



CONSOLIDATED
FINANCIAL STATEMENTS
2020



CONSOLIDATED FINANCIAL STATEMENTS

COMPañÍA ESPAÑOLA DE PETRÓLEOS, S.A.
AND SUBSIDIARIES (CONSOLIDATED GROUP)

2020





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Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2020



AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

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 company) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and the consolidated financial position of the Group at December 31, 2020 and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards 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 related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

More relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements 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 audit opinion thereon, and we do not provide a separate opinion on these risks.

Impairment assessment of exploration and production assets

Description The Group owns interests in certain exploration and production assets, mainly in Algeria, South America and Abu Dhabi. At least once a year, management performs an impairment test on these assets (which are classified as intangible assets, property, plant and equipment, and investments in associates and joint ventures). This assessment of the recoverability of the aforementioned assets requires management to make assumptions in order to prepare the underlying cash flow projections.

The assumptions include forecasts of oil prices, costs, discount rates, estimation of oil and gas reserves and of overall market and economic conditions. Refer to Note 14 of the consolidated financial statements for details on impairment assessment of exploration and production assets.

We have determined these estimates and valuations to be a relevant audit matter since changes in the hypotheses could have a material impact on the Group's consolidated financial statements.

Our response Among others, we have performed the following procedures:

- ▶ We understood the process adopted by the Group for assessing the recoverability of such assets and reviewed the design and operating effectiveness of its key controls.
- ▶ We reviewed, in collaboration with our valuation specialists, the reasonableness of the methodology used by management to prepare the discounted cash flows calculations.
- ▶ For price assumptions, we corroborated future commodity prices to external forecasts; we also verified prices were used consistently across CEPESA and that pricing differentials were reasonable and appropriate.
- ▶ We engaged our internal valuation specialists to test the reasonableness of the discount rates used for the impairment testing.
- ▶ Regarding cash flow inputs, we:
 - ▶ Confirmed that the key inputs (income, operating expenditures profiles, working capital and capital costs) could be supported by the approved budget and that their reasonability was based on current assets conditions and their projections of potential changes.
 - ▶ Verified that the assumptions development by the management to estimate the recoverable amount of these assets are consistent with the assumptions used for the estimation of the oil and gas reserves.
- ▶ We also verified the mathematical integrity of the impairment models and performed a sensitivity analysis and other additional procedures to assess the completeness of the impairment tests.

- ▶ We verified the disclosures included in the accompanying consolidated financial statements in accordance with accounting standards.

The estimation of oil and gas reserves

Description The estimation of oil and gas reserves and resources has a significant impact on the consolidated financial statements, particularly in impairment testing and in depreciation and amortization ('DD&A') charges (as described in Notes 4.4 and 14 to the consolidated financial statements). This estimation is a significant area of judgment due to the technical uncertainty in assessing quantities and to the complex contractual arrangements in place establishing the group's share of reportable volumes.

Our response Among others, we have performed the following procedures:

- ▶ We understood the process adopted by the Group to estimate the oil and gas reserves and reviewed the design and operating effectiveness of the key controls.
- ▶ We assessed the competence of the group's internal experts to satisfy ourselves that they were appropriately qualified to carry out the volumes estimation.
- ▶ We reviewed the reasonability of the main changes in reserves with regard to the last year and reconciled actual production with expected production.
- ▶ We analysed the key field development assumptions, such as productions profiles, investments, operating costs and costs for decommissioning, as well as these assumptions supporting the estimations of the oil and gas reserves.
- ▶ We validated the consistency of the estimated reserves volume with the volumes used for the impairment test analysis and for the depreciation calculation.
- ▶ In relation to the verification of the audit reports on reserves prepared by independent external expert specialized in the oil and gas industry, we assessed the findings and conclusions reached by the independent expert and their competency, capability and objectivity for making the reserve estimates. Likewise, we reviewed the report issued by the external expert, reconciling the data with the reserves used by CEPSA Group for the purposes of the depreciation and recoverability of the assets.

Recoverability of deferred tax assets

Description At December 31, 2020 the deferred tax assets amounts to EUR 894 million, which includes the available tax loss carryforwards and deductions amounting to EUR 274 million and the related to losses incurred by "Coastal" Group subsidiaries of EUR 276 million (as described in Note 27 to the consolidated financial statements).

When assessing whether the amount recognised in the consolidated financial statements for these assets is recoverable, Group management considers, as mentioned in Note 27, future tax profits forecast using methodology defined to analyse the recovery of its assets, the evaluation of the estimates results of the tax group in accordance with the tax plan and the limit established by the applicable tax legislation.

In addition, as disclosed in Note 27 to the consolidated financial statements, the Group has deferred tax assets related to losses incurred by “Coastal” Group subsidiaries of EUR 276 million at December 31, 2020. The recoverability assessment is based on the liquidation of these companies and on management’s conclusion that it is probable that there will be sufficient future taxable profits against which to offset these deferred tax assets.

We have determined this estimate and valuation to be a relevant audit matter since changes in the hypotheses could have a material impact on the Group’s consolidated financial statements.

Our response Among others, we have performed the following procedures:

- ▶ We obtained an understanding and walked through the Group’s process to assess recoverability of deferred tax assets, including controls over the data and assumptions used in the analysis, and evaluated the design and operating effectiveness of the key controls.
- ▶ We considered whether or not the tax plan of Cepsa Tax Group in Spain was reasonable and in line with the current tax law, including satisfying ourselves that sufficient profit would be available in the appropriated periods.
- ▶ We reviewed the CEPSA management’s estimate of the future liquidation process of the investment in the “Coastal” Group subsidiaries.
- ▶ We evaluated underlying data and assumptions used by management in determining the expected future tax losses in “Coastal” group subsidiaries and our tax specialists assisted us in verifying tax regulation and the computations of deferred tax assets.
- ▶ We reviewed the disclosures included in the accompanying consolidated financial statements in accordance with current regulation.

Other information: consolidated management report

Other information refers exclusively to the 2020 consolidated management report, the preparation of which is the responsibility of the parent Company’s directors and is not an integral part of the consolidated financial statements

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

- a) Checking only that the consolidated non-financial statement has been provided as stipulated by applicable regulations and, if not, disclose this fact.
- b) Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2020 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company's directors for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they 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 directors of the parent company 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 has 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 prevailing audit regulations 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.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism 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 management.

- ▶ Conclude on the appropriateness of the directors' use 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 directors of the parent company 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 directors of the parent company, we determine those 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.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)



Francisco Rahola Carral
(Registered in the Official Register of
Auditors under No. 20597)

March 4, 2021

CONSOLIDATED BALANCE SHEET

Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group).
Consolidated Income Statement for the years ended December 31st, 2020 and 2019.

Thousand of euros

Assets	Notes	2020	2019
Non current assets			
Intangible assets, net	Note 9	565,445	653,399
Consolidated goodwill, net	Note 10	102,254	107,678
Property, plant and equipment, net	Note 11	5,604,187	6,138,581
Right of use, net	Note 12	616,842	737,381
Investments in equity accounted investees	Note 8	230,266	268,608
Non-current financial assets	Note 13	169,992	172,866
Deferred tax assets	Note 27	894,217	799,358
Total non-current assets		8,183,203	8,877,871
Current assets			
Inventories	Note 15	1,418,812	2,162,706
Trade and other receivables	Notes 13 and 16	1,289,413	1,995,166
Other current assets	Note 16	125,795	191,077
Other current financial assets	Note 13	69,389	87,095
Cash and cash equivalents	Note 17	1,358,407	561,160
Assets held for sale and discontinued operations	Note 6.2	588	98,499
Total current assets		4,262,404	5,095,703
Total assets		12,445,607	13,973,574

(The accompanying Notes 1 to 36 are an integral part of this Consolidated Balance Sheet).

Thousand of euros

Shareholder's Equity and Liabilities	Notes	2020	2019
Equity			
Share capital	Note 18.1	267,575	267,575
Share premium	Note 18.1	338,728	338,728
Revaluation reserve	Note 18.2	90,936	90,936
Retained earnings	Note 18.3	4,095,395	3,687,701
Profit attributable to equity holders of the parent		(918,758)	820,023
Interim dividend	Note 18.5	-	(216,415)
Adjustments for changes in value	Note 18.4	70,259	211,995
<i>Total equity attributable to shareholders of the parent</i>		<i>3,944,135</i>	<i>5,200,543</i>
Non-controlling interest	Note 18.6	84,607	100,412
<i>Total equity</i>		<i>4,028,742</i>	<i>5,300,955</i>
Non-current liabilities			
Deferred tax liabilities	Note 27	517,600	623,627
Capital grants	Note 20	23,313	21,204
Employee defined benefit liabilities	Note 21.2	50,756	10,508
Provisions	Note 22	346,985	352,620
Non-current financial liabilities	Note 19	4,042,812	3,158,042
Leases liabilities, non-current	Notes 19 and 25	530,357	641,686
Other non-current liabilities	Note 23	248,093	127,063
<i>Total non-current liabilities</i>		<i>5,759,916</i>	<i>4,934,750</i>
Current liabilities			
Leases liabilities, current	Notes 19 and 25	95,468	118,840
Current financial liabilities	Note 19	140,586	149,115
Trade payables	Note 23	1,765,794	2,545,047
Other current liabilities	Note 23	655,101	908,039
Liabilities held for sale and discontinued operations	Note 6.2	-	16,828
<i>Total current liabilities</i>		<i>2,656,949</i>	<i>3,737,869</i>
<i>Total equity and liabilities</i>		<i>12,445,607</i>	<i>13,973,574</i>

(The accompanying Notes 1 to 36 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 for the years ended December 31st, 2020 and 2019.

Thousand of euros

	Notes	2020	2019
Sales of goods and rendering of services		13,643,255	21,157,559
Excise tax on oil and gas charged on sales		2,116,889	2,699,828
<i>Revenue from contracts with customers</i>	Note 24	<i>15,760,144</i>	<i>23,857,387</i>
Changes in inventories of finished goods and work in progress		(318,992)	(150,716)
In-house work on non-current assets	Notes 9 and 11	26,719	35,241
Procurements	Note 24	(10,382,367)	(16,615,091)
Other operating income		49,218	61,606
Staff costs	Note 24	(670,962)	(641,993)
Changes in operating allowances		(60,734)	18,176
Other operating costs:			
Excise tax on oil and gas		(2,119,818)	(2,704,141)
Other operating costs	Note 24	(1,702,289)	(1,959,925)
Amortization charge	Notes 9, 11 and 12	(791,990)	(830,115)
Allocation to profit or loss of grants related to non-finance assets and other grants	Notes 20 and 24	75,599	84,577
Impairment and gains or losses on disposals of non-current assets	Note 24	(686,620)	(88,245)
<i>Operating Profit</i>		<i>(822,092)</i>	<i>1,066,761</i>
Share of results of equity accounted investees	Note 8	(48,124)	(23,242)
Finance income	Note 26	152,153	60,365
Finance costs	Note 26	(285,056)	(174,297)
Impairment and gains or losses on disposals of financial instruments	Note 26	(157)	407,049

Thousand of euros

	Notes	2020	2019
<i>Consolidated profit before tax</i>		<i>(1,003,276)</i>	<i>1,336,636</i>
Income tax	Note 27	88,469	(503,015)
<i>Consolidated profit for the year from continuing operations</i>		<i>(914,807)</i>	<i>833,621</i>
<i>Consolidated profit for the year</i>		<i>(914,807)</i>	<i>833,621</i>
Attributable to:			
Equity holder of the Parent		(918,758)	820,023
Non-controlling interests	Note 18.6	3,951	13,598
Earnings (loss) per share:			
Basic	Note 28	(1.72)	1.53
Diluted		(1.72)	1.53

(The accompanying Notes 1 to 36 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 for the years ended December 31st, 2020 and 2019.

Thousand of euros

	Notes	2020	2019
Consolidated profit for the year		(914,807)	833,621
Items to be reclassified to profit or loss:			
Gains and (losses) arising during the year		(163,928)	(28,705)
Net changes in cost of hedging	Note 18.4.B	(41,050)	(19,262)
Net (losses) gains on cash flow hedges	Note 18.4.B	(43,709)	(5,365)
Net (losses) gains on net investment hedge	Note 18.4.B	215,780	(50,427)
Exchange gains (losses) on translation of foreign operations		(262,330)	27,583
Tax effect	Note 27	(32,619)	18,766
Reclassification during the year to statement of profit/loss		12,948	24,893
Net (losses) gains on hedge costs	Note 18.4.B	3,271	-
Net (losses) gains on cash flow hedges	Note 18.4.B	14,150	2,195
Net (losses) gains on net investment hedge	Note 18.4.B	-	31,326
Tax effect	Note 27	(4,473)	(8,628)
Other comprehensive income/loss for the year net of tax		(150,980)	(3,812)
Total consolidated comprehensive income/loss		(1,065,787)	829,809
a) Attributable to equity holders of the Parent		(1,060,494)	815,867
b) Attributable to non-controlling interests		(5,293)	13,942

(The accompanying Notes 1 to 36 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 for the years ended December 31st, 2020 and 2019.

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Thousand of euros

	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
<i>Balance at 01.01.2020</i>	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)
<i>Total consolidated comprehensive income</i>	-	-	-	-	<i>(918,758)</i>	-	<i>(141,736)</i>	<i>(5,293)</i>	<i>(1,065,787)</i>
Changes due to transactions with shareholders									
Dividend paid	-	-	-	(196,000)	-	-	-	(9,940)	(205,940)
Interim dividend for the Finance year - (Note 18.5)	-	-	-	-	-	-	-	(3,147)	(3,147)
Other changes in equity									
Capital increase/acquisition of non-controlling interest	-	-	-	-	-	-	-	2,575	2,575
Other variation	-	-	-	86	-	-	-	-	86
<i>Total shareholder transactions</i>	-	-	-	<i>(195,914)</i>	-	-	-	<i>(10,512)</i>	<i>(206,426)</i>
<i>Balance at 12.31.2020</i>	267,575	338,728	90,936	4,095,395	<i>(918,758)</i>	-	70,259	84,607	4,028,742

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Thousand of euros

	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
<i>Balance at 01.01.2019</i>	267,575	338,728	90,936	3,883,002	830,064	(189,978)	216,151	105,964	5,542,442
Consolidated profit or loss for the period	-	-	-	640,086	(830,064)	189,978	-	-	-
Consolidated profit or loss for the period	-	-	-	-	820,023	-	-	13,598	833,621
Other comprehensive income for the period	-	-	-	-	-	-	(4,156)	344	(3,812)
<i>Total consolidated comprehensive income</i>	-	-	-	-	<i>820,023</i>	-	<i>(4,156)</i>	<i>13,942</i>	<i>829,809</i>
Changes due to transactions with shareholders									
Dividend paid	-	-	-	(865,176)	-	-	-	(19,257)	(884,433)
Interim dividend for the Finance year - (Note 18.5)	-	-	-	-	-	(216,415)	-	(4,857)	(221,272)
Other changes in equity									
Capital increase/acquisition of non-controlling interest	-	-	-	29,789	-	-	-	4,620	34,409
<i>Total shareholder transactions</i>	-	-	-	<i>(835,387)</i>	-	<i>(216,415)</i>	-	<i>(19,494)</i>	<i>(1,071,296)</i>
<i>Balance at 12.31.2019</i>	267,575	338,728	90,936	3,687,701	820,023	(216,415)	211,995	100,412	5,300,955

(The accompanying Notes 1 to 36 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 for the years ended December 31st, 2020 and 2019.

Thousand of euros

<i>Cash Flows from operating activities</i>	2020	2019
Profit before tax from continuing operations	(1,003,276)	1,336,636
Depreciation and amortisation charge and impairment losses	1,397,765	922,095
Changes in provisions for contingencies and costs	79,107	41,339
Grants related to assets and other deferred income	(62,730)	(84,568)
Impairment and gains or losses on disposals of financial instruments	-	(409,976)
Change in operating allowances	60,907	(18,151)
Finance income and costs	140,723	123,412
Share of results of equity accounted investees	47,518	26,799
Other changes	728	2,943
Cash flows generated from operating activities before changes in operating working capital	660,741	1,940,529
Changes in operating working capital	603,246	396,090
Dividends received	12,816	79,251
Income tax paid	(257,429)	(336,973)
Other cash flows used in operating activities	(244,613)	(257,722)
Total cash flows generated from operating activities	1,019,374	2,078,897
 <i>Cash Flows used in investing activities</i>		
Payments		
Intangible assets	(42,629)	(40,488)
Property, plant and equipment	(656,514)	(853,705)
Finance assets		
Associates and other investments	-	(4,082)
Other Finance assets	-	(12,158)
Acquisition of subsidiary, net of cash acquired	(77,597)	(91,595)
Grants received	3,170	-
Total payments	(773,570)	(1,002,028)
Collections		
Property, plant and equipment	14,514	19,705
Finance assets	-	55,710
Total collections	14,514	75,415
Total cash flows used in investing activities	(759,056)	(926,613)

Thousand of euros

<i>Cash Flows from financing activities</i>	<i>2020</i>	<i>2019</i>
<i>Dividends paid</i>		
To equity holders of the Parents	(196,000)	(531,591)
To non-controlling interests	(13,087)	(19,218)
<i>Total dividends paid</i>	<i>(209,087)</i>	<i>(550,809)</i>
Proceeds from borrowings	1,974,719	1,810,418
Repayment of borrowings	(988,771)	(1,858,399)
Interest paid	(96,977)	(102,009)
IFRS16 Debt payments	(136,135)	(142,719)
<i>Total cash flows from bank borrowings</i>	<i>752,836</i>	<i>(292,709)</i>
<i>Total cash flows from financing activities</i>	<i>543,749</i>	<i>(843,518)</i>
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>804,067</i>	<i>308,766</i>
Effect of changes in foreign exchange rates	(8,328)	2,133
Effect of exchange rate changes	1,508	3,383
<i>Cash and cash equivalents at beginning of the period</i>	<i>561,160</i>	<i>246,878</i>
<i>Cash and cash equivalents at the end of the period</i>	<i>1,358,407</i>	<i>561,160</i>
<i>Detail of changes of operating working capital</i>		
Inventories	510,098	65,279
Trade and other receivables	784,416	207,552
Other current Finance assets	(8,001)	(4,478)
Trade and other payables	(683,266)	117,761
Other changes	(1)	9,976
<i>Total changes in operating working capital</i>	<i>603,246</i>	<i>396,090</i>

(The accompanying Notes 1 to 36 are an integral part of this Consolidated Statement of Cash Flow).



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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 26 September 1929, for an indefinite period of time, with registered address at Paseo de la Castellana, 259 A, 28046 Madrid (Spain). It is entered in the Madrid Mercantile Register, Volume 588 of the Companies Book, Sheet 35, Page M-12689, and its Tax Identification Number is A-28003119.

At the beginning of 2020, CEPSA shares were owned by two shareholders: "Cepsa Holding, LLC", owner of shares representing 63% of the share capital, a company incorporated in the United Arab Emirates and ultimately controlled by "Mubadala Investment Company, PJSC" ("MIC"), and "Matador Bidco, S.À.R.L.", owner of shares representing the remaining 37% of the share capital, a company incorporated in Luxembourg and ultimately controlled by "The Carlyle Group, Inc." On 29 January 2020, "Cepsa Holding, LLC" transferred to "Matador Bidco, S.À.R.L." an additional 1.5% of the Company's share capital. Consequently, "Cepsa Holding, LLC" holds shares representing 61.5% of the company's share capital and "Matador Bidco, S.À.R.L." holds shares representing the other 38.5%.

CEPSA and its investees (hereinafter "the CEPSA Group") form an diversified business Group which operates in the hydrocarbons 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 7 October on the Oil and Gas Sector, amended by Law 11/2013 of 26 July and Law 8/2015 of May 21st 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, liquid 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, Law 8/2015 established an organized natural gas wholesale market, to be managed by the Market Operator (Mibgas).

CEPSA Group also operates in the electricity sector, regulated by Law 24/2013 of 26 December of Electricity sector. Royal Decree 413/2014, of 6 June regulating electrical power generation from renewable energy, cogeneration, and waste sources also applies. Likewise, we must highlight the approval of Royal Decree 244/2019, of April 2019, which regulates the administrative, technical, and economic conditions for self-consumption of electricity.

By means of Law 18/2014 of 15 October a National Energy Efficiency Fund was created in Spain. Wholesale operators of oil products or liquefied petroleum gases and natural gas and electricity supply companies must contribute to this Fund on a yearly basis, affecting profits in these business areas.

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 at 31 December 2020 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 2020 were authorized for issue by the Board of Directors of Compañía Española de Petróleos, S.A. on 4 March 2021, and will be submitted to the Shareholders' Meeting for approval. The Board of Directors considers that they will be approved without any change.

The 2019 Financial Statements of CEPSA and the CEPSA Group were authorized for issue by the Board of Directors of Compañía Es-

pañola de Petróleos, S.A. on 27 February 2020, and approved without amendment at the Shareholders' Meeting on 4 March 2020.

- **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 secured 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 TAX FROM CONTINUING OPERATIONS" 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 CASH FLOW FROM FINANCING ACTIVITIES.

2.2. COMPARATIVE INFORMATION

The effects of the COVID-19 pandemic have entailed a significant change affecting how 2020 compares to the previous financial year. Said impacts are discussed extensively, where appropriate due to their significance, in the corresponding Notes.

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 31 December 2019, except for the application of the following standards, interpretations, and modifications, which were applied for the first time as of 1 January 2020. Their impacts are as follows:

- **Revised version of the IFRS Conceptual Framework**

The revised version of the Conceptual Framework sets out a number of fundamental concepts that guide the IASB in the development of standards and helps ensure that the standards are consistent and that similar transactions are handled in the same way. It also assists companies to develop their accounting policies when no specific regulations apply to a transaction.

The revised Conceptual Framework includes a new chapter on valuation, improves definitions and guidelines, and clarifies the most important areas such as prudence and measuring uncertainty.

- **Amendments to IAS 1 and IAS 8 – Definition of materiality**

Amendments were made to the definition of materiality so that it would be 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 guidelines 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 did not have a significant impact on the Consolidated Financial Statements.

- **Amendments to IFRS 7, IFRS 9, and IAS 39: Interest rate benchmark reform**

These amendments provide for a number of exceptions that apply to all hedge ratios directly affected by interest rate benchmark 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.

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

- **Amendments to the IFRS 3 - Business combinations**

These amendments change the definition of business under IFRS 3 to help companies determine if a transaction should be recorded as a business combination or as an acquisition of a group of assets. This distinction is significant as the acquiring company only recognizes goodwill when a business is acquired.

The new definition of business emphasizes that the purpose of a business is to provide goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities; while the previous definition focused on providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

- **Amendments to IFRS 16 COVID-19-related rent concessions**

These amendments provide a practical solution so 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 rent concession provides relief to payments that overall result in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided; (ii) any reduction in rent concession is for relief for payments that were originally due on or before 31 June 2021; and (iii) there are no other substantive changes to the 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 the 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 recognized 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 the 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.

Except for cases where the exceptional nature of the COVID-19 pandemic may have had an impact, as set out below, and the change in the treatment of crude oil inventory and tank heel product inventory, in 2020 there were no significant changes compared to 2019 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

On 11 March 2020, the WHO declared COVID-19 an international pandemic. The pandemic rapidly developed into an unprecedented health crisis affecting all domestic and international business activity. The economic and health uncertainties caused by the pandemic have made it extremely difficult to hypothesize and form meaningful judgments. CEPSA created working groups to review the impact of the new economic situation on the Group's Financial Statement. Their assessment as at the date of issue of these Financial Statements is set out in these Consolidated Financial Statements.

The main judgments include an assessment of the going concern principle. In its implementation, the accounting loss arisen in this financial year was considered. This was fundamentally the result of: (i) the impairment recorded in relation to certain assets (see Note 14), (ii) the impairment necessary due to the adjustment in value of inventory (see Note 15), and (iii) the impact of governmental measures to contain the pandemic on demand for the company's products and the Group's sales in the markets where it operates. The Directors of the parent company drafted these Financial Statements Consolidated applying said principle based on:

- The soundness of the assets of the CEPSA Group, which has a healthy position and sufficient hardiness to absorb the impact of the current situation.
- The increased short and long-term solvency of the CEPSA Group achieved by signing new financing operations (see Note 19), thereby renewing and extending the due date for short-term lines of credit to afford the Group greater flexibility to take on its short and medium-term financial obligations.
- The revision of projections in the 2020-2024 Long-Term Plan approved in December 2019, revised in the short term with the 2021 Budget, for the impacts expected from COVID-19 as well as the economic recovery forecast for subsequent years in terms of operational volumes, product sale prices and supply costs, contingency plans, revisions of fixed costs and investments, hydrocarbon reserves, and other judgements.

The Group has the manoeuvrability to respond in the event the current situation of uncertainty as to the real date when business will return to normal is prolonged, as it has the ability to continue implementing mitigation measures to reduce costs, optimize the Group's cash flow, and preserve liquidity.

Therefore, the Directors believe that there are no uncertainties on the horizon entailing significant impairment to the Group's capacity to meet its legal and financial obligations in the foreseeable future and, consequently, these Consolidated Financial Statements have been prepared on a going concern basis. In fact, in the midst of the economic crisis caused by the COVID-19 pandemic, the Company reinforces its liquidity and solvency to cope with the uncertain times.

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 oil and gas Reserves Proved and Probable (2P) is considered to calculate amortization charges applying the Unit of Production Method. Likewise, 2P Reserves, together with Contingent Resources, when apply, are considered in the evaluation of the recoverable amounts of the investments in Exploration and Production assets.

The CEPSA Reserves and Contingent Resources 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 Geophysicists (SEG) in March 2007, 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, independent to Exploration and Production business. Additionally, every two years, the registered volumes are audited by independent engineering firms. The Reserves estimate as at 31 December 2019 was prepared by these firms over the course of 2020 and certified in July. Said audit did not generate significant differences with those recorded in the Group.

The impairment tests on Exploration and Production assets set out in Note 14 utilized 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, reduction in activity, anticipated losses, or crisis situations in the geographical areas where the Group operates. The estimates and assumptions used by the 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 unit¹ (CGUs) implies the making of 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 on determining 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 14.

D) OBLIGATIONS RESULTING FROM THE DECOMMISSIONING OF ASSETS

Obligations for decommissioning of assets used for the production, development, transformation, and sale of hydrocarbons are recognized 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 the subsequent adjustments made to represent, inter alia, the passing of time, changes in estimates due to variations in the 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 reviewed each year.

The method applied in the calculation of obligations and their recognition in profit or loss are described in Notes 11 and 22.

E) INCOME TAX

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

The impact of COVID-19 on determining the income tax for the current financial year and future years, as well as the influence of this assessment on the recovery of deferred tax assets and unused tax loss carryforwards (both from past financial years and those generated this year) was carefully reviewed to prevent recognizing deferred taxes for the Group companies that cannot offset them in the future due to lack of profit.

In the application of IFRS interpretation 23, the Management applies 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 case-by-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 assessments of the Group's legal and tax counsel and take account of the present situation 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 counsel, it determines whether or not to carry the corresponding cost to the books and under which Consolidated Income Statement heading to record it.

The calculation processes and criteria used are described in Note 27.

F) PROVISIONS AND CONTINGENT LIABILITIES

The assessment of potential effects of legal claims and contingencies other than those mentioned above, for which the Group relies on the valuation of its legal counsel, that are based on their best professional judgment and take into account the present situation of the proceedings and their seasoned 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 future, and the precise 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 22.

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.

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 9 and 11).
- The calculation of the valuation of stocks (see Note 15).
- 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 are 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 30). Changes in assumptions about these factors could affect the reported fair value of financial instruments (see Note 32).
- 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 has been incorporated.
- With regard to IFRS 16, a lease that provides control over the use of the leased asset must be analyzed to determine effective application of said standard and the duration of the contract, including any renewals that are deemed likely to be exercised.

H) CHANGES IN ESTIMATES

In 2020, EUR 186,388 thousand of crude oil and product were reclassified from under Inventory to Technical installations. This crude oil and product correspond to the volumes in the storage tanks under the lowest operable level (tank heels), and it is permanent, justifying its classification as a fixed asset (see Notes 11 and 15).

This reclassification was recorded at the beginning of 2020 as a change in estimates, because there is now sufficient information to reasonably estimate the volume of crude oil and products to be reclassified and the process with which to value them. The new information also allows us to properly estimate the portion of this volume that cannot be recovered when the tanks are fully drained, and subject the value of this non-recoverable volume for further transformation or sale to depreciation.

I) 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,

the Management uses its judgment to define and apply accounting policies that provide information consistent with the general concepts of IFRS: faithful 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 31 December of each year.

The entities directly controlled² by the parent company (Compañía Española de Petróleos, S.A.), or indirectly through a directly controlled entity, are consolidated by global integration.

Investments in joint ventures are consolidated through the Equity Method (see Note 8). 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 per cent, and
- in companies where, although the interest is less than 20 per cent, 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 companies consolidated by global integration 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 operations, 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 6).

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.

The Group recognizes 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 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 (in both cases see Note 10).

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

Any deferred contingent consideration is recognized 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 recognized 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 recognized 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 signs of loss of value).

4.3. FOREIGN CURRENCY TRANSLATION

A) FOREIGN CURRENCY TRANSACTIONS

For each Group company, transactions in a currency other than its functional currency are converted to the corresponding functional currency to 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 present 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 recognized in profit or loss for the financial year.

However, any foreign exchange gains or losses arising from the conversion of the following items are recognized under OTHER COMPREHENSIVE INCOME:

- an investment in variable income designated as FVTOCI (except for impairment, in which case foreign currency differences recognized under OCI 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.

Translation differences which arise, if any, are recognized under the heading OTHER COMPREHENSIVE INCOME in profit and loss and are accumulated under VALUE CHANGE ADJUSTMENTS in the EQUITY chapter of the accompanying 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 7 to 29 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 recognized 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 the 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 PPE 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's 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 heading 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 course³, the net value of these investments will be transferred to the OIL & GAS ASSETS heading 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 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 contributed to the discovery of 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 successfully led to discovering proven reserves, the accumulated cost will be transferred³ to the OIL & GAS ASSETS heading of PROPERTY, PLANT AND EQUIPMENT.

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.

4. Exploration costs other than the above are recorded directly in the Consolidated Income Statement when they are incurred.

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 14) that could affect the net capitalized value of amortizations are also carried out.

C) DEVELOPMENT COSTS

Expenditures 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 heading 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 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 joint production contracts, this calculation is based on the proportion of production of the financial year and reserves assigned to the Group taking account of 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 14 are followed. Impairment losses are recognized 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 date⁴.

B) NON-FINANCIAL ASSETS

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

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.

To determine and disclose the fair value of financial instruments by valuation method, the Group uses the following hierarchy (see Note 32):

- 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 31 December 2020:

• 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

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.

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 1 January 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 also added an exception to IFRS 3 requirements to prevent gains or losses on "day 2" that may stem from liabilities or contingent liabilities (within the scope of IAS 37 or IFRIC 21) if incurred separately. Meanwhile, the IASB decided to clarify the existing IFRS 3 guidance to recognize contingent assets that will not be affected by references to the Conceptual Framework.

These amendments are effective for periods beginning on or after 1 January 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 income statement.

These amendments become effective for periods beginning on or after 1 January 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 May 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 1 January 2022.

• 2018-2020 Annual Improvements

As part of the 2018-2020 annual improvements to the IFRS, the IASB published an amendment to IFRS 9 and IAS 40

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 1 January 2022 and early application is permitted.

ii. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16: Interest rate benchmark reform – phase 2

In August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16: Interest rate benchmark reform – phase 2. These amendments provide temporary relief in financial reporting while interbank offered rates (IBOR) are replaced by risk-free rates (RFR).

The CEPSA Group has not undertaken early application of any of these rules in preparing these consolidated Financial Statements.

5. EXTRAORDINARY COSTS INCURRED RELATED TO COVID-19

The impact of COVID-19 and other unfavourable economic events of 2020, such as plummeting crude oil prices and domestic and international demand affected the CEPSA Group's results in quite different ways. As part of a critical industry providing essential energy and chemical products, CEPSA has maintained normal operations at its industrial centres, where CEPSA professionals have worked to ensure the energy supply and the distribution of other essential products during the COVID-19 crisis.

The situation caused by the pandemic is unprecedented in recent history and has affected all sectors. Like any other companies in the energy sector, CEPSA has been adversely affected by the developments of the market. The Spanish market has been especially impacted with a significant drop in energy consumption during the first State of Alarm, partially offset in the summer and once again affected, albeit to a lesser extent, after the declaration of the new State of Alarm in October.

Thus, our businesses noted the following impacts in 2020:

- The sharp contraction of oil prices – which went from \$68/barrel at the beginning of the year to \$50/barrel at the end of 2020, going through a phase of exceptionally low prices in the first half of the year, reaching \$20/barrel in April – entailed, on the one hand, decreased earnings from subsidiaries in Exploration and Production segment and, on the other, reduced sales for said companies, as OPEC-member countries, Russia, and other countries agreed to a curtailment of output in the month of April 2020, which has been maintained throughout 2020.
- The Refining area was affected both by the drop in demand, which in turn led to the reduction of refinery utilization rates, and by the resulting reduction in European refining margins. In fact, a decision was made in October 2020 to temporarily extend the maintenance shutdown of two units in the Huelva refinery to adapt production to current demand. The best time to reinstate activity is being reviewed periodically, which is expected to take place in the first half of 2021, although it will depend on the evolution of the pandemic.

Electricity and gas sales were also adversely affected by falling prices due to reduced demand. Nevertheless, low gas and electricity prices fostered operational cost savings in Refining when they are part of production cost (combined cycle units with electricity and steam for distillation plants).

Additionally, the Group's Trading unit has worked during the first half of 2020 with the aim of supporting the commercialization of the production of our refineries and taking advantage of the intermediation opportunities that have arisen in a market with as much volatility as the oil market has experienced.

- The Commercial segment was impacted by COVID-19 due to the drop in demand experienced by all and every different lines of the business that sell our products. Thus, the most affected correspond, on the one hand, to the network of service stations, which has seen its sales drop by around 29% on average, although there has been a recovery in the last semester, as a result of the completion of the first State of Alarm and the expectations about the success of the vaccination campaigns. Another of our activities strongly impacted by COVID-19 was aviation fuel sales, where business shrank significantly as a result of the limitation of travel worldwide, setting average annual demand 60% below that existing before the pandemic.
- Finally, some of our activities that performed well in 2020 partially offset the above-mentioned reductions. This is the case for our chemicals business, as products manufactured in CEPSA petrochemical plants have many applications in products necessary to fight the disease caused by the coronavirus, as well as to stop its spread. These products include LAB and phenol, of which CEPSA is the only producer in Spain. These compounds are raw material for a multitude of products in the pharmaceutical, technological and medical industries, among others.

As a result of the above, in 2020 there was a 35% drop in sales compared to 2019.

The following sections discuss the impact on results, referring to the assets and liabilities involved.

5.1. INVENTORY

Two significant effects were found.

A) IMPAIRMENT OF INVENTORY VALUE

The above-mentioned variations in oil prices on the markets significantly affected the value of crude and product inventories and indirectly affected the sales margin for petroleum products.

At year end, the adjustment in operational inventory value rose to EUR 38 million (excluding spare part inventories, see Note 15).

B) IDLE CAPACITY COSTS

As discussed in Note 15, production cost is one of the two key components in the valuation of inventory. The cost of production includes, where applicable, direct labour costs, general manufacturing costs, and the proportion of the depreciation of the non-current asset items used in the production process.

One of the consequences of COVID-19 is the reduction of the refinery activity, which in the reporting period experienced a de-

crease between 20% and 30% in distillation activity from April to December. This decline in activity is considered idle capacity. The portion of production costs incurred between April and December corresponding to idle capacity was not included in the valuation of finished products for said months. In the fourth quarter of the fiscal year, as part of the refinery utilization rate optimization exercise, it was decided to keep two units of the La Rábida Refinery idle, and to increase the utilization rate of the San Roque Refinery. Consequently, subactivity has been applied only to the first one, for an approximate percentage of 40%.

The Petrochemicals business did not experience any idle capacity in 2020.

Supply contracts that became onerous as a result of the current circumstances have not been identified.

5.2. FINANCIAL ASSETS

The health crisis arising from COVID-19 shut down economic activity in many business sectors, both in Spain and in the rest of the world. This shutdown hindered financial capacity of companies and families, and therefore their ability to pay.

As a result, the CEPSA Group carefully reviewed its exposure to the risk of default and updated the model that determines the number of provisions to be established to cover them. The probability of default on trade credits has been increased by 15% in Group's assessment models, in line with the decreased collectability seen in the 2007 crisis; credits that are not trade credits were measured on a case-by-case basis according to international accounting standards. Next, the default allowances kept to hedging the current risk were assessed; where applicable, an update to discount rates adjusted to the specific risk of each asset has been carried out.

However, the impact on the Consolidated Income Statement for financial year 2020 was negligible, because the need for additional allowances arising from higher Probability of Default (PD) was offset by a reduction in balance of receivables resulting from the drop in prices and sales (see Note 13).

5.3. FINANCIAL GUARANTEES GRANTED

As most guarantees are granted by CEPSA or its main subsidiaries to other companies in the Group, and, in the context of enhancing the Group's liquidity and solvency as discussed in Note 19, there are no signs of risk of enforcement.

5.4. PERSONNEL COSTS

Due to the precarious situation created by low fuel demand resulting from the State of Alarm and subsequent COVID-19 restrictions, the Group had to implement a temporary labour force furloughing plan (ERTE in Spanish acronym) in its service station network, affecting 2,586 employees. However, since the plan was implemented in shifts, only a maximum of 1,200 employees were ever simultaneously furloughed.

The furlough began on 29 April and was effective until 31 October, although employees were gradually reincorporated as activity bounced back after the first State of Alarm. The Group committed to pay the difference of up to 100% of the fixed salary of the people affected throughout the furlough. Salary savings resulting from said temporary labour force adjustment plan were EUR 2,556 thousand and they are included under Personnel costs. CEPSA made Social Security contributions as per

employment situation and does not expect to receive any reimbursement for this concept.

For the same reason, the Company is being compelled to implement a temporary labour force furloughing plan in the Fuel 1 and Vacuum 2 units of the La Rábida Refinery in the industrial area of Palos, in Huelva, starting in October and involving 62 employees. Because the plan is implemented in shifts, only a maximum of 39 employees are simultaneously furloughed. The Management periodically evaluates the most appropriate time to resume the activity of these units, which is expected to take place in the first half of 2021, although it will depend on the evolution of the pandemic. CEPSA has contributed to Social Security according to ordinary employment situation and it is not expected to receive any reimbursement for this concept.

5.5. HEDGES

The CEPSA Group follows a consistent risk hedging policy, as set out in Notes 30 and 31.

In the context of this note, the hedge portfolio has been analysed to clarify its exposure to various potential risks: non-performance risk and counterparty risk.

With regard to non-performance risk, no significant risks were found that might affect the results in the future. Certain hedges associated with Refining activity that may be affected by this risk, are small and renewed monthly.

Concerning gas purchase and sale commitments, as they are quite short-term documented hedges, no significant over-coverage risk has been found in relation to the total duration of the hedged period.

In terms of counterparty risk, the Group constantly monitors third parties (likewise to Note 5.2 above), but given their current investment grade rating, no significant risks were detected.

5.6. DEFERRED TAX

Projections of future results were updated in December 2020, in order to assess the capacity of these results to absorb the deferred tax assets recognized on the consolidated Balance Sheet.

Even when the 2020 tax base is negative, and these loss carry-forwards have been added to the deferred tax balances recorded at 2019 year-end, the projections of future results show sufficient margin to offset said total deferred tax. In cases where a potential risk of non-recovery has been identified, impairment has been recorded.

5.7. FIXED ASSET IMPAIRMENT

The drop in crude oil prices in 2020 is an event of impairment for Exploration and Production assets. No other event of impairment has been noticed regarding a significant reduction in recoverable reserves or an increase in expected future investments and production costs.

To conduct the appropriate impairment tests, only the forward price curve—with the ensuing impact on reserves—and discount rates were updated (see Note 14), as no significant impacts were detected in the other impairment test variables (production profiles, investments, operating expenses, etc.).

Additionally, due to the volatility of hydrocarbon prices that has occurred during the 2020 financial year and the uncertainties observed in long-term prices, for the valuation of the Exploration and Production CGUs the “expected cash flow approach” that establishes IAS 36 to reflect expectations about possible cash flows, instead of a single most probable cash flow, has been used. For this, two scenarios have been considered for prices over three years (see Note 14).

Additionally, as a consequence of the evolution of the prices of certain petroleum products, strongly impacted by COVID 19, a drop in the profitability of some assets of the Refining-Commercial CGU is observed.

The net impact on financial year 2020 results amounted to EUR 648 million in PPE and intangible assets in Exploration and Production and rest of businesses and EUR 60 million in investments in associates accounted for using the equity method (see Note 14.3).

Additionally, at the beginning of 2020, the market for CO₂ emission rights suffered from the impact of the reduction in productive activity with a drop in the cost of these rights in the free market. The CEPSA Group recorded an impairment of EUR 17 million during the first semester of 2020 as a result of this circumstance (see Note 9).

There were other lesser impairments set out in Note 14.

5.8. DEPRECIATION AND DECOMMISSIONING PROVISIONS

Indirectly, the impact of decreased international crude oil prices affected amortization and depreciation of hydrocarbon Exploration and Production projects, because either they shortened the useful life of the field or reduced the crude oil rights in production sharing contracts. Whilst the CEPSA Group carried out the impairment tests mentioned in Notes 5.7 and 14, the impact of said analysis was reviewed in terms of said factors.

Where relevant, the Group re-estimated depreciation and amortization corresponding to the affected assets, the outcome of this was recorded in the Income Statement as at 31 December 2020. At the same time, since assets depreciate according to the units produced, OPEC+ agreements on production curtailments reduced amortization and depreciation for the period in the Exploration and Production business.

Similarly, a reduction in useful life of the oil field or other business operations anticipates decommissioning requirements. This event requires the Group to recognize the impact of the ensuing change of the recording period for said expenses in current Consolidated Income Statement. The CEPSA Group has duly analysed this risk and determined that expenditures of EUR 1 million should be paid in advance on its projects in Thailand.

5.9. MITIGATION OF RISK AND FUTURE IMPACTS

Due to the deterioration of the economic outlook, CEPSA implemented a contingency plan with different actions to protect cash flow generation in 2020. Some of these actions are:

- Firm discipline in investments with objective reduction of EUR 380 million from the financial year's investment budget.
- Extensive fixed cost reduction for all business units and operations in order to achieve savings of more than EUR 120 million in 2020 compared to the starting point of actual costs in 2019.
- Strict continuous management of working capital.

During the 2020 financial year, the Group's Management has continuously monitored these actions. The proposed objectives have been exceeded and savings of EUR 527 million have been achieved.



6. BUSINESS COMBINATIONS AND VARIATIONS 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 recognizes 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 10 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 recognized 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 recognized in OTHER COMPREHENSIVE INCOME shall be reclassified to consolidated profit or loss, where it would correspond in the event that this interest was sold.

6.1. MAIN VARIATIONS

The variations in the scope of consolidation of the 2020 and 2019 financial years are:

VARIATION IN CONSOLIDATION PERIMETER

Year 2020	Global	Equity method
Bitulife, S.A.		I
Cepsa Chemical Products (Shanghai), Ltd	I	
Cepsa Trading Americas, INC	I	E
Intransport Service XXI, S.L.	I	
Ocean 66, Ltd	E	
Plasticantes de Lutzana, S.A.	E	
Société de Recherches et d'Exploitations Industrielles, Sorexi, S.A.		I
Teide RE, S.A.	I	

I=Inclusion / E=Exclusion

VARIATION IN CONSOLIDATION PERIMETER

Year 2019	Global	Equity method
Apico, LLC		E
Atlas Nord Hydrocarbures (ANH), S.A.S.		I
Cepsa Disco, S.L.U.	E	
Cepsa EP Asia, S.L.U.	E	
Cepsa EP, S.L.U.	E	
Cepsa Finance, S.A.U.	I	
Cepsa Panamá, S.A.U.	E	
Cepsa SEA, S.L.U.	E	
Cepsa Trading Asia Pte, LTD	I	
Detisa Comercial Petróleo, SA de CV	I	
ERS, Spain, S.A.	E	
Europea de Petróleos, S.L.	I/E	
Medgaz, S.A.		E
Servicar Campo de las Naciones, S.A. (SERVICAR)	E	
Suministros y Áreas de Servicio Ploc, S.A. (SUARSESA)	I/E	
Wingas, Distribuidora de Gas Natural, S.A. U.	E	

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 involved, which, together with CEPESA, 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 2020 financial year.

Changes in 2020 include:

- "Sorex, S.A." and "Bitulife S.A.", incorporated in Morocco, do business in the asphalts and derivatives market. The Group has completed the purchase of a 40% stake aimed at consolidating its position as one of the main energy players in North Africa.
- The Group established the company "Cepsa Chemical Products (Shanghai) Ltd" to sell phenol and acetone to major clients in the Asian market.
- The company "Cepsa Trading Américas, Inc" (previously "Cepsa Química USA") was relaunched and modified its commercial activity, which will now focus on Trading in North America. Therefore, it has gained importance and has been consolidated by global integration.

- The company "Intransport Service XXI, S.L." was acquired in 2020 to strengthen the network of service stations for professionals by incorporating 5 stations in the North of Spain and a card system that serves more than 6,000 customers.
- The companies "Ocean 66, LTD" and "Plasticantes de Lutzana, S.A." were liquidated.
- The company "Teide RE, S.A.", dedicated to internal reinsurance for the Group, took on greater significance and should be included in the consolidation process (it was not consolidated in 2019).

Changes in 2019 notably included removal from the scope of consolidation due to the sale of "Apico, LLC" and "Cepsa Panamá, S.A." and in-kind dividend distribution of "Medgaz, S.A." The additions were due to the start-up of activity in said financial year of "Cepsa Finance, S.A.U.", "Cepsa Trading Asia Pte, Ltd", and "Detisa Comercial Petróleo, S.A. de C.V."

The breakdown of the effect on equity of the change in consolidation method and of the inclusions in and exclusions from the scope of consolidation is shown in OTHER CHANGES or BUSINESS COMBINATIONS, as applicable, in the respective tables

disclosing the changes of the financial year for each heading shown in Notes 7 to 29.

The information contained in this Report for financial year 2019 is presented only for purposes of comparison with information from financial year 2020.

6.2. 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.

Otherwise, a discontinued operation is a component that has been sold or otherwise disposed of or has been 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

In the 2020 financial year, no divestments from Group companies occurred.

In 2019, the following companies were sold:

- "Apico, LLC", by agreement signed on 31 July 2019 and completed on 11 September 2019 (see Note 8),
- "Cepsa Panamá, S.A.", completed on 13 December 2019.

In addition, on 13 October 2019, the then sole shareholder of CEPESA, "Cepsa Holding, LLC" decided to proceed with the distribution of a dividend in kind consisting of all shares of "Medgaz, S.A." held by the Group to the then Sole Shareholder, charged to voluntary reserves (see Notes 8 and 18.5).

B) ONGOING DIVESTMENTS – ASSETS HELD FOR SALE

The Company "Cepsa Peruana, S.A.C", which was recorded as held for sale on 31 December 2019, was reinstated as a Group company for all intents and purposes as of 31 December 2020, as the Board decided to discontinue the sale process.

In 2019, after approval from the Board of Directors in November 2019 of the sale of the Group's interest in "Cepsa Peruana, S.A.C.", the assets and liabilities this company would have contributed to the 2019 Consolidated Balance Sheet were removed from the headings according to their nature and grouped into respective headings under current assets and liabilities (ASSETS HELD FOR SALE and LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE, respectively).

However, the events of 2020 significantly affected the expected sales transaction. Therefore, the sales transaction was suspended until further notice. Consequently, the company was once again included in the scope of consolidation with full effect, under the integration method as at December 2020 and its assets and liabilities included under the corresponding headings. The impact of this inclusion is briefly described in the corresponding Notes. In 2020, a record was made of the results generated by the company from the date on which it was considered "available for sale" until its re-inclusion in the Consolidated Group.

Similarly, in financial year 2019, at the meeting of the Board of Directors on 26 September 2019, the sale of the Group's stake in the company "Decal Panama, S.A." was approved. Said transaction is pending fulfilment and, as a result, the assets and liabilities contributed to the Group by said company that were removed from their natural headings on the financial year 2019 Consolidated Balance Sheet and transferred to ASSETS HELD FOR SALE and OBLIGATIONS ASSOCIATED WITH ASSETS HELD FOR SALE, respectively, have continued as such in 2020.

HELD FOR SALE COMPANIES - ASSETS AND LIABILITIES

Thousand of euros

Assets	Notes	2020	2019
Intangible assets	Note 9	-	15,121
Property, plant and equipment	Note 11	-	60,508
Rights of use		-	389
Deferred tax assets	Note 27	-	11,899
Account receivables		-	8,243
Cash and cash equivalents		-	1,495
Other assets		588	844
Total assets		588	98,499
Liabilities	Notes	2020	2019
Account payables		-	3,912
Deferred tax liabilities	Note 27	-	3,923
Provisions for third-party liability	Note 21	-	8,606
Other liabilities		-	387
Total Liabilities		-	16,828

7. SEGMENT REPORTING

The CEPSA Group divides its businesses into four business segments: Exploration and Production, Refining, Commercial 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:

(Adjusted) EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization - EBITDA) comprises the revenues and expenses derived from the ordinary operations of the segment. Not included: 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 by using the same basis used for the internal information for the management of the businesses.

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 7.3). These non-recurring items general-

ly 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 operative 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 change 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.

7.1. 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 comprises the supply and refining activities of crude oil products and their export, sale of manufacturing surpluses, trading activities (more than 85% of the volume of operations is for refining activity), generation of electrical energy (70% of electricity refining consumption is equivalent to the energy produced by Gas and Electricity activities) and steam, activities that play a very important role in production processes and sales to industrial customers.
- Commercial and distribution contains the distribution and commercialization activity of oil and gas products.
- Petrochemicals consist of production, distribution, and sale of petrochemical and oleochemical products.

Lastly, the amounts for corporate functions carried out by the parent company are reported under Corporation, 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) analyses the main operational and financial magnitudes 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, 2020 and 2019, 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):



SEGMENTS REPORTING

INFORMATION EXCLUDING

<i>Year 2020</i>	<i>Exploration & Production</i>	<i>Refining</i>
Income/(Losses)		
Revenue		
Revenue from external customers	770,489	3,773,728
Intra-group revenue	60	4,679,541
Total Revenue	770,549	8,453,269
Excise tax on oil and gas charged on sales	-	(1,570)
Revenue without excise tax on oil and gas	770,549	8,451,699
Procurements and changes in inventories of finished goods & work in progress	(78,783)	(9,126,139)
Changes in operating allowances	1,564	(1,236)
Change in provisions for liabilities and charges	19,076	(1,026)
Gains or losses on disposals of non-recurring assets	(2,537)	(35,338)
Other operating income and costs	(251,579)	722,145
Result (EBITDA)	458,290	10,105
Amortisation charge	(203,106)	(340,499)
Impairment of non-current assets	(19)	-
Allocation to profit or loss of grants related to non-financial assets and others	(1,147)	(87)
Adjusted operating profit (losses)	254,018	(330,481)
Share in profit of companies accounted for using the equity method	6,658	1,246
Net financial profit		
Impairment and gains or losses on disposals of financial instruments		
Consolidated profit before tax		
Income tax		
Consolidated net profit for the period for continuing operations		
Consolidated net profit for the period for discontinued operations		
Consolidated net profit of the period		
Non-controlling interests		
Equity holder of the Parent (*)	(74,340)	(270,661)
Assets and liabilities		
Non-current assets without investments in associates & JV	2,505,455	2,781,140
Investments in associates and JV companies	29,064	31,995
Total non-current capital invested	2,534,519	2,813,135
Capital Employed	1,927,555	3,095,996
Cash flow statement		
Cash flow from operating activities before change in operating working capital IFRS	417,049	(427,469)
Clean CCS Adjustment	-	421,481
Cash flow from operating activities before change in operating working capital CCS	417,049	(5,988)
Other cash flow from operating activities	(245,915)	(700)
Total cash flow from operating activities before change in working capital CCS	171,134	(6,688)
Total cash flows from investing activities	(173,972)	(309,831)
Free cash flow before change in working capital	(2,838)	(316,519)
(*)		
CCS Profit attributable to parent company	(74,340)	(270,661)
Non-Recurring Items	(320,007)	(549,065)
IFRS Profit attributable to parent company	(394,347)	(819,726)

CCS ADJUSTMENTS AND NON-RECURRING ITEMS

Thousands of euros

Commercial	Petrochemical	Corporation	Intra-Group Eliminations	Total	CCS Adjustments Non-Recurring Items	Total Consolidated
9,259,001	1,953,833	3,093	-	15,760,144	-	15,760,144
31,325	593,930	59,951	(5,364,807)	-	-	-
9,290,326	2,547,763	63,044	(5,364,807)	15,760,144	-	15,760,144
(2,115,319)	-	-	-	(2,116,889)	-	(2,116,889)
7,175,007	2,547,763	63,044	(5,364,807)	13,643,255	-	13,643,255
(4,414,889)	(1,812,003)	(717)	5,181,414	(10,251,117)	(450,242)	(10,701,359)
(1,091)	313	653	-	203	(60,937)	(60,734)
(5,707)	(223)	5,683	-	17,803	-	17,803
6,442	(7,333)	-	-	(38,766)	-	(38,766)
(2,360,161)	(371,101)	(107,405)	183,393	(2,184,708)	(53,206)	(2,237,914)
399,601	357,416	(38,742)	-	1,186,670	(564,385)	622,285
(164,268)	(83,234)	(883)	-	(791,990)	-	(791,990)
392	-	-	-	373	(648,227)	(647,854)
(808)	(191)	(2,300)	-	(4,533)	-	(4,533)
234,917	273,991	(41,925)	-	390,520	(1,212,612)	(822,092)
3,073	(254)	-	-	10,723	(58,847)	(48,124)
				(132,903)	-	(132,903)
				(157)	-	(157)
				268,183	(1,271,459)	(1,003,276)
				(258,293)	346,762	88,469
				9,890	(924,697)	(914,807)
				-	-	-
				9,890	(924,697)	(914,807)
				(8,453)	4,502	(3,951)
168,802	204,702	(27,066)	-	1,437	(920,195)	(918,758)
1,574,052	921,015	73,080	-	7,854,742	98,195	7,952,937
58,150	111,057	-	-	230,266	-	230,266
1,632,202	1,032,072	73,080	-	8,085,008	98,195	8,183,203
1,420,308	1,267,338	14,102	-	7,725,299	(245,741)	7,479,558
411,959	315,769	(56,567)	-	660,741		
(13,196)	41,957	-	-	450,242		
398,763	357,726	(56,567)	-	1,110,983		
(2,327)	4,076	253	-	(244,613)		
396,436	361,802	(56,314)	-	866,370		
(138,145)	(107,317)	(29,791)	-	(759,056)		
258,291	254,485	(86,105)	-	107,314		
168,802	204,702	(27,066)		1,437		
(9,155)	(29,594)	(12,374)		(920,195)		
159,647	175,108	(39,440)		(918,758)		

SEGMENTS REPORTING

INFORMATION EXCLUDING

<i>Year 2019</i>	<i>Exploration & Production</i>	<i>Refining</i>
Income/(Losses)		
Revenue		
Revenue from external customers	1,249,180	4,978,282
Intra-group revenue	(28,133)	7,426,924
Total Revenue	1,221,047	12,405,206
Excise tax on oil and gas charged on sales	-	(1,144)
Revenue without excise tax on oil and gas	1,221,047	12,404,062
Procurements and changes in inventories of finished goods & work in progress	(145,301)	(14,911,053)
Changes in operating allowances	(696)	(4,823)
Change in provisions for liabilities and charges	2,267	560
Gains or losses on disposals of non-recurring assets	727	7,165
Other operating income and costs	(114,752)	2,937,458
Result (EBITDA)	963,292	433,369
Amortisation charge	(256,455)	(356,083)
Impairment of non-current assets	(2,568)	(348)
Allocation to profit or loss of grants related to non-financial assets and others	(1,575)	30,606
Adjusted operating profit (losses)	702,694	107,544
Share in profit of companies accounted for using the equity method	15,322	28,047
Net financial profit		
Impairment and gains or losses on disposals of financial instruments		
Consolidated profit before tax		
Income tax		
Consolidated net profit for the period for continuing operations		
Consolidated net profit for the period for discontinued operations		
Consolidated net profit of the period		
Non-controlling interests		
Equity holder of the Parent (*)	193,676	123,970
Assets and liabilities		
Non-current assets without investments in associates & JV	3,098,777	2,858,035
Investments in associates and JV companies	89,399	31,058
Total non-current capital invested	3,188,176	2,889,093
Capital Employed	2,554,812	3,432,967
Cash flow statement		
Cash flow from operating activities before change in operating working capital IFRS	943,754	368,880
Clean CCS Adjustment	-	60,577
Cash flow from operating activities before change in operating working capital CCS	943,754	429,457
Other cash flow from operating activities	(238,912)	74,938
Total cash flow from operating activities before change in working capital CCS	704,842	504,395
Total cash flows from investing activities	(142,007)	(484,918)
Free cash flow before change in working capital	562,835	19,477
(*)		
CCS Profit attributable to parent company	193,676	123,970
Non-Recurring Items	(156,504)	394,224
IFRS Profit attributable to parent company	37,172	518,194

CCS ADJUSTMENTS AND NON-RECURRING ITEMS

Thousands of euros

Commercial	Petrochemical	Corporation	Intra-Group Eliminations	Total	CCS Adjustments Non-Recurring Items	Total Consolidated
15,219,133	2,406,805	3,987	-	23,857,387	-	23,857,387
212,685	1,070,376	63,893	(8,745,745)	-	-	-
15,431,818	3,477,181	67,880	(8,745,745)	23,857,387	-	23,857,387
(2,698,684)	-	-	-	(2,699,828)	-	(2,699,828)
12,733,134	3,477,181	67,880	(8,745,745)	21,157,559	-	21,157,559
(6,867,499)	(2,835,816)	(946)	8,084,801	(16,675,814)	(89,994)	(16,765,808)
(3,798)	2,673	619	-	(6,025)	24,201	18,176
4,524	1,448	-	-	8,799	-	8,799
(125)	(4,494)	7	-	3,280	-	3,280
(5,403,221)	(394,545)	(115,672)	660,944	(2,429,788)	11,790	(2,417,998)
463,015	246,447	(48,112)	-	2,058,011	(54,003)	2,004,008
(133,851)	(83,221)	(505)	-	(830,115)	-	(830,115)
540	8,805	-	-	6,429	(97,954)	(91,525)
(25,533)	(9,498)	(9,607)	-	(15,607)	-	(15,607)
304,171	162,533	(58,224)	-	1,218,718	(151,957)	1,066,761
393	(6,078)	-	-	37,684	(60,926)	(23,242)
				(113,932)	-	(113,932)
				906	406,143	407,049
				1,143,376	193,260	1,336,636
				(515,048)	12,033	(503,015)
				628,328	205,293	833,621
				-	-	-
				628,328	205,293	833,621
				(18,001)	4,403	(13,598)
220,987	106,867	(35,173)	-	610,327	209,696	820,023
1,677,603	940,093	58,564	-	8,633,072	(23,809)	8,609,263
20,440	127,711	-	-	268,608	-	268,608
1,698,043	1,067,804	58,564	-	8,901,680	(23,809)	8,877,871
1,253,605	1,381,901	52,371	-	8,675,656	131,822	8,807,478
438,545	234,996	(45,646)	-	1,940,529		
21,578	7,839	-	-	89,994		
460,123	242,835	(45,646)	-	2,030,523		
(73,729)	(30,022)	10,003	-	(257,722)		
386,394	212,813	(35,643)	-	1,772,801		
(170,280)	(88,708)	(40,771)	-	(926,684)		
216,114	124,105	(76,414)	-	846,117		
220,987	106,867	(35,173)		610,327		
(20,621)	(16,246)	8,843		209,696		
200,366	90,621	(26,330)		820,023		

7.2. GEOGRAPHICAL SEGMENT REPORTING

The breakdown, by geographical area, of revenue, net property, plant and equipment, net intangible assets and investments is as follows:

GEOGRAPHIC SEGMENTS REPORTING

Thousand of euros

	Incomes from sales to third parties		Intangible and PPE assets		Additions in intangibles and PPE	
	2020	2019	2020	2019	2020	2019
Spain (*)	9,861,342	15,540,159	3,837,104	4,031,616	548,010	745,304
Rest of European Union	2,124,297	3,109,696	86,448	87,992	6,741	10,305
Africa	1,025,109	1,723,564	316,375	433,660	23,382	100,897
America	918,641	1,598,164	204,728	291,048	21,815	28,773
Rest of the world	1,830,755	1,885,804	1,724,977	1,947,664	128,525	160,966
Total consolidated	15,760,144	23,857,387	6,169,632	6,791,980	728,473	1,046,245

(*) In Spain, 2020 and 2019 figures in the caption "incomes from sales to third parties" includes excises.

The main cause of the falling revenues in 2020 shown in the table compared to the previous financial year is COVID-19's impact on business volume and market prices.

7.3. INFORMATION ON NON-RECURRING ITEMS

A breakdown by business segment can be seen below that explains the difference between the IFRS profit and the adjusted profit:

NON-RECURRING ITEMS

Thousand of euros

Year 2020	Exploration and production	Refining	Commercial	Petro-chemical	Corporation	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 the 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

Thousand of euros

Year 2019	Exploration and production	Refining	Commer- cial	Petro- chemical	Corporation	Total
On Adjusted operating profit (losses)						
Difference in valuation and replacement cost	-	(37,278)	(20,074)	(8,441)	-	(65,793)
Depreciation, impairment and gains/ losses on disposal of assets	(89,149)	-	-	(8,805)	-	(97,954)
Excess of provisions allowances on severance costs	-	-	-	-	11,790	11,790
Total	(89,149)	(37,278)	(20,074)	(17,246)	11,790	(151,957)
Consolidated net profit						
Difference in valuation and replacement cost	-	(27,370)	(16,619)	(5,157)	-	(49,146)
Non-recurring items by companies accounted for using the equity method	(67,889)	11,448	-	(4,485)	-	(60,926)
Depreciation, impairment and gains/ losses on disposal of assets	(89,149)	-	-	(6,604)	-	(95,753)
Impairment on financial instruments	-	410,146	(4,002)	-	-	406,144
Excess of provisions allowances on severance costs	-	-	-	-	8,843	8,843
Adjustment to the tax for temporary differences and provisions	534	-	-	-	-	534
Total	(156,504)	394,224	(20,621)	(16,246)	8,843	209,696

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 performance – 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 analyse 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 2020, the following non-recurring changes should be highlighted:

- Impairment to fixed asset values totalling EUR 648 million (see Note 14) net of reversals, plus the corresponding tax effect. The latter mainly relates to the tax in Abu Dhabi amounting EUR 151 million and Spain amounting EUR 55 million.
- Impairment of the provision of ancillary stocks in refineries amounting to EUR 20 million (see Note 15).
- Provision recorded by the "Voluntary Departure Plan" (VDP) (see Note 21.2) for EUR 52 million, plus the corresponding tax amounting EUR 13 million.
- Other fiscal non-recurring adjustment for EUR 11 million in Colombia (see Note 27).

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, is as follows:

DIFFERENCE IN VALUATION AND REPLACEMENT COST

Thousand of euros

<i>Year 2020</i>	<i>Refining</i>	<i>Commercial</i>	<i>Petro-chemical</i>	<i>Total</i>
<i>On Result (EBITDA)</i>				
Changes in inventory	(421,481)	13,196	(41,957)	(450,242)
Changes in inventory impairment	(41,102)	(12)	536	(40,578)
<i>Total</i>	<i>(462,583)</i>	<i>13,184</i>	<i>(41,421)</i>	<i>(490,820)</i>

<i>Year 2019</i>	<i>Refining</i>	<i>Commercial</i>	<i>Petro-chemical</i>	<i>Total</i>
<i>Profit from operations</i>				
Changes in inventory	(60,577)	(21,578)	(7,839)	(89,994)
Changes in inventory impairment	23,299	1,504	(602)	24,201
<i>Total</i>	<i>(37,278)</i>	<i>(20,074)</i>	<i>(8,441)</i>	<i>(65,793)</i>



8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

• ACCOUNTING POLICIES

A) ASSOCIATES

An associate is a company in which the Group has a financial interest that does not grant it control but that, nevertheless, does allow it to exercise 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 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 recognizes 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 recognized 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 there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture (or associate) and its carrying value, then recognizes the loss as SHARE IN PROFITS OF ASSOCIATES AND JOINT VENTURES in the Income Statement, as a debit. Reversals of impairment amounts recorded in previous periods are calculated and recognized 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 recognizes 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 recognized in the Consolidated Income Statement.

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

8.1. RECORD OF INTERESTS

The following table shows a breakdown of the balance at end of year 2020 and 2019 under INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD:

INVESTMENTS IN ASSOCIATED AND JOINT VENTURES

Thousand of euros

	Type of participation	Book value		Profit / (loss) by integration	
		12.31.2020	12.31.2019	12.31.2020	12.31.2019
Sorex, S.A.	Joint ventures	27,793	-	1,316	-
Abu Dhabi Oil CO, Ltd (ADOC)	Associated	35,880	96,469	(53,662)	(52,791)
Nueva Generadora del Sur, S.A.	Joint ventures	13,338	13,095	502	12,143
CSCHEM Limited	Associated	19,058	23,293	3,812	3,418
Cepsa Gibraltar, S.A.	Associated	8,476	8,937	17	577
Asfaltos Españoles, S.A.	Joint ventures	17,516	17,250	266	950
SinarMas Cepsa Group	Joint ventures	89,227	100,594	(3,713)	(16,215)
Other companies		18,978	8,970	3,338	28,676
Total		230,266	268,608	(48,124)	(23,242)
<i>Where:</i>					
<i>Joint ventures</i>		<i>164,773</i>	<i>137,460</i>	<i>112</i>	<i>22,531</i>
<i>Associated</i>		<i>65,493</i>	<i>131,148</i>	<i>(48,236)</i>	<i>(45,773)</i>

• Changes in investments

The breakdown of the changes in 2020 and 2019 in the above-mentioned heading is as follows:

VARIATION IN INVESTMENTS ACCOUNTED FOR IN EQUITY METHOD

Thousand of euros

	2020	2019
<i>Opening balance at the beginning of the year</i>	<i>268,608</i>	<i>466,939</i>
Profit after taxes incurred in the year (discontinued operations included)	12,346	44,647
Impairments	(60,470)	(67,889)
Share of results of equity accounted investees	(48,124)	(23,242)
Dividends received during the year	(12,211)	(61,407)
Share Premium Reimbursement	-	(17,845)
Additions of investments in associates and joint ventures	35,323	6,680
Capital increase through participative loans	-	98,625
Disposals:		
Retirements	-	(198,778)
Mergers/Change in consolidation method	(16)	(4,164)
Other changes	(13,314)	1,800
Closing balance for the year	230,266	268,608



In the 2020 financial year there were:

- Additional impairments in the Group's interest in "Abu Dhabi Oil Co. Ltd" (ADOC) amounting EUR 60,470 thousand (see Note 8.3)
- In June 2020, the Group acquired the companies "Sorex, S.A." and "Bitulife, S.A.", which manufacture and sell asphalt in Morocco, for 367,420 thousand Moroccan dirhams (EUR 33,955 thousand) including the capital increase fully subscribed by the CEPESA Group. The purchase agreement contains contingent payments: should the progress of said businesses exceed the expectations agreed upon on the date of sale, additional payments of up to EUR 4.5 million will be due in 2021-2022. Said payments are deemed contingent and catalogue as possible by the Group.
- "Atlas Nord Hydrocarbures, SAS" capital increase
- OTHER CHANGES lists translation differences, mainly from "SinarMas Cepsa", "CSCChem Ltd", and "Abu Dhabi Oil Co. Ltd" (ADOC).

The most significant changes in 2019 were:

- Divestment from "Medgaz, S.A." via delivery of all the shares held by the Group as a dividend in kind to the shareholder "Cepsa Holding, LLC" (see Note 6.2 and 18.5), as well as the sale of the interest in "Apico, LLC" (see Note 6.2). These DERECOGNITIONS amount to a reduction under INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD of EUR 139,901 thousand and EUR 58,877 thousand, respectively.
- In 2019, a capital increase took place in "SinarMas Cepsa, Pte Ltd" amounting to EUR 98,625 thousand via equity participation loan conversion.
- OTHER CHANGES mainly includes the translation differences for foreign companies, mostly relating to US dollars and Japanese Yen, which arise from the closing rates of two periods.

Other changes can be read in the document «Consolidated Financial Statements of 2019».

The principal financial aggregates, by percentage share, relating to Companies accounted for using the equity method are summarized below:

MAIN FIGURES

Thousand of euros

	2020	2019
<i>Investments accounted for in equity method</i>		
Total assets	571,264	612,538
Total current and non current liabilities	332,380	311,285
<i>Net assets</i>	<i>238,884</i>	<i>301,253</i>
Total revenues	452,945	339,681
<i>Profit for the year</i>	<i>(417,324)</i>	<i>(77,659)</i>
<i>Share of results of companies accounted for by using the equity method (discontinued operations included)</i>	<i>(48,124)</i>	<i>(23,242)</i>

8.2. GOODWILL

The 2020 and 2019 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:

GOODWILL IN COMPANIES ACCOUNTED FOR USING THE "EQUITY METHOD"

Thousand of euros

<i>Year 2020</i>	<i>Segments</i>	<i>Balance at 01.01.2020</i>	<i>Acquisitions</i>	<i>Others movements</i>	<i>Sales & disposals</i>	<i>Impairments</i>	<i>Balance at 12.31.2020</i>
Distribution network companies	Distribution	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

<i>Year 2019</i>	<i>Segments</i>	<i>Balance at 01.01.2019</i>	<i>Others movements</i>	<i>Sales & disposals</i>	<i>Impairments</i>	<i>Balance at 12.31.2019</i>
Distribution network companies	Distribution	6,667	-	-	-	6,667
Gas companies	Refining	124,779	-	(124,779)	-	-
Petrochemical companies	Petrochemical	9,670	(1,041)	-	-	8,629
Exploration and production companies	Exploration & Production	64,102	1,480	(17,094)	(48,488)	-
Total Goodwill		205,218	439	(141,873)	(48,488)	15,296

The acquisition of "Sorex, S.A." and "Bitulife, S.A." in 2020 generated goodwill totalling EUR 24,161 thousand.

In 2019, the goodwills accounted for under INVESTMENTS IN ASSOCIATE AND JOINT VENTURES by "Medgaz, S.A." (amounting to EUR 124,779 thousand) and "Apico, LLC" (EUR 17,094 thousand) have been derecognized as a result of the divestments mentioned in Note 8.1. These amounts are part of the overall reduction under this heading, mentioned above, of EUR 198,778 thousand.

8.3. IMPAIRMENT

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

In the 2020 financial year, impairment corresponding to the interest in "Abu Dhabi Oil Co. Ltd" amounted to EUR 60,470 thousand, see Notes 8.1 and 14.3 (EUR 67,889 thousand in 2019, including EUR 48,488 thousand allocated to goodwill).

8.4. FINANCIAL INFORMATION OF INVESTEE COMPANIES AND BUSINESSES

A) JOINT VENTURES

The summarized financial information for the joint ventures partly owned by CEPSA at 31 December 2020 and 2019 is as follows:

SUMMARIZED FINANCIAL INFORMATION OF MAIN JOINT VENTURES, AT 100%

Thousand of euros

	<i>Sorex, S.A.</i>		<i>Asfaltos Españoles, S.A.</i>		<i>Nueva Generadora del Sur, S.A.</i>		<i>SinarMas Cepsa Pte, LTD</i>	
	<i>12.31.2020</i>	<i>12.31.2019</i>	<i>12.31.2020</i>	<i>12.31.2019</i>	<i>12.31.2020</i>	<i>12.31.2019</i>	<i>12.31.2020</i>	<i>12.31.2019</i>
Revenue	37,857	-	34,743	38,910	4,837	5,681	215,744	170,346
Expenses	(32,944)	-	(28,885)	(31,591)	(2,105)	(2,149)	(196,112)	(171,236)
Amortization charge	(327)	-	(7,104)	(6,806)	(2,141)	(2,141)	(17,401)	(15,827)
Impairment on non-current assets	-	-	-	-	-	22,896	-	-
Share in profit of companies accounted for using the equity method	-	-	-	-	-	-	-	-
Other operating income (expenses)	-	-	2,055	2,000	324	13	-	737
Net foreign exchange gain (loss)	-	-	-	(2)	-	-	-	-
Finance income	184	-	-	10	55	1	(217)	1,117
Finance costs	-	-	(62)	(117)	-	(4)	(8,650)	(16,635)
Gains or losses on disposals of non-current assets	-	-	(7)	-	-	-	-	-
Other gains (losses) on financial instruments	-	-	-	-	-	-	-	-
Profit before tax	4,770	-	740	2,404	970	24,297	(6,636)	(31,498)
Income tax	(1,479)	-	(208)	(505)	34	(11)	(790)	(931)
Profit for the period from continuing operations	3,291	-	532	1,899	1,004	24,286	(7,426)	(32,429)
Profit for the period from discontinued operations	-	-	-	-	-	-	-	-
Net profit for the period	3,291	-	532	1,899	1,004	24,286	(7,426)	(32,429)
Other comprehensive income/loss	-	-	-	-	-	-	-	-
Total comprehensive income	3,291	-	532	1,899	1,004	24,286	(7,426)	(32,429)
% stakeholding	40.00%	-	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Consolidation profit	1,316	-	266	950	502	12,143	(3,713)	(16,215)
Dividends	-	-	-	-	260	12,191	-	-
Non-current assets	6,277	-	49,912	50,832	23,515	25,658	295,005	326,113
Current assets	37,030	-	8,308	7,562	7,135	3,990	102,500	108,549
Total assets	43,307	-	58,220	58,394	30,650	29,648	397,505	434,662
Non-current liabilities	5,811	-	13,858	14,104	379	423	113,216	135,925
Current liabilities	16,318	-	9,331	9,790	3,596	3,035	105,836	97,550
Total liabilities	22,129	-	23,189	23,894	3,975	3,458	219,052	233,475
Net assets	21,178	-	35,031	34,500	26,675	26,190	178,453	201,187
% stakeholding	40.00%	-	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Stake in net assets	8,471	-	17,516	17,250	13,338	13,095	89,227	100,594
Goodwill	19,322	-	-	-	-	-	-	-
Carrying value of investment	27,793	-	17,516	17,250	13,338	13,095	89,227	100,594

In 2020, dividends of EUR 260 thousand (EUR 44,602 thousand in 2019) were received.

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 31 December 2020 and 2019 is included as follows:

SUMMARIZED FINANCIAL INFORMATION OF MAIN ASSOCIATED, AT 100%

Thousand of euros

	<i>Abu Dhabi Oil CO, Ltd (ADOC)</i>		<i>SIL/CSCHEM</i>		<i>Cepsa Gibraltar</i>	
	<i>12.31.2020</i>	<i>12.31.2019</i>	<i>12.31.2020</i>	<i>12.31.2019</i>	<i>12.31.2020</i>	<i>12.31.2019</i>
Revenue	722,236	371,310	225,157	194,784	212,590	230,262
Expenses	(428,380)	(147,534)	(198,568)	(173,524)	(212,491)	(228,664)
Amortization charge	-	-	(6,380)	(6,771)	-	-
Impairment on non-current assets	(469,344)	(150,627)	-	-	-	-
Share in profit of companies accounted for using the equity method	-	(376,460)	-	-	-	-
Other operating income (expenses)	-	-	476	537	-	-
Net foreign exchange gain (loss)	5,652	-	(59)	-	5	(163)
Finance income	6,953	-	5	460	-	-
Finance costs	(17,989)	(8,196)	(5,120)	(4,013)	(3)	(6)
Gains or losses on disposals of non-current assets	(11,927)	-	-	-	-	-
Other gains (losses) on financial instruments	-	-	-	-	-	-
<i>Profit before tax</i>	<i>(192,799)</i>	<i>(311,507)</i>	<i>15,511</i>	<i>11,473</i>	<i>101</i>	<i>1,429</i>
Income tax	(223,702)	(98,356)	(2,805)	(79)	(68)	(275)
<i>Profit for the period from continuing operations</i>	<i>(416,501)</i>	<i>(409,863)</i>	<i>12,706</i>	<i>11,394</i>	<i>33</i>	<i>1,154</i>
Profit for the period from discontinued operations	-	-	-	-	-	-
<i>Net profit for the period</i>	<i>(416,501)</i>	<i>(409,863)</i>	<i>12,706</i>	<i>11,394</i>	<i>33</i>	<i>1,154</i>
Other comprehensive income/loss	-	-	-	-	-	-
<i>Total comprehensive income</i>	<i>(416,501)</i>	<i>(409,863)</i>	<i>12,706</i>	<i>11,394</i>	<i>33</i>	<i>1,154</i>
% stakeholding	12.88%	12.88%	30.00%	30.00%	50.00%	50.00%
<i>Consolidation profit</i>	<i>53,662</i>	<i>(52,790)</i>	<i>3,812</i>	<i>3,418</i>	<i>17</i>	<i>577</i>
<i>Dividends</i>	<i>5,512</i>	<i>7,357</i>	<i>4,084</i>	<i>1,931</i>	<i>-</i>	<i>570</i>
Non-current assets	945,016	1,449,259	38,899	51,686	12,340	13,289
Current assets	466,623	328,611	92,909	61,401	23,562	35,878
<i>Total assets</i>	<i>1,411,639</i>	<i>1,777,870</i>	<i>131,808</i>	<i>113,087</i>	<i>35,902</i>	<i>49,167</i>
Non-current liabilities	853,032	884,861	19,890	25,370	-	-
Current liabilities	280,125	144,024	72,072	38,838	18,951	31,294
<i>Total liabilities</i>	<i>1,133,157</i>	<i>1,028,885</i>	<i>91,962</i>	<i>64,208</i>	<i>18,951</i>	<i>31,294</i>
<i>Net assets</i>	<i>278,482</i>	<i>748,985</i>	<i>39,846</i>	<i>48,879</i>	<i>16,951</i>	<i>17,873</i>
% stakeholding	12.88%	12.88%	30.00%	30.00%	50.00%	50.00%
<i>Stake in net assets</i>	<i>35,880</i>	<i>96,469</i>	<i>11,954</i>	<i>14,664</i>	<i>8,476</i>	<i>8,937</i>
<i>Goodwill</i>	<i>-</i>	<i>-</i>	<i>7,104</i>	<i>8,630</i>	<i>-</i>	<i>-</i>
<i>Carrying value of investment</i>	<i>35,880</i>	<i>96,469</i>	<i>19,058</i>	<i>23,294</i>	<i>8,476</i>	<i>8,937</i>

The CEPSA Group holds an indirect stake in "ADOC" of 12.88%; however, this company has been entered as an investment accounted by the equity method in the consolidated Financial Statements, given that the Group exerts a significant influence

on it as shown in the agreements between the principal shareholders. In 2020, dividends were received from associates totaling EUR 11,951 thousand (EUR 16,805 thousand in 2019).

9. INTANGIBLE ASSETS

• ACCOUNTING POLICIES

A) EXPLORATION AND PRODUCTION ASSETS

See Note 4.4.

B) OTHER INTANGIBLE ASSETS

Intangible assets of an indefinite life that have been acquired individually are recognized at cost minus accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful life shown in the table below. The estimated useful life and amortization 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 recognized 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 amortized 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 compliance with the commitments to reduce greenhouse gas emissions assumed by the European Union in May 2002 —the Kyoto Protocol— various EU and national regulations were issued, which led to the approval in Spain, through Royal Decree 1722/2012 of 28 December, of the National Emission Allowance Assignment Plan, which is in force for 2013-2020.

Allowances received for no consideration under the National Emission Allowance Assignment Plan are measured at the prevailing market price at the beginning of the year to which they correspond and recognized as an asset under INTANGIBLE NON-AMORTIZABLE ASSET; with the offsetting entry under GRANTS (see Note 20).

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 cancelled 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 signs of impairment are found, 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 Board of Directors 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 indicated above, all items in this section of intangible assets are tested for impairment where there are indications. In particular, they are reviewed annually for indefinite life assets and those that are not yet available for use, regardless of the presence of such indications (Note 14).

The breakdown of the gross investments in intangible assets, the related accumulated amortization and impairment for 2020 and 2019 is as follows:

INTANGIBLE ASSETS

Thousand of euros

Year 2020	Notes	Balance at 01.01.2020	Additions or Charge for the year	Transfers	Other changes	Retire- ments 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 14.3	(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).

INTANGIBLE ASSETS

Thousand of euros

<i>Year 2019</i>	<i>Notes</i>	<i>Balance at 01.01.2019</i>	<i>Additions or Charge for the year</i>	<i>Transfers</i>	<i>Other changes</i>	<i>Retire- ments or Disposals</i>	<i>Balance at 12.31.2019</i>
Assets							
Exploration and evaluation assets		627,769	7,609	(103,091)	9,959	(17,875)	524,371
O&G possible or contingent reserves (B.C.)		20,907	-	-	402	-	21,309
O&G proven reserves (B.C.)		2,485,000	-	(29,652)	55,984	-	2,511,332
Total O&G assets		3,133,676	7,609	(132,743)	66,345	(17,875)	3,057,012
Concessions, patents and licences		112,860	308	(931)	272	(255)	112,254
Computer software		288,358	32,036	27	1,852	(1,114)	321,159
Other intangible assets		722,312	135,514	2,570	3,640	(62,783)	801,253
Total Assets		4,257,206	175,467	(131,077)	72,109	(82,027)	4,291,678
Amortisation							
Exploration and evaluation assets		(601,977)	(10,413)	103,534	(7,697)	17,382	(499,171)
O&G possible or contingent reserves (B.C.)		(70)	-	-	(1)	-	(71)
O&G proven reserves (B.C.)		(947,513)	(17,696)	15,597	(27,660)	-	(977,272)
Total O&G assets		(1,549,560)	(28,109)	119,131	(35,358)	17,382	(1,476,514)
Concessions, patents and licences		(71,190)	(3,764)	115	(199)	303	(74,735)
Computer software		(196,107)	(23,633)	824	(85)	84	(218,917)
Other intangible assets		(217,863)	(30,878)	-	(995)	5,300	(244,436)
Total Amortisation		(2,034,720)	(86,384)	120,070	(36,637)	23,069	(2,014,602)
Impairments							
Exploration and evaluation assets		(18,821)	-	-	-	-	(18,821)
O&G possible or contingent reserves (B.C.)		(19,894)	-	-	-	-	(19,894)
O&G proven reserves (B.C.)		(1,458,234)	-	-	(28,781)	-	(1,487,015)
Total O&G assets		(1,496,949)	-	-	(28,781)	-	(1,525,730)
Concessions, patents and licences		(1,485)	-	-	(29)	-	(1,514)
Other intangible assets		(82,655)	(11,959)	-	(1,819)	-	(96,433)
Total Impairments	<i>Note 14.3</i>	(1,581,089)	(11,959)	-	(30,629)	-	(1,623,677)
Total O&G assets		87,167	(20,500)	(13,612)	2,206	(493)	54,768
Total other intangible		554,230	97,624	2,605	2,637	(58,465)	598,631
Intangible assets, net		641,397	77,124	(11,007)	4,843	(58,958)	653,399

(B.C. = Business combinations).

OTHER INTANGIBLE ASSETS includes, among others, the following particularly significant assets belonging to specific Group companies at as at the end of 2020:

- Payments made by the subsidiary "Cepsa Comercial Petróleo, S.A.U." to Distributor Owner, Distributor Operator (DODO) service stations for trademark representation, amounting a gross value of EUR 216,913 thousand, with a cumulated depreciation of EUR 117,484 thousand,
- Strategic positioning of service stations, amounting a gross value of EUR 145,211 thousand, with a cumulated depreciation of EUR 14,975 thousand,
- Preferential use of the Ocesa Pipeline in Colombia, amounting a gross value of EUR 187,718 thousand, fully depreciated/impaird,
- Greenhouse gas emission allowances in companies with industrial plants, amounting a gross value of EUR 101,681 thousand.

• Additions

The ADDITIONS of intangible assets recognized in the 2020 and 2019 financial years, amounting to EUR 165,681 thousand and EUR 175,467 thousand, respectively, correspond mainly to new Exploration and Production Assets in Mexico and Brazil and investments in computer applications, as well as those classified under OTHER INTANGIBLE ASSETS, notably to the free allocation (see Note 20) of CO₂ emission allowances within National Allocation Plans and purchases from the allowances market.

ADDITIONS also included for 2020 and 2019, respectively, EUR 1,608 thousand and EUR 2,121 thousand related to capitalized expenses which were credited to their corresponding headings in the Consolidated Income Statement.

• Transfers

In 2020, TRANSFERS mainly include recognitions of EUR 15,121 thousand corresponding to the assets of companies held for sale (see Note 6.2) and EUR 3,368 thousand received from PPE (see Note 11).

GREENHOUSE GAS EMISSIONS ALLOWANCES

	Notes	2020		2019	
		Thousand of euros	Thousand of metric tons	Thousand of euros	Thousand of metric tons
<i>Opening balance</i>		<i>139,127</i>	<i>5,366</i>	<i>61,622</i>	<i>6,188</i>
Assignments / acquisitions		123,251	5,085	134,970	5,478
Gains / Losses and Impairments	Note 24	(14,742)	-	-	-
Deliveries / disposals		(161,081)	(5,375)	(57,116)	(6,300)
Impairment disposed		15,126	-	(349)	-
<i>Closing balance</i>		<i>101,681</i>	<i>5,076</i>	<i>139,127</i>	<i>5,366</i>

• 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 DERECOGNITIONS column includes divestments associated with computer applications, as well as delivery of yearly CO₂ emissions allowances for the allowances consumed in the respective previous financial years (see below) and sales to the CO₂ emission allowances market (see below).

• Impairment

In 2020, an impairment was recognized for EUR 45,978 thousand corresponding to "Cepsa Colombia, S.A." for preferential right of use of the Ocesa Pipeline in Colombia (Eur 38,814 thousand) and CGU Los Llanos (EUR 7,164 thousand).

Additionally, an impairment was recognized for EUR 17,586 thousand corresponding to CO₂ emissions allowances; at the delivery of said allowances to RENADE was partially reversed, and credited the remaining EUR 2,844 thousand to profit and loss.

In 2019, impairment was recognized for an amount of EUR 11,959 thousand corresponding to the preferential right of use of the Ocesa Pipeline in Colombia, a right provided by "Cepsa Colombia, S.A."

Accumulated impairment losses on 31 December 2020 and 2019 amounted to Eur 1,527,695 thousand and EUR 1,623,677 thousand, 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."

• Greenhouse gas emission allowances

Greenhouse gas emission allowances, which are recognized under OTHER INTANGIBLE ASSETS, have been moved in as set out below:

The average cost of rights acquired in 2020 was EUR 18.95 /ton (EUR 23.82 /ton in 2019).

Pursuant to current regulations, the CEPESA Group must deliver CO₂ emission allowances equal to the volume of emissions made during the year in the first few months of the following year. The CEPESA Group delivered EUR 107,466 thousand and EUR 53,128 thousand in 2020 and 2019, respectively.

• Other disclosures

At 31 December 2020 and 2019, the Group had intangible asset purchase commitments amounting to EUR 67,792 thousand and EUR 121,900 thousand, respectively.

At 31 December 2020 and 2019, fully amortized intangible assets still in use totalled EUR 1,205,619 thousand and EUR 675,392 thousand, respectively.

At 31 December 2020 and 2019, intangible assets with an indefinite useful life had a net value of EUR 23,748 in both years.

10. 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 recognized 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 recognized 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 recognized 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 2020 and 2019 is as follows:

CONSOLIDATED GOODWILL

Thousand of euros

<i>Year 2020</i>	<i>Balance at</i>	<i>Additions</i>	<i>Others</i>	<i>Balance at</i>
<i>Cash Generating Units</i>	<i>01.01.2020</i>			<i>12.31.2020</i>
CGU Petrochemical LAB/LAS	21,133	-	(6,160)	14,973
CGU Power	119	-	-	119
CGU Refining & Marketing	86,426	736	-	87,162
Total	107,678	736	(6,160)	102,254

<i>Year 2019</i>	<i>Balance at</i>	<i>Additions</i>	<i>Others</i>	<i>Balance at</i>
<i>Cash Generating Units</i>	<i>01.01.2019</i>			<i>12.31.2019</i>
CGU Petrochemical LAB/LAS	21,470	-	(337)	21,133
CGU Power	119	-	-	119
CGU Refining & Marketing	70,207	11,462	4,757	86,426
Total	91,796	11,462	4,420	107,678

Goodwill arisen in 2020 corresponds to the acquisition of an interest in "Intrasport Service XXI, S.L." (see Note 6.1)

The column OTHER CHANGES includes changes in exchange rates on "Detén Química, S.A."s goodwill, as the year-end exchange rate was used (see Note 4.3).

No impairment was recorded in 2020 or 2019. 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.

11. 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 recognized 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.

The estimated present value of the decommission costs to be borne by the CEPESA Group is also recognized, where appropriate (see Note 22).

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 recognized. (See Note 14).

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 Notes 3.H) and 15, the volume of crude oil and product at tank heels under the lowest operable level is considered not part of operating stock, but rather is a fixed asset inherent to the company's operations. Thus, it should be recognized under PROPERTY, PLANT, AND EQUIPMENT – TECHNICAL INSTALLATIONS.

Said volume of crude oil and product is recognized 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 contents 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 (1st of January). 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 recognized 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 a new 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 2020 and 2019 is as follows:

PROPERTY, PLANT AND EQUIPMENT

Thousand of euros

<i>Year 2020</i>	<i>Notes</i>	<i>Balance at 01.01.2020</i>	<i>Additions or Charge for the year</i>	<i>Transfers</i>	<i>Other changes</i>	<i>Retire- ments or Disposals</i>	<i>Balance at 12.31.2020</i>
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 facilities, 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
Depreciations							
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 facilities, 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 depreciations		(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 facilities, furniture		(317)	-	-	-	-	(317)
Other property, plant and equipment		(784,675)	-	(21,809)	88,413	99,462	(618,609)
Total Impairments	<i>Note 14.3</i>	(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

PROPERTY, PLANT AND EQUIPMENT

Thousand of euros

Year 2019	Notes	Balance at 01.01.2019	Additions or Charge for the year	Transfers	Other changes	Retire- ments or Disposals	Balance at 12.31.2019
Assets							
Land and structures		361,708	-	99,456	8,863	(4,549)	465,478
Plant and machinery		8,545,547	3,771	324,450	16,745	(95,509)	8,795,004
Oil & Gas Assets		2,499,576	162,650	1,446,774	47,478	(43,856)	4,112,622
Other facilities, furniture		112,338	2	3,262	1,399	(1,260)	115,741
Advances and property, plant and equipment under construction		2,467,924	691,082	(2,033,446)	33,126	(11,987)	1,146,699
Other property, plant and equipment		1,436,708	13,273	18,211	6,529	(55,751)	1,418,970
Total Assets		15,423,801	870,778	(141,293)	114,140	(212,912)	16,054,514
Depreciations							
Land and structures		(112,944)	(7,451)	(20,916)	(1,650)	3,053	(139,908)
Plant and machinery		(5,828,044)	(392,676)	(962)	(37,484)	83,996	(6,175,170)
Oil & Gas Assets		(1,781,826)	(170,555)	81,211	(15,984)	-	(1,887,154)
Other facilities, furniture		(95,281)	(4,724)	(2,168)	(1,040)	1,162	(102,051)
Other property, plant and equipment		(429,480)	(40,892)	(2,102)	(2,428)	38,670	(436,232)
Total depreciations		(8,247,575)	(616,298)	55,063	(58,586)	126,881	(8,740,515)
Impairments							
Land and structures		(1,352)	-	-	-	-	(1,352)
Plant and machinery		(332,213)	-	-	(4,348)	-	(336,561)
Oil & Gas Assets		(69,115)	-	-	16,602	-	(52,513)
Other facilities, furniture		(317)	-	-	-	-	(317)
Other property, plant and equipment		(720,611)	(75,735)	21,809	(10,138)	-	(784,675)
Total Impairments	Note 14.3	(1,123,608)	(75,735)	21,809	2,116	-	(1,175,418)
Property, plant and equipment, net		6,052,618	178,745	(64,421)	57,670	(86,031)	6,138,581

• Additions of assets

The additions of new assets in 2020 and 2019 amount to EUR 562,792 thousand and EUR 870,778 thousand, respectively, and are recorded in ADDITIONS OR ALLOWANCES. The following should be noted:

- In the Exploration and Production segment, investments to develop or increase activity, notably in the United Arab Emirates, where EUR 119 million have been invested in 2020 in the Sateh Al Razboot and Umm Lulu fields in the Abu Dhabi coastal area (EUR 140 million was invested in 2019). These are the provision of the agreement signed in March of that year with ADNOC, for a 20% stake in the aforementioned fields for 40 years of concession. To a lesser extent, additions in Algeria and Colombia are worth mentioning, with EUR 46 million and EUR 5 million respectively in 2020.
- Refining: investments made to improve industrial facilities, aimed at minimizing environmental impact and increasing efficiency and conversion rate, as well as focused on safety in activity. Notably, the additions to the San Roque Refinery, located in the Bay of Algeciras, exceeded EUR 152 million and EUR 250 million in 2020 and 2019, respectively, and those carried out in the La Rábida Refinery exceeded EUR 76 million and EUR 160 million in 2020 and 2019, respectively.
- In the Distribution segment, investments to maintain or improve the market share and presence in the markets, like the service stations market, for over EUR 36 million and EUR 85 million in 2020 and 2019, respectively.
- In the Petrochemical segment, investments to maintain the functionalities of our plants, most notably those located in Spain, for over EUR 70 million and EUR 101 million in 2020 and 2019, 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 Statement of Income are also included. They amount to EUR 25,111 thousand and EUR 33,120 thousand in 2020 and 2019, respectively. There are no significant financial amounts.

• Transfers

TRANSFERS include EUR 3,368 thousand transferred to intangible fixed assets (see Note 9).

In addition, "Cepsa Peruana S.A.C."s reinstatement in the scope of consolidation entails an increase in gross fixed asset value of EUR 165 million, with no expenditure entailed by this variation (EUR 61 million net of accumulated depreciation).

As set out in Note 3.H), in 2020, EUR 186,388 thousand corresponding to the value of permanent inventory in tanks was reclassified from Inventory to the Technical Installations and machinery heading under Fixed assets.

• Other changes

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

• Derecognitions

The DERECOGNITIONS column includes 2020 divestments carried out 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 EUR 167 million, practically fully depreciated and deteriorated assets, derecognitions of catalytic converters removed at the end of their useful life; and derecognitions in the La Rábida refinery due to the shutdown of installations that were fully amortized.

In 2019, divestments were carried out 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 EUR 95 million, practically fully depreciated and deteriorated assets, disposals of technical installations (mainly catalytic converters at the end of their useful life) and that of a tanker for product transport.

• Impairment

The most significant impairments recorded in 2020 were in the Peru CGU for EUR 34,080 thousand, in the Abu Dhabi CGU for EUR 188,695 thousand, in the Algeria CGU for EUR 128,699 thousand and in the Colombia CGU EUR 8,702 thousand.

Additionally, as a consequence of the evolution of the prices in certain refined products, strongly impacted by COVID 19, a drop in the profitability of some projects belonging to CGU Refining-Commercial is observed. Assets have been impaired for a value of EUR 221,861 thousand. According to accounting standards, this decision can be reversed if the circumstances that motivated it disappear.

Finally, an impairment of 4,192 thousand euros has been recorded corresponding to the estimated loss of value in a combined cycle plant, in the Gas and Electricity business.

During 2019, the following impairments were recorded: that of the Mobile Offshore Platform Units (MOPUs), contributed to the Group by the subsidiary "MOPU Holdings (Singapore) Pte, Ltd." amounting to EUR 53,853 thousand and EUR 21,802 thousand contributed by the CGU Peru.

• Other disclosures

At 31 December 2020 and 2019, the Group had property, plant, and equipment purchase commitments amounting to EUR 998,749 thousand and EUR 1,563,566 thousand, respectively, mostly associated with exploration and production investments.

At 31 December 2020 and 2019, no material items of property, plant and equipment had been pledged to secure compliance with obligations relating to the ownership thereof.

At 31 December 2020 and 2019 fully depreciated property, plant, and equipment still in use totalled EUR 4,468,409 thousand and EUR 4,015,298 thousand 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 PPE pursuant to Royal Decree-Law 7/1996 of June 7, increasing the carrying amount of these assets by EUR 117,350 thousand. 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, after the routine maintenance shutdown in September of the Fuel 1 and Vacuum 2 units at the La Rábida Refinery in Huelva, it was decided that said units should remain inactive until domestic demand significantly recovers. At the date of issue of this Financial Statement, the situation has not changed, although Company Management is periodically reviewing the best time to reinitiate activity, which is expected to take place in the first half of 2021, although it will depend on the evolution of the pandemic.



12. RIGHTS OF USE

• ACCOUNTING POLICIES AND PROCEDURES

In 2019, the CEPESA Group applied IFRS 16 (approved by the IASB in January 2016 and effective 1 January 2019) for the first time.

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 recognizes 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 25, 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 recognized 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

Former operating leases

In the application of IFRS 16, for all leases (except those of low value or short-term contracts – see Note 25), 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; and

- 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.

Finance leases

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 recognizes 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 recognized 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 14.

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 2020 and 2019 is shown in the following table:

RIGHTS OF USE

Thousand of euros

<i>Year 2020</i>	<i>Balance at 01.01.2020</i>	<i>Additions or Charge for the year</i>	<i>Transfers</i>	<i>Other changes</i>	<i>Retirements or Disposals</i>	<i>Balance at 12.31.2020</i>
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 facilities, furniture	9	-	-	-	-	9
Other property, plant and equipment	169,131	2,046	-	(11,440)	(4,779)	154,958
<i>Total Assets</i>	<i>860,787</i>	<i>46,598</i>	<i>-</i>	<i>(13,334)</i>	<i>(43,150)</i>	<i>850,901</i>
Depreciations						
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 facilities, furniture	(2)	(2)	-	-	-	(4)
Other property, plant and equipment	(24,416)	(22,474)	42	2,468	1,306	(43,074)
<i>Total depreciations</i>	<i>(123,406)</i>	<i>(124,678)</i>	<i>7,100</i>	<i>5,458</i>	<i>1,467</i>	<i>(234,059)</i>
<i>Total rights of use</i>	<i>737,381</i>	<i>(78,080)</i>	<i>7,100</i>	<i>(7,876)</i>	<i>(41,683)</i>	<i>616,842</i>
<i>Year 2019</i>	<i>Balance at 01.01.2019</i>	<i>Additions or Charge for the year</i>	<i>Transfers</i>	<i>Other changes</i>	<i>Retirements or Disposals</i>	<i>Balance at 12.31.2019</i>
Assets						
Land and structures	497,234	58,793	-	-	(45,231)	510,796
Plant and machinery	177,089	8,652	50	-	(4,940)	180,851
Other facilities, furniture	9	-	-	-	-	9
Other property, plant and equipment	166,612	(409)	(50)	3,124	(146)	169,131
<i>Total Assets</i>	<i>840,944</i>	<i>67,036</i>	<i>-</i>	<i>3,124</i>	<i>(50,317)</i>	<i>860,787</i>
Depreciations						
Land and structures	-	(69,399)	(26)	3,497	5	(65,923)
Plant and machinery	-	(33,298)	-	219	14	(33,065)
Other facilities, furniture	-	(2)	-	-	-	(2)
Other property, plant and equipment	-	(24,733)	26	257	34	(24,416)
<i>Total depreciations</i>	<i>-</i>	<i>(127,432)</i>	<i>-</i>	<i>3,973</i>	<i>53</i>	<i>(123,406)</i>
<i>Total rights of use</i>	<i>840,944</i>	<i>(60,396)</i>	<i>-</i>	<i>7,097</i>	<i>(50,264)</i>	<i>737,381</i>

• Additions

During the financial year of 2020 there have been additions of lease contracts, amounting to EUR 46,598 thousand, corresponding mainly to new contracts for service stations and extensions of validity in the headings of LAND AND CONSTRUCTION and TECHNICAL INSTALLATIONS.

• Derecognitions

During the year 2020, there have been cancellations of leasing contracts, amounting to EUR 43,150 thousand, corresponding mainly to cancellations of service station contracts, decrease in fixed income from LAND AND CONSTRUCTION and TECHNICAL INSTALLATIONS.

The breakdown of the initial recognition of IFRS 16 as of 1 January 2019 was as follows:

LEASES LIABILITY RECONCILIATION

Thousand of euros

	<i>2019</i>
Operating lease obligations at 31 December 2018	979,646
Discounted using the lessee's incremental borrowing rate at the date of initial application	(95,869)
Short term leases recognised on a straight line basis as at 31 December 2018	(37,353)
Low-value leases recognised on a straight line basis as expense	(6,298)
Other movements	818
<i>Total</i>	<i>840,944</i>
Minimum lease payment (notional amount) on finance lease liabilities at 31 December 2019	1,241
<i>Total lease liability recognized as at 1 January 2020</i>	<i>842,185</i>

The initial recognition of use rights for operating leases in force on 1 January 2019 amounted to EUR 840,944 thousand and entails the recognition of LEASE LIABILITIES for the same amount.

The following table shows the impact on the Consolidated Income Statement of the implementation of IFRS 16 in 2020 and 2019:

IMPACT ON RESULTS OF FIRST APPLICATION OF IFRS 16

Thousand of euros

	<i>2020</i>	<i>2019</i>
Amortisation right of use	124,678	127,431
Increase in financing costs	17,434	21,321
Reduction in other expenses	(136,476)	(143,726)
Exchange differences	157	253
<i>Increase / (decrease) in the Net Profit for the Year</i>	<i>5,793</i>	<i>5,279</i>

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 28.

13. 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 recognized for the first time when they are created. All other financial assets are recognized 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 recognized directly in profit or loss.

II. Financial assets at fair value through other comprehensive income (FVTOCI) (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 recognized at FV-OCI include the sub-portfolio of trade receivables subject to possible securitization.

III. Financial assets at fair value through other comprehensive income (FVTOCI) (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 (FVTPL).

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

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 FVTOCI. 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 recognized 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 recognizes 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 recognizes 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 recognized in profit or loss. Additionally, by derecognizing an investment in a debt instrument classified as financial assets 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 31 December 2020 and 2019, classified by nature and by category for valuation purposes, is as follows:

FINANCE ASSETS BY TYPE/ CATEGORY

Thousand of euros

Year 2020	Financial assets valued at					Total
	Notes	FVTPL	Amor- tised cost	FVTOCI	Hedging deriva- tives	
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 16	-	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

Year 2019	Financial assets valued at					Total
	Notes	FVTPL	Amor- tised cost	FVTOCI	Hedging deriva- tives	
Equity instruments		3,089	-	-	-	3,089
Loans		-	55,884	-	-	55,884
Derivatives		-	-	-	89,255	89,255
Other Finance assets		-	24,638	-	-	24,638
Non current		3,089	80,522	-	89,255	172,866
Equity instruments		3,030	-	-	-	3,030
Loans		-	29,589	-	-	29,589
Derivatives		9,408	-	-	30,549	39,957
Other Finance assets		-	14,519	-	-	14,519
Subtotal		12,438	44,108	-	30,549	87,095
Trade and accounts receivable	Note 16	-	1,731,282	263,884	-	1,995,166
Current		12,438	1,775,390	263,884	30,549	2,082,261
Total		15,527	1,855,912	263,884	119,804	2,255,127

FVTPL: Financial assets at fair value through profit and loss.

FVTOCI: Financial assets at air value through OCI..

The movements and balances in financial assets accounts for 2020 and 2019, excluding trade receivables, are as follows:

FINANCIAL ASSETS - VARIATIONS

Thousand of euros

<i>Year 2020</i>	<i>Notes</i>	<i>Balance at 01.01.2020</i>	<i>Additions</i>	<i>Transfers</i>	<i>Other charges</i>	<i>Disposals</i>	<i>Balance at 12.31.2020</i>
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 non-current finance assets		117,788	82,377	(82,679)	(7,260)	(3,148)	107,078
Impairment	Note 14.3	(7,528)	(491)	-	215	137	(7,667)
<i>Total non-current</i>		<i>172,866</i>	<i>82,903</i>	<i>(69,809)</i>	<i>(6,829)</i>	<i>(9,139)</i>	<i>169,992</i>
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 14.3	(11,499)	(22)	-	828	367	(10,326)
<i>Total current</i>		<i>87,095</i>	<i>51,366</i>	<i>73,924</i>	<i>(283)</i>	<i>(142,713)</i>	<i>69,389</i>

<i>Year 2019</i>	<i>Notes</i>	<i>Balance at 01.01.2019</i>	<i>Additions</i>	<i>Transfers</i>	<i>Other charges</i>	<i>Disposals</i>	<i>Balance at 12.31.2019</i>
Non-current loans to associates and joint ventures		55,600	-	(773)	(47,800)	-	7,027
Other non-current loans		42,915	2,969	(395)	35,356	(25,266)	55,579
Other non-current finance assets		39,736	91,844	(225)	(11,442)	(2,125)	117,788
Impairment	Note 14.3	(8,775)	(10)	-	269	988	(7,528)
<i>Total non-current</i>		<i>129,476</i>	<i>94,803</i>	<i>(1,393)</i>	<i>(23,617)</i>	<i>(26,403)</i>	<i>172,866</i>
Current loans to associates and joint ventures		50,756	9,021	773	(46,832)	(8,043)	5,675
Other current loans		36,553	9,787	395	-	(11,323)	35,412
Other current finance assets		55,368	15,197	13	215	(13,286)	57,507
Impairment	Note 14.3	(12,210)	(148)	-	(24)	883	(11,499)
<i>Total current</i>		<i>130,467</i>	<i>33,857</i>	<i>1,181</i>	<i>(46,641)</i>	<i>(31,769)</i>	<i>87,095</i>

The COVID-19 crisis caused demand and international prices to decrease drastically. This triggered a severe drop in trade credit volumes and, to a certain extent, altered debtor creditworthiness.

In response to the crisis caused by COVID-19 and within the scope of IFRS 9, corrections were implemented to mitigate the impact of changes to debtors' creditworthiness. Thus, the probability of default was increased in the mathematical model calculating reasonable amounts for provisions, according to the benchmarks seen in the 2007-2008 crisis. The impact on the final balance and results was insignificant because increases in outstanding balance allowances were offset by the overall reduction in trade credit balances mentioned in the paragraph above. Over the course of 2020, there were fewer insolvencies and their impact on results was lesser than expected. Therefore, statistical analysis up until now has been too prudent and not fully predictive.

There is no new evidence of any impairment in the other loans in 2020.

(NON-)CURRENT LOANS TO ASSOCIATES AND JOINT VENTURES include loans to associates as well as the loans granted to jointly controlled entities. CEPESA Group has granted a series of loans to the "SinarMas Cepesa Group" for the construction and management in Indonesia of a new plant for fatty alcohols treatment, within its strategy of diversifying in manufacturing and selling surfactants. This financing arrangement, on market terms and conditions in its area of activity, amounts to EUR 9 million in 2020 and EUR 5 million in 2019 and its nearest maturity date is in January 2023.

The ADDITIONS under OTHER NON-CURRENT ASSETS mainly include those arising from hedges carried out by "Cepesa Gas Comercializadora, S.A." to reduce the risks related to gas sales and purchases.

The breakdown by maturity of the balances of LOANS TO ASSOCIATES AND JOINT VENTURES and OTHER LOANS at 31 December 2020 and 2019 is as follows:

MATURITY OF FINANCE ASSETS

Thousand of euros

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

Year 2019	2020	2021	2022	2023	2024	Over 5 years	Total
Loans to associates and joint ventures	5,675	-	-	-	-	7,027	12,702
Other loans	35,412	48,930	497	412	95	5,645	90,991
Total	41,087	48,930	497	412	95	12,672	103,693

The average interest rate applied by CEPESA to loans granted to related parties in 2020 and 2019 was similar to the average cost of external financing for the same type of transaction.

14. 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 are signs of impairment value losses in assets recognized 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, a comparison is made at least once a year between those not available for use and goodwill in terms their carrying amount as against their recoverable amount (see Notes 4.4 , 9, and 10).

The recoverable amount is the fair value of the net asset of transfer or disposal costs, or the value in use, whichever is greater.

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 reservoir of the Algerian CGU was separated, and the new portion is now called Argelia-Oil.
- Refining and Sales and Distribution: 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 recognized liability unless the recoverable amount of the UGE 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 7) 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 recognized 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 recognized in previous years can be reversed to the original value of the asset, except those recognized 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 recognized for the asset (or CGU) in prior years. The impairment previously recognized on the goodwill is not reversed.

14.1. SIGNS OF IMPAIRMENT THIS FINANCIAL YEAR AND THEIR TREATMENT

The COVID-19 pandemic is an event that led to one or more relevant indicators in each business showing signs of impairment. 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 addition, several relevant indicators in the Refining and Commercial businesses, mainly falling demand and margins, demonstrated the need to conduct impairment tests in the CGU Refining and Commercial. However, once they were completed, there was no evidence that said CGU as a whole had experienced a reduction in recoverable value situating it below the carrying value. However, the evolution of the prices of certain petroleum products, strongly impacted by COVID 19, is the indicator of impairment that revealed the fall in the profitability of certain assets of the Refining-Commercial CGU for which it has been carried out the corresponding impairment analysis.

Finally, the drop in the electricity pool price applicable to the Group's power generation plants (cogeneration and combined cycle) caused the reassessment of the recoverable value of said plants, which were treated individually. Said tests revealed the need to record impairment in one of them, as detailed below.

In terms of the impairment of assets not associated with a CGU, the value of spare parts for fixed assets in refineries was revised based on their state of use and obsolescence.

14.2. HYPOTHESES AND ESTIMATES USED TO CALCULATE IMPAIRMENT IN 2020

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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted, using assumptions which are consistent with the CEPSA Group's 2021 Budget and updated long-term.

Additionally, due to the volatility of hydrocarbon prices that has occurred during the 2020 financial year and the uncertainties observed in long-term prices, for the valuation of the Exploration and Production CGUs the «expected cash flow approach» which includes IAS 36 to take into consideration expectations about possible cash flows instead of a single most probable cash flow. For this, two scenarios have been considered for prices over three years as explained below.

These projections cover the following five years, and include a residual value appropriate to each business for which a constant expected growth rate (above the flows of the fifth year) is used that ranges from 0% and 2%, based on the expected long-term CPI and specific for each business under analysis. For the purpose of calculating residual values, the only investment considered is maintenance capital expenditure and any investment needed for renovation purposes 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

Estimated crude oil prices used to project cash flows of each of the assets are equal to those used in the Group's 2021 budget and the updated long-term plan. These estimates are based on estimates made by various international organizations. Due to the increase in the volatility of crude oil prices during the last year, CEPSA has used a sensitivity analysis to different price curves for its deterioration analysis.

The Group has considered two scenarios for prices over three years.

- Scenario 1 (weighted by 75%): the prices considered are 45, 47, 57, 60 and 60 USD per barrel for each year of the 2021-2025 period. Later, prices increase with a CPI of 1.9%. The quoted Brent crude price is used as the base price, and the remaining international prices are calculated using spreads.
- Scenario 2 (weighted by 25%): with a price curve, in dollars per barrel, of 45, 47, 47, 50 and 50 for the period 2021 to 2025, after which prices increase annually with the same as Scenario 1 CPI.

Regarding the weighting between both scenarios, 75% has been considered for the first and 25% for the second, taking into account the best performance in the prices that have occurred at the end of the financial year 2020 and the beginning of 2021.

• Reserves and production schedules

For each asset a long-term development plan is established with an annual production schedule. This production schedule takes probable reserves into account as well as the best estimate for contingent resources, weighted by associated risk factors. The estimates for reserves and resources are made in accordance with the guidelines established by the Petroleum Resource Management System of the Society of Petroleum Engineers (PRMS-SPE). These profiles are reviewed yearly by independent engineering companies.

The latest revision was certified in 2020 on the reserves as of 31 December 2019 and has not yielded significant differences with respect to the calculation made by the Group.

• Operating expenses and capital expenditure (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, a discount rate after taxes (weighted average cost of capital, WACC) is used that reflects the weighted average cost of

capital employed, adjusted according to the country and business risk corresponding to each asset or CGU. Below are the discount rates after taxes used for the analyzed CGUs grouped by each business segment in 2020 and 2019:

DISCOUNT RATES USED IN IMPAIRMENT ANALYSIS - SEGMENTED

	2020	2019
Exploration & Production	9.0% - 12.5%	7.0% - 9.5%
Refining & Marketing	7.0% - 7.5%	6.0% - 7.5%
Petrochemical	7.0% - 13.0%	7.5% - 12.0%
Gas & Power	5.0%	5.5% - 5.5%

The parameters taken into account for the composition of the aforementioned discount rates were:

- Risk-free rate: normalized bond yield⁵
- Risk premium for investment in equity (equity risk premium): 5.5%
- Country risk-premium of the location of the asset
- Beta: based on comparable companies for each business segment

- After taxes Cost of Debt plus Spread based on peer Oil and Gas integrated companies

- Equity – Debt ratio: sector average of peer companies in the business segment.

These discount rates have been calculated considering local currencies of the CGUs except for E&P and Petrochemical Indonesia that are in USD.

The discount rates after taxes used for the CGU in the countries where impairment signs existed in 2020 and 2019 are as follows:

DISCOUNT RATES USED IN IMPAIRMENT ANALYSIS - CGU BREAKDOWN

	2020	2019
Exploration & Production		
Colombia	10.0%	8.0%
Thailand	9.5%	7.0%
Malaysia	10.0%	8.0%
Algeria	12.5%	9.5%
Abu-Dhabi	9.0%	7.5%
Peru	10.0%	7.5%
Gas & Power		
Spain	5.0%	n/a
Petrochemical		
Brazil	10.0%	9.5%
China	8.5%	8.0%
Indonesia	9.0%	9.0%

⁵ Risk-free rate in USD: Average UST 10Y rate + long-term inflation forecasts in the US.

Risk-free rate in EUR: Average US10Y + long-term inflation forecasts in the US + long-term inflation forecasts between the US and the eurozone.

14.3. 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 these impairment tests, the breakdown of the gross impairments recorded is as follows:

IMPAIRMENTS OF ASSETS

Thousand of euros

	Notes	2020		2019	
		Charges for the year	Reversal	Charges for the year	Reversal
Intangible assets	Note 9	63,564	(2,845)	11,959	-
Property, plant and equipment	Note 11	588,002	(867)	75,735	-
Investments in companies accounted for using the "equity method"	Note 8.3	60,470	-	67,889	-
Other financial assets	Note 13	513	(504)	158	(1,871)
Inventories - Spare parts		20,359	-	-	-
Total		732,908	(4,216)	155,741	(1,871)
Registered under Impairment and gains or losses on disposals of non-current assets	Note 24	651,566	(3,712)	87,694	-
Registered under Changes in operating allowances	Note 15	20,359	-	-	-
Registered under Share of results of equity accounted investees	Note 8.3	60,470	-	67,889	-
Registered under Impairment and gains or losses on disposals of financial instruments	Note 26	513	(338)	158	(1,871)
Utilization		-	(166)	-	-
Total		732,908	(4,216)	155,741	(1,871)

	Segment	2020		2019	
		Charges for the year	Reversal	Charges for the year	Reversal
Colombia	Exploration & Production	54,680	-	11,959	-
Peru	Exploration & Production	34,080	-	21,882	-
Abu Dhabi	Exploration & Production	249,165	-	67,889	-
Algerie	Exploration & Production	128,699	-	-	-
Singapur	Exploration & Production	-	-	53,853	-
Spain	Refining	242,220	-	-	-
Spain	Gas & Power	4,192	-	-	-
Others	Assorted	19,872	(4,216)	158	(1,871)
Total		732,908	(4,216)	155,741	(1,871)

The main impairment allowances in 2020 were:

- Non-current assets of EUR 407 million and equity-accounted investments of EUR 60 million in Exploration and Production.
- Assets in CGU Refining-Commercial for EUR 242 million, of which EUR 222 million correspond to the impairment of some assets and projects whose profitability has been affected by the evolution of the prices in certain refined products, strongly impacted by COVID 19 (see Note 11), and the rest to spare parts and obsolete materials (see Note 15).
- Gas and Electricity Assets for EUR 4 million, corresponding to a combined cycle plant.

The impairments exposed in Exploration and production projects are mainly due to the effect of the drop in international oil prices and the update of the discount rates in the recoverable value of the projects. For their part, the estimated reserves have not changed significantly.

Specifically, the Timimoun gas production project in Algeria was subject to impairment in 2020 after the Algerian UGE was separated. This separation occurred, firstly, as a result of the divergence between Brent prices (which is the benchmark used to calculate gas rights owned by the CEPESA in the project) and the TTF in Europe. Said divergence was especially notable in the first half of 2020. This means that Timimoun does not have the same

market as the other fields in the Algerian CGU. Secondly, the reduction continues for volumes extracted from the Timimoun reservoir due to the excess gas supply on the Algerian market.

Other impairments recorded in 2019 not mentioned above were: MOPU platforms in the Exploration and Production business in Singapore, EUR 53,853 thousand see Note 11, Property, Plant, and Equipment.

14.4. 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 analyses 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.

In specific terms, the most relevant sensitivity analyses performed for all the CGUs were as follows:

IMPAIRMENT TESTS - SENSITIVITY ANALYSIS

Millions of euros

Increase in the impairment losses net of tax impact in the Consolidated Financial Statements

	2020			2019		
	Variation	%	Amount	Variation	%	Amount
Discount rate increase	50 p.b	6%	62	50 p.b	6%	111
Decrease in price of crude oil	6 \$	11.5%	66	-6\$	9%	72
Average exchange rate decrease \$ vs €	0.05\$/€	4%	0,5	0.05\$/€	4%	55

Based on the forward curves posted by reputable analysts⁶, 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.

⁶ Analysts considered are Wood Mackenzie, JP Morgan, Barclays, Societe Generale, Citi, IHS, Morgan Stanley and the US Energy Information Administration.

15. 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. Replacement 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 labour 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 recognizes 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.

The breakdown of INVENTORIES at 31 December 2020 and 2019 is as follows:

INVENTORIES

Thousand of euros

	2020	2019
Crudes	320,599	718,958
Other raw materials	120,253	126,763
Finished goods	935,755	1,236,206
Other supplies	26,376	10,124
Spare Parts	88,891	85,354
Impairment	(73,062)	(14,699)
Total	1,418,812	2,162,706

Pursuant to the Directorate-General of Energy Policy and Mining resolution dated 30 March 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.

As set out in Note 3.H) and 11, EUR 186,388 thousand corresponding to the value of permanent inventory in tanks was reclassified from the Crude Oil and Finished Goods headings under Inventory to Fixed Assets.

In 2020 and 2019, impairments were recorded amounting to EUR 38,004 thousand (net impairment) on inventories of raw materi-

als and finished goods (2019: net reversal of EUR 26,997 thousand). These amounts are included in the Consolidated Income Statement under CHANGES IN OPERATING ALLOWANCES.

In 2020, impairment of spare parts and miscellaneous material in the Group's refineries amounting to EUR 20,359 thousand was recorded.

16. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

The breakdown of trade and other receivables in 2020 and 2019 is as follows (see Note 30):

TRADE AND OTHER RECEIVABLES

Thousand of euros

	<i>Notes</i>	<i>2020</i>	<i>2019</i>
Trade receivables for sales and services		1,369,427	2,030,723
Receivable from associates and joint ventures		19,028	51,502
Advances to suppliers		29,211	48,778
Allowances for bad credits		(128,253)	(135,837)
<i>Total</i>	<i>Note 13</i>	<i>1,289,413</i>	<i>1,995,166</i>

CHANGES IN OPERATING ALLOWANCES on the income statement only refers to trade receivables as follows:

ALLOWANCES FOR BAD CREDITS

Thousand of euros

	<i>2020</i>	<i>2019</i>
<i>Balance at the beginning of the year</i>	<i>(135,837)</i>	<i>(134,597)</i>
Additions	(12,283)	(20,555)
Amounts	19,167	22,032
Other	700	(2,717)
<i>Closing balance for the year</i>	<i>(128,253)</i>	<i>(135,837)</i>

The Group has entered into various financial asset transfer agreements (factoring agreements and securitization transactions, both without recourse) 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 secu-

ritization or factoring transactions are now valued at fair value in accordance with IFRS 9 (see Note 13).

The breakdown of trade and other receivables in 2020 and 2019 is as follows:

OTHER CURRENT ASSETS

Thousand of euros

	<i>2020</i>	<i>2019</i>
Public Administration	91,717	106,700
Current income tax assets	19,332	55,624
Other non-trade receivables	6,435	16,751
Prepayments	8,311	12,002
<i>Total</i>	<i>125,795</i>	<i>191,077</i>

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

17. CASH AND CASH EQUIVALENTS

• ACCOUNTING POLICIES

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

Cash equivalents include bank deposits and other investments maturing within three months at the time of the contract.

The breakdown of cash and cash equivalents at end of year for 2020 and 2019 is shown below:

CASH AND CASH EQUIVALENT

Thousand of euros

	Notes	2020	2019
Cash in hand		13,055	14,744
Time deposits		1,054,855	380,060
Current accounts		290,497	166,356
Total	<i>Note 19</i>	1,358,407	561,160

Pursuant to the actions carried out by the Group in 2020 to maintain and improve its degree of liquidity, additional provisions for lines of credit were arranged with banking institutions and long-term bonds were issued (see Note 19). A significant portion of these additional funds was kept in cash and cash equivalents at the end of 2020.

18. EQUITY

18.1. SHARE CAPITAL AND SHARE PREMIUM

SHARE CAPITAL amounts to EUR 267,574,941 and consists of 535,149,882 ordinary shares, fully subscribed and paid-up, with a par value of EUR 0.50 each (see Note 28).

At the end of 2020, CEPSA shares were owned by two shareholders: "Cepsa Holding, LLC", owner of shares representing 61.5%, a company incorporated in the United Arab Emirates and ultimately controlled by "Mubadala Investment Company, PJSC" ("MIC"), and "Matador Bidco, S.À.R.L.", owner of shares representing the remaining 38.5%, a company incorporated in Luxembourg and ultimately controlled by "The Carlyle Group, Inc." In January 2020, a transfer of shares took place between shareholders (see Note 1.A).

The Corporate Enterprises 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. The balance of this account, which amounted to EUR 338,728 thousand, did not undergo any changes in 2020 or 2019.

18.2. REVALUATION RESERVE

In 1996, CEPSA revalued its property, plant and equipment pursuant to Royal Decree-Law 7/1996 of 7 June and increased its equity by EUR 58,438 thousand. 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 EUR 70,495 thousand. This latter figure was recognized under CONSOLIDATED RESERVES on consolidation, which is included in RETAINED EARNINGS.

The REVALUATION RESERVE also includes EUR 32,498 thousand 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 account corresponding to Royal Decree-Law 7/1996 can be used, free of tax, to eliminate recognized losses and to increase capital. From 1 January 2007 (i.e. ten years after the date of the balance sheet reflecting the revaluation transactions), the balance of this account can be taken 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 31 December 2020 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.

18.3. OTHER RESERVES

The Other Reserve Balance heading breaks down as follows:

OTHER RESERVES		Thousand of euros	
		2020	2019
Unrestricted reserves		3,157,296	2,739,514
Legal reserves		53,605	53,605
Restricted reserves		535,195	50,718
Prior years losses		-	(565,332)
Consolidated reserves		506,982	1,507,157
Consolidated reserves on equity accounted companies		(157,683)	(97,961)
Total		4,095,395	3,687,701

18.4. VALUATION ADJUSTMENTS

The breakdown by nature of the VALUATION ADJUSTMENTS is as follows:

ADJUSTMENTS FOR CHANGES IN VALUE		Thousand of euros	
	Notes	2020	2019
Foreign currency translation differences	Note 18.4.A	519,308	772,394
Cost of hedging	Note 18.4.B	(42,780)	(14,446)
Net investment hedge	Note 18.4.B	(375,050)	(536,885)
Cash flow hedge	Note 18.4.B	(31,219)	(9,068)
Total		70,259	211,995

A) TRANSLATION DIFFERENCES

The breakdown by company of the balance of TRANSLATION DIFFERENCES is as follows:

TRANSLATION RESERVE		Thousand of euros	
		2020	2019
Company			
CEC International Ltd.		183,086	53,504
Deten Quimica, S.A.		(51,040)	(24,568)
Cepsa Chemical (Shanghai), CO., LTD		13,036	15,739
Cepsa Perú, S.A.		12,972	18,989
Cepsa Colombia, S.A.		114,035	121,716
Mopu Holdings Ltd.		70,464	81,467
Coastal Energy Company S.L.U.		175,382	319,026
Cepsa ReR (Rhourde El Rouni)		11,805	30,284
Cepsa EP Abu Dhabi, S.L.U.		19,575	144,609
Other companies		(30,007)	11,628
Total		519,308	772,394

The change in the balance under this heading from 2020 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

The Group recognizes a number of hedges under its risk management policy, which are broken down as follows with respect to the relevant valuation adjustments:

HEDGE RESERVES

Thousand of euros

Year 2020	Cost of hedging			Net investment hedge			Cash flow hedges		
	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)

Year 2019	Cost of hedging			Net investment hedge			Cash flow hedges		
	Gross balance	Tax effect	Total	Gross balance	Tax effect	Total	Gross balance	Tax effect	Total
Opening balance	-	-	-	(696,758)	174,199	(522,559)	(8,919)	2,475	(6,444)
Gains and losses recognised in OCI	(19,262)	4,816	(14,446)	(50,427)	12,607	(37,820)	(5,365)	1,343	(4,022)
Reclassification during the year to profit or loss	-	-	-	31,326	(7,832)	23,494	2,195	(797)	1,398
Closing balance	(19,262)	4,816	(14,446)	(715,859)	178,974	(536,885)	(12,089)	3,021	(9,068)

18.5. 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, it is recognized in the income statement.

• Approved in 2020

On 4 March 2020, the Company's General Shareholders' Meeting decided to approve the distribution of a supplementary dividend from the 2019 earnings for an overall amount of EUR 30 million at EUR 0.056 per share. The above dividend was supplementary to another 2019 interim dividend, for an overall amount of Eur 216,415 thousand paid the previous year. Said dividend was paid in April 2020.

On 17 December 2020, the Company's General Shareholders' Meeting agreed to approve the distribution of an extraordinary dividend from the Reserves for an overall amount of EU 166 million at EUR 0.31 per share. Said dividend was paid on 21 December 2020.

• Approved in 2019

The dividends approved in 2019 are listed below:

DIVIDENDS 2019

Thousand of euros

	<i>Notes</i>	<i>Approval date</i>	<i>2019</i>
Complementary dividend year 2018		03/04/2019	176,599
Interim dividend year 2019		09/26/2019	216,415
Dividend in kind shares Medgaz, S.A.	Note 6.2	10/13/2019	550,000
Dividend charged to voluntary reserves		10/13/2019	38,577
Dividend charged to unrestricted reserves		12/19/2019	100,000
<i>Total</i>			<i>1,081,591</i>

18.6. NON-CONTROLLING INTERESTS

The breakdown of "Non-controlling interests" at 31 December 2020 and 2019 is as follows:

NON CONTROLLING INTERESTS

Thousand of euros

	<i>2020</i>			<i>2019</i>		
	<i>Non-dominant percentage</i>	<i>Equity non-controlling interest</i>	<i>Profit (loss)</i>	<i>Non-dominant percentage</i>	<i>Equity non-controlling interest</i>	<i>Profit (loss)</i>
Company						
C.M.D. Aeropuertos Canarios, S.L.	40.00%	10,850	293	40.00%	6,953	4,736
Deten Química, S.A.	28.56%	16,573	10,110	28.56%	27,699	4,956
Generación Eléctrica Peninsular, S.A.	30.00%	25,381	109	30.00%	21,896	3,485
Cepsa Química China & Shanghai	25.00%	16,786	9,254	25.00%	16,208	(1,097)
Coastal Energy KBM Sdn. Bhd.	30.00%	4,581	(2,444)	30.00%	5,237	3,854
Cepsa Gas Comercializadora, S.A	30.00%	6,485	(13,371)	30.00%	8,821	(2,336)
<i>Total</i>		<i>80,656</i>	<i>3,951</i>		<i>86,814</i>	<i>13,598</i>

During the 2020 financial year, there was a contribution from partners in "Cepsa Química China" for an amount of EUR 2,575 thousand and dividends worth EUR 13,087 thousand corre-

sponding to "C.M.D. Aeropuertos Canarios, S.L.", "Deten Química, S.A." and "Coastal Energy KBM Sdn. Bhd."

19. 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 recognized 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 31 Derivative financial instruments and hedge accounting.

As a result of the economic crisis caused by COVID-19, CEPSA decided to reinforce and increase its debt and liquidity profile to allow it to handle the uncertainties brought about by this crisis. To do so the following actions were carried out:

- Signing of new financing lines with 3-year maturities in the amount of EUR 1,056 million thereby further bolstering its already solid liquidity position. Of these transactions, EUR 600 million correspond to loans and EUR 456 million to lines of credit.
- As has been customary since its signing in 2014, approval was received from the 19 banks issuing the EUR 2,000 million line of credit to extend the maturity one more year. With unanimous consent therefrom, this set the maturity at September 2025, notably improving CEPSA's liquidity quality. There were no amounts drawn in that figure as at 31 December 2020 or on the date of issue of this report.

- During 2020, the Group issued to new bond issues for a total amount of 1,000 million euros, maturing in the years 2026 and 2028 (see below).

Except for derivative financial liabilities (see Note 31), 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 2020 and 2019 is as follows:

FINANCIAL LIABILITIES AND PAYABLES

Thousand of euros

Year 2020	Notes	Current	Non-current	Total
Bank borrowings relating to finance leases	Note 25	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 23	2,379,404	64,949	2,444,353
Derivatives	Note 23 and 30	34,741	183,144	217,885
Total		2,650,199	4,821,262	7,471,461

FINANCIAL LIABILITIES AND PAYABLES

Thousand of euros

Year 2019	Notes	Current	Non-current	Total
Bank borrowings relating to finance leases	Note 25	118,840	641,686	760,526
Other bank borrowings				
Variable rate		131,743	2,517,822	2,649,565
Fixed rate		-	121,951	121,951
Bonus, obligations and similar issuances		3,137	496,714	499,851
Other Finance liabilities		14,235	21,555	35,790
Subtotal financial liabilities		267,955	3,799,728	4,067,683
Trade payables	Note 23	3,115,136	76,242	3,191,378
Derivatives	Note 23 and 30	44,171	50,821	94,992
Total		3,427,262	3,926,791	7,354,053

On 26 April 2019, the CEPESA Group received approval from the Central Bank of Ireland for a debt issuance program for up to EUR 3 billion with securities listed on the Irish Stock Exchange after issue. The bonds have been rated investment grade by the three major international rating agencies – Moody's, S&P and Fitch. The documentation was reviewed and updated on 2 June 2020.

The breakdown of bonds in circulation at the end of 2020 is as follows:

BONDS AND SECURITIES ISSUED

Thousand of euros

	Notes	Fair value	Date of issue	Issue currency	Emission value	Initial maturity	Remuneration
Bonds XS1996435688		508,140	2019 May	Eur	500,000	2025 Feb	Annual coupon 1.00%
Bonds XS2117485677		530,748	2020 Feb	Eur	500,000	2028 Feb	Annual coupon 0.75%
Bonds XS2202744384		478,015	2020 Jul	Eur	500,000	2026 Feb	Annual coupon 2.25%
Total	<i>Note 32</i>	1,516,903			1,500,000		

The breakdown by maturity of all financial liabilities at 31 December 2020 and 2019, is as follows:

FINANCIAL LIABILITIES - MATURITIES

Thousand of euros

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
Year 2019	2020	2021	2022	2023	2024	Others	Total
Bank borrowings relating to finance leases	118,840	101,567	92,794	77,495	76,837	292,993	760,526
Other bank borrowings							
Variable rate	131,743	63,876	74,907	88,645	1,650,397	639,997	2,649,565
Fixed rate	-	-	-	-	121,951	-	121,951
Bonus, obligations and similar issuances	3,137	-	-	-	-	496,714	499,851
Other Finance liabilities	14,235	9,950	5,540	2,786	1,570	1,709	35,790
Subtotal financial liabilities	267,955	175,393	173,241	168,926	1,850,755	1,431,413	4,067,683
Trade payables	3,115,136	72,304	526	526	526	2,360	3,191,378
Derivatives	44,171	1,111	-	974	30,536	18,200	94,992
Total	3,427,262	248,808	173,767	170,426	1,881,817	1,451,973	7,354,053

The breakdown by currency⁷ of the bank borrowings and other financial liabilities at December 31, 2020 and 2019, is as follows:

FINANCIAL LIABILITIES - CURRENCIES

Thousand of euros

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
Euros	104,502	3,152,889	3,257,391	116,562	2,279,266	2,395,828
Dollars (\$ USA)	37,321	1,207,652	1,244,973	34,909	1,281,792	1,316,701
Other foreign currencies	94,231	212,628	306,859	116,484	238,670	355,154
Total financial liabilities	236,054	4,573,169	4,809,223	267,955	3,799,728	4,067,683

The breakdown of the bank borrowing movements for this year is as follows:

GROSS BORROWING - MOVEMENTS

Thousand of euros

	2020	2019
Bank borrowings - Non current - at the beginning of period	3,799,728	2,955,916
Bank borrowings - Current - at the beginning of period	267,955	380,434
Total at the beginning of period	4,067,683	3,336,350
Additions	973,863	1,310,567
Bonds issuance	1,000,856	499,851
Overdrafts movements	16,713	(764,538)
Repayments	(1,005,578)	(1,093,861)
Other movements		
Foreign exchange fluctuations	(109,855)	18,788
IFRS 16 impact - Leasing	(134,459)	760,526
Bank borrowings - Non current - at the end of period	4,573,169	3,799,728
Bank borrowings - Current - at the end of period	236,054	267,955
Total at year closing	4,809,223	4,067,683

The average annual nominal interest rate on the loans in euros was 0.73% and 0.36% in 2020 and 2019 respectively, and on foreign currency debts of 2.87% and 3.31%, mainly in US dollars and Chinese yuan. The weighted average cost of the financing received was 2.19% in 2020 and 2.85% in 2019, including the effect of interest rate derivatives.

As of 31 December 2020, and throughout the entire financial year 2020, the CEPSA Group has not been affected by the need to comply with any financial ratio as it holds the status of an externally rated company.

As of 31 December 2020 and 2019, the CEPSA Group companies had undrawn credit facilities totalling over EUR 3,191 million and EUR 2,538 million, respectively. In addition to these amounts available, at those dates there were CASH and CASH EQUIVALENT BALANCES included under LIQUID ASSETS in the Consolidated Balance Sheets, amounting to EUR 1,358,407 thousand and EUR 561,160 thousand in 2020 and 2019, respectively (see Note 17).

⁷ Cross Currency Swaps for EUR 1.45 billion swap said debt into USD, so, for the purposes of currency risk and interest rate risk, the USD debt amounts and EUR debt amounts in 2020 are similar to those of the previous year, after accounting for the effect of the application of IFRS 16 in 2020.

20. CAPITAL GRANTS

• ACCOUNTING POLICIES

Grants related to assets are measured at fair value. Non-refundable grants are recognized 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 recognized 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 no consideration, 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 24).
- If an impairment loss was recognized on the emission allowances received from the government, as an adjustment to the initially recognized value (see Note 9).

The changes in 2020 and 2019 and the balances, classified by items, at year end are as follows:

CAPITAL GRANTS

Thousand of euros

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	<i>Note 24</i>	21,204	77,708	(75,599)	23,313

Year 2019	Notes	Balance at 01.01.2019	Additions	Transferred to profit and loss	Balance at 12.31.2019
Grants related to assets		15,729	641	(3,199)	13,171
Greenhouse gas emissions allowances		8,851	80,560	(81,378)	8,033
Total	<i>Note 24</i>	24,580	81,201	(84,577)	21,204

In 2020 and 2019, 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 recognized 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 CO₂ emissions made in the year (see Note 9).

21. PENSION AND SIMILAR OBLIGATIONS

21.1. 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 invalidity 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 complement 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 recognized as expenses or income for the year, as appropriate, and their amount was not material.

During 2020 and 2019, CEPSA and several of its subsidiaries recognized the following expenses for defined contribution obligations:

DEFINED CONTRIBUTION PLANS

Thousand of euros

	<i>Notes</i>	<i>2020</i>	<i>2019</i>
Retirements (pension plan)		10,571	10,635
Life insurance		6,992	7,223
<i>Total</i>	<i>Note 24</i>	<i>17,563</i>	<i>17,858</i>

21.2. 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 cooperative shop. Actuarial studies are performed annually, and the actuarial gains and losses are recognized as appropriate.

Group employees have the right to receive from the company medals for seniority and values 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, the rights of a group of workers were recognized as they signed up for a Voluntary Suspension Plan, through which the Group has guaranteed said workers a certain income until they retire.

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

DEFINED BENEFIT OBLIGATIONS

Thousand of euros

	2020	2019
<i>Balance at January 1</i>	<i>10,508</i>	<i>10,693</i>
Current service cost	49,091	1,944
Interest cost of benefit	158	144
Others	(137)	(61)
Effect of reductions or settlements	(8,864)	(2,212)
<i>Balance at December 31</i>	<i>50,756</i>	<i>10,508</i>

The breakdown by nature of the defined benefit obligations at 31 December 2020 and 2019, is as follows:

DEFINED BENEFIT OBLIGATIONS - BREAKDOWN

Thousand of euros

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
<i>Total non current</i>	<i>10,508</i>	<i>49,091</i>	<i>158</i>	<i>(137)</i>	<i>(8,864)</i>	<i>50,756</i>

Year 2019	Balance at 01.01.2019	Additions	Interest cost	Other	Benefits paid	Balance at 12.31.2019
Medal Award	2,739	125	38	-	(84)	2,818
Company Store active employees	1,919	-	32	-	(12)	1,939
Company Store retired employees	2,041	-	29	-	(217)	1,853
La Rábida Fidelity Award	3,142	147	45	-	(268)	3,066
Other provisions	852	1,672	-	(61)	(1,631)	832
Total non current	10,693	1,944	144	(61)	(2,212)	10,508

In 2020, we started up a voluntary employment suspension program for the staff groups closest to retirement age. This consists of an agreement with the worker for a three-year individual employment suspension, which is automatically renewed. Anyone over 57 years old on December 31, 2020 may volunteer. The conditions for these suspensions 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 departed the Company in 2020.

The total amount of the provision created by the Company for future payment obligations amounted to EUR 51,816 thousand. From this amount, EUR 40,400 thousand were recorded as long-

term defined benefit obligations and the rest, EUR 8,878 thousand, corresponding to the payments to be made in the next 12 months as at the date of record, as a short-term obligation. Provisions were recorded in the Consolidated Income Statement under PERSONNEL COSTS. The effect on tax expense for the period can be seen in Note 27.

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 - COOPERATIVE STORE

	2020	2019
Discount rate	1.500%	1.500%
Expected salary increase rate	0.250%	0.250%
Mortality tables	PEMF2000	PEMF2000



22. 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 recognized 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.

Provisions for CO₂ emissions (Also see Nota 9)

The obligation to deliver emission allowances for the CO₂ emissions produced in the year is recognized 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 no consideration.
- 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 2020 and 2019, are as follows:

PROVISIONS FOR THIRD-PARTY LIABILITY

Thousand of euros

Year 2020	Notes	Balance at 01.01.2020	Addi- tions	Interest cost	Other changes	Utiliza- tion	Unused provi- sions	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 29	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

Year 2019	Notes	Balance at 01.01.2019	Addi- tions	Interest cost	Other changes	Utiliza- tion	Unused provi- sions	Balance at 12.31.2019
Provisions for third-party liability		111,644	16,811	152	(16,754)	(23,826)	(21,337)	66,690
Dismantling provisions		243,123	835	7,665	(7,113)	(1)	(1,656)	242,853
Environmental provisions	Note 29	22,055	1,053	101	-	(1,091)	-	22,118
Other provisions		24,218	4,579	227	(227)	(5,451)	(2,387)	20,959
Total		401,040	23,278	8,145	(24,094)	(30,369)	(25,380)	352,620

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 ongoing tax inspection proceedings on taxes other than the Corporate Income Tax or equivalent.

At the end of 2020, this heading mainly included the company's appeals against the decisions of the National Commission for Markets and Competition (Spanish acronym CNMC), dated January and February 2015, under which CEPSA was fined EUR 10 and 2.5 million. Dates are still to be set for voting and handing down rulings.

DECOMMISSIONING includes provisions 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 3.25%,
- Colombia 5.25%,

- Peru 4.33%,
- Algeria 6.50%,
- United Arab Emirates 3.38%, and
- Spain 3.27%.

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 heading OTHER PROVISIONS recognizes, inter alia, quantities provided for to deal with possible legal or contractual contingencies.

CEPSA's management considers that the provisions recognized 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.

23. TRADE AND OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

The breakdown of the balances of TRADE and OTHER PAYABLES in 2020 and 2019 is as follows:

TRADE PAYABLES

Thousand of euros

	<i>2020</i>	<i>2019</i>
Trade payables	1,745,431	2,456,269
Trade payables to associates and joint ventures	14,902	55,993
Customers advances	5,461	32,785
<i>Total</i>	<i>1,765,794</i>	<i>2,545,047</i>

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. Additional Provision Three. "Disclosure requirements" under Law 15/2010, of 5 July:

INFORMATION ON AVERAGE SUPPLIER PAYMENT PERIODS

	<i>2020</i>	<i>2019</i>
	<i>Days</i>	<i>Days</i>
Average period for payment to suppliers	28	24
Ratio of paid transactions	27	23
Ratio of outstanding payment transactions	58	46
	<i>Thousand of euros</i>	<i>Thousand of euros</i>
Total payments made	16,171,618	23,097,636
Total payments past-due	881,900	973,706



The breakdown of the balances of OTHER PAYABLES AND LIABILITIES ACCRUED FOR NON-FINANCIAL TRANSACTIONS in 2020 and 2019 is as follows:

OTHER CURRENT LIABILITIES

Thousand of euros

	Notes	2020		2019	
		Non-current	Current	Non-current	Current
Liabilities from taxes other than income tax		-	225,592	-	268,351
Tax income payables		-	33,951	-	14,903
Fixed assets payables		57,491	69,835	55,519	155,694
Payroll		-	86,322	-	96,983
Non-trade payables to associates and joint ventures		-	4,371	3,178	102,547
Other liabilities		3,873	92,776	13,232	87,762
Liabilities from derivatives	Note 19	183,144	34,741	50,821	44,171
Guarantees/deposits received		3,585	4,630	4,313	4,176
Provisions, short term		-	102,883	-	133,452
Total		248,093	655,101	127,063	908,039

THE VALUATION of cross-currency swaps taken out in the year is included under liabilities for financial derivatives as at 31 December 2020.

PROVISIONS includes at 31 December 2020 and 2019 an amount of EUR 90,328 thousand and EUR 129,352 thousand, re-

spectively, relating to the obligation to deliver allowances for the CO₂ emissions made, which are lower than the allowances assigned under the National Emission Allowance Allocation Plan.

24. OPERATING INCOME AND EXPENSES

• ACCOUNTING POLICIES

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

The Group recognizes 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 promises 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 recognized 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 the customer pays 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 transac-

tion 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 CEPESA pays or is expected to pay to a customer. (for example: customer award credits or loyalty programs).

OIL PRODUCTION

Crude production revenues are recognized:

- 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 recognized 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 2020 and 2019 is as follows:

REVENUE

Thousand of euros

	2020	2019
Sales of goods	13,537,656	20,924,128
Services provided	231,602	348,632
Sales returns and volume discounts	(126,003)	(115,201)
Oil and gas exercise duties	2,116,889	2,699,828
Total	15,760,144	23,857,387

The income generated by exchanges of strategic stocks with other operators, not included in NET REVENUE amounted to EUR 703,296 thousand in 2020 and EUR 1,328,698 thousand and 2019.

PROCUREMENTS

Thousand of euros

	2020	2019
Purchases	10,481,971	16,787,895
Changes in inventories	(99,604)	(172,804)
Total	10,382,367	16,615,091

STAFF COSTS

Thousand of euros

	Notes	2020	2019
Wages and salaries		474.479	485.400
Pension contributions and life insurance premiums	Note 21.1	17.563	17.858
Other staff costs		178.920	138.735
Total		670.962	641.993

The average number of employees in 2020 and 2019, by category and regardless of the employment relationship, was as follows:

WORKFORCE BY PROFESSIONAL CATEGORY

Average headcount

	2020	2019
Board members	1	1
Executives	8	8
Executives/ Department Heads	738	737
Other line personnel	3,241	3,288
Skilled employees/ Assistants/ Clerical staff	5,832	6,328
Total	9,820	10,362

At 31 December 2020 and 2019, the number of employees, by professional category and gender, is as follows:

WORKFORCE AT CLOSING BY PROFESSIONAL CATEGORY AND SEX

Headcount at closing date

	2020			2019		
	Women	Men	Total	Women	Men	Total
Board members	-	1	1	-	1	1
Executives	1	7	8	-	8	8
Executives/ Department Heads	170	551	721	171	574	745
Other line personnel	1,014	2,217	3,231	1,028	2,282	3,310
Skilled employees/ Assistants/ Clerical staff	2,343	3,433	5,776	2,523	3,598	6,121
Total	3,528	6,209	9,737	3,722	6,463	10,185

The average number of employees at 31 December 2020 and 2019, with disability greater than or equal to thirty-three percent, by professional category, is as follows:

WORKFORCE BY PROFESSIONAL CATEGORY - DISABLED STAFF

Average headcount

	2020	2019
Executives / Department heads	3	4
Other line personal	21	22
Skilled employees / Assistants / Clerical staff	85	94
Total	109	120

At 31 December 2020 and 2019, the breakdown of OTHER OPERATING COSTS is as follows:

OTHER OPERATING COSTS

Thousand of euros

	Notes	2020	2019
Third party services received		1,212,120	1,341,543
Transport and freight		338,678	373,590
Taxes and other tax income		69,961	74,396
Environmental costs	Note 29	34,495	33,577
Other operating costs		47,035	136,819
Total		1,702,289	1,959,925

In addition, under Other operating expenses in the above table, the following information must be provided concerning auditing and similar services:

AUDIT FEES

Thousand of euros

	2020		2019	
	Lead Auditor	Others Auditors	Lead Auditor	Others Auditors
Financial Audit Services				
In Spain	948	131	1,163	-
Abroad	371	64	434	116
Other assurance services	80	-	82	-
Other services	215	81	235	-
Total	1,614	276	1,914	116

The breakdown at 31 December 2020 and 2019 of NON-FINANCIAL CAPITAL GRANTS AND OTHERS is as follows:

ALLOCATION OF CAPITAL GRANTS

Thousand of euros

	Notes	2020	2019
Allocation of Greenhouse Gas allowances		72,429	81,378
Allocation of capital allowances		3,170	3,199
Total	<i>Note 20</i>	75,599	84,577

In 2020 and 2019, the breakdown of impairment losses and gains or losses on the disposal of non-current assets recognized is as follows:

IMPAIRMENT AND GAIN OR LOSSES ON DISPOSALS OF NON-CURRENT ASSETS

Thousand of euros

	Notes	2020	2019
Impairment/Reversal of Greenhouse allowances	Note 9 and 14.3	(14,742)	(349)
Impairment of other non-current assets	Note 14.3	(633,112)	(87,694)
Gain or (losses) on disposals of non-current assets		(38,766)	(202)
Total		(686,620)	(88,245)

In 2020, IMPAIRMENT OF OTHER NON-CURRENT ASSETS corresponds to certain miscellaneous assets generally in Exploration and Production, as detailed in Note 14.3.

In 2019, IMPAIRMENT OF OTHER NON-CURRENT ASSETS relates to intangible assets in Colombia linked to OCENSA pipeline and fixed assets on MOPU platforms in Singapore (see Note 14).

The heading Gains/losses on disposal of fixed assets includes derecognition of fixed assets that contributed to the Group's results. In 2020, this notably includes the sale of CO₂ allowances and piped gas points of supply to REDEXIS and in 2019, the sale of the Tanker "Toledo."

25. LEASES

• ACCOUNTING POLICIES

Effective as of 1 January 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 1 January 2019, discounted using the incremental borrowing rate at that date. See Note 12 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 recognizes 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 recognizes 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 31 December 2020 and 2019 are as follows:

LEASE CONTRACTS - MATURITIES

Thousand of euros

<i>Year 2020</i>	<i>Operating</i>		<i>Financial IFRS 16</i>	<i>Total</i>
	<i>Outside IFRS 16</i>	<i>Under IFRS 16</i>		
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
<i>Total future payments</i>	<i>22,504</i>	<i>717,088</i>	<i>2,370</i>	<i>741,962</i>
Less Interest	-	(93,633)	-	(93,633)
<i>Present value of minimum payments</i>	<i>22,504</i>	<i>623,455</i>	<i>2,370</i>	<i>648,329</i>
Less planned current payments	-	-	-	-
<i>Non current liabilities of leasing contracts</i>	<i>22,504</i>	<i>623,455</i>	<i>2,370</i>	<i>648,329</i>

<i>Year 2019</i>	<i>Operating</i>		<i>Financial IFRS 16</i>	<i>Total</i>
	<i>Outside IFRS 16</i>	<i>Under IFRS 16</i>		
2020	33,148	143,568	1,242	177,958
2021	11,331	118,598	1,145	131,074
2022	9,371	105,243	1,117	115,731
2023	8,512	88,372	1,126	98,010
2024	8,078	75,535	807	84,420
2025 and beyond	19,834	326,777	17	346,628
<i>Total future payments</i>	<i>90,274</i>	<i>858,093</i>	<i>5,454</i>	<i>953,821</i>
Less Interest	-	(103,021)	-	(103,021)
<i>Present value of minimum payments</i>	<i>90,274</i>	<i>755,072</i>	<i>5,454</i>	<i>850,800</i>
Less planned current payments	-	-	-	-
<i>Non current liabilities of leasing contracts</i>	<i>90,274</i>	<i>755,072</i>	<i>5,454</i>	<i>850,800</i>

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 2020, lease payments under operating lease arrangements totalled EUR 136,135 thousand (EUR 142,719 thousand in 2019). Contingent payments recognized in the Consolidated Statement of Profit or Loss are not significant, as was the case in 2019.

B) FINANCE LEASES

The main items of PROPERTY, PLANT, AND EQUIPMENT held under finance leases are computers and other technical installations (see Note 11).

26. 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 recognized under results.
- The reclassification of net earnings previously recognized 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 recognized under results on the date when the Group became entitled to receive payment.

Financial income and expense for 2020 and 2019 are as follows:

FINANCE INCOME

Thousand of euros

	2020	2019
Interest income on loans	10,159	6,555
Income from equity investments	607	511
Net exchange differences	14,168	-
Other finance income	127,219	53,299
Total	152,153	60,365

FINANCE COST

Thousand of euros

	2020	2019
Interest on borrowings	123,907	127,572
Finance costs from reameasurement	9,867	(7,584)
Net exchange differences	-	11,259
Other finance cost	151,282	43,050
Total	285,056	174,297

The breakdown of the FINANCE COST OF NET BORROWINGS and other finance income and costs for 2020 and 2019, are as follows:

FINANCE COST OF NET BORROWINGS

Thousand of euros

	2020	2019
Finance income	10,159	6,555
Finance cost	(123,907)	(127,572)
<i>Total</i>	<i>(113,748)</i>	<i>(121,017)</i>

OTHER FINANCE INCOME AND COSTS

Thousand of euros

	2020	2019
Income from equity investments	607	511
Gains (losses) on financial instruments measured at fair value (financial derivatives)	(10,396)	(5,847)
Exchange differences	14,168	(11,259)
Income and costs from commissions	(4,761)	(4,789)
Finance costs from reameasurement	(9,867)	7,584
Other finance income and costs	(8,906)	20,885
<i>Total</i>	<i>(19,155)</i>	<i>7,085</i>

In 2020 and 2019, the breakdown of impairment losses and gains or losses on the disposal of financial instruments is as follows:

IMPAIRMENT AND GAINS / (LOSSES) ON DISPOSAL OF FINANCE INSTRUMENTS

Thousand of euros

	2020	2019
Increase/decrease in finance instrument impairments	(175)	(2,576)
Finance instruments disposal result	18	409,625
<i>Total</i>	<i>(157)</i>	<i>407,049</i>

GAINS OR LOSSES ON THE DISPOSAL OF FINANCIAL INSTRUMENTS in 2019 includes gains from the disposal of shares of "Medgaz, S.A." for the purpose of delivering them as an in-kind

dividend to the shareholder "Cepsa Holding LLC" (see Note 18.5), with respect to the recognized value of said interest on the Consolidated Balance Sheet.

27. TAX MATTERS

• ACCOUNTING POLICIES

Current and deferred income taxes are recognized under INCOME TAX in the accompanying Consolidated Income Statement, except when they arise from economic events that have been directly recognized 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 recognized 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 recognized 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, recognized deferred tax assets and unrecognized 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 recognized 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 recognized 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 recognized 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. Given the high degree of uncertainty, CEPESA chose to reflect it as a tax expense.

CEPSA and certain Group companies pay the Corporate Income Tax under the consolidated taxation scheme in Group 4/89, with CEPESA 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 2020.

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

27.1. TAX EXPENSE RECOGNIZED IN RESULTS AND EQUITY

The breakdown of CORPORATE INCOME TAX EXPENSE is as follows:

INCOME TAX

Thousand of euros

	2020	2019
<i>In the consolidated statement of profit and loss</i>		
Current tax cost		
Period tax cost	87,480	431,897
Adjustments to the tax cost for the period or prior years	41,185	(31,964)
Deferred tax cost		
Related to the creation or reversal of temporary differences	(217,134)	103,082
Total tax cost (income) recognised in the Consolidated Statement of Profit or Loss	(88,469)	503,015
<i>In the consolidated statement of changes in equity</i>		
Deferred tax cost		
Related to the creation or reversal of temporary differences	(37,092)	10,138
Total tax cost / (income) recognised in Other Comprehensive Income (Equity)	(37,092)	10,138

Tax income and expense in the income statement exclude the Group's share in the tax expense for consolidated companies accounted for by the equity method, which amounted to EUR 31,488 thousand in 2020 (2019: EUR 14,191 thousand).

27.2. 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

	2020	2019
<i>Accounting profit (before taxes)</i>	<i>(1,003,276)</i>	<i>1,336,636</i>
25% tax rate	(250,819)	334,159
Difference due to different tax rates	107,524	205,965
Permanent differences	122,115	194,924
Tax credits and relief applied	(108,474)	(200,069)
Adjustments to the tax cost for the period or prior years	41,185	(31,964)
Total income tax cost / (income)	(88,469)	503,015

The line DIFFERENCE DUE TO DIFFERENT TAX RATES mainly includes the effect of the different tax rates that apply to CEPSA for the various profit taxes on hydrocarbon production activity in Algeria, Thailand, 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 SUPER PROFIT TAX (effective August 2006) applies, whose tax rate is higher the higher the price of crude oil,
- the Tax on Hydrocarbon Revenues (French's acronym TRP), and
- the Supplementary Income Tax (French's acronym ICR) whose tax rate is based on the profits earned.

The combined accrued share of both taxes for 2020 and 2019 amounts to EUR 73,044 thousand and EUR 186,143 thousand respectively.

The activity of the Coastal Group is carried out mainly in Thailand, where it is subject to two types of 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 based on each year's production and includes deductions for the expenses incurred in the concessions.

The combined accrued share of both taxes for 2020 and 2019 amounts to EUR 8,965 thousand and EUR 40,778 thousand respectively.

In Abu Dhabi, the activity of exploration, development and exploitation of hydrocarbons is subject to the INCOME TAX, and to a SUPER PROFIT TAX.

The combined accrued share of both taxes for 2020 and 2019 amounts to EUR 22,440 thousand and EUR 150,984 thousand.

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

The PERMANENT DIFFERENCES line is mainly due to non-deductible expenses, non-deductible expenses, or income not eligible from a tax point of view. Those recognized in 2020 and

2019 mainly correspond to several impaired assets, to dividends, revenue obtained from Permanent Establishments abroad, and Corporate Income Tax settled abroad which was not included in the amount used to calculate deductions to the tax base as per article 31.2 of Law 27/2014, other provision allowances, penalties, and adjustments relating to consolidation.

For the calculation of the Corporate Tax expense, the applicable deductions for international double taxation of income obtained abroad through Permanent Establishments and dividends, performance of certain activities and other tax incentives have been considered, in accordance with the applicable regulations in each of the exercises.

Due to the radical change in scenario in 2020 (COVID-19 and crisis in the hydrocarbon markets), CEPSA has changed the mechanism to avoid international double taxation on income from its establishments abroad corresponding to the 2019 financial year, applying the mechanism of exemption to the tax base (and not the imputation as tax deduction initially considered in its forecast for Corporation Tax in Spain in 2019), which has implied, on the one hand, an increase in tax expenditure for 2020 by EUR 35 million, and, on the other, a higher quota to be returned derived from the liquidation of Tax on Societies of the fiscal group in approximately EUR 31 million.

The amounts included the line ADJUSTMENTS TO INCOME TAX FOR THE CURRENT OR PRIOR TAX PERIODS, which amounted to EUR 41,185 thousand in expenses and EUR 31,964 thousand in revenue for 2020 and 2019, respectively, include the difference between the expense accounted for in connection with Corporate Income Tax at 31 December 2019 and 2018 and the amount corresponding to the final settlement for said years. In the financial year 2020, the amount of the aforementioned tax is collected for an amount of 35 million euros and other adjustments of the Income Tax from previous years.

In 2019, income was recognized on INCOME TAX in connection with the adjustment related to inspections initiated by the tax authority in the years 2005-2008, as a result of a partially favourable decision of Spain's High Court, where such amounts had been provisioned.

27.3. CHANGES IN BALANCES DUE TO DEFERRED TAX

Below are the balances for deferred tax assets and liabilities, broken down by origin:

DEFERRED TAX ASSETS AND LIABILITIES ORIGINATED FROM TAX CONTINGENCIES IN CEPSA GROUP

Thousand of euros

Year 2020	Balance at 01.01.2020	Additions	Interest cost	Derecognitions	Movements in equity	Translation difference	Transfers (note 6.2)	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
Additions 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

The heading DEFERRED TAX ASSETS on the consolidated Balance Sheet essentially recognizes:

- net investment coverage in foreign companies, amounting to EUR 169 million,
- the tax credit generated by the losses of the subsidiaries of the Coastal Group recognized in the parent company, amounting to EUR 276 million,
- additional impairment of certain non-current assets amounting to EUR 65 million.
- tax loss carryforwards amount to EUR 159 million,
- outstanding deductions totalling EUR 115 million, and

DEFERRED TAX LIABILITIES on the consolidated Balance Sheet mainly recognizes:

- those relating temporary differences between accounting depreciation and tax depreciation amounting EUR 237 million, mainly in Abu Dhabi, as well as those linked to accelerated depreciation applied pursuant to the provisions of the eleventh additional provision introduced in the Spanish

Corporate Income Tax Law on accelerated depreciation, maintaining the level of utilization established in Article 1.12 of Law 4/2008, of December, and

- liabilities for uncertain tax treatments amounts to EUR 203 million, mainly due to non-compliant tax records and arrears interest thereon.

The situation at 2019 year end was as follows:

DEFERRED TAX ASSETS AND LIABILITIES ORIGINATED FROM TAX CONTINGENCIES IN CEPESA GROUP

Thousand of euros

Year 2019	Balance at 01.01.2019	Additions	Interest cost	Derecognitions	Movements in equity	Translation difference	Transfers	Other changes	Balance at 12.31.2019
Deferred tax assets									
Depreciation	51,052	464	-	(9,844)	-	235	-	-	41,907
Impairment	378,409	6,732	-	(2,607)	-	(7)	-	-	382,527
Tax loss carryforwards	39,483	-	-	(26,249)	-	755	(11,859)	-	2,130
Tax deductions pending application	-	150,535	-	(33,405)	-	-	-	540	117,670
Losses in permanent establishments	65,255	477	-	(31,619)	-	647	-	(994)	33,766
Hedging	165,403	132	-	(190)	13,812	(1)	-	-	179,156
Inventories	1,238	1,690	-	-	-	-	-	-	2,928
Provisions	33,978	11,339	-	(16,682)	(19)	295	(39)	441	29,313
Uncertain tax treatments	-	-	6,856	-	-	-	-	-	6,856
Others	-	2,995	-	120	-	(1)	(1)	(8)	3,105
Total deferred tax assets	734,818	174,364	6,856	(120,476)	13,793	1,923	(11,899)	(21)	799,358
Deferred tax liabilities									
Depreciation	143,068	171,768	-	(17,251)	-	721	(3,923)	-	294,383
Impairment	5,689	-	-	(1,607)	-	-	-	-	4,082
Leasing	11,698	-	-	(4,092)	-	-	-	-	7,606
Hedging	2,216	6,341	-	-	2,239	-	-	-	10,796
Inventories	967	-	-	-	-	-	-	-	967
Provisions	6,428	986	-	(655)	-	61	-	-	6,820
Additions for business combinations	38,532	-	-	-	-	-	-	-	38,532
Uncertain tax treatments	219,248	29,849	(15,873)	(13,414)	-	81	-	-	219,891
Others	53,326	548	-	(15,502)	-	755	-	1,423	40,550
Total deferred tax liabilities	481,172	209,492	(15,873)	(52,521)	2,239	1,618	(3,923)	1,423	623,627
Net deferred taxes	253,646	(35,128)	22,729	(67,955)	11,554	305	(7,976)	(1,444)	175,731

27.4. 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, various tax assessments have been signed in disagreement, including one for corporate income tax for years 2005-2008 and 2009-2012. The CEPESA Group has filed the corresponding appeals with the relevant judicial bodies. The Group has duly created provisions that fulfil the specified probability requirements to cover the amounts relating to said tax assessments up to 2020 year-end.

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 CEPESA Tax Group were initiated in July 2018 and concluded in July 2020 identifying no major liabilities beyond those set out in the accompanying financial statements. Furthermore, financial year 2017 and subsequent financial years remain open to inspection.

In December 2019, Colombian authorities closed the Income Tax audit corresponding to financial year 2015 and issued assessments amounting to EUR 90 million, 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 December 2020, the DIAN provided separate settlement proposals in the amount of EUR 29 million for Income Tax and the CREE income tax for equity corresponding to the 2016 financial year, including the same items signed in disagreement relative to the 2015 financial year. The corresponding interest on arrears calculated in the same way since 2017 would also need to be added to this amount. The Company has until 30 March 2021 to file the relevant arguments against said settlement proposals.

Supported by the judgment of the renowned external consultants hired to analyse this matter, the Company considers that the possibility of obtaining a resolution favourable to 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 described as not likely and no provision has been made for this in the 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. "Cepesa Colombia, S.A." has filed the corresponding appeals before the relevant appeal courts. These tax assessments amount to EUR 5 million, plus the corresponding interest and arrears calculated based on a rate of 30 per cent since 2009 and 2011, and penalty up to 365 per cent. Adequate provisions have been charged to losses. Furthermore, financial year 2017 and subsequent financial years remain open to inspection by Colombian authorities.

Both in Thailand and in Algeria, financial year 2015 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 recognized 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 future in this respect.

27.5. UNRECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

The Group has not recognized deferred tax liabilities in relation to taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures for an amount of EUR 130,171 thousand at year end 2020 compared to EUR 193,099 thousand at year end 2019.

The Group did not recognize any deferred tax assets arising from tax losses amounting to EUR 58,380 thousand in 2020 and EUR 65,676 thousand in 2019, given that according to its projected results, recoverability of these assets is not considered probable.

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 recognized, as a decision against the Group's interests has been deemed unlikely.

28. 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 amounts to 535,149,882 in 2020 and 2019 (see Note 18).

PROFIT PER SHARE

Thousand of euros

	2020	2019
<i>Consolidated profit for the year from continuing operations</i>	<i>(914,807)</i>	<i>833,621</i>
Non controlling interests	3,951	13,598
<i>Profit attributable to equity holders of the Parent</i>	<i>(918,758)</i>	<i>820,023</i>
Average number of shares outstanding (thousands)	535,150	535,150
Profit per share:		
Basic	(1.72)	1.53
Diluted	(1.72)	1.53

The basic earnings per share figure shown in the table results from the application of IFRS 16 for the financial year 2020, yield-

ing a reduction of EUR 0.01 per share compared to the previous accounting criterion.

29. 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 2020 and 2019 is as follows:

ENVIRONMENTAL INVESTMENTS

Thousand of euros

	<i>Balance at 01.01.2020</i>	<i>Additions (charges)</i>	<i>Disposals/ amounts used</i>	<i>Other movements</i>	<i>Balance at 12.31.2020</i>
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

	<i>Balance at 01.01.2019</i>	<i>Additions (charges)</i>	<i>Disposals/ amounts used</i>	<i>Other movements</i>	<i>Balance at 12.31.2019</i>
Environmental assets	563,200	6,588	(1,310)	102,092	670,570
Accumulated depreciation environmental assets	(381,940)	(26,894)	879	1,135	(406,820)
Total	181,260	(20,306)	(431)	103,227	263,750

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 wastewater 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 acquired through its environmental targets.

The most significant environmental assets are the sulphur 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 CO₂ NO_x emissions.

ENVIRONMENTAL PROVISIONS

Thousand of euros

	<i>Notes</i>	<i>2020</i>	<i>2019</i>
Opening balance for the year		22,118	22,055
Additions/ Charges		3,416	1,154
Disposals/ Amounts used		(1,633)	(1,091)
Other changes		(179)	-
Closing balance for the year	<i>Note 22</i>	23,722	22,118

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 by charge 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.

ENVIRONMENTAL COSTS

Thousand of euros

	Notes	2020	2019
Repair and upkeep costs		5,627	5,080
Transport costs		9,653	10,125
Other services		15,799	17,218
Period provision for environmental activities	Note 22	3,416	1,154
Total	Note 24	34,495	33,577

30. RISK MANAGEMENT POLICY

30.1. MAIN RISKS ASSOCIATED WITH THE CEPESA GROUP'S OPERATIONS

In 2020, COVID-19 profoundly affected the domestic and global economy with significant shifts in demand for energy products and their derivatives, which in turn impacted market and futures prices of crude oil and its derivative products as well as interest rates, driving up the cost of new financing, limiting financing options, and other basic parameters.

The CEPESA group responded quickly to these uncertainties and their consequences on business operations, implementing contingency plans to streamline load and distillation levels for refineries, adapting crude oil provisions, even leveraging price volatility, streamlining fixed costs and investments, and increasing liquidity and availability of external funds, among other important measures.

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

Specifically, the Group is exposed to the following risks deriving from 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.

30.2. RISK MANAGEMENT MODEL

The Board of Directors, through the Audit Committee, the Risks Committee and other specific committees, together with the Directors 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 defined as the possibility that a third party that is CEPESA's counterparty breaches any of its contractual obligations, whether that third party is a supplier, customer, partner or credit institution, and such breach results in a financial loss.

The Group is exposed to credit risk in its commercial activities and in its financing activities, including deposits with banks and financial institutions, transactions in foreign currency and the contracting of financial instruments.

The carrying amount of financial assets included in the balance sheets at 31 December 2020 and 2019 represents the maximum credit exposure.

Business debts: The Group does not have a significant concentration of credit risk on commercial debts as it is widely distributed among a large number of clients and other counterparties. A significant part of these balances come from the logistical exchanges of petroleum products and trading operations, which are solidly guaranteed and represent very significant amounts.

To manage this risk, CEPESA 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.

In order to do so various credits quality measuring models have been designed. Based on this system, the probability of a customer defaulting payment can be measured, and the expected commercial loss can be kept under control.

These are the parameters relating to customer solvency and payment habits included in the system for credit quality analysis:

- High quality: Preferred customers, customers with excellent credit category 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 clients without any credit history, clients who are repeatedly slow in making payments and whose financial position is weak.

The breakdown of this analysis for the years 2020 and 2019, is as follows:

CREDIT QUALITY

Thousand of euros

Year 2020	Notes	High quality	Medium quality	Low quality	Total
Trade and other receivables	Note 16	1,133,805	107,955	28,624	1,270,384
Trade and other receivables with related parties	Note 16	19,028	-	-	19,028
Public Administrations	Note 16	91,717	-	-	91,717
Other finance assets	Note 13	234,658	4,723	-	239,381
Cash and cash equivalents	Note 17	1,357,127	1,256	24	1,358,407
Total		2,836,335	113,934	28,648	2,978,917

Year 2019	Notes	High quality	Medium quality	Low quality	Total
Trade and other receivables	Note 15	1,688,511	182,425	89,479	1,960,415
Trade and other receivables with related parties	Note 15	51,447	55	-	51,502
Public Administrations	Note 16	106,700	-	-	106,700
Other finance assets	Note 13	238,402	21,559	-	259,961
Cash and cash equivalents	Note 17	550,663	10,497	-	561,160
Total		2,635,723	214,536	89,479	2,939,738

Balances receivable are supervised 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:

NON-IMPAIRED RECEIVABLES

Thousand of euros

	2020	2019
Debt not past due	1,246,536	2,009,382
Debts 0-30 days past due	122,507	77,829
Debts 31-90 days past due	3,875	21,351
Debts 91-180 days past due	2,682	3,258
Debts more than 180 days past due	11,965	6,797
Total trade and other receivables	1,387,565	2,118,617

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 debt 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 CEPESA'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 Company continuously monitors its financial position, developing short-term cash forecasts, as well as conducting long-term financial planning set out in both the budget and the strategic plan.

Thus, CEPESA 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 Company regularly assesses the concentration of risk with respect to refinancing 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 31 December 2020 and 2019. These figures are before derivatives, where a very significant portion of the debt in euros is covered by exchange risk against the US dollar through cross currency swaps:

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								
Nominated in USD	11,618	28,580	47,072	59,144	763,562	168,444	118,554	1,196,974
Nominated 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								
Nominated in USD	5,211	15,632	20,563	20,401	20,232	16,058	39,637	137,734
Nominated 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

FINANCIAL LIABILITIES MATURITY

Thousand of euros

Year 2019	0-3 months	3-12 months	2 years	3 years	4 years	5 years	>5 years	Total
Payables								
Account payables	2,628,145	250,093	-	-	-	-	-	2,878,238
Related parties	66,438	95	-	-	-	-	-	66,533
Total receivables	2,694,583	250,188	-	-	-	-	-	2,944,771
Borrowing								
Nominated in USD	8,572	38,256	58,919	61,914	74,626	833,977	228,997	1,305,261
Nominated in EUR	5,088	35,001	26,569	29,028	27,040	873,273	913,322	1,909,321
Other currencies	22,687	95,653	39,906	38,388	36,888	81,738	818	316,078
Total borrowings	36,347	168,910	125,394	129,330	138,554	1,788,988	1,143,137	3,530,660
Bank borrowings relating to finance leases								
Nominated in USD	-	21,260	24,168	18,753	18,563	18,558	51,572	152,874
Nominated in EUR	41,453	62,401	81,656	78,574	61,455	60,651	243,640	629,830
Other currencies	134	9,176	9,529	7,798	8,099	8,184	37,924	80,844
Total bank borrowings relating for finance leases	41,587	92,837	115,353	105,125	88,117	87,393	333,136	863,548
Financial derivatives liabilities	(23,195)	(51,354)	(32,364)	(31,019)	(28,246)	(48,167)	(13,923)	(228,268)
Other liabilities								
Prepayments and deposits	1,143	3,033	3,286	284	284	284	176	8,490
Other payables	-	-	53,020	242	242	242	1,773	55,519
Other liabilities	255,507	12,844	25,208	2,606	-	-	412	296,577
Total other liabilities	256,650	15,877	81,514	3,132	526	526	2,361	360,586
Total liquidity risk	3,005,972	476,458	289,897	206,568	198,951	1,828,740	1,464,711	7,471,297

C) MARKET RISK

Market risk is the risk that the fair value of future cash flows 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 favourable 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 (FVTPL), 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 or future cash flows 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 operating 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 profit and equity are exposed to fluctuations in the exchange rates of the currencies in which it does business. 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 foreign exchange risk hedging policies in order to minimize its impact on both results and equity.

As of December 31, 2020 and 2019, debt with credit institutions in dollars, including euro debt (debt with credit institutions and bond issue) swapped into dollars through cross currency swaps amounted to a value equivalent to EUR 2,577 million and EUR 2,592 million (see Note 19), representing 62% and 78% respectively, on the total gross debt. About 95% of the debt in dollars

is allocated to hedging transactions, mainly to net investment hedges (USD 2,386 million), to fair value hedges (USD 349 million) and, to a lesser extent, to cash flow hedges (USD 15 million) (see Note 31).

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:

EFFECT OF FLUCTUATIONS IN THE EURO AGAINST THE DOLLAR

Thousand of euros

	2020		2019	
	Impact on profit or loss after taxes	Impact on equity after taxes	Impact on profit or loss after taxes	Impact on equity after taxes
+ 0,05 USD/EUR	(1,344)	63,064	(4,926)	81,569
- 0,05 USD/EUR	1,458	(68,421)	5,376	(89,168)

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 31).

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:

EFFECT OF FLUCTUATIONS IN THE CRUDE OIL

Thousand of euros

	2020		2019	
	Impact on profit or loss after taxes	Impact on equity after taxes	Impact on profit or loss after taxes	Impact on equity after taxes
+ 10 %	(3,461)	-	(1,156)	-
- 10 %	3,988	-	1,296	-

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 aim of minimizing long-term interest costs.

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 31).

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 because 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.

EFFECT OF FLUCTUATIONS IN THE INTEREST RATE

Thousand of euros

	2020		2019	
	Impact on profit or loss after taxes	Impact on equity after taxes	Impact on profit or loss after taxes	Impact on equity after taxes
+ 0,5%	(2,379)	19,809	(5,849)	38,124
- 0,5 %	2,379	(19,424)	5,324	(26,140)

D) CAPITAL MANAGEMENT

Maintaining a sound equity structure is a priority objective of capital management for the CEPSA Group.

This overall objective is implemented by controlling the level of borrowings in order to address any possible changes in economic and industry-based circumstances and, above all, ensures read-

iness to appropriate financing which enables the Group to take on new profitable business opportunities which may act as new pillars of growth and contribute significant value for the Group.

The changes in the level of borrowings are measured by the ratio of CEPSA Group's net borrowings and its sources of financing (equity plus net borrowings) or the generation of funds by the business (EBITDA), as follows:

RATIO OF CEPSA GROUP DEBT TO EQUITY (GEARING)

Thousand of euros

	Notes	2020	2020 adjusted (*)	2019
Non-current finance liability		4,573,169	4,042,812	3,799,728
Current finance liability		236,054	140,586	267,955
Gross liability	Note 19	4,809,223	4,183,398	4,067,683
Less: Cash and cash equivalents	Note 17	(1,358,407)	(1,358,407)	(561,160)
<i>Net debt</i>		<i>3,450,816</i>	<i>2,824,991</i>	<i>3,506,523</i>
<i>Equity</i>		<i>4,028,742</i>	<i>4,028,742</i>	<i>5,300,955</i>
<i>Net debt / (Equity + Net Debt)</i>		<i>46.14%</i>	<i>41.22%</i>	<i>39.81%</i>

(*) Adjusted not including debts from leases according to IFRS 16.

NET DEBT TO EBITDA RATIO

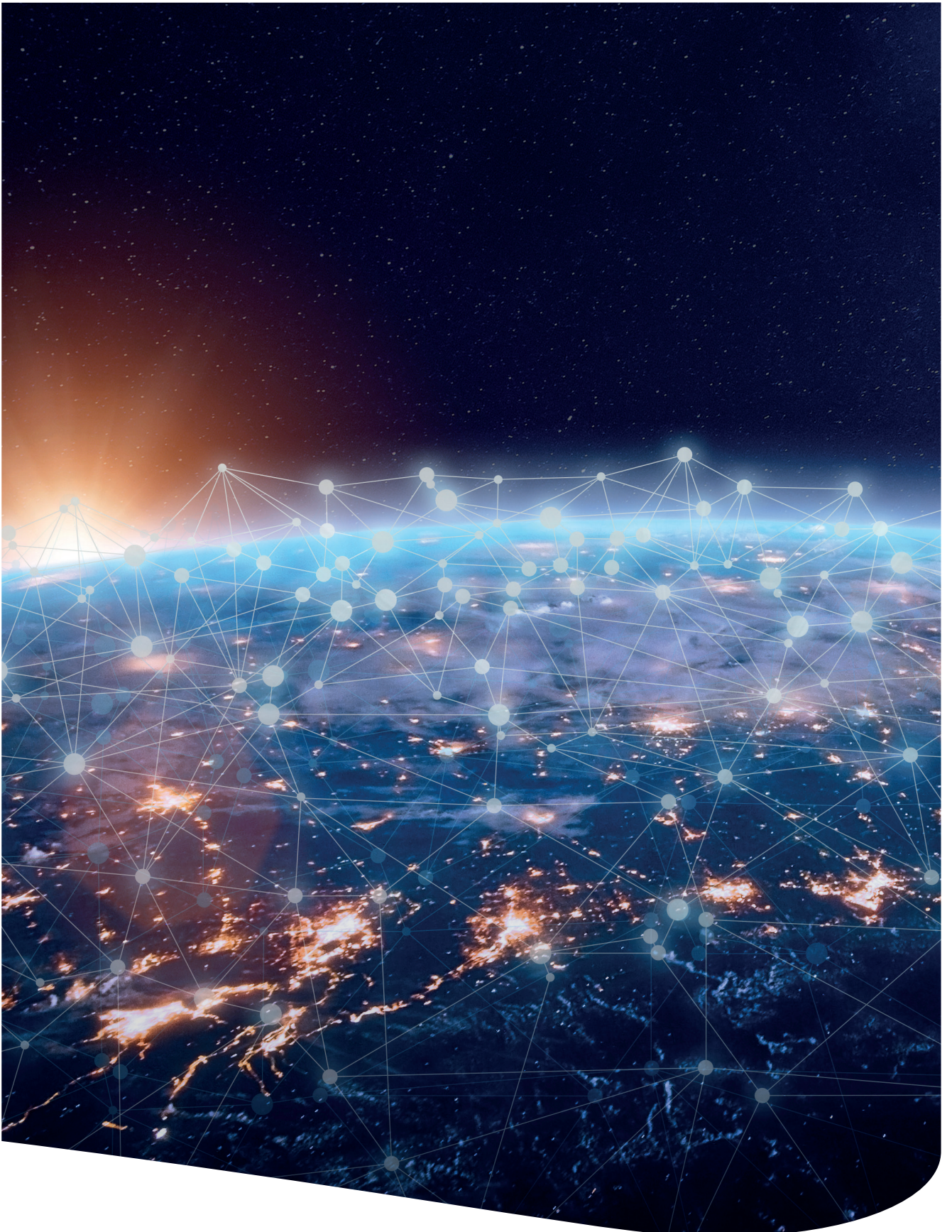
Thousand of euros

	Notes	2020	2020 adjusted (*)	2019
<i>Net debt</i>		<i>3,450,816</i>	<i>2,824,991</i>	<i>3,506,523</i>
EBITDA (adjusted CCS)	Note 7.1	1,186,670	1,186,670	2,058,011
IFRS 16 adjustments (reversal)				
Leasing payments		-	(136,135)	-
<i>Adjusted EBITDA (included IFRS 16)</i>		<i>1,186,670</i>	<i>1,050,535</i>	<i>2,058,011</i>
<i>Net debt / (Equity + Net Debt)</i>		<i>2.91</i>	<i>2.69</i>	<i>1.70</i>

(*) Adjusted 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 activity considered key to establishing an investment and dividend policy. Moderation in

investments, maintenance of income from ordinary activities, control of fixed costs, and limitation of the amount of dividends distributed represented a significant reduction in debt.



31. FINANCIAL DERIVATIVES AND HEDGE OPERATIONS

• ACCOUNTING POLICIES

I. INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

The CEPSA Group uses hedging and derivatives financial instruments, including most notably futures and swaps contracts with crude oil and product brokers, to hedge the price risks arising from the monthly purchases and sales of crude oil and oil-based 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 Group management and the monitoring process observes the separation of the performance and control functions.

Such derivative financial instruments are initially recognized 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 Statement of Income 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.

So far, the Group has used the extended use of fair value option for "own use" contracts since this option is not yet permitted according to Spanish GAAP.

As a part of the ordinary activity of the Trading segment, besides the supply of crude oil for the Group's needs, proprietary trading activity is performed, in which some of the own-use supply contracts which allow trading with third parties are used. 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

Hedges for exposures to changes in the fair value of a recognized asset or liability, or unrecognized firm commitment attributable to a particular risk that could affect the Consolidated Income Statement. Changes in value of the hedging instrument and the hedged item attributable to the hedged risk are recognized in Profit or Loss.

Cash flow hedges

The Group uses forward currency contracts and other derivatives such as options to hedge its exposure to foreign currency risk in highly probable transactions. Likewise, to reduce the exposure to interest rate risk on its outstanding variable rate borrowings, the Group uses interest rate swaps.

The effective portion of the gain or loss on the hedging instrument is recognized directly in OTHER COMPREHENSIVE INCOME, while the ineffective portion is recognized immediately in the Consolidated Income Statement, under FINANCIAL INCOME OR EXPENSE.

Amounts recognized 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 heading 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 recognized 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.

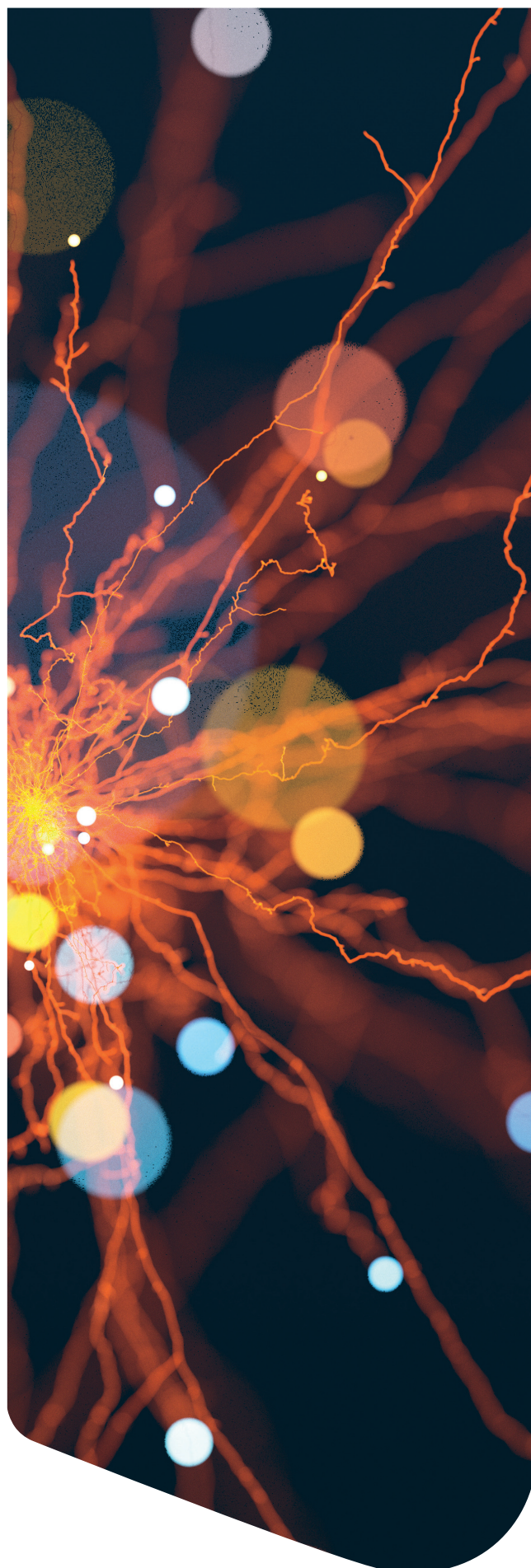
Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in OTHER COMPREHENSIVE INCOME while any gains or losses relating to the ineffective portion are recognized in the Consolidated Income Statement in FINANCIAL COSTS AND INCOME.

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 recognized 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 recognized less accumulated amortization, whichever is higher.



The breakdown of the notional and fair value of the Group's derivatives is as follows:

TRADING DERIVATIVES

Thousand of euros

	2020				2019			
	Derivatives assets (Note 13)		Derivatives liability (Note 19)		Derivatives assets (Note 13)		Derivatives liability (Note 19)	
	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Foreing exchange derivatives								
Forwards								
Buy USD / sell EUR	21,592	6	876,508	(6,842)	265,423	1,485	535,701	(5,528)
Buy EUR / sell USD	15,639	292	-	-	-	-	-	-
Buy USD / sell CNY	-	-	31,008	(515)	-	-	-	-
Buy EUR / sell GBP	-	-	3,208	(6)	-	-	3,759	(148)
Buy EUR / sell BRL	10,051	331	-	-	-	-	-	-
Buy USD / sell JYP	-	-	6,594	(239)	-	-	-	-
Collar buy USD / sell CNY	-	-	-	-	-	-	3,479	(294)
Total	47,282	629	917,318	(7,602)	265,423	1,485	542,939	(5,970)
Commodities price derivatives								
Swaps (oil and products)	128,748	4,400	79,568	(19,969)	418	13	1,062	(97)
Swaps (electricity)	34,709	5,375	80,069	(7,274)	77,684	7,910	123,816	(4,931)
Options (crude oil and products)	96,510	1,961	-	-	-	-	-	-
Total	259,967	11,736	159,637	(27,243)	78,102	7,923	124,878	(5,028)
Total trading derivatives	307,249	12,365	1,076,955	(34,845)	343,525	9,408	667,817	(10,998)

HEDGING DERIVATIVES

Thousand of euros

	2020				2019			
	Derivatives assets (Note 13)		Derivatives liability (Note 19)		Derivatives assets (Note 13)		Derivatives liability (Note 19)	
	Notional	Fair value	Notional	Fair value	Notional	Fair value	Notional	Fair value
Cash flow hedges								
Interest rate derivatives								
Interest rate swaps	-	-	1,232,924	(40,243)	414,490	5,644	626,113	(9,828)
Cross currency swaps (interest tranche) (*)	75,000	39	275,000	(1,693)	75,000	967	475,000	(3,402)
Derivatives on commodities prices								
Swaps (hedge of refining margin)	1,139	621	-	-	-	-	12,949	(118)
Swaps (natural gas)	8,695	10,625	3,262	(145)	8,078	327	4,918	(807)
Total	84,834	11,285	1,511,186	(42,081)	497,568	6,938	1,118,980	(14,155)
Net investment hedge								
Foreign currency derivatives								
Cross currency swaps	1,655,935	49,294	324,872	(2,294)	-	-	1,283,583	(36,481)
Forwards buy EUR / sell USD	144,835	2,662	-	-	138,864	1,816	258,145	(1,343)
Total	1,800,770	51,956	324,872	(2,294)	138,864	1,816	1,541,728	(37,824)
Cost of hedging								
Foreign currency derivatives								
Buy USD / sell EUR	-	-	-	-	152,216	2,079	22,254	(416)
Derivatives on commodities prices								
Swaps (natural gas)	238,163	17,258	550,262	(138,665)	595,712	108,971	313,282	(31,599)
Total	238,163	17,258	550,262	(138,665)	747,928	111,050	335,536	(32,015)
Total hedging derivatives	2,123,767	80,499	2,386,320	(183,040)	1,384,360	119,804	2,996,244	(83,994)

(*) 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).

31.1. FOREIGN CURRENCY RISK

The types of derivative usually used to mitigate exchange rate risks are forward and swap contracts in accordance with the established risk management policy (see Note 30).

Furthermore, in accordance with the Group's established exchange rate risk management policy (see Note 30), the CEPSA Group has obtained borrowings denominated in US dollars to finance certain investments in said currency.

Thus, at 31 December 2020 and 2019, the CEPSA Group had assigned financing for a nominal amount of USD 753 millions and USD 995 million, 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 Algeria, 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, the Group also assigned exchange rate derivatives for a nominal amount of USD 1,943 million in connection with the net investment hedges at 2020 year-end and USD 1.998 million at 2019 year-end.

The Group used Cross Currency Swaps to swap credits and loans amounting to EUR 1,450 million into USD.

No inefficiency in the aforementioned hedges was recognized.

The table below shows the balances and movements for this hedge of net investment included in the heading of net equity of the balance: ADJUSTMENTS FOR CHANGES IN VALUE IN HEDGE OPERATIONS corresponding to the 2020 and 2019 financial years.

VALUATION ADJUSTMENTS IN HEDGES - MOVEMENTS

Thousand of euros

	Notes	2020	2019
<i>Opening balance</i>		(536,885)	(522,559)
Gains or losses recognised directly in equity		161,835	(37,820)
Reclassification during the year to profit or loss		-	23,494
<i>Closing balance</i>	Note 18.4	(375,050)	(536,885)

At the same date, the CEPSA Group held financing allocated in US dollars for a nominal amount of USD 12.5 million at year end 2020 and USD 22 million at year end 2019, recognized as a cash flow hedge, the hedge item being highly probable future collections in foreign currency on finance leases and/or planned sales of assets.

31.2. 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.

With a view to reducing exposure to said risks the Group contracts financial derivatives which constitute an economic hedge for its results, though not in all cases recognized as accounting hedges.

At the end of 2020, the Group holds hedges on the price of natural gas for purchase commitments due in 2021, 2022 and 2023.

31.3. 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.

The company uses interest rate swaps in which it agrees to exchanges, at certain intervals, the difference between the amounts at fixed rates, variable rates or 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 EUR 1,476 million and EUR 1,591 million in 2020 and 2019, respectively.

The following table summarizes the maturity date of the Group's derivatives based on discounted contract payments:

DERIVATIVES - MATURITIES

Thousand of euros

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)

Year 2019	0-3 months	3-12 months	1-3 years	>3 years	Total
Derivatives assets					
Cash flow hedging derivatives	2	256	360	6,320	6,938
Fair value hedging derivatives	11,871	16,604	82,575	-	111,050
Net investment hedging derivatives	1,816	-	-	-	1,816
Derivatives not designated hedge accounting	6,250	3,158	-	-	9,408
Total	19,939	20,018	82,935	6,320	129,212
Derivatives liabilities					
Cash flow hedging derivatives	(13)	(640)	(272)	(13,230)	(14,155)
Fair value hedging derivatives	(4,572)	(26,604)	(839)	-	(32,015)
Net investment hedging derivatives	(1,344)	-	-	(36,480)	(37,824)
Derivatives not designated hedge accounting	(6,543)	(4,455)	-	-	(10,998)
Total	(12,472)	(31,699)	(1,111)	(49,710)	(94,992)

32. 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. The fair value of the only fixed rate loan at 2020 year-end amounts to EUR 112.9 million, while the carrying value totals EUR 111.6 million (see Note 16).

Regarding the outstanding bonds issued at a fixed rate, the fair value at 31 December 2020 is EUR 1,516.9 million, while their book value amounts to EUR 1,500 million (see Note 19).

At 31 December 2020, the company's own credit risk is considered insignificant.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Thousand of euros

	2020				2019			
	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	39	-	39	-	6,611	-	6,611	-
Exchange rate derivatives	52,586	-	52,586	-	5,381	-	5,381	-
Commodities derivatives	40,240	-	40,240	-	117,220	-	117,220	-
Total	92,865	-	92,865	-	129,212	-	129,212	-
Derivative Liabilities								
Interest rates derivatives	41,935	-	41,935	-	13,230	-	13,230	-
Exchange rate derivatives	9,897	-	9,897	-	44,209	-	44,209	-
Commodities derivatives	166,053	-	166,053	-	37,553	-	37,553	-
Total	217,885	-	217,885	-	94,992	-	94,992	-
Fair value through other comprehensive income measurement category								
Sub-portfolio of trade receivables subject to securitization	199,335	-	199,335	-	263,884	-	263,884	-
Total	199,335	-	199,335	-	263,884	-	263,884	-
Assets and liabilities for which fair values are disclosed								
Fixed rate loans	112,874	-	112,874	-	122,834	-	122,834	-
Corporate bonds	1,516,903	1,516,903	-	-	507,500	507,500	-	-
Total	1,629,777	1,516,903	112,874	-	630,334	507,500	122,834	-

The Group has derivative financial instruments with various counterparties, mainly financial institutions with investment grade credit ratings.

33. 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.

33.1. TRANSACTIONS WITH ASSOCIATES, JOINT VENTURES AND OTHER RELATED PARTIES

Transactions between the Group and its associates and joint ventures are disclosed below:

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES AND OTHER RELATED PARTIES

Thousand of euros

Year 2020	Notes	Associates	Joint Ventures	Others	Total
<i>In the Consolidated Balance Sheet</i>					
Trade and other receivables	Note 16	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
<i>Consolidated Statement of Profit or Loss</i>					
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 WITH ASSOCIATES AND JOINT VENTURES
AND OTHER RELATED PARTIES

Thousand of euros

Year 2019	Notes	Associates	Joint Ventures	Others	Total
In the Consolidated Balance Sheet					
Trade and other receivables	Note 16	56,854	362	(5,714)	51,502
Current and non-current loans		7,484	5,157	5,107	17,748
Trade and other payables		54,283	5,795	11,865	71,943
Total		118,621	11,314	11,258	141,193
Consolidated Statement of Profit or Loss					
Revenue		111,640	12,155	67,453	191,248
Other operating income		(432)	248	29	(155)
Procurements		8,232	13,676	271,435	293,343
Other operating costs		13,006	2,814	16,614	32,434
Finance income		69	5,824	1	5,894
Finance costs		11	-	-	11
Total		132,526	34,717	355,532	522,775

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.

98,625 thousand were used for the subscription of new capital stock.

In addition, CURRENT AND NON-CURRENT LOANS TO JOINT VENTURES includes those granted to "SinarMas Cepsa" for EUR 9,408 thousand and EUR 5,207 thousand in 2020 and 2019 respectively (see Note 13). In 2019, credits amounting to EUR

33.2. TRANSACTIONS WITH SHAREHOLDERS

The relevant operations carried out by the CEPSA Group with its shareholders and the companies controlled by them have been:

NAME OF SIGNIFICANT SHAREHOLDER

Thousand of euros

	CEPSA Group Company	Type of transaction	Type of relationship	2020	2019
Cepsa Holding LLC	CEPSA	Corporate	Dividends and other distributed profit	120,540	494,591
Cepsa Holding LLC	CEPSA	Corporate	Dividend in kind (Shares on Medgaz, S.A.)	-	550,000
Matador Bidco Sàrl	CEPSA	Corporate	Dividends and other distributed profit	75,460	37,000
Mubadala Investment Company PJSC	CEPSA	Commercial	Procurements, services and other expenses	-	75
The Carlyle Group, Inc	CEPSA	Commercial	Sales and other services provided	-	335

34. REMUNERATION AND OTHER BENEFITS FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration accrued by the directors of the Consolidated Group in 2020 and 2019 was as follows:

REMUNERATION TO BOARD OF DIRECTORS - CONCEPT

Thousand of euros

	2020	2019
Wages and Salaries	800	890
Variable remuneration	255	7,124
Bylaws-stipulated Director emoluments	1,484	761
Other Items	10	112
Pension funds and plans: contributions and obligations (Defined contribution plans)	200	467
Total	2,749	9,354

CEPSA's directors and officer's liability insurance policy was renewed for 12 months on December 13, 2020, with a total annual net premium of EUR 165 thousand 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 functions only receive BYLAW-STIPULATED FEES, which totalled EUR 1,365 thousand in 2020.

As provided for in Article 229 of the Spanish Companies Act in force, the Directors of the Company disclosed the following conflicts of interest:

At the Board of Directors meetings held on January 23, 2020 and April 23, 2020, respectively, and in connection with various tax litigation issues submitted to the Board for approval, the three Proprietary Directors on behalf of the shareholder Matarador Bidco S.à.r.l. (ultimately owned by The Carlyle Group, Inc.), Mr. Martialis Quirinus Henricus van Poecke, Mr. James Robert Maguire and Mr. Joost Bart Maria Dröge, declared that they were involved in a potential conflict of interest related to certain agreements in place between the two shareholders of the Company. Accordingly, they recused themselves and abstained from deliberating and voting on the resolutions adopted with regard to such tax litigation issues, as duly reflected in the corresponding meeting Minutes.

Upon his resignation as a Director, as stated in his letter dated February 4, 2021, Mr. Bakheet Saeed Bakheet Salem Alkathheeri declared that neither he, nor any of his related parties, were involved in any direct or indirect conflicts with the interests of the Company for the year ended December 31, 2020 and up until the date of his letter, with the exception of those that had already been declared to the Board of Directors in connection with positions or directorships in other companies operating in the same oil & gas space as CEPSA, which include his positions as Chief Executive Officer and Director of Mubadala Petroleum, Chairman of the Project Review Committee of Dolphin Energy Ltd. and Director of Oil Search Ltd.

The incumbent Directors at the date of drafting these Financial Statements made certain conflict of interest disclosures with regard to their management positions and directorships in other companies operating in the same oil and gas space as CEPSA, and by means of their respective letters dated February 18, 2021 and addressed to the Secretary of the Board of Directors, confirmed such potential conflicts of interest in connection with the positions and offices held in oil and gas companies, as follows:

Mr. Ahmed Yahia

Mr. Yahia currently serves as Chief Executive Officer of Direct Investments at Mubadala Investment Company PJSC, a company active in the oil and gas space.

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) Andes Colombia Holding Limited; (ii) Assala Energy UK Limited; (iii) Hedging Committee (Assala); (iv) BSOG Holding Activity SRL; (v) Discover Exploration Ltd.; (vi) Mazarine Energy B.V.; (vii) Neptune Energy Group Ltd.; (viii) Varo Energy B.V.; and (ix) Flamingo (Jersey) Limited. He is also a major shareholder and the President of the Supervisory Board of ONE-Dyas B.V.

Mr. Philippe François Marie-Joseph Boisseau

Mr. Boisseau currently holds directorships in the following entities which operate in the same oil & gas space as CEPSA: (i) Assala Energy UK Ltd.; (ii) Enermech; and (iii) I-Pulse Inc.

Mr. Musabbeh Helal Musabbeh Ali Alkaabi

Mr. Alkaabi currently serves as Chief Executive Officer of UAE Investments at Mubadala Investment Company PJSC, a company active in the oil and gas space, and holds the following offices in other entities which operate in the same oil & gas space as CEPSA: (i) Chairman of Mubadala Petroleum; and Director of (ii) NOVA Chemicals; (iii) Dolphin Energy Ltd; and (iv) Borealis AG.

Mr. James Robert Maguire

Mr. Maguire is currently Managing Director for Carlyle International Energy Partners (CIEP), an investment fund affiliated with The Carlyle Group and active in the oil and gas space, and serves as Director of the following entities engaged in the energy sector: (i) Assala Energy UK Limited; (ii) BSOG Holding Activity S.R.L.; (iii) Andes Colombia Holding Limited; (iv) CIEP Epoch NewCo 1 Ltd. (v) Mazarine Energy B.V.; (vi) Neptune Energy Group Limited; and (vii) Flamingo (Jersey) Limited.

Mr. Joost Bart Maria Dröge

Mr. Dröge is currently Managing Director for Carlyle International Energy Partners (CIEP), an investment fund affiliated with The Carlyle Group and active in the oil and gas space, and serves as Director of the following entities engaged in the energy sector: (i) CIEP Epoch NewCo 1 Ltd.; (ii) Varo Energy B.V.; (iii) Hedging Committee (Assala); (iv) Flamingo SwissCo AG; and (v) Lexo Energy Mauritius Ltd.

Ms. Alyazia Ali Saleh Ahmed Alkuwaiti

Ms. Alkuwaiti is currently Executive Director of Energy at Mubadala Investment Company PJSC, a company active in the oil and gas space, and also holds the following offices in entities which operate in the same oil & gas space as CEPESA: (i) Supervisory Board Deputy Chairwoman of OMV Aktiengesellschaft; and (ii) Director of Mubadala Petroleum.

Mr. Marwan Naim Nijmeh

Mr. Nijmeh is currently Deputy Chief Legal Officer at Mubadala Investment Company PJSC, and a Director of Mubadala Pe-

troleum, both companies active in the same oil and gas space as CEPESA.

Mr. Saeed Mohamed Hamad Fares Almazrouei

Mr. Almazrouei is currently Deputy Chief Executive Officer of Direct Investments at Mubadala Investment Company PJSC, and serves as Director of Borealis AG, both companies active in the same oil and gas space as CEPESA.

Mr. Angel Corcóstegui Guraya

By means of a letter dated February 18, 2021 and addressed to the Secretary of the Board of Directors, Mr. Corcóstegui confirmed that for the year ended December 31, 2020 and up to the date of his letter, neither he, nor any of his related parties, were involved in any direct or indirect conflicts with the interests of the Company.

Apart from the above, at the date of drafting of these Financial Statements, no other direct or indirect conflicts with the interests of the Company were disclosed.

At December 31, 2020, there were 10 members (nine men and one woman) on the Board of Directors, in addition to the non-board member Secretary and non-board member Deputy Secretary.

The total remuneration of Senior Executives (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 2020 and 2019, was as follows:

REMUNERATION TO TOP MANAGEMENT - CONCEPT

Thousand of euros

	2020	2019
Wages and Salaries	2,898	2,953
Variable remuneration	5,678	6,661
Termination Benefits	1,577	-
Other Items	1,893	132
Pension funds and plans: contributions and obligations (Defined contribution plans)	595	648
Total	12,641	10,394

In 2020 there were nine Senior Executives (eight men and one woman) and eight (all men) in 2019.

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 measure-

ment 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.

The Company has not granted any advances or loans to its Board members or to senior managers.

35. GUARANTEE COMMITMENTS AND OTHER CONTINGENT LIABILITIES

At 31 December 2020 and 2019, certain Group companies had provided guarantees, mainly for bank transactions and supply contracts, the breakdown is as follows:

GUARANTEES TO THIRD PARTIES

Thousand of euros

	2020	2019
Public entities	529,864	372,694
Suppliers/creditors and others	3,937,117	3,424,247
Total	4,466,981	3,796,941

Guarantees arranged with SUPPLIERS/CREDITORS AND OTHER relate mainly to guarantees provided by CEPESA to financial institutions for drawdowns against credit facilities granted to Group companies, as well as letters of credit to trade payables, which in 2020 and 2019 amounted to EUR 2,377,402 thousand and EUR 1,619,588 thousand, respectively. These amounts were recognized, by maturity, under BANK BORROWINGS and TRADE AND OTHER PAYABLES on the liability side of the Consolidated Balance Sheet.

At 31 December 2020, the Group had not pledged any financial assets as security for liabilities or contingent liabilities.

The Group maintains firm commitments for the transport of gas (ship or pay) with the company "Medgaz, S.A.", which was part

of the CEPESA Group until its delivery to the Mubadala Group in October 2019 (see Note 6.2). In the same line of business, the Group maintains commitments to purchase natural gas through "Cepsa Gas Comercializadora, S.A."

Continuing the process of disassociation from the interest in "Medgaz, S.A.", the Group is cancelling the guarantee issued by the EIB to support the financing of said company, which amounted to EUR 232 million at 2019 year-end. At 31 December 2020, the guaranteed amount is EUR 5.3 million, which will be cancelled in 2029.

At year end 2020 and 2019, long-term firm commitments are as follows:

LONG TERM COMMITMENTS IN PROCUREMENTS

Thousand of euros

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

Year 2019	2020	2021	2022	2023	2024	Others	Total
Natural Gas and Liquified Natural Gas	385,646	398,461	374,009	309,216	311,523	1,923,545	3,702,400
Gas transport fees	46,382	47,309	48,256	49,221	50,205	337,255	578,628
Total	432,028	445,770	422,265	358,437	361,728	2,260,800	4,281,028



These commitments were quantified using estimates based on Brent Crude forward curves valid at year end 2020 and 2019, respectively, which is the main benchmark price of these contracts

36. EVENTS AFTER THE REPORTING PERIOD

In the first few months of 2021, the group reached an agreement with the trading company GEO Alternativa, S.L. to transfer customers (approximately 75,000 contracts) with electricity, natural gas, and associated maintenance services contracts. An advance was collected in December 2020 to strengthen the transaction.

In January 2021, the worsening of the COVID-19 pandemic caused more stringent measures limiting mobility, which caused the Company to apply a second temporary labour force adjustment plan limited to service station employees.

On February 4, 2021, the Extraordinary General Shareholders' Meeting accepted the resignation tendered by Mr. Bakheet Saeed Bakheet Salem Alkatheeri as a member of the Board of Directors, thanking him for his distinguished service and wise counsel. To fill the vacant seat on the Board, Mr. Ahmed Yahia was appointed as a Director of the Company, for a six-year term of office.

At its meeting held on February 4, 2021, the Board of Directors accepted the resignation tendered by Mr. Musabbeh Helal Musabbeh Ali Alkaabi as Chairman of the Board, acknowledging its deepest gratitude to Mr. Alkaabi for his tireless commitment and contributions to the Company throughout his term. To succeed him, the Director, Mr. Ahmed Yahia, was appointed as the new Chairman. Notwithstanding, Mr. Alkaabi will continue to serve as a member of the Board of Directors.

At the date of issuing of these Consolidated Financial Statements, there have been no more significant subsequent events to be mentioned in this section.

TABLE I

SUBSIDIARIES

<i>Name</i>	<i>Parent Company</i>	<i>Registered Office</i>	<i>Line of Business</i>
CEPSA BUSINESS SERVICES, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate services
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
CEPSA INTERNATIONAL B.V.	Compañía Española de Petróleos, S.A.	"Beurs - World Trade Centre - Office 668 Beursplein 37. 3011 AA Róterdam. The Netherlands"	Oil and gas trading
CEPSA TREASURY, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Financial Services
CEPSA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Corporate services
TEIDE RE, S.A.	Cepsa International, B.V.	74, Rue de Merl. L - 2146 Luxembourg.	Reinsurance Operations
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
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
CEPSA (RHOURE EL ROUNI) LIMITED	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
CEPSA ALGERIE, S.L.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
CEPSA COLOMBIA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
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
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
CEPSA EP ESPAÑA, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
CEPSA OLEO E GAS DO BRASIL, LTDA.	Compañía Española de Petróleos, S.A.	Rua do Carmo, nº 43 9º andar. - Rio de Janeiro. Brasil	Research and exploration
CEPSA PERU, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
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
CEPSA SURINAME, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
COASTAL ENERGY COMPANY, S.L.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
CEC (KHORAT), S.L.U.	Coastal Energy Company, S.L.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Research and exploration
COASTAL ENERGY KBM SDN BHD	Compañía Española de Petróleos, S.A.	Level 23, Etiga Twins, 11 Jalan. - Pinangm KL. Malasia	Research and exploration
COASTAL ENERGY MALASYA SDN BHD	Compañía Española de Petróleos, S.A.	Level 23, Etiga Twins, 11 Jalan. - Pinangm. Malasia	Research and exploration
MOPU HOLDINGS (SINGAPORE) PTE LTD	Compañía Española de Petróleos, S.A.	6, Temasek Boulevard #38-01 Suntec Tower Four. 038986 -. Singapore	Research and exploration
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
CEPSA GAS COMERCIALIZADORA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Gas distribution

(*) G = Fully Consolidation ; E = Equity method Consolidation. (**) Book value in individual accounts.

Thousand of euros

Ownership		Equity				Net Cost of Investment (**)	Consolidation Method (*)	Fiscal Group
2020	2019	Share Capital Subscribed	Share Capital Paid	Reserves + Net Profit				
100%	100%	60	60	589	2,810	G	Yes	
100%	100%	100	100	161	100	G	Yes	
100%	100%	3,515	3,515	80,205	106,824	G	No	
100%	100%	60	60	1,540	60	G	Yes	
100%	100%	61	61	1,370	61	G	Yes	
100%	100%	2,725	2,725	37,722	2,725	G	No	
100%	100%	2,149	2,149	2,184	2,805	G	No	
100%	100%	45	45	(235,158)	(202,395)	G	Yes	
100%	100%	100,791	100,791	84,907	145,673	G	Yes	
100%	100%	37	37	214,498	265,462	G	Yes	
100%	100%	24,109	24,109	(48,962)	87,544	G	Yes	
100%	100%	6,147	6,147	(4,679)	1,445	G	No	
100%	100%	3	3	1,329,939	1,349,444	G	Yes	
100%	100%	100	100	(1,071)	-	G	No	
100%	100%	57,103	57,103	(33,578)	10,680	G	No	
100%	100%	60	60	77,024	86,831	G	Yes	
100%	100%	78,428	78,428	(43,987)	64,730	G	No	
100%	100%	23,706	23,706	10,377	34,661	G	Yes	
100%	100%	37	37	(277,585)	45,493	G	Yes	
100%	100%	46	46	(14,069)	(24,598)	G	No	
70%	70%	4,926	4,926	2,420	4,986	G	No	
100%	100%	22,596	22,596	(20,937)	-	G	No	
100%	100%	56,345	56,345	(7,261)	119,548	G	No	
100%	100%	1,730	1,730	(33,902)	(5,304)	G	No	
70%	70%	3,060	3,060	(24,541)	-	G	No	

SUBSIDIARIES

<i>Name</i>	<i>Parent Company</i>	<i>Registered Office</i>	<i>Line of Business</i>
CEPSA GAS Y ELECTRICIDAD, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Electricity distribution
GENERACIÓN ELÉCTRICA PENINSULAR, S.A.	Cepsa Gas y Electricidad, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Cogeneration
SERVICIOS ENERGETICOS DE ALTA EFICIENCIA, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Electricity sales
SURESA RETAMA, S.L.U.	Cepsa Gas y Electricidad, S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Wind generation
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
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
CEPSA CHIMIE BECANCOUR, INC.	Cepsa Química, S.A.	5250 Boulevard Becancour. G9H 3X3 Becancour. QUEBEC. Canadá	Commercialization of petrochemical products
CEPSA ITALIA, S.p.A.	Cepsa Química, S.A.	Viale Milanofiori Palazzo A/6. 20090 Assago- MILAN. Italia	Commercialization of petrochemical products
CEPSA QUÍMICA CHINA, S.A.	Cepsa Química, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Shareholder
CEPSA QUÍMICA, S.A.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Production and sale of petrochemicals
CEPSA UK, LTD.	Cepsa Química, S.A.	Audrey House 16 - 20 Ely Place. EC1N 6SN London. Reino Unido	Commercialization of petrochemicals
DETEN QUIMICA, S.A.	Petresa Participações, LTDA	"Rua Hidrogenio 1744 Complejo Industrial. 42810-010 Camaçari Bahía. Brasil. Brasil"	Production and sale of petrochemicals
ATLAS, S.A. COMBUSTIBLES Y LUBRIFICANTES	Compañía Española de Petróleos, S.A.	C/ Playa Benitez, s/n. 51004 Ceuta. España	Oil and gas trading
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
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
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
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
CEPSA CARD, S.A.U.	Cepsa Comercial Petróleo. S.A.U.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Group Cards management
CEPSA COMERCIAL PETRÓLEO, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Petrol station administration
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)
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
CEPSA TRADING AMERICAS, INC	Compañía Española de petróleo, S.A.	"206 E. 9th Street, suite 1300 Cape May. 78701 Austin Texas. USA"	Oil and gas trading
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

(*) G = Fully Consolidation ; E = Equity method Consolidation. (**) Book value in individual accounts.

Thousand of euros

<i>Ownership</i>		<i>Equity</i>			<i>Net Cost of Investment (**)</i>	<i>Consolidation Method (*)</i>	<i>Fiscal Group</i>
<i>2020</i>	<i>2019</i>	<i>Share Capital Subscribed</i>	<i>Share Capital Paid</i>	<i>Reserves + Net Profit</i>			
100%	100%	12,330	12,330	74,761	130,621	G	Yes
70%	70%	32,000	32,000	53,476	22,400	G	No
100%	100%	100	100	3,058	5,408	G	Yes
100%	100%	605	605	11,669	17,082	G	Yes
75%	75%	241,637	241,637	(100,446)	56,294	G	No
75%	-	26,176	26,176	-	26,176	G	No
100%	100%	1,152	1,152	36,285	7,718	G	No
100%	100%	6,000	6,000	6,544	9,737	G	No
75%	75%	12,830	12,830	44,058	42,220	G	Yes
100%	100%	60	60	698,741	553,617	G	Yes
100%	100%	3,337	3,337	9,346	10,532	G	No
71%	71%	61,333	61,333	83,806	152,959	G	No
100%	100%	3,930	3,930	1,095	4,077	G	Yes
60%	60%	21,576	21,576	5,002	12,946	G	No
100%	100%	8,114	8,114	22,395	48,059	G	Yes
100%	100%	954	954	19,535	18,956	G	Yes
100%	100%	3,003	3,003	4,045	8,003	G	Yes
100%	100%	60	60	(800)	460	G	Yes
100%	100%	82,043	82,043	733,879	687,546	G	Yes
100%	100%	406	406	992	-	G	No
100%	100%	30,000	30,000	37,828	65,957	G	No
100%	-	8	8	(117)	13	G	No
100%	100%	461	461	503	461	G	No

SUBSIDIARIES

<i>Name</i>	<i>Parent Company</i>	<i>Registered Office</i>	<i>Line of Business</i>
CEPSA TRADING, S.A.U.	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, 259 A. 28046 Madrid. España	Oil and gas trading
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
INTRANSPORT SERVICE XXI, S.L.	Cepsa Comercial Petróleo, S.A.U.	Calle Colón de Larreategui, 26 7º A. 48009 Bilbao. España	Oil and gas trading
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
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
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
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
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

JOINTLY CONTROLLED ENTITIES

<i>Name</i>	<i>Parent Company</i>	<i>Registered Office</i>	<i>Line of Business</i>
ASFALTOS ESPAÑÓLES, S.A. (ASESA)	Compañía Española de Petróleos, S.A.	Paseo de la Castellana, nº 141. 28046 Madrid. España	Oil Refining to obtain asphalt products
ATLAS NORD HYDROCARBURS, S.A.S. (ANH)	Cepsa Comercial Petróleo, S.A.U.	4, Rue Blida Casablanca Maroc	Petrol station administration
BITULIFE, S.A.	Cepsa Comercial Petróleo, S.A.U.	105, Rue Amir Abdelkader Casablanca Morocco	Petrol station administration
Société de Recherches et d'Exploitations Industrielles, SOREXI, S.A.	Cepsa Comercial Petróleo, S.A.U.	105, Rue Amir Abdelkader Casablanca Morocco	Petrol station administration
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
SINARMAS CEPSE PTE, LTD	Cepsa Química, S.A.	108 Pasir Panjang Road - Golden Agri Plaza. 118535 Singapore. -	Sulphonation and sulfation of LAB and fatty alcohols.

ASSOCIATES

<i>Name</i>	<i>Parent Company</i>	<i>Registered Office</i>	<i>Line of Business</i>
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
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
CEPSA GIBRALTAR, LTD.	Cepsa Internacional, B.V.	Europort Building 7 2nd Floor. (P.O. Box 51). - . Gibraltar	Oil and gas trading
CS CHEM LIMITED	Cepsa Química, S.A.	Audrey House 16-20 Ely Place. EC1N 6SN London. United Kingdom	Shareholder
SIL CHEMICALS, LTD	CS Chemical, Ltd	161 A, Raufu Taylor Close Victoria Island. - Lagos. Nigeria	Production and sale of Lab-Las

(*) G = Fully Consolidation ; E = Equity method Consolidation. (**) Book value in individual accounts.

<i>Ownership</i>		<i>Equity</i>			<i>Thousand of euros</i>		
<i>2020</i>	<i>2019</i>	<i>Share Capital Subscribed</i>	<i>Share Capital Paid</i>	<i>Reserves + Net Profit</i>	<i>Net Cost of Investment (**)</i>	<i>Consolidation Method (*)</i>	<i>Fiscal Group</i>
100%	100%	60	60	(2,834)	60	G	Yes
100%	100%	7,734	4,048	(891)	7,734	G	No
100%	-	2,201	2,201	3,140	5,951	G	No
100%	100%	120	120	34,091	34,363	G	Yes
93%	93%	224	224	187	1,380	G	No
7%	7%	224	224	187	1,380	G	No
100%	100%	300	300	33,848	39,705	G	Yes
100%	100%	1,000	1,000	(328)	2,547	G	Yes

<i>Ownership</i>		<i>Equity</i>			<i>Thousand of euros</i>		
<i>2020</i>	<i>2019</i>	<i>Share Capital Subscribed</i>	<i>Share Capital Paid</i>	<i>Reserves + Net Profit</i>	<i>Net Cost of Investment (**)</i>	<i>Consolidation Method (*)</i>	<i>Fiscal Group</i>
50%	50%	8,529	8,529	26,502	17,869	E	No
50%	50%	15,810	15,810	1,532	7,905	E	No
40%	-	1,603	1,603	6,995	7,359	E	No
40%	-	1,171	1,171	19,982	26,596	E	No
50%	50%	2,290	2,290	24,385	3,691	E	No
50%	50%	330,201	330,201	(135,663)	123,400	E	No

<i>Ownership</i>		<i>Equity</i>			<i>Thousand of euros</i>		
<i>2020</i>	<i>2019</i>	<i>Share Capital Subscribed</i>	<i>Share Capital Paid</i>	<i>Reserves + Net Profit</i>	<i>Net Cost of Investment (**)</i>	<i>Consolidation Method (*)</i>	<i>Fiscal Group</i>
13%	13%	92,987	92,987	90,477	71,446	E	No
20%	20%	28	28	35,502	17,396	E	No
50%	50%	71	71	18,203	25	E	No
30%	30%	1	1	88,105	25,465	E	No
30%	30%	116	116	89,610	84,882	E	No

TABLE II

Detail of main transactions and assets under joint control in CEPSA Group, as of December 31st, 2020, concerning Exploration and Production assets.

<i>List of all joint operations</i>	<i>Country</i>	<i>Operator</i>	<i>Nature of activities</i>	<i>% Ownership</i>	
				<i>2020</i>	<i>2019</i>
RKF	Algerie	Groupement RKF (Sonatrach / Cepsa Algerie, S.L.)	Exploration & Production	49.00%	49.00%
Ourhoud	Algerie	Sonatrach - Organisation Ourhoud	Exploration & Production	37.13%	37.13%
Timimoun	Algerie	Sonatrach / TEPA/ Cepsa Algerie, S.L.	Exploration & Production	11.25%	11.25%
BMS	Algerie	Hess ReR	Exploration & Production	75.00%	75.00%
Tiple	Colombia	Cepsa Colombia, S.A.	Exploration & LTT	70.00%	70.00%
Garibay	Colombia	Cepsa Colombia, S.A.	Exploration & LTT	50.00%	50.00%
Jilguero	Colombia	Cepsa Colombia, S.A.	Exploration & Production	57.86%	57.86%
Merecure	Colombia	Cepsa Colombia, S.A.	Exploration	35.00%	35.00%
El Portón	Colombia	Cepsa Colombia, S.A.	Exploration	50.00%	50.00%
Cpo 12	Colombia	Meta Petroleum	Exploration	42.80%	42.80%
Río Paez (La Cañada Norte)	Colombia	HOCOL	Exploration & Production	16.67%	16.67%
San Jacinto	Colombia	HOCOL	Exploration	16.67%	16.67%
Caracara	Colombia	Cepsa Colombia, S.A.	Exploration & Production	70.00%	70.00%
Rodaballo	Spain	Repsol	Exploration & Production	15.00%	15.00%
Casablanca	Spain	Repsol	Exploration & Production	7.40%	7.40%
Montanazo	Spain	Repsol	Exploration & Production	7.25%	7.25%
Barracuda	Spain	Repsol	Exploration & Production	9.39%	-
Boquerón	Spain	Repsol	Exploration & Production	4.50%	4.50%
Block CE-M-717	Brazil	Premier Oil	Exploration	50.00%	50.00%

Thousand of euros

Revenue		Profit before tax		Net profit		Total Assets		Total Liabilities	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
64,089	119,689	34,198	67,295	1,756	6,346	161,952	146,027	85,305	156,198
175,692	285,981	106,564	233,693	63,937	140,673	78,510	75,433	16,169	7,109
19,382	24,224	-129,704	-5,688	-131,655	-8,169	32,209	174,460	6,784	8,701
45,369	94,605	-15,094	30,302	-15,094	30,140	205,485	250,617	205,485	250,617
138	0	663	6,423	138	0	-49	129	1,117	1,321
303	2,279	-808	589	303	2,279	819	1,172	720	348
219	4,252	-811	-5,889	219	4,252	-652	133	1,891	2,615
0	0	131	-268	0	0	293	-119	567	393
0	0	0	0	0	0	0	0	44	0
0	0	-24	9	0	0	0	0	0	0
1,708	3,490	330	1,945	1,708	3,490	453	3,091	696	597
0	0	0	0	0	0	0	0	0	0
65,553	154,431	11,773	55,088	65,553	154,431	55,414	121,907	18,729	29,882
0	0	0	0	0	0	0	0	2,000	1,601
337	525	0	0	0	0	0	1,978	13,567	11,709
0	159	0	0	0	0	0	-536	778	768
60	-	0	-	0	-	0	-	0	-
60	171	0	0	0	0	0	444	143	116
0	0	-20	-1,567	-15	-1,175	20,501	15,992	20,501	15,992