Activities

Exploration & Production

	2008	2007
		(Millions of euros)
Production from working interests (1) (thousands of barrels/day)	121.9	116.0
Net entitlement production (2) (thousands of barrels/day)	47.9	43.1
Net crude sales (millions of barrels)	7.9	7.2
Total capital & exploration expenditures	741.8	98.0
Sales revenues	642.3	563.4
Recurring operating income	330.1	377.5
CEPSA net entitlement reserves (SEC* reserves) (millions of barrels)	172.5	87.6

(1) Total production associated with CEPSA's working interests, calculated before applying the contractual terms and conditions of Production-Sharing Agreements (PSA).
(2) CEPSA 's net entitlement production, after applying the contractual provisions as per SEC (Securities & Exchange Commission) reporting standards.

ALGERIA

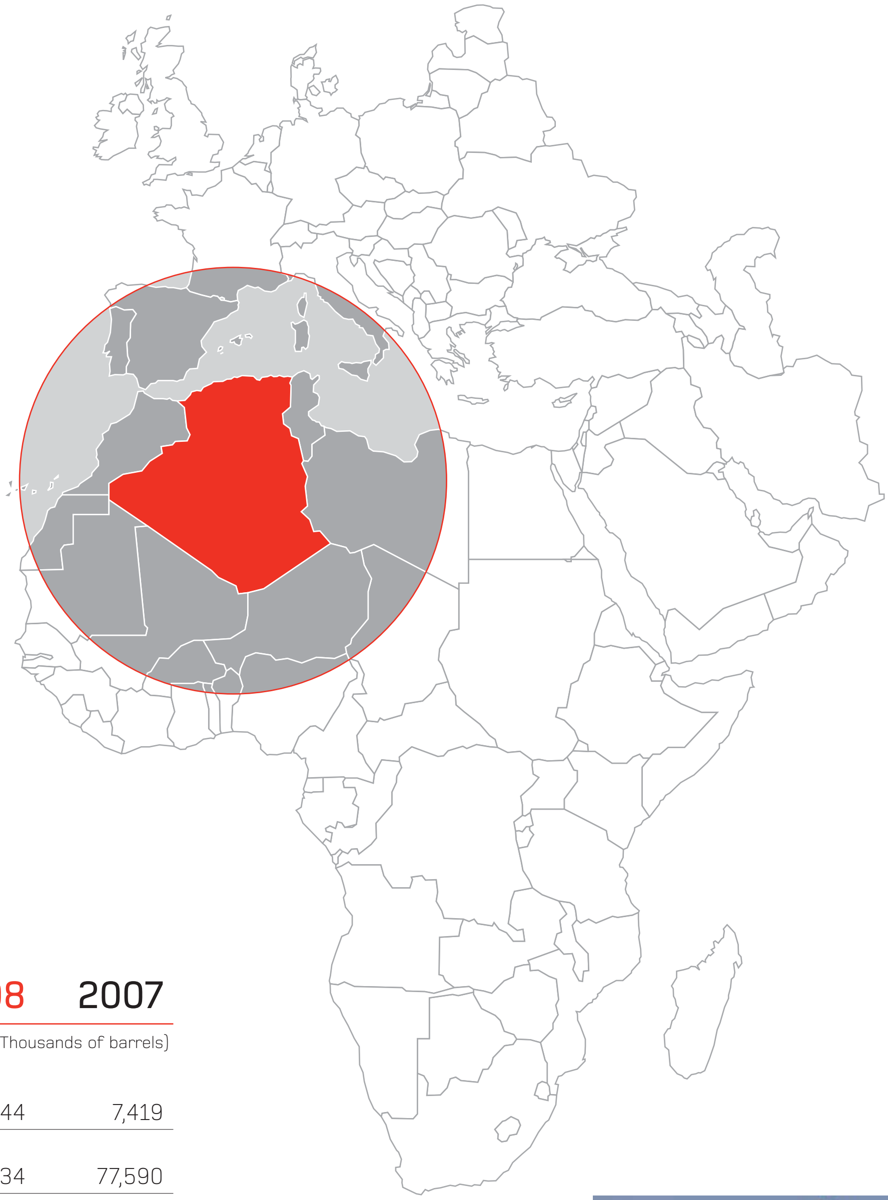
Block 406 A: RKF and OURHOUD Fields

Total recoverable reserves at the start of Block 406A's development and for the duration of the license period amounted to 610 million barrels of crude oil: 115 million belonging to the RKF field and 495 million to the portion of OURHOUD located in the aforementioned block.

At year-end 2008, there were 250 million barrels available to be extracted, out of which CEPSA's net entitlement, based on its equity interest and the terms and conditions of the production-sharing agreement (PSA) governing its operations, comes to roughly 149.4 million barrels, calculated on the basis of $36.6 per barrel, which was the year's closing price for benchmark Brent.

The aforementioned volume of reserves does not include recoverable reserves beyond the duration of the concession agreement or operating license.

The estimate of CEPSA's entitlement reserves was determined based on prevailing contractual and economic conditions, that may vary in the future as a result of the effect that the price of crude oil may have on stipulated cost-recovery mechanisms.



BLOCK 406A	2008	2007
	(Thousands of barrels)	
• Total RKF production	6,844	7,419
• Total production from CEPSA's working interest (since 1996)	84,434	77,590
• Total OURHOUD production	47,681	49,286
• Total production from CEPSA's working interest (since 2002)	192,679	159,302
• CEPSA net entitlement production from the Block (since 1996)	137,986	123,419
• CEPSA net entitlement reserves	149,418	86,346

RKF Field

In May, CEPSA signed an agreement with the Algerian national oil company SONATRACH to extend the association contract for the RKF field operation for an additional five-year period (until May 2013).

Furthermore, work continued throughout the year on the RKF field development and upgrading plan, with the completion of construction and installation of new gas injection compressors, in order to maintain adequate internal pressure levels and as a result, extend plateau production. Additionally, a new well (RKF-26) was drilled, which was completed as an injector, and staff housing facilities were refurbished.

OURHOUD Field

OURHOUD is one of the most important discoveries in Algeria, with its output equivalent to around 17% of the country's aggregate production.

The field is both developed and operated by a consortium made up of the partners holding licenses in the three blocks that straddle OURHOUD (Block 406-A and adjacent Blocks 404 and 405).

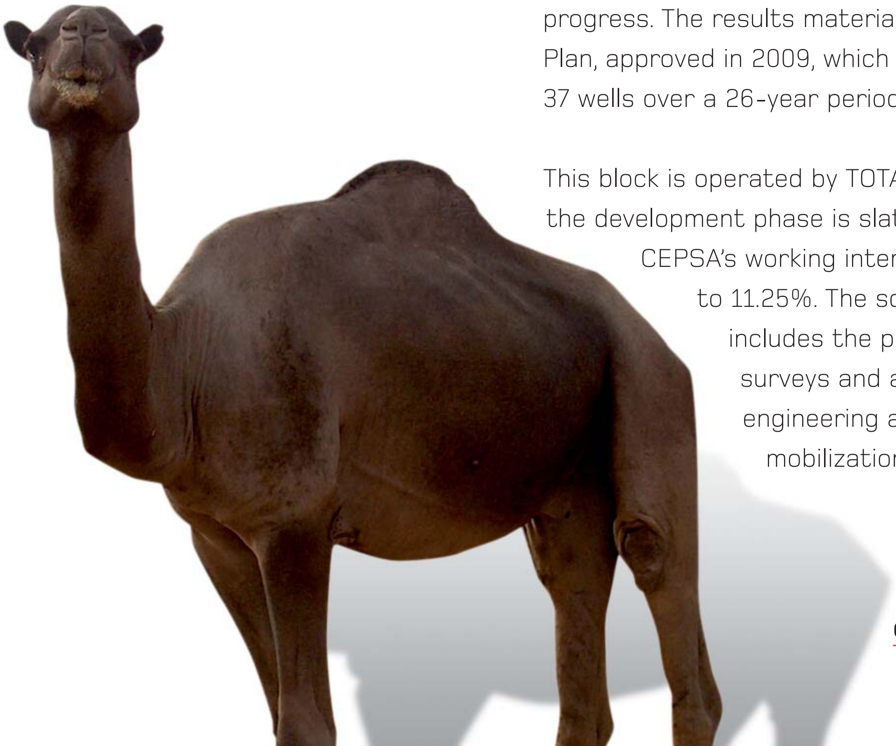
In order to maintain internal pressure, 1,869 million cubic meters of gas and 18.2 million cubic meters of water were injected in 2008. In addition, a total of 8 wells were drilled in the year (5 production, 2 injection and 1 abandoned). Moreover, work was performed to expand the living quarters for staff assigned to the field.

E&P in Algeria

Production	CEPSA Working Interest
OURHOUD	39.75%
RKF (CEPSA, operator)	100%
Exploration	
TIMIMOUN	15%

A total of 48 crude producing wells, 29 water injection wells, 3 gas injection wells and 1 dual water/gas injection well were in operation at the end of 2008.

The field's installations currently include wells, a pipeline grid and a central crude oil processing and stabilization area, as well as systems for re-injecting the associated gas and treated water to enhance oil recovery.



TIMIMOUN Block

Throughout the year, studies were conducted to determine the commercial feasibility of the areas, as well as the most optimal integration into the region's progress. The results materialized in a Development Plan, approved in 2009, which envisages the drilling of 37 wells over a 26-year period.

This block is operated by TOTAL and SONATRACH and the development phase is slated to begin in 2009, with CEPSA's working interest ultimately amounting to 11.25%. The scheduled work program includes the performance of 3D seismic surveys and a range of basic engineering and equipment mobilization activities.

COLOMBIA

Upper Magdalena River Valley

With the aim of boosting production in the three fields of the Espinal Block, two producing wells were drilled and the production facilities were upgraded in 2008.

In the San Jacinto and Río Paéz Blocks, the appraisal plan on a new field was put into effect, which included the drilling and testing of two new delineation wells. As a result, ECOPETROL approved the area's commercial feasibility and a Development Plan for 2009 was designed, including the drilling of new wells.

Llanos Basin

In March 2008, CEPSA acquired 70% of the exploration and operation rights on the Caracara Block in Colombia. Aggregate production from March 17, 2008 until the end of the year totaled 5.7 million barrels.

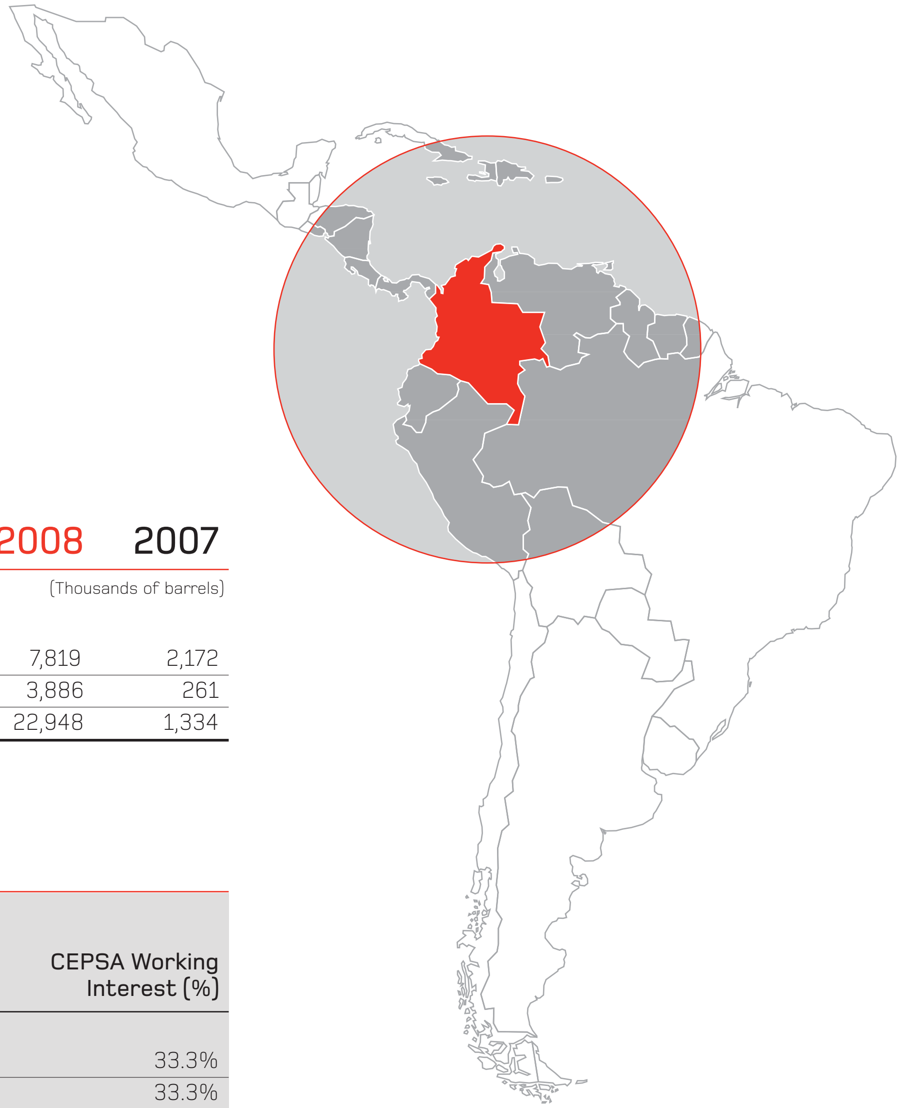
In order to maintain the production level of the field, a large-scale drilling program has been planned and other development expenditures have been made, noteworthy being the capacity expansion undertaken in the pumping station, refurbishments in the plant and associated facilities and the start-up of construction of a runway.

As for the exploratory program, 3D seismic acquisition and processing was completed, which is expected to lead to an exploratory-well drilling program in 2009 to determine the Block's potential.

In the El Caucho area, CEPSA signed a new exploration and production contract, in addition to the three it already holds as operator. Moreover, it completed the acquisition, processing and interpretation of the area through various 3D seismic surveys and an exploratory well drilling program is planned for 2009.

In the Tiple Block, 3D seismic acquisition begun in 2007 was completed and the delineation and boundary definition for the drilling of a well was finalized. An upstream asset swap agreement was also reached with PETROBRAS whereby part of the working interest held by CEPSA in Tiple would be exchanged for the one held by the Brazilian oil company in the Cebucán Block.

Areas operated under TEA's (Technical Evaluation Agreements) have been converted into three new exploration contracts. In each of them, exploratory programs have been designed entailing 3D seismic acquisition, which is slated for 2009. Likewise in this area, CEPSA and PETROBRAS signed an agreement to swap stakes for an interest in the Balay Block.



COLOMBIA

	2008	2007
		(Thousands of barrels)
Total production	7,819	2,172
CEPSA net entitlement production	3,886	261
CEPSA net entitlement reserves	22,948	1,334

E&P in Colombia

Exploration Contracts		CEPSA Working Interest (%)
Río Páez		33.3%
San Jacinto		33.3%
CPO 12		30.0%
CPO 14		37.5%
Cebucán (*)		30.0%
Balay (*)		30.0%
LLA 22		100.0%
LLA 26		100.0%
Garibay		50.0%
Bituima		50.0%
Tiple (*)		70.0%
El Edén		50.0%
El Portón	(CEPSA, operator)	50.0%
Los Ocarros		50.0%
El Sancy		50.0%
Merecure (*)		70.0%
Puntero (*)		70.0%
Cabestrero (*)		70.0%

Exploration Contracts	CEPSA Working Interest (%)
CPR Espinal	16.0%
Caracara (CEPSA, operator)	70.0%

(*) Requests for the assignment of interests are still pending approval from the National Hydrocarbons Agency (ANH)

During the year, the licensing process known as *Colombia Round 2008* was started and CEPSA, in a consortium with other oil companies, was awarded Blocks CPO 12 and CPO 14. Subsequently, in the *Colombia Mini Round* 2008, CEPSA was the successful bidder for two new Blocks, LLA 22 and LLA 26, with a 100% working interest in both.

EGYPT

South Alamein

Appraisal studies and 3D seismic surveys were conducted in 2008, which enabled determining the location of various wells that will be drilled in 2009.

In November 2008, CEPSA concluded a deal to sell 50% of the exploration rights on this block to the US firm, El Paso Egypt S. Alamein Company. CEPSA will continue to hold the remaining 50% of the block as well as operatorship.

This assignment agreement is subject to approval by the Executive Management Committee of Egyptian General Petroleum Corporation (EGPC) and by Egypt's Oil Ministry.

North Bahrein

After ascertaining the best location for drilling, the first exploratory well (SUGO I) was drilled in 2008 and a new 3D seismic campaign was performed to identify future exploratory wells.

Abu Sennan

CEPSA has undertaken the required formalities with the Egyptian authorities to finalize the acquisition of 20% of the exploration rights on this Block from Kuwait Energy Company. 2D seismic acquisition has been completed and the plan for 2009 is to begin drilling new exploratory wells.

E&P in Egypt

Exploration Contracts	CEPSA Working Interest (%)
South Alamein* (CEPSA, operator)	100%
North Bahrein	25%
Abu Sennan*	20%

(*) Subject to regulatory approvals

PERU

CEPSA has been operating in Peru since 2007 and currently holds working interests in 5 exploration projects, being the operator of 4 of them.

At year-end 2007, the assignment agreement was concluded for Blocks 104 and 127, which was formalized by the Peruvian authorities in April 2008.

In Block 104, 2D seismic acquisition was completed in November and the processing of seismic data is still underway.

As regards Block 127, geological and geochemical studies were conducted and the Environmental Impact Assessment (EIA) was completed in September with a view to the seismic survey due to be undertaken in 2009. Additionally, data from 2D seismic acquisition completed in 2008 is being reprocessed.

In January 2008, the assignment agreements for Blocks 114 and 131 were signed and officially formalized in September 2008.

Lastly, following the 2007 Bid-Round, CEPSA was awarded Block 130 and is currently awaiting the required regulatory approvals from the Peruvian authorities in order to begin exploration activities.

E&P in Peru

Exploration Contracts		CEPSA Working Interest (%)
Block 104		35%
Block 127	(CEPSA, operator)	80%
Block 114	(CEPSA, operator)	60%
Block 130*	(CEPSA, operator)	100%
Block 131	(CEPSA, operator)	70%

(*) Awaiting formal approval from the Peruvian authorities.

SPAIN

CEPSA's production activities in Spain are focused on the off-shore Mediterranean Casablanca, Rodaballo and Boquerón licenses, located near the coast of Tarragona, where aggregate output in 2008 stood at 893,000 barrels of crude oil, with the Company's entitlement, based on its equity interests, coming to 71,000 barrels.

As regards domestic exploration activity, in 2008, preparation work was done for the Montanazo exploratory well located 8 km east of the Casablanca platform in the Mediterranean Sea, with drilling scheduled for 2009.

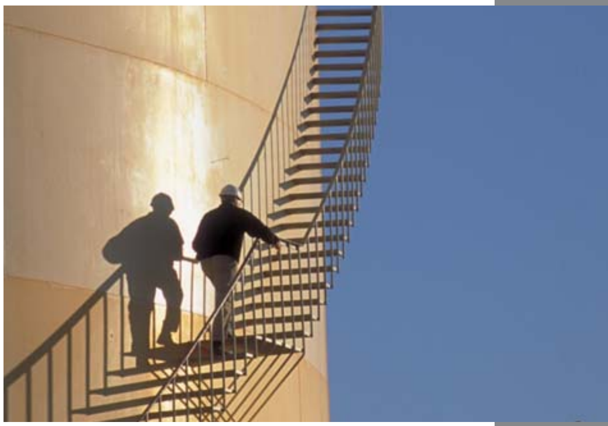
E&P in Spain

Production	CEPSA Working Interest (%)
Rodaballo	15.0%
Casablanca	7.4%
Montanazo	7.0%
Boquerón	4.5%

SPAIN

(Thousands of barrels)

	2008	2007
Total production	893	1,009
CEPSA net entitlement production	71	79
CEPSA net entitlement reserves	192	370



Refining, Distribution & Marketing

Refining, Distribution & Marketing

	2008	2007
		(Millions of euros)
Consolidated petroleum product sales (millions of tons)	26.5	27.8
Sales revenues (excluding taxes)	19,334	15,954
Recurring operating income	394.6	494.6
Capital expenditures	680	417

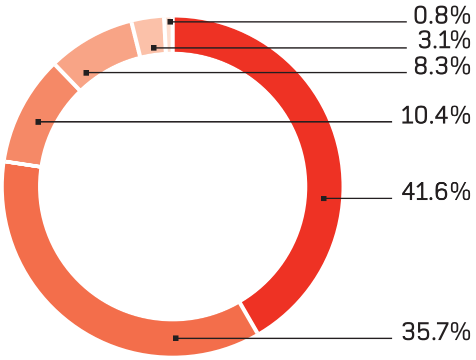
A total of 21.8 million tons of crude oil (158 million barrels) were unloaded at CEPSA's refineries in 2008, similar to the previous year's volume. As regards crude oil sourcing, over 75% came from countries in the Arabian Gulf and West Africa.

The industry-leading technologies deployed at CEPSA's refineries, as well as their configuration, enabled the Company to acquire heavier, sourer crude oils, achieving greater discounts than last year vis-à-vis European benchmark Brent Blend prices.

In $/ton, the diesel-Brent spread rose until reaching, in the second quarter, their peak levels of recent years, and despite the retreat in the second half of the year, they still remained high. Gasoline spreads were lower than usual, dropping substantially in the last quarter on account of the decline in gasoline sales on U.S. markets. As for fuel oils, the negative spread widened sharply until the second quarter, thereafter returning to its typical levels.

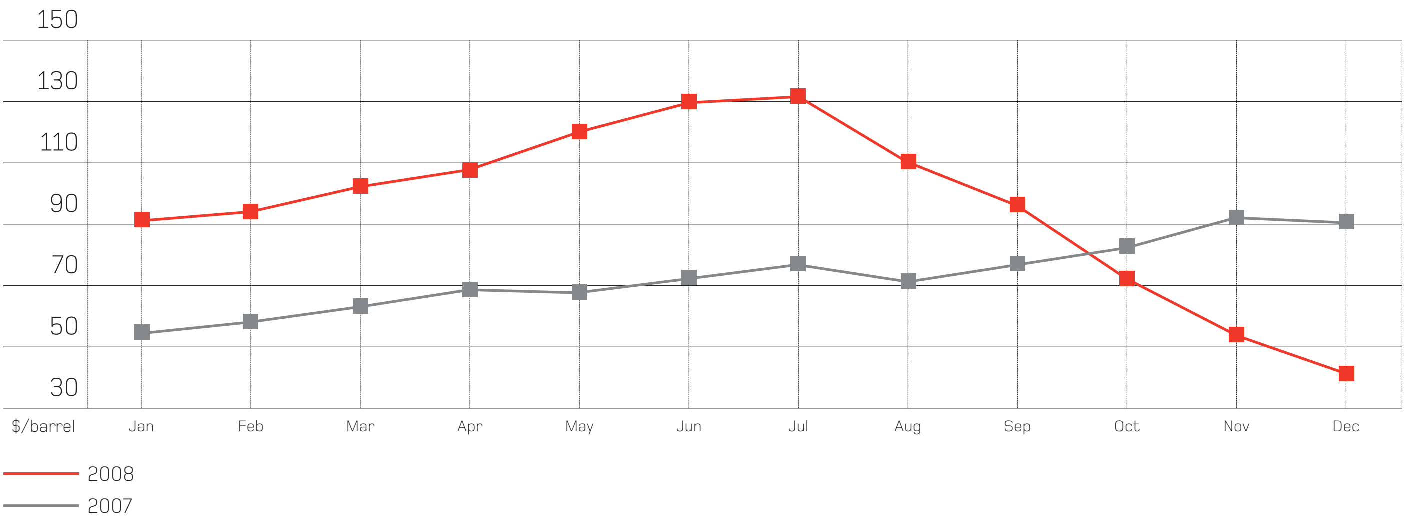
Crude Oil Sourcing

(%)

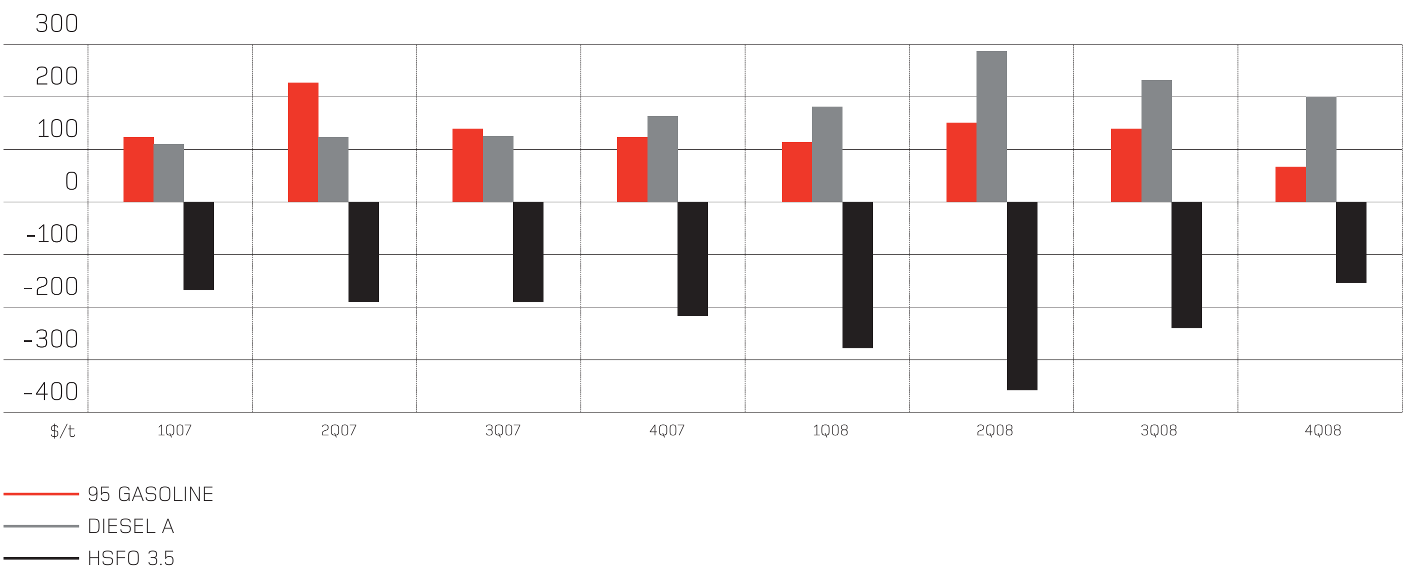


41.6%	West Africa
35.7%	Arabian Gulf
10.4%	Russia
8.3%	Caribbean/Mexico
3.1%	Northern Africa
0.8%	Rest of Europe

Brent Crude Price Trends



Trends in Brent-Product Price Differentials



Refining

	Gibraltar-San Roque Refinery	La Rábida Refinery	Tenerife Refinery	ASESA (50% CEPSA)	Total 2008
Refinery throughput (Millions of tons)	11.9	4.9	4.6	0.7	22.1
Capacity utilization rate	99.4%	97.3%	102.4%	96.7%	99.5%

CEPSA's refineries are managed using a plant-wide optimization model, which seeks to maximize synergies among them to achieve a high level of integration between refining and basic and intermediate chemical operations. The Company's crude distillation capacity exceeded the record levels attained in the previous year. Overall, 22.1 million tons were processed in 2008, 1.4% higher than in 2007, with an average utilization rate of 99% of nameplate capacity, which is 22.2 million tons.

From an operational point of view, 2008's highlights include the start-up of various projects related to safety, environmental performance and energy efficiency. In the La Rábida Refinery, capital expenditures were earmarked towards upgrading and optimizing the new aromatics facilities (AROMAX-MORPHILANE); in the Tenerife Refinery, spending was assigned towards manufacturing cleaner-burning low-sulfur (less than 10 ppm) gasoline; and in Gibraltar-San Roque, capital expenditures were allocated towards building new hydrogen, amine and sulfur plants, in addition to maintenance checks on the single-point mooring buoy and underwater line.

Noteworthy among key projects underway is the middle distillate capacity expansion at the La Rábida Refinery, which will make it possible to produce greater amounts of kerosene and diesel fuels. This project is 65% completed and is slated to come on-line in early 2010. Additional plans and projects include a new sulfur plant, the construction of a fourth berth at the Reina Sofia dock and a new single buoy mooring for offloading crude oil.

A significant development in the year was the progress made on the construction of a new 30,000 bpd vacuum unit at the Gibraltar-San Roque Refinery, scheduled to be placed on-stream in early 2009 and at the Tenerife Refinery, the upgrading of several units aimed at enhancing their efficiency, quality and safety.

During the year, CEPSA continued reaping bottom-line benefits by optimizing refining processes, boosting energy savings and streamlining maintenance management and performance through various improvement programs undertaken.

To meet the needs of its growing customer base, CEPSA acquired 6.1 million tons of oil and chemical products, primarily gas oils, fuel oils and kerosene. This volume was down 1.4 million tons from the year before, mainly attributable to the global economic slowdown.

Distribution & Marketing

Petroleum product consumption in Spain and Portugal totaled 83.4 million tons in 2008, evidencing a decrease of 3.1% from 2007, reflecting the weakness in key economic indicators in the second half of the year.

By product groups, the decline was particularly noticeable in gasoline (-6.1%) and middle distillates (-3.2%). The latter accounted for 56.7% of total consumption, with negative growth rates of -3.6% for gas oils and -0.8% for kerosene.

The motor fuels market slipped 3.9% and the number of diesel-driven motor vehicles continued to rise, with diesel fuels representing 79.2% of total consumption, although the rate of growth has slowed down considerably from previous years.

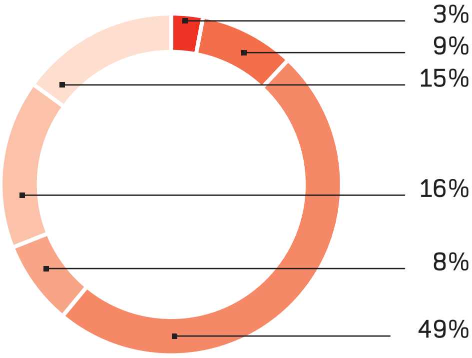
LPG consumption fell 3.2%, chiefly due to their replacement by natural gas and other energies. As for fuel oils, consumption fell slightly by 0.9% as a result of sluggish industrial activity.

Regarding retail prices on petroleum products in Spain, both gasoline and diesel fuels rose on average compared to 2007, impacted by trends in international prices, which hit all-time highs in July 2008, albeit subsequently dropping to levels on par with those posted in 2005.

Nonetheless, despite this increase, prices remained below the European Union average. Thus, at the end of 2008, the price of 95 premium gasoline was 19.5% lower than in the rest of the EU countries (20.8% less than in France and 23.8% less than in Portugal), while automotive diesel was 15.3% lower (11.7% vis-à-vis France and 14.6% compared to Portugal).

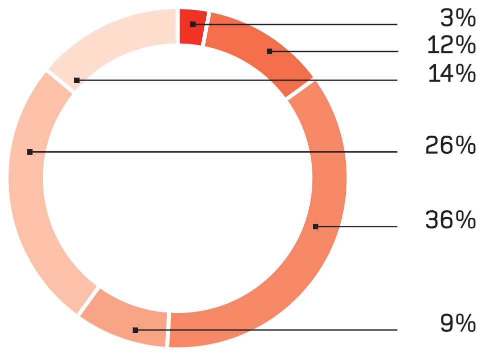
CEPSA's sales in Spain and Portugal in 2008 amounted to 23.7 million tons of products, slipping 3.8% year-on-year.

Product Consumption in 2008. Spanish & Portuguese Markets



- 3% LPG
- 9% Gasoline
- 49% Gas/diesel oils
- 8% Kerosenes
- 16% Fuel oils
- 15% Miscellaneous

CEPSA 2008 Production. Breakdown of Petroleum Products



- 3% LPG
- 12% Gasoline
- 36% Gas/diesel oils
- 9% Kerosenes
- 26% Fuel oils
- 14% Miscellaneous

	Thousands of Tons Sold in 2008 Change vs. 2007	Major Marketing Companies (100% CEPSA-owned)
Motor and Other Fuels	12,435 ▽3%	CEPSA and subsidiaries[1] CEPSA Estaciones de Servicio CEPSA PORTUGUESA
Marine Fuels	7,525 ▽2%	CEPSA and subsidiaries[2] CEPSA PORTUGUESA
Aviation Fuels	2,434 ▽8%	CEPSA CEPSA PORTUGUESA
Liquefied Petroleum Gas (LPG)	524 ▽3%	CEPSA GAS LICUADO CEPSA PORTUGUESA
Asphalt	1,203 ▽12%	PROAS CEPSA PORTUGUESA
Lubricants, Base Oils and Paraffin Oil	275 ▽5%	LUBRISUR CEPSA LUBRICANTES and subsidiaries[3] CEPSA PORTUGUESA
Exports (excluding Portugal)	2,029 △13%	CEPSA INTERNATIONAL

(1) ARAGÓN OIL, CEPSA Comercial Madrid, Gasóleos del Noroeste, Energéticos de la Mancha, CEPSA Comercial Galicia, CEPSA Comercial Este.
(2) CEPSA MARINE FUELS, PETROPESCA, CEPSA PANAMÁ.
(3) ATLÁNTICO, LUBRITURIA

Distribution & Marketing

MOTOR AND OTHER FUELS

CEPSA continued consolidating its position as a pacesetter in delivering superior customer service and top product and service quality and concentrating particularly on meeting the diverse needs of drivers.

Noteworthy in 2008 was the 41% increase in liters sold under the VISA CEPSA Porque Tu Vuelves customer loyalty scheme, the greater number of cards issued compared to previous years and the high percentage of VISA CEPSA discounts and benefits used by customers, reaching 95%.

Throughout the year, special attention was paid to building up customer loyalty among private vehicle drivers, optimizing financial returns and fomenting non-fuel potential. Accordingly, new high-throughput retail sites were added to the network, chiefly targeted at the private motorist segment (basically in urban areas and developing metropolitan areas) while maintaining outlets and specialized services for fleet drivers.

Likewise, the focus continued on developing, modernizing and upgrading the underlying structure of the Company's retail network while selectively divesting non-strategic or lower volume sites that did not meet its quality standards. In April, CEPSA acquired TOTAL's service stations in Portugal, a deal which significantly enhances commercial offerings and logistical positions on the Iberian Peninsula. At year-end 2008, CEPSA had a total of 1,818 retail sites, with 1,528 gas stations operating in Spain and 290 in Portugal.

CEPSA sells motor and other fuels through wholesale channels to different sectors, upholding a stable and competitive market presence throughout the year. Two new high-performance products were launched in 2008: CEPSA Agromax diesel for the farming and public works sector, which is not only more fuel-efficient, but also lengthens engine life, and CEPSA Rendimiento, a new heating oil that satisfies the requirements of modern heating systems in terms of energy efficiency and environmental friendliness.

A mainstay of its commitment to quality and innovation, CEPSA continued to expand sales of its

Other Customer Loyalty Schemes	Perks and Benefits
"Porque Tú Vuelves"	Discount points for purchases. New in 2008: website launch, audiovisual guide for restaurants and travel reservation services.
VISA CEPSA Porque Tú Vuelves	5% discount on motor fuels and other purchases at CEPSA's service stations and a 1% discount at other participating entities.
RACE Porque Tú Vuelves	Combines the benefits of roadside assistance and other RACE motor vehicle products with those included in CEPSA's "Porque Tu Vuelves" program.
CEPSA Gift Cards	Use in CEPSA's service stations. Rechargeable for both end customers and businesses.
Agro Club Card	Free of charge for farmers and stockbreeders, and the only one of its kind on the Spanish market.
Trans Club Card	Discount points and participation in contests, draws, special promotions, free insurance, Trans Club recreational rooms

high-performance "Optima" range of motor fuels (Optima Diesel and Optima Gasoline), and consolidate its position in the market with Ecoblue (CEPSA's brand of Adblue), broadening its offerings with new bulk service facilities in the distribution network.

With a chain of 819 convenience stores nationwide and 36 in Portugal, CEPSA maintained its leadership position in the non-fuel sales segment, offering a wide assortment of products and services. New developments in 2008 included the brand-new car wash image and service upgrading under the "Aquaforce" project and the progress made on implementing a specific restaurant franchise called "Como en Casa" linking cafeteria-style services to C-stores.

As for the fleet driver segment, Trans Club, created over 15 years ago as a pioneering scheme for professional motorists and still considered a flagship customer loyalty program, offers drivers in this sector a number of cards such as CEPSA STAR, CEPSA STAR Flotas and CEPSA Gasóleo Bonificado, all payment tools providing a broad spectrum of benefits and other services at the Company's retail network.

Distribution & Marketing

BIOFUELS

CEPSA is committed to achieving outstanding environmental performance, and this commitment is likewise reflected in the production of bio-based motor fuels, in line with recent trends towards cleaner-burning fuels pursued throughout Europe.

The Company believes that the optimal way to include bio-components in gasoline is through ETBE (ethyl tert-butyl ether), a move that has made it a forerunner in Europe in producing environmentally-friendly fuels. The advantages of this oxygenate additive, instead of directly blending ethanol, is that it increases the octane number and quality of the gasoline pool and can be transported through common carrier pipelines in Spain, leading to lower transportation costs.

On the other hand, the direct blending of ethanol would require upgrades in delivery systems and, depending on the specific case, conversions in vehicles and service stations, even with moderate contents of ethanol.

Since the year 2000, CEPSA has been selling gasoline blended with a 15% volume of ETBE, which in turn contains a 47% content of bioethanol. In 2008, over 57,000 tons of bioethanol were used for producing gasoline at the Gibraltar-San Roque and La Rábida Refineries.

Likewise in 2008, CEPSA continued blending biodiesel into Automotive Diesel "A", respecting the quality and content limits of a 5% maximum volume mandated by European specifications. As a result, 59,000 tons of biodiesel were blended into Diesel A and additionally, another 1,700 tons into labeled biodiesel, particularly B-10 and B-30, targeted towards customers whose fleets contain properly-equipped vehicles. These initiatives have helped to somewhat alleviate the considerable shortage of diesel production on the Spanish market due to heavy demand from road carriers and the growing number of diesel-engine cars.

Adjacent to the La Rábida and Gibraltar-San Roque Refineries are two biodiesel facilities, pursuant to agreements signed with BIO OILS and ABENGOA, respectively, with a combined capacity of 450,000 tons. These two plants came on-line in the last quarter of 2008 and are expected to reach their optimal performance level in the early months of 2009, thereby meeting CEPSA's biodiesel requirements.

MARINE FUELS

In addition to its significant presence in a number of major ports in Spain, CEPSA consolidated its position as the leading Spanish marine fuel supplier in two major bunkering areas: the Canary Islands and the Strait of Gibraltar.

Globally, and consistent with its strategy of expanding its operations worldwide, it broadened its activity in the Mediterranean, chiefly in Malta and Greece. Furthermore, CEPSA maintained its presence in the fishing sector at the Port of Agadir, one of the key supply points in Morocco, and following 10 years of activity, the Company has strengthened its presence on both sides of the Panama Canal, where it delivered more than 690,000 tons of fuel oils.

Total sales in the year amounted to 7.5 million tons, 2% less than the year before, in a market that has been hindered by the effects of a global consumer slowdown and sharp volatility in prices.

In fulfillment of MARPOL Annex VI regulations placing caps on the sulfur content of marine fuels, CEPSA has aligned its strategy to these new market requirements and developments and is currently selling LSFO (max. 1.50% content) and marine gas oil (max. 0.1% sulfur content) in all mandated regions, being one of the few suppliers in the sector that has been able to provide the entire range of products in its area of influence.

In order to further its strategy of complying with rigorous environmental standards and fulfill European double-hull requirements, CEPSA has been replacing its entire fleet and as of December 31, 2008, the Company now operates solely with double-hulled vessels.

Distribution & Marketing

AVIATION FUELS

CEPSA leads the market in aviation fuel sales, operating at all Spanish airports, working mostly through subsidiary and associated companies that provide jet fuel storage and into-plane services.

The slump in international air traffic triggered an 8% decline in sales, totaling 2.4 million tons in 2008. The majority of deliveries, amounting to 300,000 tons, were made directly to airlines, which is the Company's main distribution channel.

LIQUEFIED PETROLEUM GAS: BUTANE AND PROPANE

Butane and propane gas cylinders are delivered door-to-door through a network of nearly 91 distributors or can be bought directly in more than 2,000 outlets, 800 of which belong to CEPSA's service station network.

The Company currently has over 2.3 million customers for bottled LPG and also supplies bulk propane to 8,100 individual installations and piped propane to an additional 41,000 residential customers.

In its most recent report on this industry, Spain's National Energy Commission has recommended setting the target of deregulating this sector, in line with existing trends in other European countries.

In 2008, hefty capital expenditures were assigned towards upgrading the quality and safety performance of all operations conducted at the Company's facilities. Furthermore, an improved and lighter butane gas canister was introduced on the market, fitted with a chip or electronic device to control filling, its useful life and rotations.

ASPHALT

CEPSA produces asphalt at its Tenerife and La Rábida Refineries and the ASESA (50%-owned) Refinery in Tarragona, with a combined nameplate capacity of over 1 million tons per year. The Company distributes these products from the refineries themselves and via seven terminals, where asphalt derivatives and other special products for the construction sector are likewise manufactured.

Asphalt sales amounted to 1.2 million tons in the year, sliding 12% from the previous year. As regards the breakdown of these sales, 65% were made in Spain and the rest on foreign markets, where sales surged 16%.

Highlights in the year include the start-up of bitumen production using crumb rubber from recycled tires.

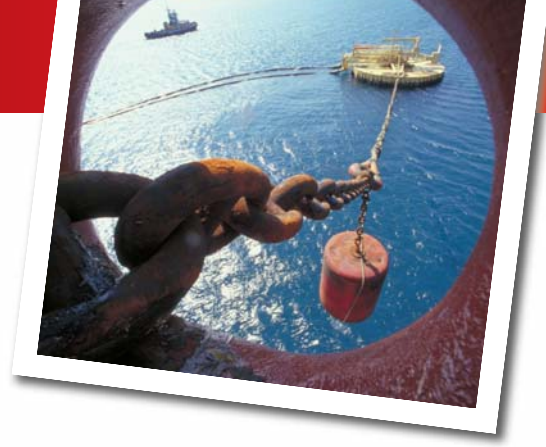
LUBRICANTS, BASE OILS AND PARAFFIN OIL

CEPSA is one of the market leaders in Spain, selling its products under the brand names CEPSA and ERTOIL, with a significant domestic presence in all market sectors and segments, both directly and through an extensive network of distributors.

Aggregate sales of base oils, paraffin oil, finished lubricants and greases totaled 275,000 tons, 5% less than the year before. Out of these sales, 65% were earmarked for the domestic market, and there was a rise in exports of finished lubricants and greases that are sold to 45 countries through an experienced distributor network.

In Portugal, one noteworthy development that will enable the Company to sharply boost its presence and future potential on the Iberian Peninsula market is the commercialization of TOTAL and Elf brand lubricants in addition to the CEPSA brand, following the distribution agreement reached in 2008 with Total Lubrifiants, France.

Distribution & Marketing



EXPORTS

Exports of petroleum products from CEPSA's refineries, excluding Portugal, came to 2 million tons, primarily gasoline and naphtha, rising 13% year-on-year. Most sales abroad were earmarked for North and South America and North Africa.

LOGISTICS

CEPSA constantly seeks to optimize both the primary and secondary transportation and distribution of its products through a logistical infrastructure that is able to satisfy the growing and changing needs of its customer base, both in terms of transportation means, delivery size, distance and type of product, guaranteeing superior quality standards and competitively and reliably meeting established deadlines. To achieve these goals, CEPSA has a countrywide network of wholly or partly-owned subsidiaries as well as agreements with independent companies to cover all of Spanish territory, both for land and sea transport.

In 2008, 7.5 million tons of products were delivered to end customers through the Company's secondary distribution system, by road and railway.

Wholly or Partly Owned Logistics Companies

Company Name	Main Activity	Location of Activity	CEPSA Ownership
CMD	Jet A-1 storage, transportation and supply	Canary Islands	60%
CEPSA Aviación	Jet A-1 storage, transportation and supply	Canary Islands and Melilla	100%
SIS	Jet A-1 supply	Madrid, Seville, Alicante and Málaga	50%
PETROCAN	Marine fuel storage and supply	Canary Islands	100%
PETRONUBA	Operation of sea terminal at La Rábida Refinery	Palos de la Frontera (Huelva)	100%
ATLAS	Marine fuel supply	Ceuta and Melilla	100%
CLH*	Petroleum product distribution	Spanish Peninsula and Balearic Islands	14%

(*) The stated activity is strictly what this company performs for CEPSA.

Petrochemicals

	2008	2007
		(Millions of euros)
Petrochemical product sales (millions of tons)	2.8	2.6
Sales revenues (excluding taxes)	2,293	2,042
Recurring operating income	78.3	50.8
Capital expenditures	27	65

The most significant event to take place in 2008 was the grouping of the Company's petrochemical activities into a single legal entity. Thus, effective January 1st for accounting purposes, CEPSA's three chemical subsidiaries - Petroquímica Española, S.A. (PETRESA), Intercontinental Química, S.A. (INTERQUISA) and ERTISA - were merged into one company called CEPSA Química, S.A. Furthermore, as of July 1st, this new corporation began to handle the commercial operations for the chemical products manufactured at CEPSA's refineries, an activity that until then was undertaken by CEPSA.

The main targets of this merger, which is expected to deliver benefits and enhance the competitiveness and capabilities of CEPSA's petrochemical businesses as a result of the creation of a single identity, are: to ensure excellence in business management, implementing best practices across the board, maximize synergies and cost efficiencies and increase management transparency and accountability.

As regards this segment's activity, in the first half of the year the business performed in line with 2007's levels. However, there was a sharp fall in demand for petrochemical intermediate products in the fourth quarter of the year, prompted by the global economic slowdown that heavily impacted sectors such as motor vehicles and construction, which are major consumers of CEPSA's chemical components, and by the reduction in customer inventories in view of the price slump in the last quarter of 2008.

Looking at the year as a whole, sales slipped 10%, although this was offset by greater activity in basic chemicals transferred from the downstream segment.

DETERGENT PRECURSORS

CEPSA Química produces and sells linear alkylbenzene (LAB) and linear alkylbenzene sulfonic acid (LAS), surfactant compounds used in the manufacture of biodegradable detergents. As part of the productive process, linear paraffin is also produced and sold directly.

Key expenditures in 2008 were mainly allocated towards expanding storage capacity and acquiring sieves at the Puente Mayorga plant in San Roque, Cádiz.

POLYESTER PRECURSORS

The Company manufactures and sells purified terephthalic acid (PTA) and purified isophthalic acid (PIA) used to produce linear or branched saturated polyester resins for manufacturing easily-recyclable PET (polyethylene terephthalate) bottles and containers, textile fibers and other applications.

Throughout the year, expenditures were targeted towards upgrading and optimizing the manufacturing structure at the Guadarranque plant in San Roque, Cádiz.

PHENOL - ACETONE

CEPSA Química has manufacturing facilities located in Palos de la Frontera (Huelva), where it produces chemical intermediates such as phenol and acetone, as well as cumene, all of which are predominantly used for making phenolic resins, high-performance plastics and other applications in industries such as construction, motor vehicles, etc.

One of the highlights in this business line was the completion of the Phenol III project and the construction of a new oil furnace, which is slated to be finished in the last quarter of 2009.

SOLVENTS AND INTERMEDIATES

CEPSA Química sells both the petrochemical components manufactured as its Gibraltar-San Roque and La Rábida Refineries as well as other products which, due to their commercial features and market characteristics, are targeted for use in a wide variety of industries and are likewise produced at the Company's petrochemical plants.

Some of the products manufactured at CEPSA's refineries include solvents in their varying grades, sulfur, and acetone, as well as aromatics such as toluene, xylene, etc. Among the components produced at the Company's petrochemical facilities are cyclohexane, amines and alpha-methyl-styrene, used in a broad range of sectors.

Products Manufactured and Sold	Company	CEPSA Ownership (%)	Capacity (MT/year)	Total 2008 Sales (MT)
	CEPSA Química - Spain	100	220,000	
Detergent Precursors	PETRESA – Canada (*)	51	120,000	
(LAB, LAS)	DETEN - Brazil	72	220,000	525,000
Polyester Precursors	CEPSA Química - Spain	100	750,000	
(PTA, PIA)	INTERQUISA – Canada (*)	51	500,000	998,000
Phenol/Acetone	CEPSA Química - Spain	100	970,000	801,000

(*) In April 2009, these two companies were renamed CEPSA Química Becancour and CEPSA Química Montreal.

Gas & Power

Gas & Power	2008	2007
		(Millions of euros)
Natural gas sales (GWh)	22,122	17,956
Electric power sales (GWh)	3,494	3,648
Steam sales (thousands of MT)	4,053	4,219
Sales revenues	561	328
Recurring operating income	66.0	33.3
Capital expenditures	125	55

NATURAL GAS

MEDGAZ

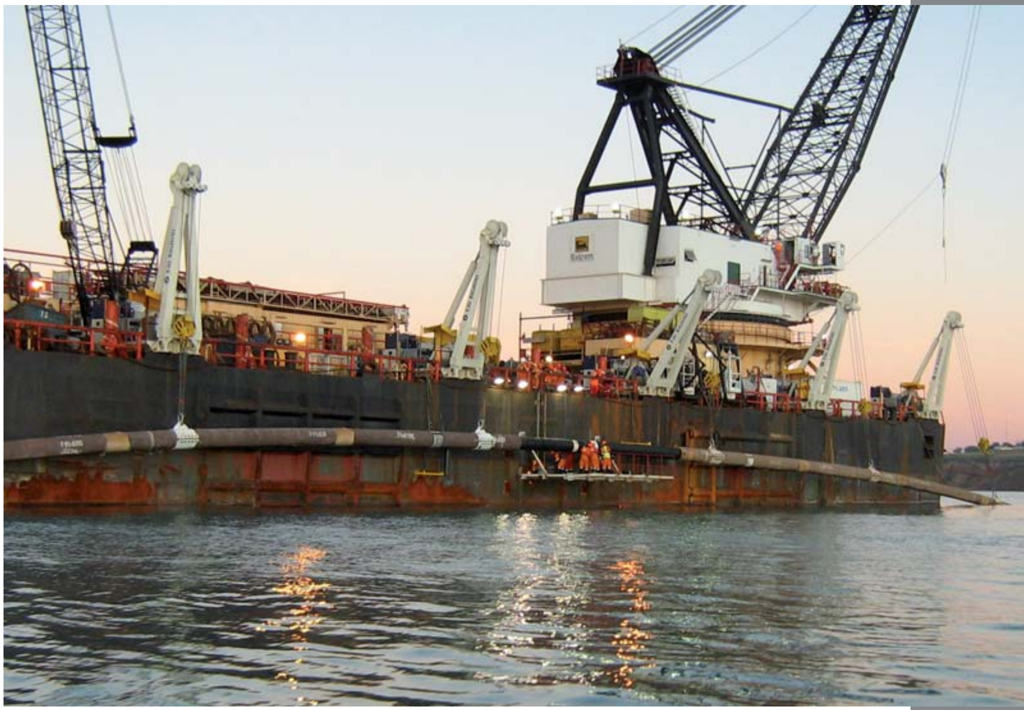
MEDGAZ, which was set up in 2001 by the Algerian national oil company SONATRACH and CEPSA as the project's promoters, is a consortium of leading Spanish and foreign energy companies, whose aim is to study, design, build and operate a new deepwater natural gas pipeline grid linking Algeria directly to Europe via Spain, strategically significant for both Algeria and Spain.

CEPSA and SONATRACH signed an agreement, effective for a 20-year period starting in 2009, for the purchase-sale of 1.6 BCM (billion cubic meters) per year of natural gas to be transported through the MEDGAZ pipeline, for both CEPSA's internal consumption and its commercial activities.

Milestones in the year include the completion, in December 2008, of the pipe-lay operations and once construction of the onshore stations in Algeria and Almeria (Spain) is finalized, the commissioning, start-up and pre-operational testing phase will begin, so as to bring the entire pipeline on-stream in the second half of 2009.

MEDGAZ Pipeline

Total initial capacity	8 BCM/year (8 billion m3/year)
Length	200 kilometers
Maximum water depth	2,160 meters
Investment	900 million euros
Start-up	Second half of 2009

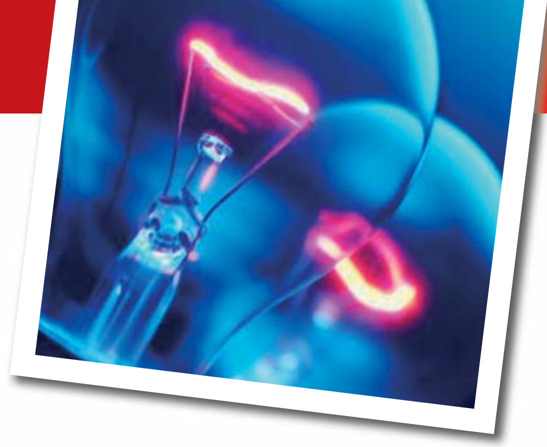


Marketing & Distribution

As part of its long-term agreements with SONATRACH and TOTAL, CEPSA, through its 35% equity interest in CEPSA Gas Comercializadora (CGC), received 22,122 GWh of LNG shipments in 2008, and regasified, transported and distributed this gas by virtue of TPA (Third-Party Access) contracts in force with the utility companies ENAGAS and GAS NATURAL.

The Spanish gas market has been fully deregulated since July 1, 2008. CEPSA Gas Comercializadora's share of this market, where it sells gas to industrial users, amounted to 10.9% in the year, up from 8.6% in 2007.

CEPSA is also active in natural gas distribution through its stake in GAS DIRECTO, having received regulatory approval to supply gas in various townships of Madrid, Galicia and Castile-La Mancha. In 2008, 612 GWh of natural gas were delivered through its grid to around 5,000 residential and industrial customers, meaning a 13% and 19% increase in clientele and distributed energy, respectively, from the previous year.



ELECTRIC POWER

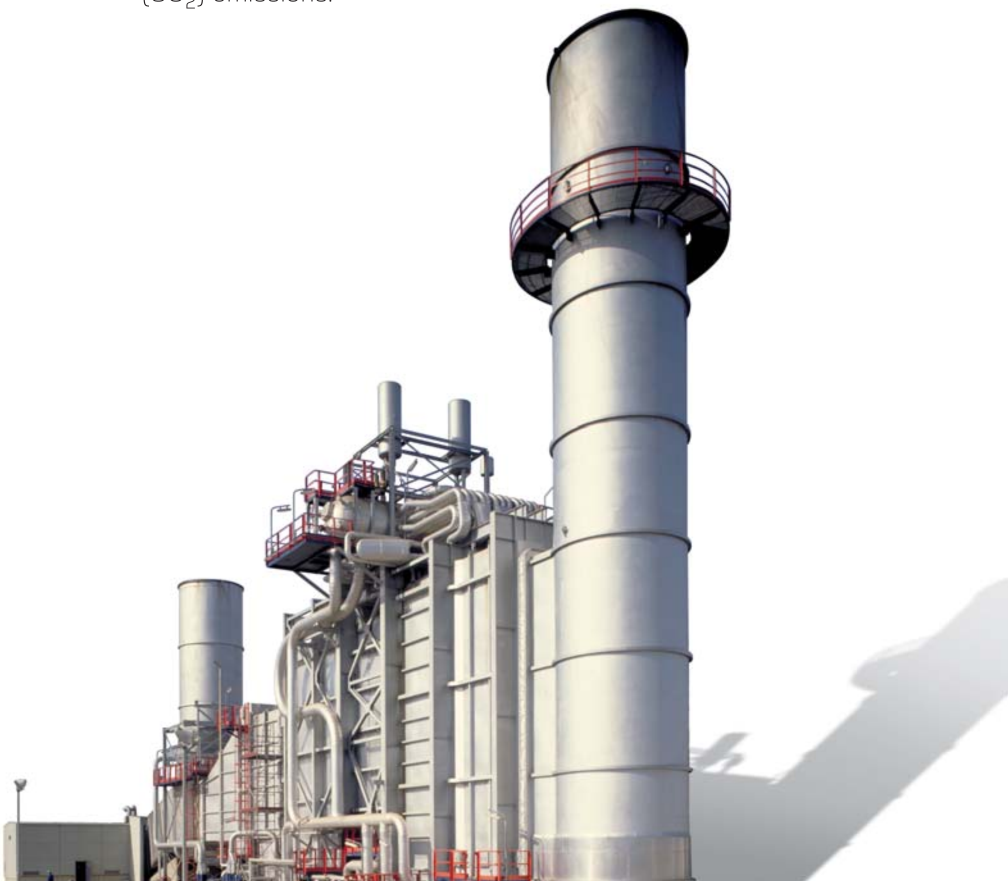
Cogeneration (CHP)

In order to enhance energy efficiency at its refineries and production sites, CEPSA has five cogeneration (also known as combined heat and power or CHP) facilities, whose utilization rate averaged 80% in the year.

In order to meet new steam consumption needs at CEPSA's facilities once a series of units come on-line, two new cogeneration plants are in the process of being built at the Gibraltar-San Roque and La Rábida Refineries, which will raise authorized power by 123 MW. Their phased start-up is planned between 2010 and 2011.

Combined Cycle

CEPSA has a 50% stake in a combined cycle power plant, Nueva Generadora del Sur (NGS), which sells all of its steam production to the Gibraltar-San Roque Refinery, and from an environmental standpoint, has contributed towards sharply reducing the Company's nitrous oxide (NOx) and sulfur dioxide (SO_2) emissions.



Company	Authorized Power* MW	Electricity Production* GWh	Steam Production* Thousands of MT
GEPESA (70% CEPSA)			
La Rábida cogeneration plant	50	332.1	1,051.4
GEGSA cogeneration plant	74	577.2	1,198.5
GETESA cogeneration plant	41	307.6	456.2
GEMASA cogeneration plant	27	164.6	315.8
COTESA (100% CEPSA)	38	231.2	471.1
Total Cogeneration	**230**	**1,612.7**	**3,493.0**
Nueva Generadora del Sur (50% CEPSA)	780	3,764.2	1,120.5

(*) Data at 100%