
Additions/ Charges		**3,778**	3,416
Disposals/ Amounts used		**(2,009)**	(1,633)
Other changes		**(124)**	(179)
Closing balance for the year	Note 21	**25,367**	**23,722**

The PROVISION FOR ENVIRONMENTAL ACTIVITIES includes the CEPSA Group's best estimates of the contractual or legal obligations and commitments to prevent, reduce or repair damage to the environment charged to professional services or repairs and upkeep expenses.

PROVISIONS FOR ENVIRONMENTAL CONTINGENCIES AND OBLIGATIONS includes provisions for environmental action to remedy the risk of gradual soil pollution, the only risk not covered by the insurance policies taken out by the CEPSA Group. The amounts used in the year relate mainly to extraordinary expenses incurred in soil treatment.

At December 31, 2021 and 2020, the CEPSA Group's environmental expenses amounted to 55,149 and 49,957 thousand euros, respectively.

29. Risk management policy

29.1. Main risks associated with the CEPSA Group's operations

During 2021 and 2020, COVID-19 has dramatically affected the domestic and global economy, with significant changes in the demand for energy products and derivatives, which in turn has impacted market and futures prices of crude oil and its derivatives, debt costs, financing availabilities and other basic parameters.

The CEPSA Group reacted promptly to these uncertainties and their consequences on business operations, implementing contingency plans to optimize refinery loading and distillation levels, making crude oil supplies more flexible, even taking advantage of price volatility, rationalizing fixed costs and investments, and increasing its liquidity lines and the availability of external funds, among other important measures, some of which, in view of the improved situation and the reduction of uncertainty, have been mitigated.

In any event, the CEPSA Group carries out its activities in environments where changes in a number of external factors could affect the manner in which operations are performed and the results obtained from them.

Specifically the Group is exposed to the following risks arising out of the use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

This note sets out information on the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Additional quantitative disclosures are included below.

29.2. Risk management model

The Board of Directors, through the Audit Compliance, Ethics, and Risks Committee, and other specific committees, together with the Senior Managers of the respective divisions, supervises and monitors risks on a regular basis, adapting the risk profile to prevailing circumstances, where appropriate.

A) Credit risk

Credit risk is usually defined the risk of financial loss to which CEPSA is exposed when it grants commercial or financial credit to a third party and the third party defaults on its obligations, usually as a result of liquidity or solvency problems. The Group is exposed to credit risk in its business activities and in its financing activities, including deposits with banks and financial institutions, transactions in foreign currencies and the trading of financial instruments.

Trade payables: The Group does not have a significant concentration of credit risk on trade payables as it is widely distributed among a large number of customers and other counterparties. A significant part of these balances come from oil product logistics exchanges and trading operations, which are solidly secured and represent significant amounts.

To manage this risk, CEPSA Group has IT systems for the complete and automated treatment of both external and internal data. With this information and via application of scoring models and the assessment of risk analysts, counterparties are classified based on credit risk, establishing a credit limit for each one of them. On certain occasions, whether as a result of accumulation of risk with a certain counterparty, or due to unwillingness to assume certain risks, the Group transfers credit risk to third parties by arranging bank guarantees or credit insurance policies.

The Group also has a series of internal rules and procedures periodically updated which regulate the management of credit risk at a global level and for each business. This regulation deals with, among other aspects, the determination of commercial credit limits, the monitoring and control of the assigned credit limits, the establishment of the most adequate collection instruments, the guarantees to be requested in case of excessive or unacceptable risk, the steps to be taken in case of non-payment to collect past-due balances, etc.

Based on the parameters relating to customer solvency and payment habits included in the system for credit quality analysis are as follows, the following classification of the customer portfolio can be made:

- High quality: Preferred customers, customers with excellent credit scores and financial capacity, customers with cash in advance or secured payment terms.
- Medium quality: Medium-sized customers with a good reputation and financially solvent but with a record of slow payments.

- Low quality: New customers without any credit history, customers who are repeatedly slow in making payments and whose financial position is weak.

The breakdown of this analysis for the years 2021 and 2020, is as follows:

Thousand of euros

Credit quality

Year 2021	Notes	High quality	Medium quality	Low quality	Total
Trade and other receivables	Note 15	2,165,176	59,911	68,758	**2,293,845**
Trade and other receivables with related parties	Note 15	42,458	-	-	**42,458**
Public Administrations	Note 15	70,737	-	-	**70,737**
Other finance assets	Note 12	342,675	5,029	4,290	**351,994**
Cash and cash equivalents	Note 16	655,358	-	1,695	**657,053**
Total		**3,276,404**	**64,940**	**74,743**	**3,416,087**

Year 2020	Notes	High quality	Medium quality	Low quality	Total
Trade and other receivables	Note 15	1,133,805	107,955	28,624	**1,270,384**
Trade and other receivables with related parties	Note 15	19,028	-	-	**19,028**
Public Administrations	Note 15	91,717	-	-	**91,717**
Other Finance assets	Note 12	234,658	4,723	-	**239,381**
Cash and cash equivalents	Note 16	1,357,127	1,256	24	**1,358,407**
Total		**2,836,335**	**113,934**	**28,648**	**2,978,917**

Receivables are managed based on their due dates, which helps mitigate exposure to unrecoverable trade receivables. The aging analysis of Trade and other receivables that have not been impaired is as follows:

Thousand of euros

Non-impaired receivables	2021	2020
Debt not past due	**2,294,634**	1,246,536
Debts 0-30 days past due	**64,493**	122,507
Debts 31-90 days past due	**5,757**	3,875
Debts 91-180 days past due	**1,707**	2,682
Debts more than 180 das past due	**7,775**	11,965
Total trade and other receivables	**2,374,366**	**1,387,565**

Some credit insurance policies have been arranged to hedge the risk of default on a portion of the past-due receivables that have not been provisioned. Also, guarantees have been provided that cover another portion of the debt due.

In order to mitigate credit risk arising from financial derivatives and cash positions, CEPSA only works with reputable and highly solvent Spanish and international financial institutions. An analysis is made of counterparty risk in investments and financial instrument contracts.

B) Liquidity risk

Liquidity risk refers to CEPSA's ability to make all of its current and planned future payments, refinance its credit operations, and obtain new funding at reasonable market prices to thus satisfy the financial needs to properly conduct its business.

The Group continuously monitors its financial situation, preparing short-term cash flow forecasts, as well as carrying out long-term financial planning contained in both the budget and the strategic plan.

Thus, CEPSA pursues a conservative financial policy which involves maintaining available cash balances and other liquid financial instruments, as well as committed credit lines yet to be drawn down, sufficient to cover debt maturing in more than 4 years without having to obtain new financing in the market or refinance existing lines of credit.

The Group recurrently evaluates the concentration of risk in connection with the refinancing of its debt and has concluded that it is low.

CEPSA's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet them.

The tables below present an analysis on the maturities of financial liabilities at December 31, 2021 and 2020:

Financial liabilities maturity — Thousand of euros

Year 2021	0-3 months	3-12 months	2 years	3 years	4 years	5 years	>5 years	Total
Payables								
Account payables	2,775,448	298,493	-	-	-	-	-	**3,073,941**
Related parties	88,095	-	-	-	-	-	-	**88,095**
Total receivables	**2,863,543**	**298,493**	**-**	**-**	**-**	**-**	**-**	**3,162,036**
Borrowing								
Denominated in USD	3,158	31,233	37,953	41,697	41,307	320,554	174,278	**650,180**
Denominated in EUR	16,726	41,861	396,322	49,974	717,632	824,385	638,775	**2,685,675**
Other currencies	2,498	98,487	69,559	88,529	585	-	-	**259,658**
Total borrowings	**22,382**	**171,581**	**503,834**	**180,200**	**759,524**	**1,144,939**	**813,053**	**3,595,513**
Bank borrowings relating to finance leases								
Denominated in USD	5,522	16,565	21,725	21,545	17,176	14,773	22,803	**120,109**
Denominated in EUR	31,120	93,360	101,916	74,391	62,866	47,698	195,987	**607,338**
Other currencies	2,105	6,316	8,202	7,940	7,913	7,891	18,911	**59,278**
Total bank borrowings relating for finance leases	**38,747**	**116,241**	**131,843**	**103,876**	**87,955**	**70,362**	**237,701**	**786,725**
Financial derivatives liabilities	**240,666**	**592,215**	**361,486**	**67,380**	**32,213**	**26,508**	**51,417**	**1,371,885**
Other liabilities								
Prepayments and deposits	1,380	3,782	2,779	272	272	272	723	**9,480**
Other payables	-	-	54,957	319	318	412	1,611	**57,617**
Other liabilities	121,767	160,408	5,099	3,355	-	-	220	**290,849**
Total other liabilities	**123,147**	**164,190**	**62,835**	**3,946**	**590**	**684**	**2,554**	**357,946**
Total liquidity risk	**3,288,485**	**1,342,720**	**1,059,998**	**355,402**	**880,282**	**1,242,493**	**1,104,725**	**9,274,105**

Financial liabilities maturity — Thousand of euros

Year 2020	0-3 months	3-12 months	2 years	3 years	4 years	5 years	>5 years	Total
Payables								
Account payables	1,797,959	194,057	-	-	-	-	-	**1,992,016**
Related parties	14,195	20	-	-	-	-	-	**14,215**
Total receivables	**1,812,154**	**194,077**	**-**	**-**	**-**	**-**	**-**	**2,006,231**
Borrowing								
Denominated in USD	11,618	28,580	47,072	59,144	763,562	168,444	118,554	**1,196,974**
Denominated in EUR	22,960	47,922	61,466	529,950	402,866	633,199	1,278,452	**2,976,815**
Other currencies	2,884	93,725	38,274	60,072	79,453	579	-	**274,987**
Total borrowings	**37,462**	**170,227**	**146,812**	**649,166**	**1,245,881**	**802,222**	**1,397,006**	**4,448,776**
Bank borrowings relating to finance leases								
Denominated in USD	5,211	15,632	20,563	20,401	20,232	16,058	39,637	**137,734**
Denominated in EUR	22,829	68,488	73,279	66,764	57,670	47,463	183,134	**519,627**
Other currencies	2,152	6,455	7,567	7,462	7,369	7,083	24,008	**62,096**
Total Bank Borrowings relating for finance leases	**30,192**	**90,575**	**101,409**	**94,627**	**85,271**	**70,604**	**246,779**	**719,457**
Financial derivatives liabilities	**38,393**	**37,689**	**176,538**	**43,964**	**61,201**	**13,701**	**40,243**	**411,729**
Other liabilities								
Prepayments and deposits	1,420	3,210	2,054	272	272	272	717	**8,217**
Other payables	-	-	16,353	38,692	325	242	1,878	**57,490**
Other liabilities	188,968	41,898	7,873	3,256	-	-	297	**242,292**
Total other liabilities	**190,388**	**45,108**	**26,280**	**42,220**	**597**	**514**	**2,892**	**307,999**
Total liquidity risk	**2,108,589**	**537,676**	**451,039**	**829,977**	**1,392,950**	**887,041**	**1,686,920**	**7,894,192**

C) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to several types of market risk (price risk raw materials, exchange rate risk and interest rate risk) which may affect the Group's financial results. The main market risks inherent to the oil sector result from fluctuations in crude oil prices, derivative prices, the refining margin and the exchange rate.

The Group monitors its exposure to market risk through ongoing sensitivity analyses. For each of the market risk factors detailed below, there is a table describing the sensitivity of Group profit and equity to the main risks to which its financial instruments are exposed.

The estimates made reflect the impact of favorable and adverse changes. The impact on profit and/or equity is estimated on the basis of the financial instruments held by the Group at each year end.

Financial instruments affected by market risk include financial assets at fair value through profit or loss on the consolidated income statement (FV-CPL), available-for-sale financial assets, derivative financial instruments, short-term deposits, borrowings, and certain other financial instruments.

I. Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates in which the Company operates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's import and export activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the translation of foreign subsidiaries, both in the consolidated result and in their value of equity.

The Group's most significant foreign currency exposure is to the US dollar and to a lesser extent to the Chinese Yuan and the Brazilian Real. The Group follows exchange rate risk hedging policies in order to minimize the impact on both earnings and equity.

At December 31, 2021 and 2020, debt with credit institutions in dollars, including euro (debt with credit institutions and bond issues) swapped into dollars through *cross currency swaps*, amounted to an equivalent value of 2,543 and 2,577 million euros (see **Note 18**), representing 74% and 62% respectively, of total gross consolidated debt. Ninety-four percent of the dollar-denominated debt is allocated to accounting hedges, mainly net investment hedges (2,368 million USD), fair value hedges (333 million USD) and, to a lesser extent, cash flow hedges (3 million USD) (see **Note 30**).

With regard to the sensitivity of the Group's financial instruments held for an appreciation or depreciation of the dollar, the following table shows the impact on the post-tax result and equity:

Thousand of euros

Effect of fluctuations in the euro against the dollar	2021 Impact on profit or loss after taxes	2021 Impact on equity after taxes	2020 Impact on profit or loss after taxes	2020 Impact on equity after taxes
+ 0,05 USD/EUR	(237)	66,715	(1,344)	63,064
- 0,05 USD/EUR	259	(72,877)	1,458	(68,421)

II. Commodities price risk

The businesses operated by the CEPSA Group are exposed to the prices of certain raw materials listed on domestic and international markets, such as the price of crude oil and natural gas, prices of refined petroleum and petrochemical products, the price of the electricity pool, and the price of emission allowances. The high degree of vertical integration of the Group, increased in recent years, allows minimizing the short-term effects of economic cycles and their impact on the consolidated outcome of the Group.

Variations in the price of crude oil also affect refining and sales operations, which is contrary to the impact on the Exploration and Production area, the size of which depends on the speed with which raw material price changes are passed on to the international and local finished product markets.

Exposure to all these prices is constantly monitored, and on certain occasions the Group uses financial derivatives to reduce its exposure to the volatility of the prices. As such, these derivatives comprise economic hedging for the Group's results, although they are not always accounted for as hedges for accounting purposes (see **Note 30**).

Considering only these financial instruments held by the Group, the following table shows the sensitivity in the post-tax result and equity to the effect of a 10% increase or decrease in crude oil prices:

Thousand of euros

Effect of fluctuations in the crude oil	2021 Impact on profit or loss after taxes	2021 Impact on equity after taxes	2020 Impact on profit or loss after taxes	2020 Impact on equity after taxes
+ 10 %	(404)	616	(3,461)	-
- 10 %	404	(616)	3,988	-

III. Interest rate risk

The Company's exposure to interest rate risk relates primarily to the Company's borrowings at floating rates, mainly linked to LIBOR. The Company's policy is to manage its debt portfolio with the objective of combining the lowest possible interest rates in each relevant currency, while at the same time securing a very significant portion of the debt at a fixed rate.

For the purposes of managing and mitigating this risk, the CEPSA Group obtains financing at a fixed rate or arranges interest rate hedges via financial derivatives where appropriate (see **Note 30**).

The sensitivity analysis excludes all fixed income financial instruments carried at amortized cost as well as loans with variable rates which, through transactions with derivatives, result in a similar effect to a fixed rate. Currency and commodity based derivatives have not been included in the sensitivity analysis below as they are not considered to be exposed to interest rate risk.

The following table shows the sensitivity of the Company's net income and equity to reasonably possible changes in interest rates, assuming all other variables remain unchanged.

Thousand of euros

Effect of fluctuations in the interest rate	2021 Impact on profit or loss after taxes	2021 Impact on equity after taxes	2020 Impact on profit or loss after taxes	2020 Impact on equity after taxes
+ 0.5 %	(8,062)	12,533	(2,379)	19,809
- 0.5 %	8,062	(12,698)	2,379	(19,424)

D) Capital management

Maintaining a sound balance sheet structure is the key priority of capital management for CEPSA Group.

This objective is implemented by constantly monitoring the level of borrowings required to address any potential negative macro-economic and/ or industry events and, above all, to ensure the access to appropriate financing to enable the Group to accomplish its investment plan.

The changes in the level of borrowings are measured by two main ratios: i) Net borrowings as a proportion of total sources of financing (equity plus net borrowings) and ii) Net borrowings divided by consolidated EBITDA, as a proxy of the Group's cash flow generation, as follows:

Thousand of euros

Ratio of Cepsa Group Debt to Equity (gearing)

	Notes	2021	2021 adjusted (*)	2020	2020 adjusted (*)
Non-current finance liability		3,818,256	3,266,116	4,573,169	4,042,812
Current finance liability		284,555	149,497	236,054	140,586
Gross liability	Note 18	4,102,811	3,415,613	4,809,223	4,183,398
Less: Cash and cash equivalents	Note 16	(657,053)	(657,053)	(1,358,407)	(1,358,407)
Net debt		*3,445,758*	*2,758,560*	*3,450,816*	*2,824,991*
Equity		*4,307,344*	*4,307,344*	*4,028,742*	*4,028,742*
Net debt / (Equity + Net Debt)		*44.44%*	*39.04%*	*46.14%*	*41.22%*

(*) Adjusted not including debts from leases according to IFRS 16

Thousand of euros

Net debt to EBITDA ratio

	Notes	2021	2021 adjusted (*)	2020	2020 adjusted (*)
Net debt		*3,445,758*	*2,758,560*	*3,450,816*	*2,824,991*
EBITDA (adjusted CCS)	Note 6.1	1,815,123	1,815,123	1,186,670	1,186,670
IFRS 16 adjustments (reversal)					
Leasing payments		-	(134,080)	-	(136,135)
Adjusted EBITDA (included IFRS 16)		*1,815,123*	*1,681,043*	*1,186,670*	*1,050,535*
Net debt / EBITDA		*1.90*	*1.64*	*2.91*	*2.69*

(*) Adjunsted not including debts from leases according to IFRS 16

The Group performs an analysis of these ratios with leverage projections on a regular basis, an input which is key for making investments and dividends decisions.

E) Environmental risks

The CEPSA Group's aims to become a leading company in the mobility and sustainable energy businesses. To this end, its main objectives are to respond to the trends that are changing the success factors in the sector:

- The accelerating and irreversible shift towards sustainable products, urging us to drive significant new energy business and reduce our environmental footprint.
- The increasing distribution and availability of new energy sources, such as solar, wind and hydrogen energy, requires greater customer focus and digital agility for a successful future.
- Business is becoming increasingly sophisticated and competitive. The advantage of managing the most unique businesses, such as Chemicals or E&P, autonomously and with full concentration, will help unlock their full potential.

In 2021, the Group's efforts focused on promoting the company's climate change strategy through the preparation of the Decarbonization Plan with a 2030 horizon and the improvement in the reporting of aspects related to climate change management and its financial impact.

30. Derivative financial and hedge transactions

ACCOUNTING POLICIES

I. Initial recognition and subsequent measurement

The CEPSA Group uses hedging instruments and derivative financial products, including most notably futures and swaps *with crude oil, gas and product brokers, which hedge the price risks relating to monthly sales and purchases of crude oil, gas and oil products. The transaction limits and the hedging instruments are approved by Group management and the monitoring process observes the separation of the performance and control functions.*

For foreign currency and interest rate risks, the transaction limits and hedging instruments (basically forward *currency transactions and interest rate* swaps*) are also approved by Management, ensuring the separation of the performance and control functions.*

Such derivative financial instruments are initially recorded at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Profits or losses arising from changes in the fair value and settlement of those derivatives not designated as an accounting hedge as defined in IFRS 9 are directly attributed to profit or loss and are shown in the Consolidated Income Statement as financial income or expenses, as the case may be. Exceptionally, in the Trading segment and because of its activity, financial derivative trading is part of its operating income.

In the normal course of its operations the Group has forward sale and purchase contracts for oil and natural gas. These contracts are entered into and maintained to meet the procurement and delivery needs of these commodities in accordance with the periodic estimates for the purchase and sale of hydrocarbons. The contracts are monitored systematically and are adjusted as appropriate by physical delivery. As a result, these contracts are considered for own use *and therefore outside the scope of IFRS 9.*

As part of the regular activity of the Trading business, in addition to the supply of crude oil for the Group, a trading activity is carried out on its own account, within which a part of the supply contracts for its own use are used, allowing its purchase and sale to third parties. The value of purchase commitments that can be used for speculation purposes is not significant, as they are very short term contracts with market price arrangements.

II. Hedge accounting

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- *There is an "economic relationship" between the hedged item and the hedging instrument.*
- *The effect of credit risk does not "dominate the value changes" that result from that economic relationship.*
- *The hedge ratio in relation to hedge is the same as that resulting from the amount of the item hedged that the entity actually hedges, and the amount of the hedge instrument that the entity actually uses to hedge that amount of the item hedged.*

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The Group uses commodity swaps to hedge exposure to changes in the fair value of recorded assets or liabilities or unrecorded firm commitments, such as gas supply contracts, attributable to a particular risk that may affect the Consolidated Income Statement. Changes in the value of the hedging instrument and the hedged item attributable to the hedged risk are recorded in the Income Statement, and the valuation is also recorded in the Consolidated Balance Sheet.

Cash flow hedges

The Group uses interest rate swaps to reduce its exposure to interest rate risk on certain floating rate loans. In addition, to reduce natural gas price risk, commodity swaps are used to hedge exposure to variable price changes in highly probable forecast natural gas purchase or sale transactions.

The effective portion of the gain or loss on the hedging instrument is recorded directly in OTHER COMPREHENSIVE INCOME, while the ineffective portion is recorded immediately in the Consolidated Income Statement, under FINANCIAL INCOME OR EXPENSE.

Amounts recorded as OTHER COMPREHENSIVE INCOME are transferred to Consolidated Profit or Loss when the hedged transaction affects profit or loss. Both the hedge instrument and the hedged transaction are included under the same caption in the Consolidated Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recorded in OTHER COMPREHENSIVE INCOME remains separately in EQUITY until the forecast transaction occurs or the firm commitment is met.

Net investment hedges

The Group uses both non-derivative liabilities (such as bank borrowing) and financial derivatives (mainly currency swaps) to hedge the exposure to changes in the EUR/USD rate of investments in the net assets of foreign operations whose functional currency is the USD.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recorded in OTHER COMPREHENSIVE INCOME while any gains or losses relating to the ineffective portion are recorded in the Consolidated Income Statement in FINANCIAL COSTS AND INCOME.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in EQUITY is transferred to the Consolidated Income Statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recorded initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at either the best estimate of the expenditure required to settle the present obligation at the reporting date or the amount initially recorded less accumulated amortization, whichever is higher.

The breakdown of the notional and fair value of the Group's derivatives for the years 2021 and 2020 is as follows:

Trading derivatives

Thousand of euros

	Year 2021				Year 2020			
	Derivative assets (Note 12)		Derivative liabilities (Note 18)		Derivative assets (Note 12)		Derivative liabilities (Note 18)	
	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Foreign exchange derivatives								
Forwards								
Buy USD / sell EUR	1,014,204	15,780	471,550	(908)	21,592	6	876,508	(6,842)
Buy EUR / sell USD	-	-	-	-	15,639	292	-	-
Buy USD / sell CNY	-	-	-	-	-	-	31,008	(515)
Buy EUR / sell GBP	-	-	5,262	(73)	-	-	3,208	(6)
Buy EUR / sell BRL	-	-	33,671	(691)	10,051	331	-	-
Buy USD / sell JYP	6,938	312	-	-	-	-	6,594	(239)
Collar buy USD / sell CNY	-	-	54,299	(264)	-	-	-	-
Total	1,021,142	16,092	564,782	(1,936)	47,282	629	917,318	(7,602)
Commodities price derivatives								
Swaps (oil and products)	21,001	903	-	-	128,748	4,400	79,568	(19,969)
Swaps (electricity)	119,050	64,062	117,485	(50,606)	34,709	5,375	80,069	(7,274)
Options (crude oil and products)	-	-	-	-	96,510	1,961	-	-
Swaps (natural gas)	-	-	80,428	(15,350)	-	-	-	-
Total	140,051	64,965	197,913	(65,956)	259,967	11,736	159,637	(27,243)
Total trading derivatives	1,161,193	81,057	762,695	(67,892)	307,249	12,365	1,076,955	(34,845)

Thousand of euros

Hedging derivatives

	Year 2021				Year 2020			
	Derivative assets (Note 12)		Derivative liabilities (Note 18)		Derivative assets (Note 12)		Derivative liabilities (Note 18)	
	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Cash flow hedges								
Interest rate derivatives								
Interest rate swaps	**407,911**	**4,685**	**1,008,346**	**(19,480)**	-	-	1,232,924	(40,243)
Cross currency swaps (interest tranch) (*)	**250,000**	**1,764**	**-**	**-**	75,000	39	275,000	(1,693)
Derivatives on commodities prices								
Swaps (hedge of refining margin)	**56,020**	**2,296**	**-**	**-**	1,139	621	-	-
Swaps (natural gas)	**-**	**-**	**91,587**	**(35,195)**	8,695	10,625	3,262	(145)
Total	**713,931**	**8,745**	**1,099,933**	**(54,675)**	**84,834**	**11,285**	**1,511,186**	**(42,081)**
Net investment hedge								
Foreign currency derivatives								
Cross currency swaps	**169,283**	**3,281**	**2,066,597**	**(63,917)**	1,655,935	49,294	324,872	(2,294)
Forwards buy EUR / sell USD	**97,087**	**282**	**-**	**-**	144,835	2,662	-	-
Total	**266,370**	**3,563**	**2,066,597**	**(63,917)**	**1,800,770**	**51,956**	**324,872**	**(2,294)**
Cost of hedging								
Derivatives on commodities prices								
Swaps (Brent)	**1,604,458**	**58,048**	**-**	**-**	-	-	-	-
Swaps (natural gas)	**22,656**	**4,404**	**1,614,568**	**(1,006,282)**	238,163	17,258	550,262	(138,665)
Total	**1,627,114**	**62,452**	**1,614,568**	**(1,006,282)**	**238,163**	**17,258**	**550,262**	**(138,665)**
Total hedging derivatives	**2,607,415**	**74,760**	**4,781,098**	**(1,124,874)**	**2,123,767**	**80,499**	**2,386,320**	**(183,040)**

(*) Concerning hedge accounting, several sintetic derivatives have been disaggregated from CCS, and included part of them as a hedge of Net Investment Hedges, and the rest as a hedge of Cash Flow Hedge (interest hedging component only).

30.1. Foreign currency risk

The types of derivatives normally used to mitigate exchange rate risk are *forwards* and *currency swaps*, in accordance with the established risk management policy (see **Note 29**).

Furthermore, in accordance with its exchange rate risk management policy (see **Note 29**), the CEPSA Group has contracted financial debt in USD to finance certain investments in this same currency.

Thus, at December 31, 2021 and 2020, the Cepsa Group had assigned financing for a nominal amount of 235 million USD and 753 million USD, respectively, as a hedging instrument for net investments made by the following companies: "Cepsa Colombia, S.A.", "Cepsa International, B.V.", "Cepsa (Rhourde el Rouni), Ltd", "Cepsa Peruana, S.A.C.", "Coastal Energy KBM SDN BHD", "Mopu Holdings (Singapore), Pte. Ltd.", "Cepsa Algerie, S.L.", "SinarMas Cepsa, Pte. Ltd," "Coastal Energy Company" and "Cepsa E.P. Abu Dhabi, S.L.U." all with the functional currency of US dollars. In addition, exchange rate derivatives with a nominal amount of 2,147 million USD remain allocated to hedges of net investment at 2021 year-end and 1,943 million USD at 2020 year-end.

There are *Cross Currency Swaps* in respect of credits and loans amounting to 1,868 million euros that transform this debt into USD.

No inefficiency in the aforementioned hedges was recorded.

The table below shows the balances and movements for this hedge of net investment included in the caption of net equity of the balance: ADJUSTMENTS FOR CHANGES IN VALUE IN HEDGE OPERATIONS corresponding to the 2021 and 2020 financial years.

Thousand of euros

Valuation adjustments in hedges - Movements

	Notes	2021	2020
Opening balance		**(375,050)**	**(536,885)**
Gains or losses recognised directly in equity		**(138,291)**	161,835
Reclassification during the year to profit or loss		**32,070**	-
Closing balance	Note 17.4	**(481,271)**	**(375,050)**

At the same date, the CEPSA Group has assigned financing in US dollars for a nominal amount of 3 million USD at year-end 2021 and 12.5 million USD at year-end 2020, as a hedging instrument in a cash flow hedge, the hedged item being highly expected future collections in foreign currency for leases and/or expected sales.

30.2. Commodities price risk

SIGNIFICANT ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The Group supervises its exposure to market risk via a continuous sensitivity analysis for crude oil and natural gas prices, the prices of petroleum and petrochemical products, the price of pool electricity, the price of emission allowances, etc.

In order to reduce the variability of this risk, the Group contracts financial derivatives that constitute an economic hedge of the Group's results, although not in all cases they are recorded as accounting hedges.

At the end of 2021, the Group has a fair value hedge on firm commitments related to natural gas purchases. In these signed commitments, the price is not fixed on the basis of the reference that governs the gas commercialization market in Spain, for which reason swaps have been contracted to transform these reference indexes.

The Group also maintains cash flow hedges associated with purchases and sales of natural gas at different prices.

30.3. Interest rate price risk.

The company policy regarding interest rate risk exposure consists of managing its interest costs using both fixed and variable interest rate borrowings, *interest rate swaps* in which it agrees to exchanges, at certain intervals, the difference between the amounts at fixed rates and variable rates and cross currency swaps (CCSs). The company exchanges a capital and interest flow in USD for another capital and interest flow in EUR at a prefixed exchange rate at the maturity date.

Interest rate swaps are currently a part of cash flow hedges to cover variable rate embedded debt obligations. The nominal debt covered by these swaps is 1,277 and 1,476 thousand euros in 2021 and 2020, respectively.

The following table summarizes the maturity date of the Group's derivatives based on discounted contract payments:

Derivatives - Maturities

Thousand of euros

Year 2021	0-3 months	3-12 months	1-3 years	>3 years	Total
Derivatives assets					
Cash flow hedging derivatives	442	1,854	5,492	957	**8,745**
Fair value hedging derivatives	10,616	32,194	19,641	-	**62,451**
Net investment hedging derivatives	-	282	3,281	-	**3,563**
Derivatives not designated hedge accounting	16,105	44,814	-	20,139	**81,058**
Total	**27,163**	**79,144**	**28,414**	**21,096**	**155,817**
Derivatives liabilities					
Cash flow hedging derivatives	-	(35,195)	(11,985)	(7,497)	**(54,677)**
Fair value hedging derivatives	(193,339)	(501,834)	(311,110)	-	**(1,006,283)**
Net investment hedging derivatives	-	-	(15,383)	(48,534)	**(63,917)**
Derivatives not designated hedge accounting	(34,362)	(14,737)	-	(18,790)	**(67,889)**
Total	**(227,701)**	**(551,766)**	**(338,478)**	**(74,821)**	**(1,192,766)**

Year 2020	0-3 months	3-12 months	1-3 years	>3 years	Total
Derivatives assets					
Cash flow hedging derivatives	-	2,599	8,686	-	**11,285**
Fair value hedging derivatives	-	850	16,408	-	**17,258**
Net investment hedging derivatives	150	2,513	-	49,294	**51,957**
Derivatives not designated hedge accounting	1,214	5,776	2,150	3,225	**12,365**
Total	**1,364**	**11,738**	**27,244**	**52,519**	**92,865**
Derivatives liabilities					
Cash flow hedging derivatives	(14)	(130)	-	(41,937)	**(42,081)**
Fair value hedging derivatives	-	(3,606)	(135,059)	-	**(138,665)**
Net investment hedging derivatives	-	-	-	(2,294)	**(2,294)**
Derivatives not designated hedge accounting	(25,004)	(5,987)	(1,542)	(2,312)	**(34,845)**
Total	**(25,018)**	**(9,723)**	**(136,601)**	**(46,543)**	**(217,885)**

31. Fair value

ACCOUNTING POLICIES

According to IFRS 13, the Group uses the following hierarchy for determining the fair value of derivative financial instruments and available for sale portfolio:

• 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

• 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

• 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Interest rate swaps, forward foreign exchange contracts, and term commodity contracts are valued using valuation techniques that use market observables such as exchange rates (cash and term), interest rate curves or term commodity price curves.

With respect to a comparison of the carrying value and fair value of the Group's financial assets and liabilities, Management considers that, except for fixed rate loans and the sub-portfolio of trade receivables subject to securitization, the fair value thereof is similar to the carrying value.

For the fair value of the fixed rate loans, the cash flow discount rate is used. At year-end 2021 there are no fixed-rate loans, while in 2020 the fair value of the only fixed-rate loan was 112.9 million euros, while its carrying value amounted to 111.6 million euros. (See **Note 15**).

With respect to outstanding fixed-rate bonds, the fair value as of December 31, 2021 was 1,527 million euros, while their carrying value amounted to 1,500 million euros (see **Note 18**).

At December 31, 2021, the company's own credit risk is considered insignificant.

Fair value of financial instruments

Thousand of euros

	2021				2020			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Fair value through profit or loss measurement category								
Available for sale assets	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative Assets								
Interest rates derivatives	6,449	-	6,449	-	39	-	39	-
Exchange rate derivatives	19,654	-	19,654	-	52,586	-	52,586	-
Commodities derivatives	129,714	-	129,714	-	40,240	-	40,240	-
Total	**155,817**	**-**	**155,817**	**-**	**92,865**	**-**	**92,865**	**-**
Derivative Liabilities								
Interest rates derivatives	19,480	-	19,480	-	41,935	-	41,935	-
Exchange rate derivatives	65,853	-	65,853	-	9,897	-	9,897	-
Commodities derivatives	1,107,433	-	1,107,433	-	166,053	-	166,053	-
Total	**1,192,766**	**-**	**1,192,766**	**-**	**217,885**	**-**	**217,885**	**-**
Fair value through other comprehensive income measurement category								
Sub-portfolio of trade receivables subject to securitization	390,247	-	390,247	-	199,335	-	199,335	-
Total	**390,247**	**-**	**390,247**	**-**	**199,335**	**-**	**199,335**	**-**
Assets and liabilities for which fair values are disclosed								
Fixed rate loans	-	-	-	-	112,874	-	112,874	-
Corporate bonds	1,527,325	1,527,325	-	-	1,516,903	1,516,903	-	-
Total	**1,527,325**	**1,527,325**	**-**	**-**	**1,629,777**	**1,516,903**	**112,874**	**-**

The Group has derivative financial instruments with various counterparties, mainly financial institutions with investment grade credit ratings.

32. Related party transactions

ACCOUNTING POLICIES

A party is considered to be related to another party when one of the two, or several parties acting together, exercises or has the possibility to exercise control over the other party, directly, indirectly or through shareholder or equity holder agreements, or has a significant influence in the financial and operating policy decisions of the other party. The related parties comprise the sole shareholder, directors and key management personnel of the Group as well as subsidiaries, associates, joint ventures and other related parties. The terms of these operations are approved by the management of each company and are carried out in the terms agreed by the Board of Directors.

Transactions between the Company and its subsidiaries, which are related parties, were eliminated on consolidation and are not disclosed in this note.

32.1. Transactions with associates, joint ventures and other related parties

Transactions between the Group and its associates and joint ventures for the years 2021 and 2020 are broken down below:

Transactions with associates and joint ventures and other related parties — Thousand of euros

Year 2021	Notes	Associates	Joint Ventures	Others	Total
In the Consolidated Balance Sheet					
Trade and other receivables	Note 15	30,843	1,029	10,586	**42,458**
Current and non-current loans		6,833	28,633	9,797	**45,263**
Trade and other payables		7,234	1,483	79,532	**88,249**
Total		**44,910**	**31,145**	**99,915**	**175,970**
Consolidated Statement of Profit or Loss					
Revenue		187,677	24,814	141,020	**353,511**
Other operating income		21	-	-	**21**
Procurements		13,125	18,631	953,190	**984,946**
Other operating costs		10,954	1,663	14,803	**27,420**
Finance income		72	748	20	**840**
Finance costs		4	-	-	**4**
Total		**211,853**	**45,856**	**1,109,033**	**1,366,742**

Year 2020	Notes	Associates	Joint Ventures	Others	Total
In the Consolidated Balance Sheet					
Trade and other receivables	Note 15	15,229	658	3,141	**19,028**
Current and non-current loans		8,961	12,176	8,945	**30,082**
Trade and other payables		5,140	1,926	5,215	**12,281**
Total		**29,330**	**14,760**	**17,301**	**61,391**
Consolidated Statement of Profit or Loss					
Revenue		122,799	7,393	66,053	**196,245**
Other operating income		20	204	-	**224**
Procurements		12,907	12,494	488,393	**513,794**
Other operating costs		12,771	1,711	18,704	**33,186**
Finance income		67	303	95	**465**
Finance costs		-	-	(6)	**(6)**
Total		**148,564**	**22,105**	**573,239**	**743,908**

Transactions and balances with these entities basically relate to the Group's ordinary business operations and were carried out on an arm's-length basis.

Also included under CURRENT AND NON-CURRENT LOANS TO JOINTLY CONTROLLED ENTITIES is the loan to "SinarMas Cepsa" amounting to 28,695 thousand euros and 9,408 thousand euros in 2021 and 2020, respectively (see **Note 12**).

32.2. Transactions with shareholders

The relevant operations carried out by the CEPSA Group with its shareholders and the companies controlled by them have been:

Thousand of euros

Name of significant shareholder	CEPSA Group Company	Type of transaction	Type of relationship	2021	2020
Cepsa Holding LLC	CEPSA	Corporate	Dividends and other distributed profit	**320,945**	120,540
Matador Bidco Sàrl	CEPSA	Corporate	Dividends and other distributed profit	**200,916**	75,460
Other minority shareholders	CEPSA	Corporate	Dividends and other distributed profit	**690**	-
Mubadala Investment Company PJSC	CEPSA	Commercial	Procurements, services and other expenses	**49**	-

33. Remuneration and other benefits for the Board of Directors and Senior Management

The remuneration accrued by the directors of the Consolidated Group in 2021 and 2020 was as follows:

Remuneration to Board of Directors - Concept	2021	2020
		Thousand of euros
Wages and Salaries	800	800
Variable remuneration	595	255
Bylaws-stipulated Director emoulments	2,847	1,484
Other Items	2,746	10
Credits granted	500	-
Pension funds and plans: contributions and obligations (Defined contribution plans)	199	200
Total	**7,687**	**2,749**

CEPSA's directors and officers liability insurance policy was renewed for 12 months on December 14, 2021, with a total annual net premium of 165 thousand euros for the entire Group. This amount is paid by CEPSA as the policyholder and cannot be broken down by individuals, as apart from covering Board members and Managers, it also covers all those employees who make decisions on behalf of the company.

Directors who do not perform executive duties only receive an annual remuneration as stipulated in the Articles of Association, which amounted to 2,665 thousand euros in 2021.

In accordance with the provisions of Article 229 of the Spanish Companies Act, the Company's directors have disclosed the following conflicts of interest:

At the meeting of the Board of Directors held on November 3, 2021, and at which a proposed resolution regarding a tax litigation issue was put to a vote, the three proprietary directors representing the shareholder Matador Bidco S.à.r.l. (an entity ultimately controlled by The Carlyle Group Inc.), Mr. Martialis Quirinus Henricus van Poecke, Mr. James Robert Maguire and Mr. Joost Bart Maria Dröge, declared that they had a potential conflict of interest in relation to the agreements in force between the two main shareholders of the Company. Consequently, they recused themselves and abstained from the deliberations and voting on such tax matters, which was duly recorded in the relevant minutes.

On the occasion of his resignation as Chief Executive Officer, as stated in his letter dated December 31, 2021, Mr. Philippe François Marie Joseph Boisseau declared that neither he, nor any related person, was involved in a direct or indirect conflict of interest situation with the Company during the year ended December 31, 2021, except for those that he had previously declared in connection with his positions as a director of other companies operating in the same oil and gas sector as CEPSA: (i) Assala Energy UK Ltd.; (ii) Enermech; and (iii) I-Pulse Inc.

The incumbent directors at the date of preparing these Financial Statements made certain conflict of interest disclosures in connection with their positions as executives or directors in other companies operating in the same energy sector as CEPSA, and by means of their respective letters addressed to the Secretary of the Board and dated March 4, 2022, confirmed the following potential conflicts of interest:

Mr. Ahmed Yahia

Currently he holds the position of Chief Executive Officer of Direct Investments at Mubadala Investment Company PJSC and Chairman of NOVA Chemicals, both companies with interest in the energy sector.

Mr. Martialis Quirinus Henricus van Poecke

Mr. van Poecke currently serves as Managing Director for Carlyle International Energy Partners (CIEP), an investment fund affiliated with The Carlyle Group and active in the energy space, and he is a Director of the following entities engaged in the energy sector: (i) Assala Energy UK Limited; (ii) BSOG Holding Activity SRL; (iii) Discover Exploration Ltd.; (iv) Mazarine Energy B.V.; (v) Neptune Energy Group Ltd.; (vi) Varo Energy B.V.; and (vii) Flamingo (Jersey) Limited. He is also a major shareholder and President of the Supervisory Board of ONE-Dyas B.V.

Mr. Maarten Wetselaar

Through a letter dated March 4, 2022 and addressed to the Secretary of the Board of Directors, Mr. Wetselaar confirmed that from January 1, 2022 and up to the date of his letter, neither he, nor any persons related or connected to him, were involved in any direct or indirect conflicts with the interests of the Company.

Mr. Musabbeh Helal Musabbeh Ali Alkaabi

Currently, he holds the position of Chief Executive Officer of UAE Investments at Mubadala Investment Company PJSC, a company with interests in the energy sector, and with respect to other positions in energy sector companies, he is (i) Chairman of the Board of Directors of Mubadala Petroleum; (ii) Vice Chairman of the Board of Directors of Masdar; and (iii) Director of Dolphin Energy Ltd.

Mr. James Robert Maguire

Currently, he holds the position of Managing Director of Carlyle International Energy Partners (CIEP), an investment fund associated with The Carlyle Group and with stakes in the energy sector, and with respect to other positions in companies with activities in the energy sector, he is a member of the Board of Directors of (i) Assala Energy UK Limited; (ii) BSOG Holding Activity S.R.L.; (iii) CIEP Epoch NewCo 1 Ltd. (iv) Mazarine Energy B.V.; (v) Neptune Energy Group Limited; and (vi) Flamingo (Jersey) Limited.

Mr. Joost Bart Maria Dröge

Currently he holds the position of Managing Director of Carlyle International Energy Partners (CIEP), an investment fund associated with The Carlyle Group and with stakes in the energy sector, and with respect to other positions in companies with activities in the energy sector, he is a member of the Board of Directors of: (i) CIEP Epoch NewCo 1 Ltd.; (ii) Varo Energy B.V.; (iii) Flamingo SwissCo AG; and (iv) Lexo Energy Mauritius Ltd.

Ms. Alyazia Ali Saleh Ahmed Alkuwaiti

Currently, she holds the position of Executive Director of Energy at Mubadala Investment Company PJSC, a company with interests in the energy sector, and is also a Director of: (i) OMV Aktiengesellschaft; and (ii) Mubadala Petroleum, entities operating in the same energy sector as CEPSA.

Mr. Marwan Naim Nijmeh

Currently, he holds the position of Deputy Chief Legal Officer at Mubadala Investment Company PJSC, and he is a Director of Mubadala Petroleum, both companies engaged in the energy sector.

Mr. Saeed Mohamed Hamad Fares Almazrouei

Currently, he holds the position of Deputy Chief Executive Officer of Direct Investments at Mubadala Investment Company PJSC and is a Director of: (i) OMV Aktiengesellschaft; (ii) NOVA Chemicals and (iii) Borealis AG, all companies with interest in the energy sector.

Mr. Ángel Corcóstegui Guraya

By means of a letter dated March 4, 2022 addressed to the Secretary of the Board of Directors, he confirmed that during the year ended December 31, 2021 and up to the date of his letter, neither he nor any related person was involved in any situation of direct or indirect conflict of interest with the Company.

At the date the Annual Financial Statements were formulated, no other direct or indirect conflict of interest has been reported.

At December 31, 2021, there were 10 members (nine men and one woman) on the Board of Directors, in addition to the Non-Director Secretary and Non-Director Deputy Secretary.

The total remuneration of Senior Management (referring to members of the Management Committee, regardless of the type of employment contract they have) who were not simultaneously executive directors of the Group, in 2021 and 2020, was as follows:

Remuneration to Top Management - Concept	Thousand of euros 2021	2020
Wages and Salaries	**3,424**	2,898
Variable remuneration	**2,451**	5,678
Termination Benefits	**-**	1,577
Other Items	**151**	1,893
Credits granted	**900**	-
Pension funds and plans: contributions and obligations (Defined contribution plans)	**708**	595
Total	**7,634**	**12,641**

At year-end 2021 and 2020, the Senior Management was formed by 10 members (9 men and 1 woman) and 9 members (8 men and 1 woman), respectively.

Senior executives receive an annual fixed and variable remuneration payment. Variable remuneration is calculated as a percentage of fixed remuneration, with said percentage being conditional upon the level of achievement of the objectives established for the year. These objectives, which are subject to measurement and control systems, are determined on the basis of the earnings of the Consolidated Group, occupational safety rates, operating aspects of the business, such as the execution of projects pursuant to established criteria relating to price, quality and deadlines, and individual performance.

Loans amounting to 1,400 thousand euros, at an interest rate of 1% and due date in 2024, have also been granted to members of the Board and Senior Management.

34. Guarantee commitments and other contingent liabilities

At December 31, 2021 and 2020, certain Group companies had provided guarantees, mainly for bank transactions and supply contracts. The breakdown of such guarantees is as follows:

Thousand of euros

Guarantees to third parties	2021	2020
Public entities	665,826	529,864
Suppliers / creditors and others	4,562,754	3,937,117
Total	**5,228,580**	**4,466,981**

Guarantees arranged with SUPPLIERS/CREDITORS AND OTHER relate mainly to guarantees provided by CEPSA to financial institutions for drawdowns against credit facilities granted to Group companies, as well as letters of credits to trade payables, which in 2021 and 2020 amounted to 2,680,526 thousand euros and 2,377,402 thousand euros, respectively. These amounts were recorded, by maturity, under BANK BORROWINGS and TRADE AND OTHER PAYABLES on the liability side of the Consolidated Balance Sheet.

At December 31, 2021, the Group had not pledged any financial assets as security for liabilities or contingent liabilities.

The Group has firm commitments for gas transportation (*ship or pay*) with the company "Medgaz, S.A.", which was part of the CEPSA Group until its delivery to the "Mubadala Group" in 2019. In the same line of business, the Group maintains commitments to purchase natural gas through its affiliate "Cepsa Gas Comercializadora, S.A."

At year end 2021 and 2020, long-term firm commitments are as follows:

Thousand of euros

Long term commitments in procurements

Year 2021	2022	2023	2024	2025	2026	Others	Total
Natural Gas and Liquified Natural Gas	519,969	414,784	414,784	414,784	414,784	2,177,615	4,356,720
Gas transport fees	48,256	49,221	50,205	51,209	52,233	237,713	488,837
Total	**568,225**	**464,005**	**464,989**	**465,993**	**467,017**	**2,415,328**	**4,845,557**

Year 2020	2021	2022	2023	2024	2025	Others	Total
Natural Gas and Liquified Natural Gas	365,427	343,389	309,820	316,469	312,583	1,641,063	3,288,751
Gas transport fees	47,309	48,256	49,221	50,205	51,209	286,046	532,246
Total	**412,736**	**391,645**	**359,041**	**366,674**	**363,792**	**1,927,109**	**3,820,997**

These commitments were quantified using estimates based on Brent Crude forward curves at year end 2021 and 2020, respectively, which is the main benchmark price of these contracts.

35. Events after the reporting period

Effective 1 January 2022, Maarten Wetselaar was appointed Chief Executive Order to replace Philippe Boisseau.

As of January 1, 2022, Carmen de Pablo joined the Group as the new Chief Financial Officer.

In relation to the conflict between Russia and Ukraine which initiated in February 2022, it should be noted that the Cepsa does not own or operate any assets, nor holds relevant commercial relationships with customers in Russia or Ukraine. Furthermore, the company does not source crude oil from either of these two countries. As such, the impact of this conflict on Cepsa will be mostly derived from the increased volatility in commodity prices, the evolution of the overall macroeconomic conditions and its effect on demand and economic growth.

At the date of issuing these Consolidated Financial Statements, there were no other significant subsequent events to report in this section.

Table I

Thousands of euros

SUBSIDIARIES

Name	Parent Company	Registered Office	Line of Business	Ownership 2021	Ownership 2020	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit	Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
CEPSA BUSINESS SERVICES, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate services	100%	100%	60	60	1,386	2,810	G	Yes
CEPSA FINANCE, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Other business management consulting activities	100%	100%	100	100	1,467	100	G	Yes
CEPSA INTERNATIONAL B.V.	Compañía Española de Petróleos, S.A.	Beurs - World Trade Centre - Office 668 Beursplein 37. 3011 AA Rótterdam. The Netherlands	Oil and gas trading	100%	100%	3,138	3,138	102,303	130,977	G	No
CEPSA TREASURY, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Financial Services	100%	100%	60	60	8,514	60	G	Yes
CEPSA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate services	100%	100%	61	61	1,523	61	G	Yes
MAGNA EXPERGERE, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Services Provides of mercantile intermediation	100%	-	9,060	9,060	311	9,060	G	Yes
TEIDE RE, S.A.	Cepsa International, B.V.	74, Rue de Merl. L - 2146 Luxemburgo. Luxemburgo	Reinsurance Operations	100%	100%	2,725	2,725	40,409	2,725	G	No
CEPSA ENERGY (THAILAND) LIMITED	Coastal Energy Company, S.L.U.	Unit 1601 - 1604, 388 Exchange Tower, Sukhumvit Rd., Klongtoey. 10110 Bangkok. Tailandia	Research and exploration	100%	100%	2,149	2,149	(87)	2,026	G	No
CEPSA ENERGY COMPANY INTERNATIONAL, S.L.U.	Coastal Energy Company, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	45	45	(228,517)	(195,663)	G	Yes
CEPSA (RHOURDE EL ROUNI), S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	100,791	100,791	86,131	157,844	G	Yes
CEPSA ALGERIE, S.L.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	37	37	321,772	282,336	G	Yes
CEPSA COLOMBIA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	24,109	24,109	(52,089)	65,248	G	Yes
CEPSA E.P. MEXICO S. DE R.L. DE C.V.	Compañía Española de Petróleos, S.A.	Av.Paseo de la reforma, 295 Piso 8 Oficina A. 06500 Cuauhtemoc - Ciudad de Mexico. Mexico	Research and exploration	100%	100%	8,439	8,439	(8,425)	136	G	No
CEPSA EP ABU DHABI, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	3	3	1,345,794	1,478,549	G	Yes
CEPSA EP ESPAÑA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	100	100	(8,672)	-	G	No
CEPSA PERU, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	60	60	63,868	79,866	G	Yes
CEPSA PERUANA, S.A.C.	Cepsa Perú, S.A.U.	Av Ricardo Rivera Navarrete, 501 Piso 18 Oficina B. 27 San Isidro-Lima. Perú	Research and exploration	100%	100%	78,428	78,428	(29,424)	51,524	G	No
CEPSA SURINAME, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	23,706	23,706	7,328	34,661	G	Yes
COASTAL ENERGY COMPANY, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	37	37	(271,650)	49,956	G	Yes
CEC (KHORAT), S.L.U.	Coastal Energy Company, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration	100%	100%	46	46	(14,069)	(24,598)	G	Yes
COASTAL ENERGY KBM SDN BHD	Compañía Española de Petróleos, S.A.	Level 23, Etiga Twins, 11 Jalan. - Pinangm KL. Malasia	Research and exploration	70%	70%	4,926	4,926	2,205	5,620	G	No
MOPU HOLDINGS (SINGAPORE) PTE LTD	Compañía Española de Petróleos, S.A.	6, Temasek Boulevard #38-01 Suntec Tower Four. 038986 -. Singapore	Research and exploration	100%	100%	-	-	(55,975)	2,050	G	No
NUCOASTAL (THAILAND) LIMITED	Coastal Energy Company, S.L.U.	Unit nos 3901 - 3904, 39th. Floor, Exchange Tower, 388 Sukhumvit Rd. Klongtoey. - Bangkok. Tailandia	Research and exploration	100%	100%	1,730	1,730	(31,147)	(5,304)	G	No

(*) G = Fully consolidated; E = Equity method Consolidation

(**) Book value in individual accounts

Thousands of euros

SUBSIDIARIES

Name	Parent Company	Registered Office	Line of Business	Ownership 2021	Ownership 2020	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit	Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
CEPSA GAS COMERCIALIZADORA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Gas distribution	70%	70%	3,060	3,060	40,530	24,941	G	No
CEPSA GAS Y ELECTRICIDAD, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Electricy distribution	100%	100%	12,330	12,330	31,287	43,617	G	Yes
CHANTEIRO RENOVABLES, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	495	997	G	Yes
GENERACIÓN ELÉCTRICA PENINSULAR, S.A.	Cepsa Gas y Electricidad, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Cogeneration	70%	70%	32,000	32,000	98,326	22,400	G	No
MITRA ALFA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	4,814	5,322	G	Yes
MITRA BETA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	8,415	8,922	G	Yes
MITRA DELTA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	493	997	G	Yes
MITRA EPSILON, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	5,696	6,197	G	Yes
MITRA GAMMA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	7,743	8,247	G	Yes
MITRA IOTA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	493	997	G	Yes
MITRA LAMBDA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	494	997	G	Yes
MITRA MEDULAS, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	492	997	G	Yes
MITRA NU, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	493	997	G	Yes
MITRA OMICRON, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	494	997	G	Yes
MITRA PI, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	493	997	G	Yes
MITRA SIGMA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	493	997	G	Yes
REDES RENOVABLES, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	494	997	G	Yes
SENSELLE RENOVABLES, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	-	500	500	494	997	G	Yes
SERVICIOS ENERGETICOS DE ALTA EFICIENCIA, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Electricy sales	100%	100%	100	100	3,420	5,408	G	Yes
SURESA RETAMA, S.L.U.	Cepsa Gas y Electricidad, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Renewables power generation	100%	100%	605	605	14,342	17,082	G	Yes

(*) G = Fully consolidated; E = Equity method Consolidation

(**) Book value in individual accounts

Thousands of euros

SUBSIDIARIES

Name	Parent Company	Registered Office	Line of Business	Ownership 2021	Ownership 2020	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit	Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
CEPSA CHEMICAL (SHANGHAI), CO., LTD	Cepsa Química China, SA	Nº 159 Pu Gong Rd., Shanghai Chemical Industrial Park. - Shanghai. China	Manufacturing, Commercialization of phenol, acetone and related products	75%	75%	241,637	241,637	(92,312)	117,423	G	No
CEPSA CHEMICAL PRODUCTS (SHANGHAI), LTD	Cepsa Chemical (Shanghai), CO, LTD	Nº 159 Pu Gong Rd., Shanghai Chemical Industrial Park. - Shanghai. China	Manufacturing, Commercialization of phenol, acetone and related products	75%	75%	26,176	26,176	(4,527)	14,938	G	No
CEPSA CHIMIE BÉCANCOUR, INC.	Cepsa Química, S.A.	5250 Boulevard Becancour. G9H 3X3 Becancour. QUEBEC. Canadá	Commercialization of petrochemical products	100%	100%	1,152	1,152	68,052	7,718	G	No
CEPSA ITALIA, S.p.A.	Cepsa Química, S.A.	Viale Milanofiori Palazzo A/6. 20090 Assago- MILAN. Italia	Commercialization of petrochemical products	100%	100%	6,000	6,000	10,278	9,737	G	No
CEPSA QUÍMICA CHINA, S.A.	Cepsa Química, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Shareholder	75%	75%	12,830	12,830	105,177	88,067	G	Yes
CEPSA QUÍMICA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Production and sale of petrochemicals	100%	100%	60	60	886,472	553,617	G	Yes
CEPSA UK, LTD.	Cepsa Química, S.A.	Audrey House 16 - 20 Ely Place. EC1N 6SN London. Reino Unido	Commercialization of petrochemicals	100%	100%	3,337	3,337	21,365	10,532	G	No
DETEN QUIMICA, S.A.	Petresa Participaçoes, LTDA	Rua Hidrogenio 1744 Complejo Industrial. 42810-010 Camaçari Bahía . Brasil. Brasil	Production and sale of petrochemicals	71%	71%	61,333	61,333	117,810	152,959	G	No

(*) G = Fully consolidated; E = Equity method Consolidation

(**) Book value in individual accounts

Thousands of euros

SUBSIDIARIES

Name	Parent Company	Registered Office	Line of Business	Ownership 2021	Ownership 2020	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit	Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
ATLAS, S.A. COMBUSTIBLES Y LUBRIFICANTES	Compañía Española de Petróleos, S.A.	C/ Playa Benitez, s/n. 51004 Ceuta. España	Oil and gas trading	100%	100%	3,930	3,930	2,235	4,077	G	Yes
C.M.D. AEROPUERTOS CANARIOS, S.L.	Compañía Española de Petróleos, S.A.	Polígono Industrial Valle de Güimar Manzana XIV, parcelas 17 y 18. 38509 Güimar - Santa Cruz de Tenerife. España	Jet fuel distribution	60%	60%	21,576	21,576	8,009	12,946	G	No
CCP Hydrocarbures, S.A.R.L.	Cepsa Comercial Petróleo, S.A.U.	46, Boulevard Zerl Toune 3 Etage Appto 6 Casablanca (Maroc)	Shareholder	100%	-	41,618	41,618	1,731	41,618	G	No
CEDIPSA, CIA. ESPAÑOLA DISTRIBUIDORA DE PETROLEOS, S.A.	Cepsa Comercial Petróleo. S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Sales in service station	100%	100%	8,114	8,114	20,716	48,059	G	Yes
CEPSA AVIACIÓN, S.A.	Compañía Española de Petróleos, S.A.	ES. Comb. Aviac. Camino de San Lázaro, s/n Zona ind. Aeropuerto Tenerife Norte Los Rodeos. 38206 San Cristobal de la Laguna - Santa Cruz de Tenerife. España	Oil and gas transport	100%	100%	954	954	21,844	18,956	G	Yes
CEPSA BIOENERGIA SAN ROQUE, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading	100%	100%	3,003	3,003	5,693	8,003	G	Yes
CEPSA CARD, S.A.U.	Cepsa Comercial Petróleo. S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Group Cards management	100%	100%	60	60	171	460	G	Yes
CEPSA COMERCIAL PETRÓLEO, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Petrol station administration	100%	100%	82,043	82,043	643,780	530,948	G	Yes
CEPSA MARINE FUELS, DMCC	Compañía Española de Petróleos, S.A.	Office 3201 / 32nd floor Platinum Tower Juemeirah Lake Tower. - Dubai. EAU	Commercialization of oil products (outside EAU)	100%	100%	406	406	940	-	G	No
CEPSA PORTUGUESA DE PETROLEOS, S.A.	Compañía Española de Petróleos, S.A.	Avda. Columbano Bordalo Pinheiro, 108-3º B. 1070-067 Lisboa. Portugal	Oil and gas trading	100%	100%	30,000	30,000	58,582	65,592	G	No
CEPSA TRADING AMERICAS, INC	Compañía Española de petróleos, S.A.	206 E. 9th Street, suite 1300 Cape May. 78701 Austin Texas. USA	Oil and gas trading	100%	100%	8	8	(281)	13	G	No
CEPSA TRADING ASIA, PTE LTD	Compañía Española de Petróleos, S.A.	6 Temasek Boulevard 38-01 Suntec Tower Four. 038986 -. Singapore	Oil and gas trading	100%	100%	461	461	2,424	461	G	No
CEPSA TRADING, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading	100%	100%	60	60	268	60	G	Yes
DETISA COMERCIAL PETRÓLEO, S.A. DE C.V.	Cepsa Comercial Petróleo, S.A.U.	Paseo de la Reforma 295 Piso 8 Oficina A Ciudad de Mexico	Petrol station administration	100%	100%	7,734	3,845	121	7,734	G	No
GASIB Sociedad Ibérica de Gas Licuado, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Wholesale of liquefied gases	100%	-	6	6	190,024	156,604	G	No
Gasib - Sociedade Ibérica de Gás Liquefeito, Lda	Compañía Española de Petróleos, S.A.	Avda. Columbano Bordalo Pinheiro, 108-3º B. 1070-067 Lisboa. Portugal	Wholesale of liquefied gases	100%	-	6	6	2,416	371	G	No
PETRÓLEOS DE CANARIAS, S.A. (PETROCAN)	Compañía Española de Petróleos, S.A.	Explanada de Tomás Quevedo, s/n. 35008 Las Palmas de Gran Canarias (GRAN CANARIA). España	Bunkering services	100%	100%	120	120	44,137	40,873	G	Yes
PROPEL-PRODUTOS DE PETROLEO, L.D.A.	Compañía Española de Petróleos, S.A.	Avda. Columbano Bordalo Pinheiro, 108-3º B. 1070-067 LISBOA. Portugal	Supply point management services	93%	93%	224	224	280	1,380	G	No
PROPEL-PRODUTOS DE PETROLEO, L.D.A.	Cepsa Portuguesa, S.A.	Avda. Columbano Bordalo Pinheiro, 108-3º B. 1070-067 LISBOA. Portugal	Supply point management services	7%	7%	224	224	280	1,380	G	No
RED ESPAÑOLA DE SERVICIOS, S.A.U. (RESSA)	Cepsa Comercial Petróleo. S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Group Card management	100%	100%	300	300	35,589	39,705	G	Yes
SPANISH INTOPLANE SERVICES, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading	100%	100%	1,000	1,000	(1,161)	-	G	Yes

(*) G = Fully Consolidation ; E = Equity method Consolidation

(**) Book value in individual accounts

Thousands of euros

JOINTLY CONTROLLED ENTITIES

Name	Parent Company	Registered Office	Line of Business	Ownership 2021	Ownership 2020	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit	Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
ASFALTOS ESPAÑOLES, S.A. (ASESA)	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, nº 141. 28046 Madrid. España	Oil Refining to obtain asphalt products	50%	50%	8,529	8,529	27,837	17,869	E	No
ATLAS NORD HYDROCARBURES, S.A.S. (ANH)	Cepsa Comercial Petróleo, S.A.U.	4, Rue Blida Casablanca Maroc	Petrol station administration	50%	50%	15,810	15,810	2,683	7,905	E	No
BITULIFE, S.A.	Cepsa Comercial Petróleo, S.A.U.	105, Rue Amir Abdelkader Casablanca Morocco	Petrol station administration	40%	40%	1,603	1,603	7,706	7,744	E	No
Sociéte de Recherches et d'Exploitations Industrielles, SOREXI, S.A.	Cepsa Comercial Petróleo, S.A.U.	105, Rue Amir Abdelkader Casablanca Morocco	Petrol station administration	40%	40%	1,171	1,171	22,040	28,499	E	No
TERMINAL PUERTO TARTESSOS, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 124 2º Izda. 28046 Madrid. España	Services Provides of qualified technical assistance	50%	-	100	100	9,900	5,000	E	No
NUEVA GENERADORA DEL SUR, S.A.	Compañía Española de Petróleos, S.A.	Avda. San Luis, nº 77 Edificio C 4ª planta. 28033 Madrid. España	Power cogeneration	50%	50%	2,290	2,290	23,864	3,691	E	No
SINARMAS CEPSA PTE, LTD	Cepsa Química, S.A.	108 Pasir Panjang Road - Golden Agri Plaza. 118535 Singapore. -	Sulphonation and sulfation of LAB and fatty alcohols.	50%	50%	330,201	330,201	(87,443)	162,335	E	No

(*) G = Fully consolidated; E = Equity method Consolidation

(**) Book value in individual accounts

Thousands of euros

ASSOCIATES

Name	Parent Company	Registered Office	Line of Business	Ownership 2021	Ownership 2020	Equity: Share Capital Subscribed	Equity: Share Capital Paid	Equity: Reserves + Net Profit	Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
ABU DHABI OIL, CO, LTD (ADOC)	Cosmo Abu Dhabi Energy E&P Co., Ltd	1-1 Shibaura 1 - Chome, Minato - Ku. - Tokyo. Japan	Research and exploration	13%	13%	92,456	92,456	220,414	71,446	E	No
COSMO ABU DHABI ENERGY E&P Co. Ltd	Cepsa International, B.V.	Hamamatsucho BLDG., 1-1-1 Shibaura, Minato-Ku. - Tokyo. Japan	Research and exploration	20%	20%	28	28	35,502	29,099	E	No
CEPSA GIBRALTAR, LTD.	Cepsa Internacional, B.V.	Europort Building 7 2nd Floor. (P.O. Box 51). - -. Gibraltar	Oil and gas trading	50%	50%	71	71	18,845	25	E	No
CEPSA PETRONUBA, S.A.U.	Compañía Española de Petróleos, S.A.	Refinería "La Rábida" Polígono Nuevo Puerto.. 21810 Palos de la Frontera. HUELVA. España	Bunkering services	100%	-	60	60	776	60	E	Yes
CS CHEM LIMITED	Cepsa Química, S.A.	Audrey House 16-20 Ely Place. EC1N 6SN London. United Kingdon	Shareholder	30%	30%	1	1	88,765	25,465	E	No
SIL CHEMICALS, LTD	CS Chemical, Ltd	161 A, Raufu Taylor Close Victoria Island. - Lagos. Nigeria	Production and sale of Lab-Las	30%	30%	116	116	81,666	84,882	E	No

(*) G = Fully consolidated; E = Equity method Consolidation

(**) Book value in individual accounts

Table II

Main assets and operations under joint control in the consolidated Cepsa Group at December 31, 2021:

Thousands of euros

				% Ownership		Revenue		Profit before tax		Net profit		Total Assets		Total Liabilities	
List of all joint operations	**Country**	**Operator**	**Nature of activities**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
RKF	Argeria	Groupement RKF (Sonatrach / Cepsa Algerie, S.L.)	Exploration & Production	49.00%	49.00%	99,461	64,089	66,050	34,198	1,101	1,756	213,109	161,952	138,475	85,305
Ourhoud	Argeria	Sonatrach - Organisation Ourhoud	Exploration & Production	37.13%	37.13%	213,025	175,692	149,691	106,564	76,495	63,937	94,716	78,510	34,759	16,169
Timimoun	Argeria	Groupement Timimoun (Sonatrach / TEPA/ Cepsa Algerie, S.L.)	Exploration & Production	11.25%	11.25%	20,063	19,382	30,807	(129,704)	28,871	(131,655)	54,049	32,209	6,158	6,784
BMS	Argeria	OC BMS (Sonatrach / Cepsa (Rhourde El Rouni))	Exploration & Production	75.00%	75.00%	67,664	45,369	2,152	(15,094)	2,152	(15,094)	226,958	205,485	226,958	205,485
Tiple	Colombia	Cepsa Colombia, S.A.	Exploration & LTT	70.00%	70.00%	-	138	(2,832)	663	-	138	(53)	(49)	929	1,117
Garibay	Colombia	Cepsa Colombia, S.A.	Exploration & LTT	50.00%	50.00%	-	303	(698)	(808)	-	303	879	819	1,281	720
Jilguero	Colombia	Cepsa Colombia, S.A.	Exploration & Production	57.86%	57.86%	-	219	(974)	(811)	-	219	(707)	(652)	2,200	1,891
Puntero (Manatus)	Colombia	Cepsa Colombia, S.A.	Exploration & Production	70.00%	70.00%	-	949	(1,619)	(560)	-	949	(4)	-	4,282	3,663
Merecure	Colombia	Cepsa Colombia, S.A.	Exploration	35.00%	35.00%	-	-	(279)	131	-	-	314	293	816	567
El Portón	Colombia	Cepsa Colombia, S.A.	Exploration & Production	50.00%	50.00%	-	-	8	-	-	-	-	-	65	44
Llanos 22	Colombia	Cepsa Colombia, S.A.	Exploration & LTT	55.00%	55.00%	7,270	5,791	4,284	1,209	7,270	5,791	(2)	-	2,135	1,867
Balay	Colombia	PETROBRAS	Exploration & Production	30.00%	30.00%	-	-	551	198	-	-	168	155	-	720
Cpo 12	Colombia	Meta Petroleum	Exploration	42.80%	42.80%	-	-	-	(24)	-	-	-	-	-	-
Río Paez (La Cañada Norte)	Colombia	HOCOL	Exploration & Production	16.67%	16.67%	3,297	1,708	4,123	330	3,297	1,708	1,718	453	631	696
San Jacinto	Colombia	HOCOL	Exploration & Production	16.67%	16.67%	-	-	-	-	-	-	-	-	-	-
Caracara	Colombia	Cepsa Colombia, S.A.	Exploration & Production	70.00%	70.00%	110,687	65,553	87,343	11,773	110,687	65,553	85,024	55,414	18,083	18,729
Rodaballo	Spain	Repsol	Exploration & Production	15.00%	15.00%	-	-	-	-	-	-	-	-	737	2,000
Casablanca	Spain	Repsol	Exploration & Production	7.40%	7.40%	145	337	-	-	-	-	-	-	14,606	13,567
Montanazo	Spain	Repsol	Exploration & Production	7.25%	7.25%	-	-	-	-	-	-	-	-	574	778
Barracuda	Spain	Repsol	Exploration & Production	9.39%	9.39%	-	60	-	-	-	-	-	-	-	-
Boquerón	Spain	Repsol	Exploration	4.50%	4.50%	61	60	-	-	-	-	-	-	103	143
Block CE-M-717	Brazil	Premier Oil	Exploration	-	50.00%	-	-	-	(20)	-	(15)	-	20,501	-	20,501

COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. AND SUBSIDIARIES (CEPSA GROUP)

Consolidated Financial Statements and Consolidated Management Report for the year ended December 31 2021

The Consolidated Financial Statements (Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Equity, Consolidated Cash Flow Statements and Notes to the Consolidated Financial Statements) and Integrated Management Report which includes the Consolidated Non-Financial Information Statement of Compañía Española de Petróleos, S.A. and Subsidiaries (CEPSA Group), for the year ended December 31, 2021, contained in this document, have been adopted and issued by the Board of Directors of Compañía Española de Petróleos, S.A. (CEPSA) at its meeting held on March 15, 2022 in compliance with Article 253 of the Spanish Companies Act in force.

To the best of our knowledge, the Consolidated Financial Statements, prepared in accordance with generally accepted accounting principles, offer a true and fair view of the financial situation and results of the CEPSA Group, and the Consolidated Management Report, which includes the Consolidated Non-Financial Information Statement, accompanying the Consolidated Financial Statements offers a true and fair view of the development and performance of the businesses and financial position of the CEPSA Group, together with a description of the key risks and uncertainties that it faces.

Madrid, March 15, 2022

Mr. Ahmed Yahia
Chairman

Mr. Martialis Quirinus Henricus van Poecke
Vice Chairman

Mr. Maarten Wetselaar
Managing Director

Mr. Musabbeh Helal Musabbeh Ali Alkaabi
Director

Mr. Ángel Corcóstegui Guraya
Director

Mr. Saeed Mohamed Hamad Fares Almazrouei
Director

CEPSA

Ms. Alyazia Ali Saleh Ahmed Alkuwaiti
Director

Mr. Marwan Naim Nijmeh
Director

Mr. James Robert Maguire
Director

Mr. Joost Bart Maria Dröge
Director

Mr. Jörg Christian Häring
Corporate Secretary (Non-Director)

Mr. José Aurelio Téllez Menchén
Corporate Deputy Secretary (Non-Director)

CERTIFICATION.- I hereby certify that the Consolidated Financial Statements (Balance Sheets, Income Statements, Statements of Changes in Equity, Statement of Comprehensive Income recognized in Equity, Cash Flow Statements and Notes to the Financial Statements), along with the Integrated Management Report, which includes the Non-Financial Information Statement, of Compañía Española de Petróleos, S.A. (CEPSA) and its subsidiaries (CEPSA Group) for 2021, were not signed by the Director, Mr. Musabbeh Helal Musabbeh Ali Alkaabi, as he was not physically present at the meeting held on March 15, 2022 in which the aforementioned Consolidated Financial Statements and Integrated Management Report were unanimously adopted by the Board of Directors, although he attended the meeting by videoconference and expressly declared that he approved both documents.

IN WITNESS WHEREOF, I, Jörg Christian Häring, hereby sign my name as Secretary of the Board of Directors, on March 15, 2022.

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

Consolidated Financial Statements and Integrated Management Report – 2021 Financial Year

I hereby certify that, to the best of my knowledge and belief, the Consolidated Financial Statements (Consolidated Balance Sheets, Consolidated Income Statements, Consolidated Statements of Changes in Equity, Consolidated Statement of Comprehensive Income recognized in Equity, Consolidated Cash Flow Statements and Notes to the Consolidated Financial Statements), along with the Integrated Management Report of Compañía Española de Petróleos, S.A. and Subsidiaries (CEPSA Group) for 2021 and drafted and approved by the Board of Directors of Compañía Española de Petróleos, S.A. at its meeting held on 15 March 2022, were prepared in accordance with generally applicable accounting standards and present a true and fair view of the assets and liabilities, financial position and results of Cepsa.

Madrid, 15 March 2022

Carmen Ángela de Pablo Redondo
Chief Financial Officer