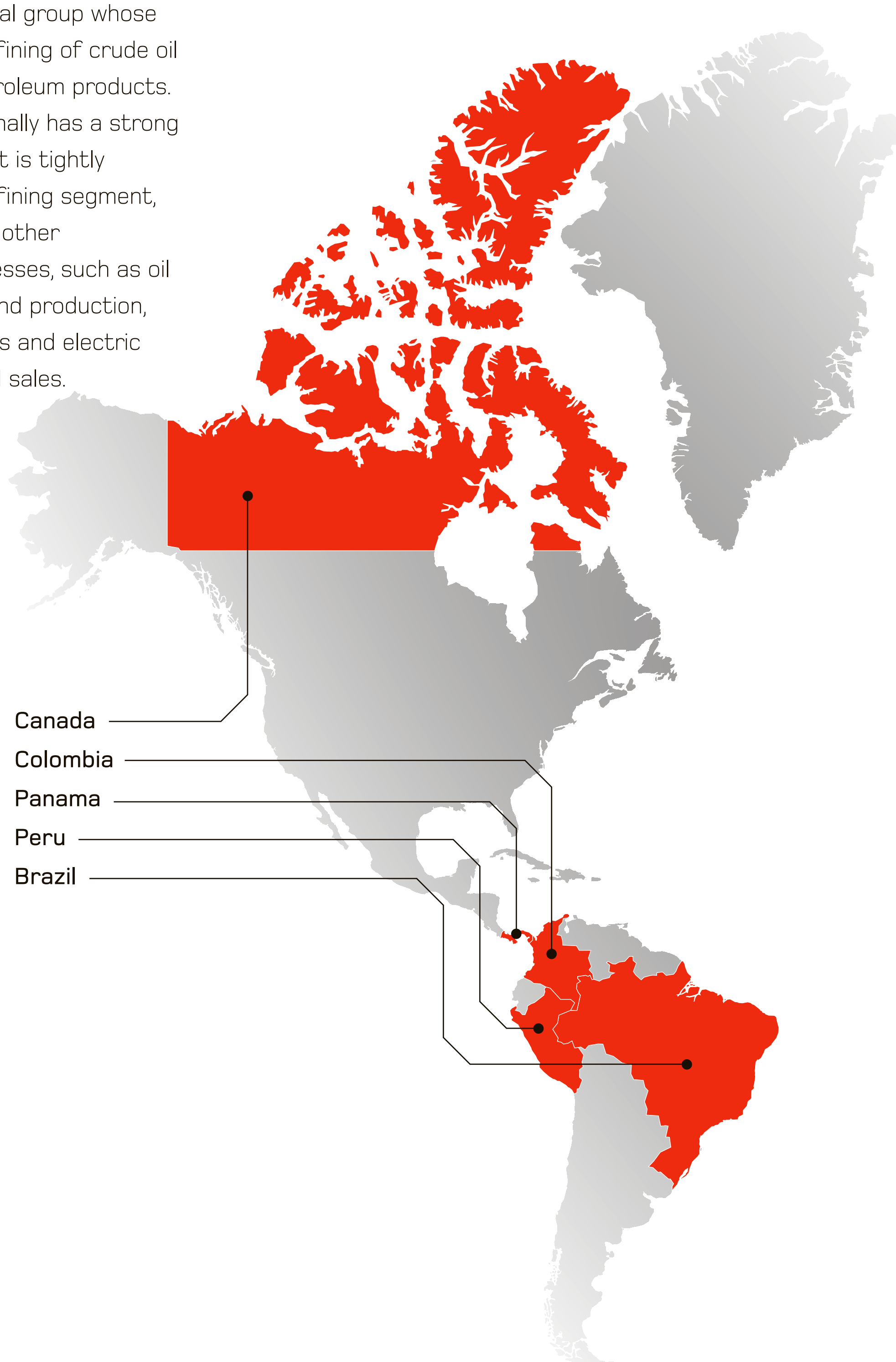
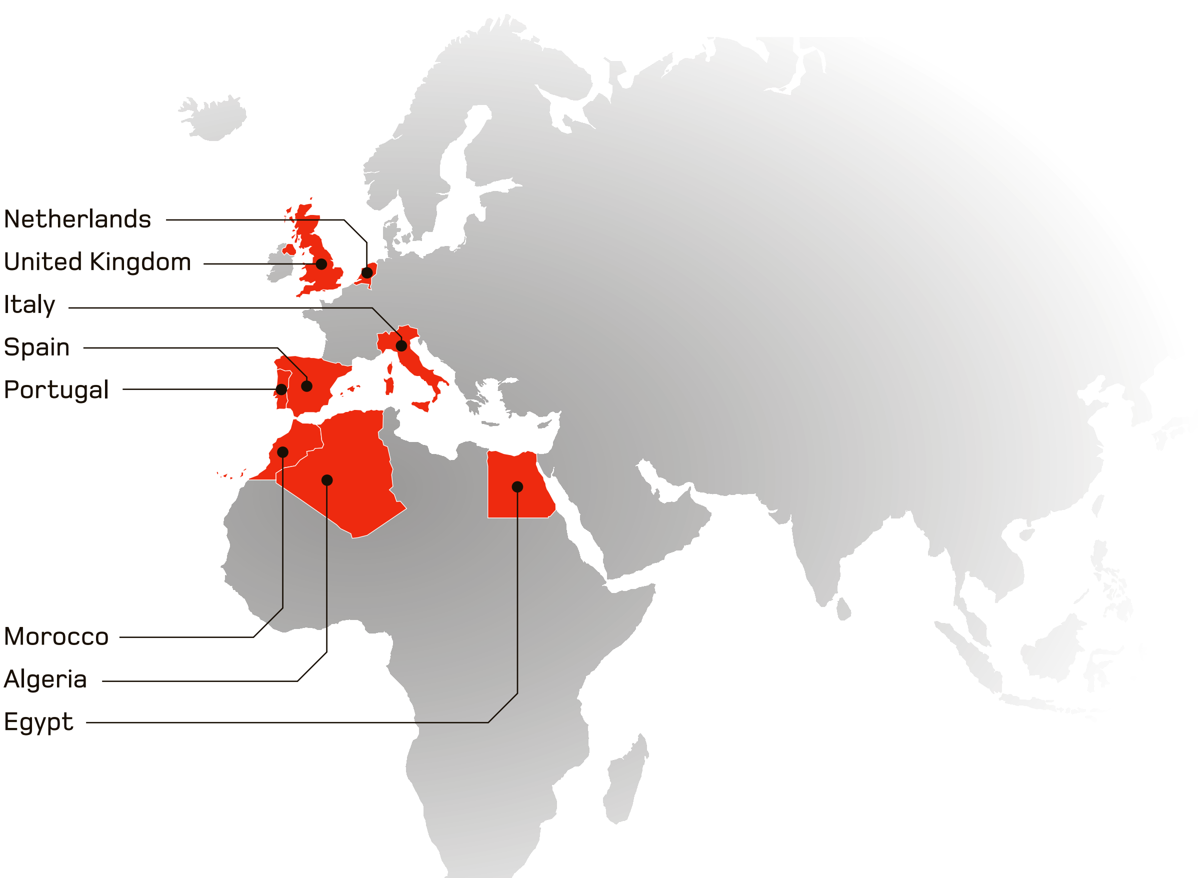
COMPANY PROFILE

CEPSA ACROSS THE GLOBE

Compañía Española de Petróleos, S.A. (CEPSA) is an industrial group whose core activity is the refining of crude oil and marketing of petroleum products. The company additionally has a strong chemicals division that is tightly integrated with its refining segment, and is also involved in other energy-related businesses, such as oil and gas exploration and production, natural gas operations and electric power generation and sales.




CEPSA


Netherlands
United Kingdom
Italy
Spain
Portugal
Morocco
Algeria
Egypt


optima
98

ACTIVITIES

EXPLORATION & PRODUCTION

ALGERIA

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 2007, 305 million barrels were pending extraction, out of which CEPSA's entitlement, based on its equity interest and the terms and conditions of the production-sharing contract (PSC) governing its operations, comes to roughly 86 million barrels, calculated on the basis of $96.02 per barrel, which was the price of benchmark Brent in effect at the end of the year.

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 was determined based on existing contractual and economic conditions, that may vary in the future as a result of the effect that the prevailing crude oil price has on stipulated cost-recovery mechanisms.

RKF Field

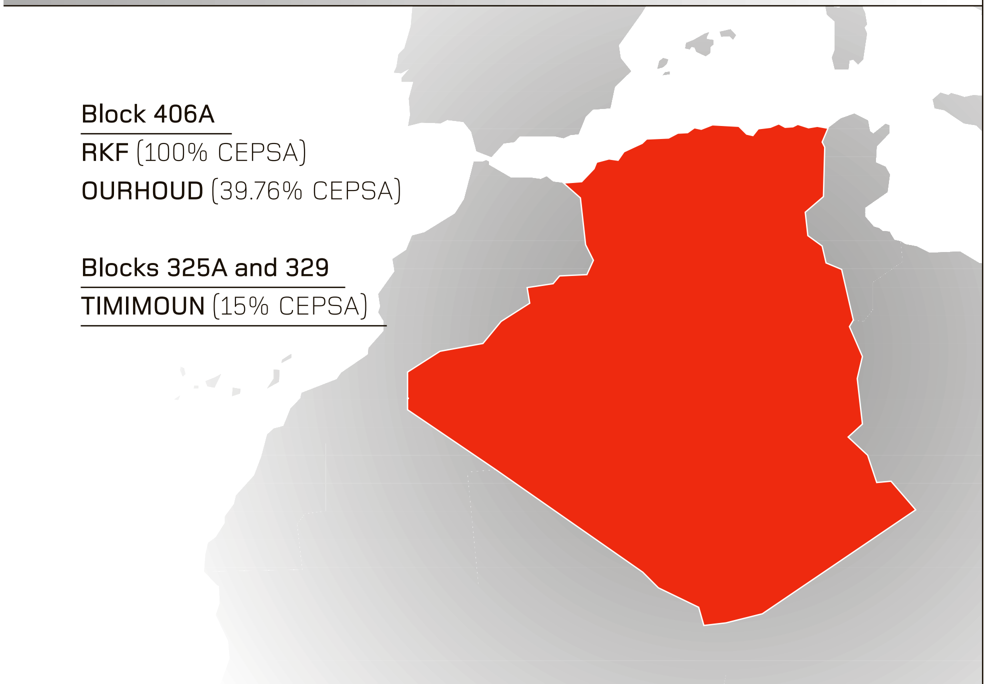
Throughout the year, work continued on the RKF field development and upgrading plan, which included expansion of the central processing facilities (CPF) aimed at raising gas injection capacity in order to maintain adequate internal pressure levels and as a result, extend plateau production, and construction of new staff housing facilities.

(Millions of euros)

EXPLORATION & PRODUCTION	2007	2006
Crude production from working interests (1) (Thousands of barrels per day)	115.8	113.9
Net crude sales (Millions of barrels)	7.2	8.7
Sales revenues	563.4	524.3
Operating income	381.2	392.8
Recurring operating income	377.5	396.5
CEPSA reserves entitlement (SEC reserves) (Millions of barrels)	88	104
Capital & exploration expenditures:	97.5	90.6
- Algeria	73.8	76.6
- Colombia	14.3	9.4
- Egypt	9.4	0.9
- Spain	-	3.7

(1) Total production associated with CEPSA's working interests, calculated before applying the contractual terms and conditions of Production-Sharing Contracts (PSC).

FIELDS IN ALGERIA



OURHOUD Field

OURHOUD is both developed and operated as a unitized field by a consortium made up of the partners holding licenses in the blocks that comprise it (Block 406A and adjacent Blocks 404 and 405).

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

In order to maintain pressure, 2,047 million cubic meters of gas and 16.8 million cubic meters of water were injected in the year.

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

A total of 43 crude producing wells – 7 of which were drilled in the year - 25 water injection wells, 3 gas injection wells and 1 dual water/gas injection well were in operation at the end of 2007.

TIMIMOUN Block

CEPSA, in a joint operation with TOTAL (15% and 85% interests, respectively), conducts exploration activities in this block. Throughout the year, the results of the 2D and 3D seismic surveys performed the previous year were processed and interpreted; fracturing operations and positive gas production tests were conducted in the IRS-1 well, and the ORR-1 exploratory well was drilled, confirming a larger-than-expected size of the field.

A study to determine the technical-economic feasibility of the field's development is slated for 2008.

(Millions of barrels)

BLOCK 406 A: RKF AND OURHOUD FIELDS	2007	2006
Total RKF production	7.4	7.3
Production from CEPSA's working interest since 1996	77.6	70.2
OURHOUD production	49.3	48.6
OURHOUD production since December 2002	227.6	178.3
Production from CEPSA's working interest since December 2002	159.3	124.8
Total CEPSA net entitlement since 1996	123.4	108.1

COLOMBIA

Upper Magdalena River Valley

In order to enhance production in the three fields contained within the Espinal Block, three new producing wells were drilled and the processing facilities were upgraded in the year.

In the "San Jacinto" and "Río Páez" Blocks, the appraisal plan on the so-called "La Cañada Norte" field is currently underway, and accordingly two delineation wells were drilled and tested.

In these two Blocks and in "Espinal", the plan for 2008 envisages the drilling of new wells, and civil engineering and construction work in connection with their location and access roadways.

In the "Achira" Block, 2D seismic acquisition was performed, the results of which are being interpreted. As regards the TEA's (Technical Evaluation Areas) for "San Bernardo" and "Yaví", mapping, geochemical and seismic reprocessing work was completed.

Middle Magdalena River Valley

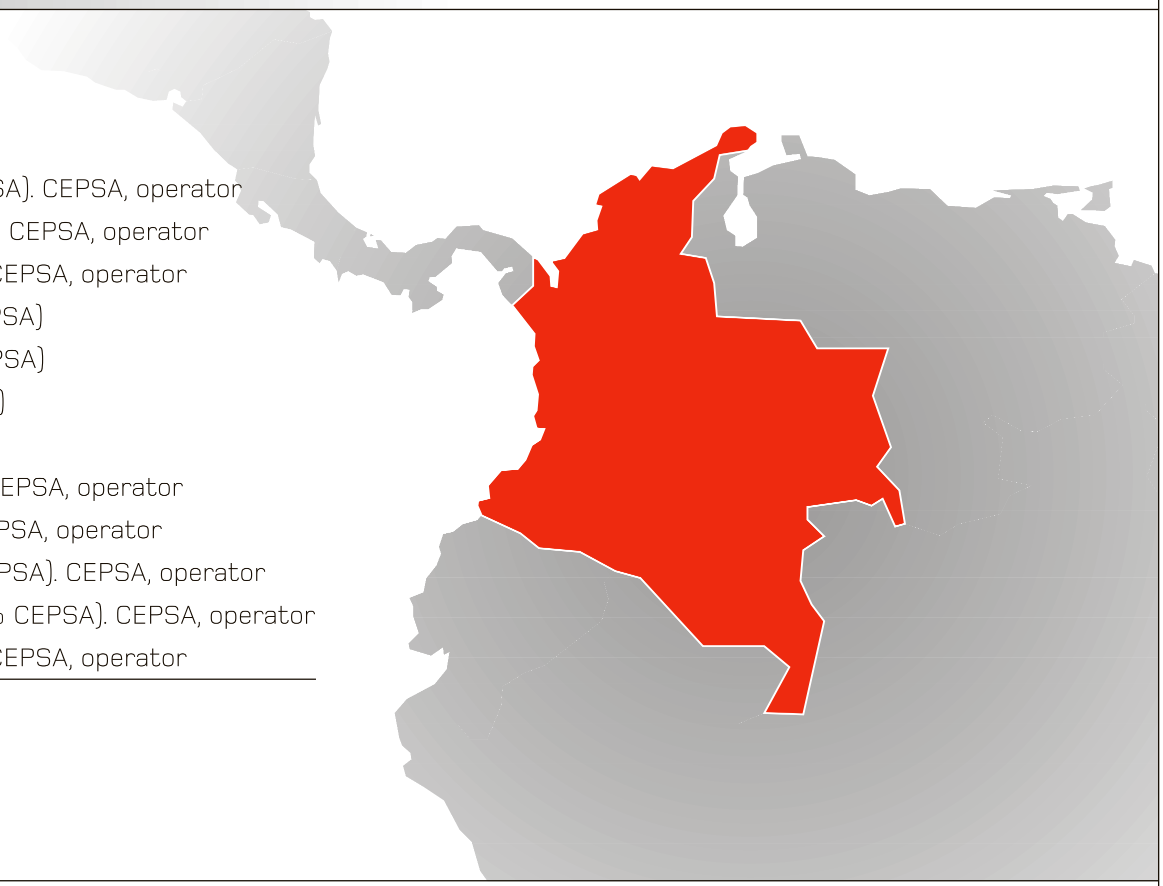
In this area, CEPSA is the operator of the "Bituima" Block, where mapping, geochemical and seismic reprocessing and a 2D seismic survey were conducted on the block, the results of which are being interpreted. The company is also the operator of the "La Unión" TEA area.

Los Llanos Basin

Following the performance of regional studies on the Los Llanos Basin, 2 permits called "Agua Verde" and "Cuatro", under the format of a TEA, were requested in this location in 2007, and mapping, geochemical and seismic reprocessing work was undertaken.

Two exploration contracts were likewise signed in the year with the Colombian National Hydrocarbons Agency (ANH) on the so-called "Tiple", "El Edén", "El Portón" and "Los Ocarros" Blocks, where 3D seismic acquisition is underway, and on the "Garibay" Block, CEPSA

FIELDS IN COLOMBIA



Los Ocarros (50% CEPSA). CEPSA, operator
El Portón (50% CEPSA). CEPSA, operator
Bituima (50% CEPSA). CEPSA, operator
CPR Espinal (16.6% CEPSA)
San Jacinto (33.3% CEPSA)
Rio Páez (33.3% CEPSA)
Achira (23.3% CEPSA)
El Edén (50% CEPSA). CEPSA, operator
Tiple (100% CEPSA). CEPSA, operator
TEA "Cuatro" (100% CEPSA). CEPSA, operator
TEA "Agua Verde" (100% CEPSA). CEPSA, operator
Garibay (50% CEPSA). CEPSA, operator

being the operator of all of them. Other opportunities are also being explored and appraised in this area.

(Thousands of barrels)

COLOMBIA	2007	2006
Total production - Espinal Block	2,170	1,617
CEPSA net entitlement	253	194
CEPSA reserves entitlement	1,334	1,587

EGYPT

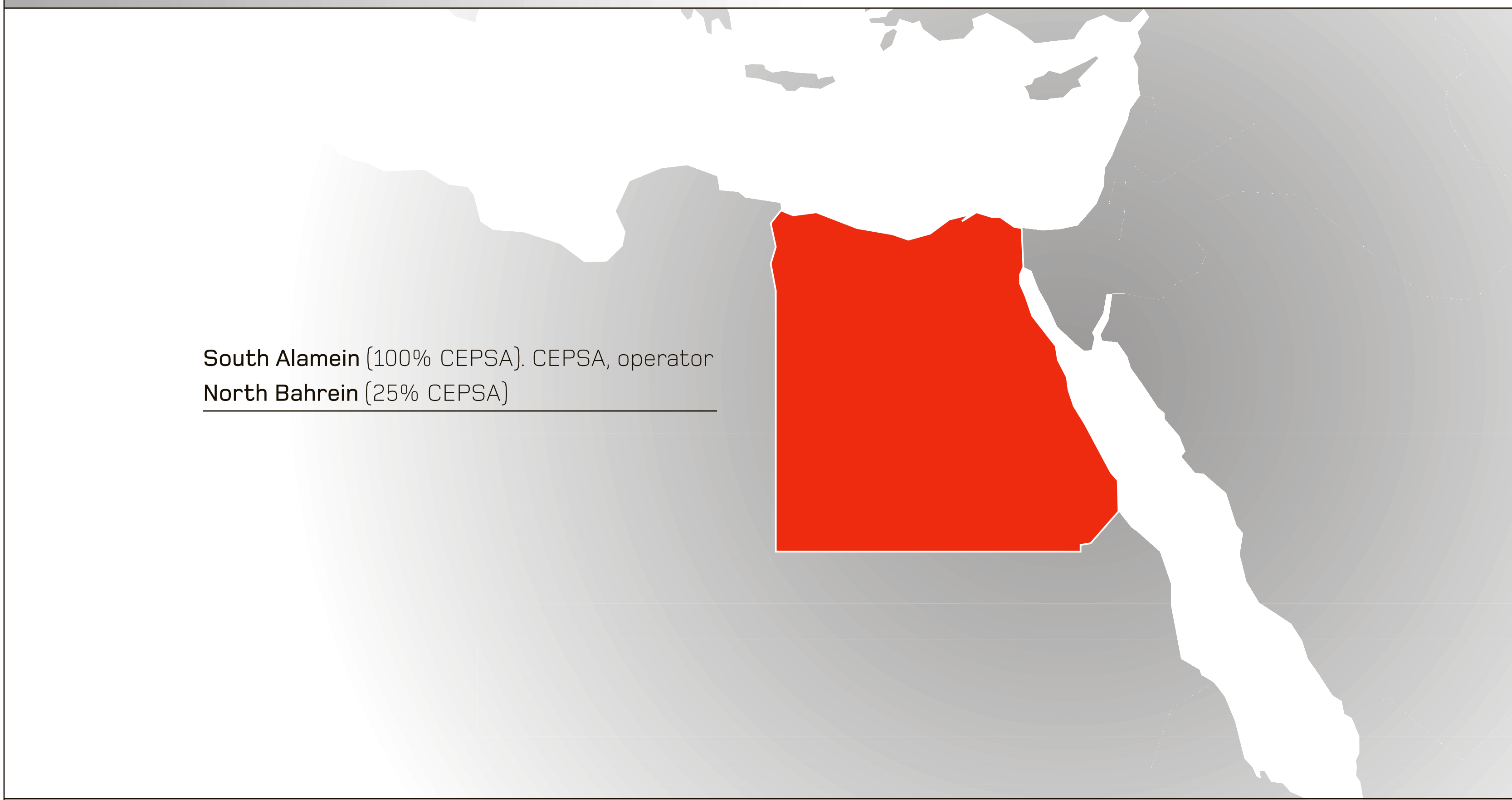
South Alamein

Work targeted towards identifying the best location to carry out future exploratory drilling on the South Alamein license began at the end of 2007.

North Bahrein

The performance of 2D and 3D seismic surveys was completed in 2007 and the processing and interpretation of this data will be finalized in the early weeks of 2008, in order to determine the site of the next exploratory drilling.

FIELDS IN EGYPT



PERU

CEPSA started up activities in Peru through the acquisition of working interests in two exploration & production licenses.

The first contract is for Block 127 in the Marañón Basin in northeastern Peru, where CEPSA has acquired an 80% working interest and will be the operator of this project.

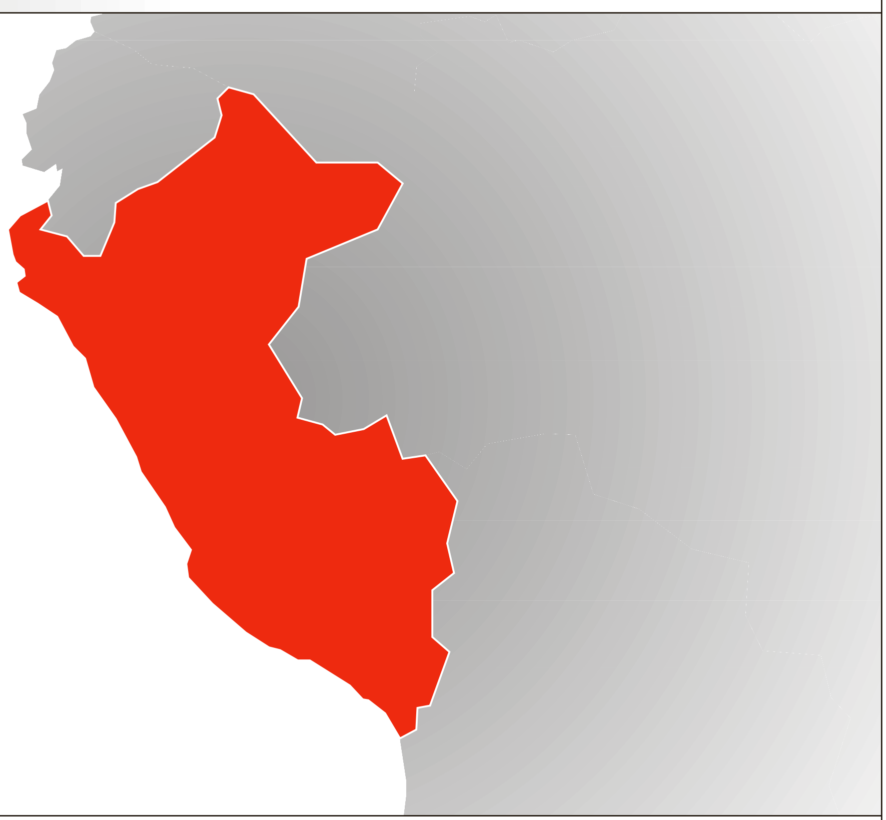
In the second acreage – Block 104 – located in the same basin, CEPSA has acquired a 35% stake.

These transactions have formally received all the required regulatory approvals from the Peruvian authorities in the first quarter of 2008.

Currently, CEPSA Peru is awaiting the corresponding authorizations for three additional blocks: one in the Marañón Basin and two in the Ucayali Basin.

FIELDS IN PERU

Block 104 (35% CEPSA)
Block 127 (80% CEPSA). CEPSA, operator



SPAIN

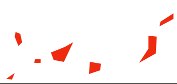
CEPSA's production activities in Spain were largely focused on the off-shore Mediterranean "Casablanca", "Rodaballo" and "Boquerón" fields, located near the coast of Tarragona. Aggregate output in 2007 stood at 1 million barrels of crude oil, with the company's entitlement, based on its equity interests, coming to 79,800 barrels.

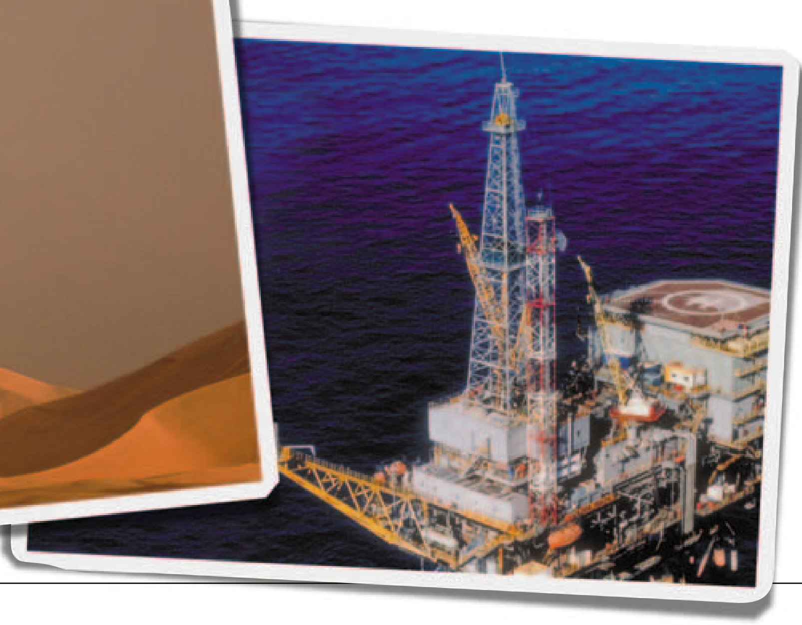
(Thousands of barrels)

SPAIN	2007	2006
Total production	1,009	894
CEPSA net entitlement	80	71
CEPSA reserves entitlement	370	450

FIELDS IN SPAIN

Montanazo (7% CEPSA)
Casablanca (7.4% CEPSA)
Rodaballo (15% CEPSA)
Boquerón (4.5% CEPSA)





REFINING, DISTRIBUTION AND MARKETING

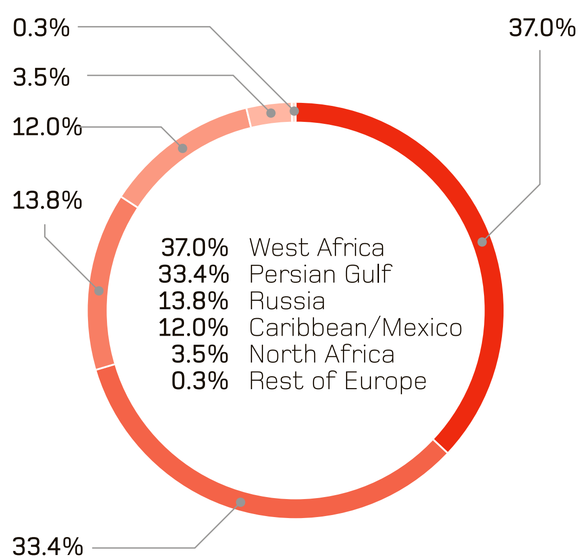
(Millions of euros)

REFINING, DISTRIBUTION AND MARKETING	2007	2006
Consolidated oil and basic chemical product sales (millions of tons)	27.8	27.6
Sales revenues (excluding taxes)	15,954	15,800
Operating income	654.4	658.7
Recurring operating income	494.6	591.0
Capital expenditures	417	340

A total of 21.8 million tons of crude oil (157.8 million barrels) were unloaded at CEPSA's refineries in 2007, 1.3% less than the previous year's volume. As regards crude oil sourcing, over 70% came from countries in the Persian Gulf and West Africa.

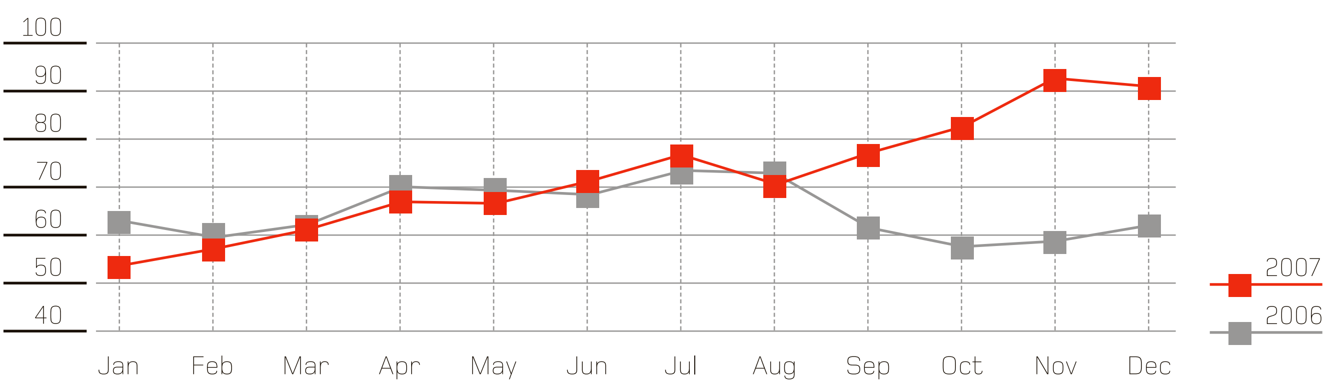
The industry-leading technologies deployed at CEPSA's refineries enabled the company, as in previous years, to achieve better crude purchasing formulas, with negative spreads vis-à-vis European benchmark Brent Blend prices, although the high price environment reduced this differential to around $1.8 per barrel compared to 2006.

CRUDE SOURCING



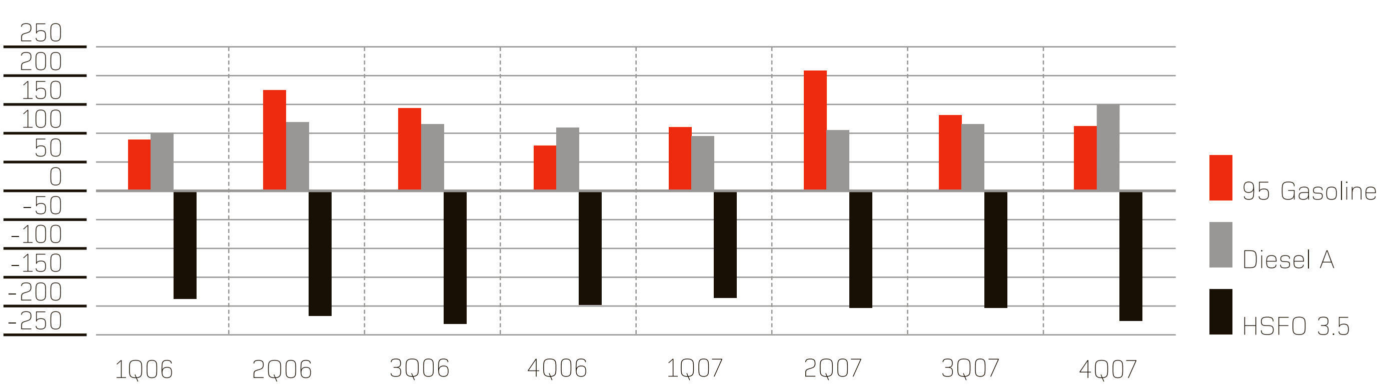
BRENT CRUDE PRICE TRENDS

($/barrel)



TRENDS IN BRENT-PRODUCT PRICE DIFFERENTIALS

($/ton)



In $/ton, spreads between Brent and diesel fuels steadily widened throughout the year. Gasoline spreads were exceptionally favorable in the second quarter, but thereafter returned to their usual values. As regards fuel oils, the negative spread gradually broadened in the year.

To meet the needs of its growing customer base, CEPSA directly acquired, mainly on international markets, 7.5 million tons of oil and chemical products, primarily gas oils, fuel oils and kerosene. This volume was up 216,000 tons from the year before.

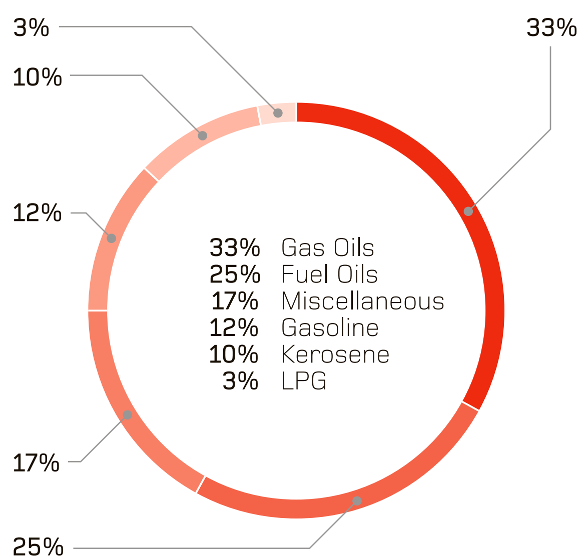
REFINING

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 petrochemical operations. The company's distillation capacity accounts for 32.3% of Spain's total capacity. In 2007, the average utilization rate of CEPSA's refining capacity came to roughly 96% of nameplate capacity.

From an operational point of view, 2007's highlights include the start-up in December of the Sorbex™ project at the Gibraltar-San Roque Refinery, which includes a unit to produce 50,000 tons per year of meta-xylene, used as a feedstock for manufacturing petrochemical intermediates in CEPSA and specifically for INTERQUISA.

Another noteworthy project was the construction of a new aromatics extraction unit (Aromax™), which came on-stream at the end of 2006 at the La Rábida Refinery, and which ran at full capacity throughout 2007.

CEPSA PRODUCTION IN 2007
BREAKDOWN OF PETROLEUM PRODUCTS



Additional key projects include the construction of a new hydrocracking-type conversion facility with a capacity of over 2 million tpa (tons per annum) at La Rábida which will make it possible to produce greater amounts of middle distillates (mainly kerosene and diesel fuels). This project is 50% completed and is scheduled to come on-line in 2010. Furthermore, new Vacuum and Hydrogen units are being commissioned at the Gibraltar-San Roque Refinery that will allow operating its ISOMAX unit as a Mild Hydrocracker (MHC), as well as sulfur-removal plants at both refineries.

During the year, CEPSA continued harnessing maximum bottom-line benefits by reducing operating costs, enhancing energy savings and upgrading maintenance management and performance through various improvement programs undertaken.

	Gibraltar-San Roque Refinery	La Rábida Refinery	Tenerife Refinery	ASESA (50% CEPSA)	Total
Refinery throughput (Millions of tons)	11.7	4.8	4.5	0.8	21.8
Utilization rate	94.0	96.0	98.9	86.8	95.6

DISTRIBUTION & MARKETING

Petroleum product consumption in the Iberian market totaled 86 million tons in 2007, evidencing a slight increase of 1.1% from the previous year.

By product groups, middle distillates accounted for a greater proportion of total petroleum product consumption, representing 56.7%, with growth rates of 4.1% in gas oils and diesel fuels and 5.3% in kerosene.

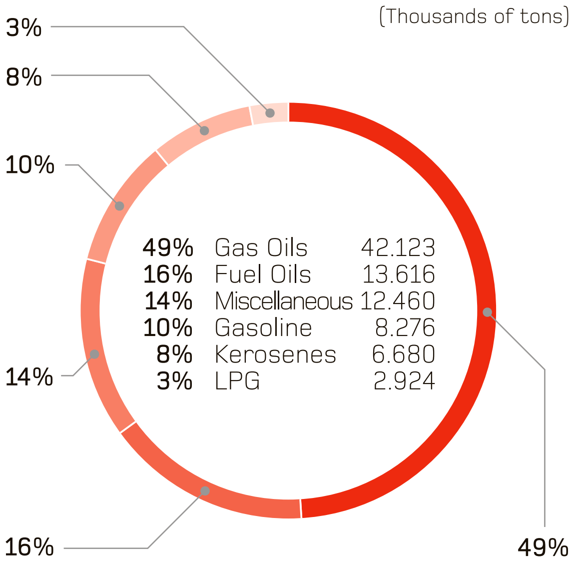
Although increasing at a slighter slower pace than in previous years, the number of diesel-driven motor vehicles continued to rise, with diesel fuels accounting for 78.7% of total consumption, up 4.4% from 2006.

With regard to LPG (propane and butane), its consumption fell 1.6% while fuel oil demand slipped 4.6%.

As for retail prices on petroleum products in Spain, both gasoline and diesel fuel prices rose notably compared to 2006, as a result of trends in international prices and the $/€ exchange rate. Despite this development, prices remained below the EU average (including taxes); thus, at the end of 2007, the price of 95 premium gasoline was 25.2% lower than the EU average (17% less than in France and 20% lower than in Portugal), while automotive diesel was 19.2% lower (11% vis-à-vis its two neighboring countries).

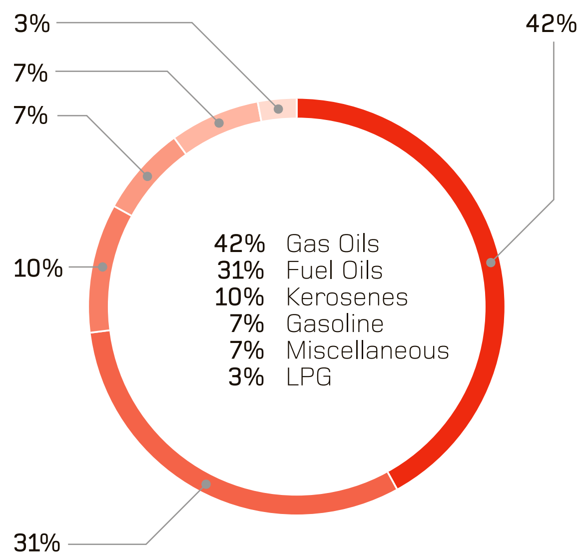
CEPSA's sales on the Iberian Peninsula Market in 2007 amounted to 24.7 million tons of products, climbing 1.6% year-on-year.

PRODUCT CONSUMPTION – IBERIAN MARKET



Source: CORES (Corporación de Reservas Estratégicas – Strategic Reserves Corporation, Spain) and the General Directorate of Energy and Geology, Portugal.

CEPSA SALES ON THE IBERIAN MARKET (2007)



	Thousands of tons sold Variation vs. 2006	Major marketing companies 100% CEPSA
Motor and Other Fuels	12,828 =	CEPSA and subsidiaries[1] CEPSA Estaciones de Servicio CEPSA PORTUGUESA
Bunker Fuels	7,656 △ 7%	CEPSA and subsidiaries[2] CEPSA PORTUGUESA
Aviation Fuels	2,639 ▽ 4%	CEPSA CEPSA PORTUGUESA
Liquefied Petroleum Gas (LPG)	548 =	CEPSA GAS LICUADO CEPSA PORTUGUESA
Asphalt	1,366 △ 13%	PROAS CEPSA PORTUGUESA
Lubricants	289 ▽ 6%	CEPSA and subsidiaries[3] CEPSA LUBRICANTES and subsidiaries[3] CEPSA PORTUGUESA
Basic Chemical Products	1,690 △ 9%	CEPSA and subsidiaries[4]
Exports (excluding Portugal)	1,646 ▽ 10%	CEPSA INTERNACIONAL

(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 PANAMA
(3) LUBRISUR, ATLÁNTICO, LUBRITURIA, PETROJAÉN
(4) CEPSA U.K., CEPSA ITALIA

MOTOR AND OTHER FUELS

CEPSA continued to focus on leveraging its retail presence on the domestic market, consolidating its position as a pacesetter in customer service and service quality. In order to upgrade the company's asset base and optimize returns, new high-volume sites with growing non-fuel potential were added to the network, concentrating particularly on meeting the needs of private motorists (mainly in urban areas and new metropolitan areas under development) and enhancing outlets and specialized services for fleet drivers.

The company carried on with its plans to modernize the underlying structure of its retail network while selectively divesting non-strategic or lower volume sites. At year-end 2007, CEPSA had 1,527 gas stations operating in Spain and 163 in Portugal.

Motor and other fuels are also sold by the company through wholesale channels to different sectors, maintaining a stable and competitive presence in this market.

Reflecting its commitment to quality and innovation, CEPSA continued to broaden sales of its high-performance "Optima" range of motor fuels (diesel and unleaded 95 and 98 RON gasoline), and of AdBlue, under the EcoBlue brand, a clean and non-toxic reducing agent which, when injected into the exhaust gas stream, reduces harmful nitrous oxide (NOx) emissions and other pollutants, in fulfillment of recently introduced European "Euro 4" and "Euro 5" standards. As of October 2006, most major manufacturers of diesel trucks and buses in Europe have models that require Adblue.

With a chain of 810 convenience stores nationwide and 36 in Portugal, CEPSA upheld its leadership position in the non-fuel sales segment, offering a wide assortment of products and services at its DEPASO shops. Further growth of this business was bolstered by the development of a second store format called MINISTOP and the opening of stores located in urban areas outside service stations, known as CITY-SHOPS. A further move by the company is the implementation of a specific restaurant franchise called "Como en Casa" linking cafeteria-style services to C-stores.

As for the fleet driver segment, Trans Club was created 15 years ago as a pioneering scheme for professional motorists and is still considered a flagship program in customer loyalty for this sector. CEPSA has likewise reinforced its position as a driver of customer-focused initiatives, being the first company to offer its own "VIA T" automatic toll payment system.

Other Customer Loyalty Schemes	Perks and Benefits
"Porque Tú Vuelves"	Discount points for purchases . Agreement with airline and travel agency.
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 Card	Use in CEPSA's service stations. Rechargeable for both end customers and businesses.
Trans Club Card	Discount points and participation in contests, special promotions, free insurance, Trans Club recreational rooms.

BIOFUELS

CEPSA has been selling gasoline blended with a 15% volume of ETBE, which in turn contains a 47% content of bioethanol, since 2000.

In 2007, CEPSA started blending biodiesel into Diesel A, respecting the quality and content limits of a 5% maximum volume as mandated by European specifications. It also began selling labeled biodiesel directly, particularly B-10 and B-30, to some customers whose captive fleets contain properly-equipped vehicles.

CEPSA's Gibraltar-San Roque and La Rábida Refineries consumed a record volume of 53,000 tons of bioethanol, for use in the production of ETBE, in the year.

Progress continued on the construction of two biodiesel facilities, pursuant to agreements signed with ABENGOA and BIO OILS, with capacities of 200,000 and 250,000 tons per year respectively, at the Gibraltar-San Roque and La Rábida Refineries. These two plants are due to come on-line in the second half of 2008.

BUNKER FUELS

The location of CEPSA's refineries has enabled the company to consolidate its position as the leading bunker fuel supplier in two major areas: the Canary Islands and the Strait of Gibraltar. Additionally, its presence on both sides of the Panama Canal, where it delivered more than 700,000 tons of fuels, helped augment its international standing.

In 2007, global growth in marine fuel sales continued at a steady pace, rising 6% from the year before, in an extremely volatile market that is constantly shifting and evolving and marked by soaring prices that have recently hit all-time highs. Additionally, CEPSA strengthened its presence in the fishing sector, achieving a significant market share in Spain and over 30% in the Port of Agadir, one of the key supply points in Morocco.

Starting August 2007, the North Sea was designated a SECA (Sulfur Emission Control Area, pursuant to legislation which assigns limit on SOx emissions in certain areas) and this move has prompted a sharp increase in demand for LSFO (low-sulfur fuel oils). CEPSA has adopted its strategy to these new market requirements and developments, and supplies this product in various ports on the Spanish mainland and Canary Islands. The company is also making efforts to restructure its marketing activities to be able to sell compliant marine fuels with a 0,1% sulfur content, meeting specifications under the new EU Directive which became effective in January 2008, mandating tighter sulfur caps for gas oil and diesel used by ships in European Union territorial waters.

In 2008, CEPSA will complete the upgrading of its barge fleet, in order to further its strategy of complying with rigorous environmental standards and to fulfill European double-hull requirements. The company now has six double-hulled vessels and over the next few months the fleet will add three more to improve operational performance and capacity.

AVIATION FUELS

Aviation fuel products are primarily supplied from the Tenerife, Gibraltar-San Roque and La Rábida Refineries.

Most of these supplies are made directly to airlines, with a 3.8% year-on-year increase in sales, totalling over 320,000 tons per year.

A noteworthy development in 2007 was the start-up of operations in the Valverde Airport in El Hierro (Canary Islands).

CEPSA has a number of wholly and partially-owned subsidiaries that engage in storage and aircraft refueling operations at Spain's major airports.

LIQUEFIED PETROLEUM GAS: BUTANE AND PROPANE

Butane and propane canisters are sold either through a network of nearly 100 distributors or directly in 1,950 outlets, 800 of which belong to CEPSA's service station network.

Growth in these activities in the year enabled CEPSA to achieve a 16% market share in LPG cylinder sales nationwide.

The company has over two million customers for bottled LPG and delivers bulk propane to almost 7,300 individual installations and piped propane to more than 44,000 homes.

ASPHALT

CEPSA produces asphalt at its Tenerife and La Rábida refineries, as well as in ASESA's refinery (50%-owned) in Tarragona, with a total nameplate capacity of 1 million tons per year. In 2007, sales on the domestic market witnessed a slight rise of roughly 6% in bitumen consumption.

Asphalt sales surged 13% from the previous year, 71% of which were made in Spain and 29% on foreign markets.

Highlights in the year include the completion of the construction project for a new multi-product facility that has enabled the company to boost its modified bitumen output, as well as the expansion of storage capacity in the Valencia depot and the consolidation of exports to North and West Africa.

LUBRICANTS

As regards activity in this segment, 156,000 tons of base stocks, 31,000 tons of paraffin wax and 102,000 tons of finished lubes and greases were sold in 2007.

CEPSA is one of the market leaders in Spain, selling its products under the brand names CEPSA and ERTOIL, with a strong domestic presence in all market sectors and segments, both directly and through a major network of distributors. Exports of lubes and greases rose substantially, with these products being sold in over 40 countries.

Out of aggregate sales of base stocks, paraffin wax, finished lubricants and greases, 54.41% was earmarked for the domestic market, where a variety of other automotive products and accessories for both passenger vehicle and fleet drivers are sold.

BASIC CHEMICALS

CEPSA has been steadily expanding its petrochemical business, both as regards basic chemicals and petrochemical intermediates (mainly aromatic derivatives), harnessing the synergies afforded by the tight integration with refining operations.

Sales of basic chemical components (primarily propylene, cyclohexane, solvents, and BTX-benzene, toluene and xylene) produced at its Gibraltar-San Roque and La Rábida refineries amounted to over 1.7 million tons in 2007, rising 9% from the previous year.

The global operating environment for petrochemicals was characterized by growing demand for raw materials as a result of new capital spending programs in petrochemical intermediate projects worldwide, which has led to production capacity expansions at major facilities around the world. Nonetheless, the increase in raw material costs – primarily naphtha – throughout the year dragged down earnings in this segment.

EXPORTS

CEPSA mainly exports gasoline and naphtha. In 2007, sales abroad, excluding Portugal, totaled 1.6 million tons of products, 10% lower than in 2006.

LOGISTICS

In order to run its business, CEPSA needs efficient and flexible transportation and distribution systems to satisfy the growing and changing needs of its customer base, both in terms of size and location. The company supplies fuel to ships at ports and to aircraft at airports, as well as to service stations and power plants.

This activity is developed through a network of wholly or partly-owned subsidiaries, or independent companies, whose goal is to deliver the required product to customers, maintaining superior quality standards and competitively meeting established deadlines.

CEPSA also has a secondary distribution system by road and railway, relying on independent companies that make deliveries from their storage depots and terminals to end customers. In 2007, nearly 8 million tons of products were transported through this system.

LOGISTICS OPERATORS WITH CEPSA OWNERSHIP

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	Bunker fuel storage and supply	Canary Islands	100
PETROSUR	Operation of sea terminal at Gibraltar-San Roque Refinery	San Roque (Cádiz)	100
PETRONUBA	Operation of sea terminal at La Rábida Refinery	Palos de la Frontera (Huelva)	100
ATLAS	Distribution of motor and other fuels. Bunker 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

(Millions of euros)

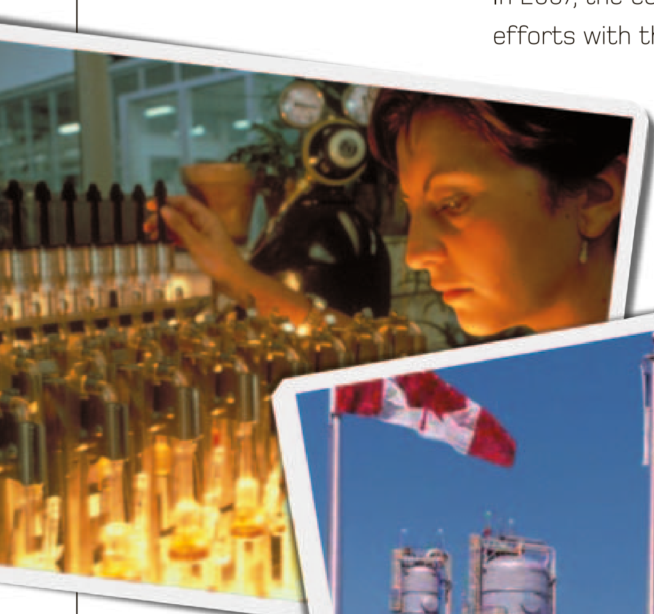
PETROCHEMICALS	2007	2006
Petrochemical product sales (millions of tons)	2.6	2.4
Sales revenues (excluding taxes)	2,042	1,897
Operating income	50.8	52.9
Recurring operating income	50.8	52.8
Capital expenditures	65	121

DETERGENT PRECURSORS

CEPSA produces and sells linear paraffin and linear alkylbenzene (LAB), a compound used in the manufacture of biodegradable detergents.

In 2007, the company continued its co-operative efforts with the Slovakian chemical company PETROCHEMA, A.S., the French company IFRACHEM and the Germany company ISU CHEMICAL to produce sulphonic acid earmarked for Central European markets. Joint projects are also being developed in partnership with INCHEMICA in Portugal and Industrial Chemical Company (ICC) in Jamaica, to broaden our presence in Latin America. As a result of these business alliances, CEPSA was able to further its market penetration in this product and consolidate its global leadership position, attaining an overall market share of over 17%.

Key expenditures in 2007 were chiefly allocated towards the construction of new storage tanks with a capacity of 12,000 m^3.



POLYESTER PRECURSORS

CEPSA manufactures and sells purified terephthalic acid (PTA), dimethyl terephthalate (DMT) and purified isophthalic acid (PIA) used as raw materials to produce different types of polyester for textile fibers, easily-recyclable PET (polyethylene terephthalate) bottles and containers and other applications.

Throughout the year, efforts were made to tailor output to trends in market demand. In the case of the San Roque (Cádiz) facility, the decline in PTA production was counterbalanced by a rise in PIA production, where consumption continues to remain resilient.

PHENOL – ACETONE

CEPSA's manufacturing facilities are located in Palos de la Frontera (Huelva), where it produces chemical intermediates such as cumene, phenol, and acetone, as well as methylamines, alpha methyl styrene and other derivatives, predominantly used in the pharmaceutical industry, and for making phenolic resins, new-generation plastics, synthetic fibers and solvents.

Aggregate output of phenol and acetone exceeded 780,000 tons in 2007, 42% higher than the previous year's levels, as a result of the start-up of the new phenol unit in the year.

The persistent imbalance between growth in phenol demand, which remained firm, and that of acetone demand, which was much weaker, together with the fact that both products are produced simultaneously, had an adverse impact on acetone margins and earnings performance.

Products	Company	CEPSA ownership (%)	Capacity (MT/year)	Total 2007 sales (MT)
Detergent Precursors (LAB, LAS)	PETRESA - Spain	100	220,000	562,479
	PETRESA - Canada	51	120,000	
	DETEN - Brazil	72	220,000	
Polyester Precursors (PTA, DMT, PIA)	INTERQUISA - Spain	100	750,000	1,157,193
	INTERQUISA - Canada	51	500,000	
Phenol/Acetone	ERTISA - Spain	100	970,000	849,314

GAS & POWER

(Millions of euros)

GAS & POWER	2007	2006
Natural gas sales (GWh)*	46,459	35,475
Electric power sales (GWh)	3,648	3,540
Steam sales (thousands of MT)	4,219	4,234
Sales revenues	328	253
Operating income	33	49
Recurring operating income	33	49
Capital expenditures	55	21

(*) Includes swaps with other retailers

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 linking Algeria directly to Europe via Spain.

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

Throughout the year, strides were made in advancing the construction work on both the onshore and offshore sections, so as to bring the pipeline on-stream in 2009.

CEPSA GAS COMERCIALIZADORA

CGC, a company whose shareholders include CEPSA (35%), TOTAL (35%) and SONATRACH (30%), is engaged in commercializing natural gas.

As part of its long-term agreements with its shareholders SONATRACH and TOTAL, as well as from swap transactions with other retailers, the company received 47,189 GWh of

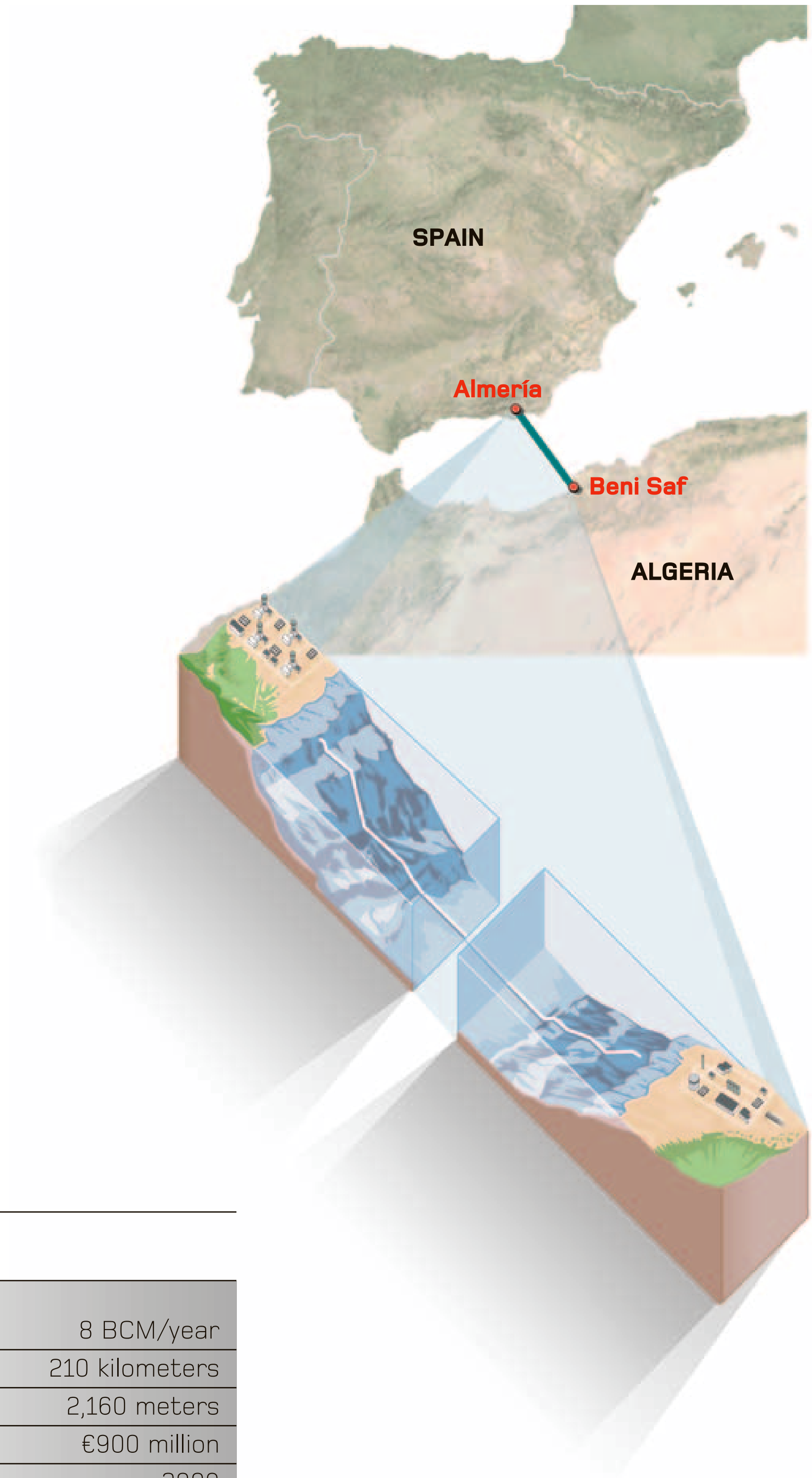
LNG shipments in 2007, and regasified, transported and distributed this gas by virtue of TPA (Third-Party Access) contracts in force with ENAGAS and GAS NATURAL.

CEPSA GAS COMERCIALIZADORA's share of Spain's liberalized market, which according to information from the National Energy Commission (CNE) accounts for 89% of total gas consumption, stood at 5% in 2007.

GAS DIRECTO

CEPSA is also active in the natural gas distribution sector through its 40% stake in GAS DIRECTO, in partnership with UNION FENOSA GAS, which holds the remaining 60%. The company has received regulatory approval to supply gas in various townships of Madrid, Galicia and Castile-La Mancha.

In 2007, GAS DIRECTO delivered 515 GWh of natural gas, servicing over 3,970 residential and industrial customers, meaning a 28% and 46% increase in clientele and distributed energy, respectively, from the previous year.



MEDGAZ PIPELINE

Total initial capacity	8 BCM/year
Length	210 kilometers
Maximum water depth	2,160 meters
Investments	€900 million
Start-up	2009

ELECTRICAL POWER

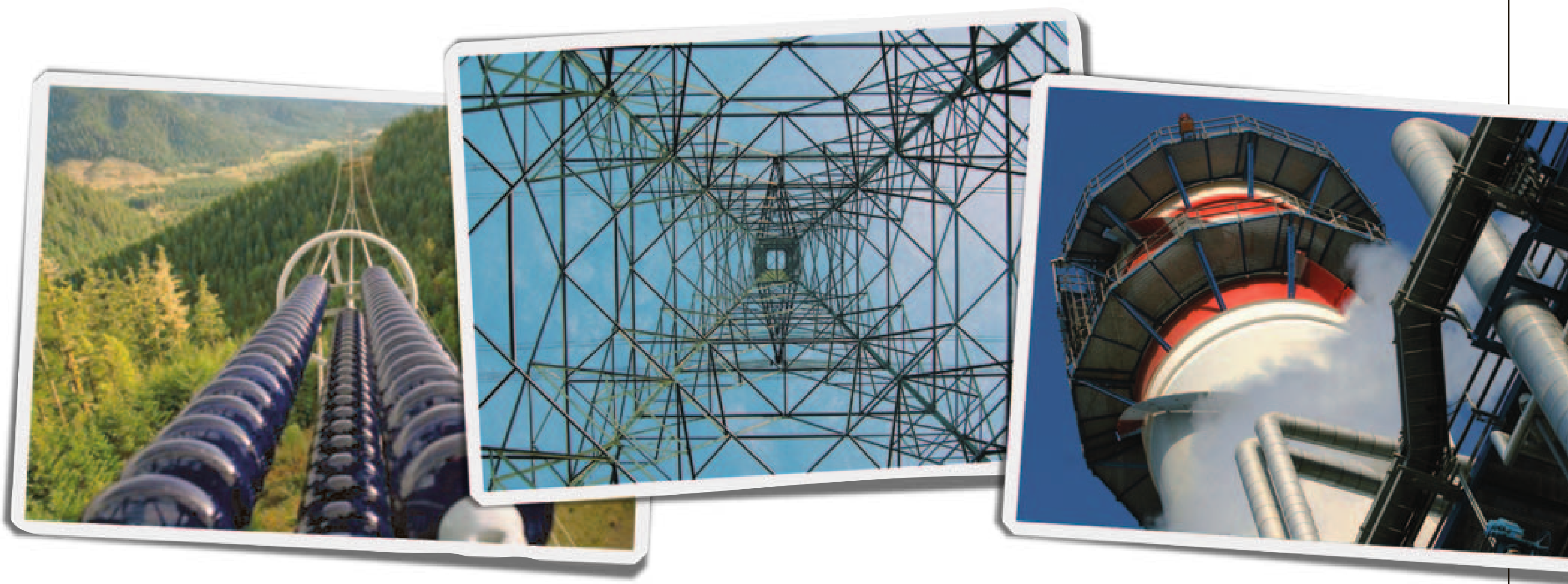
Cogeneration (CHP)

In order to enhance energy efficiency at its refineries and production sites, CEPSA has 5 cogeneration (also known as combined heat and power or CHP) facilities, whose utilization rate averaged 84.85% in the year.

In order to meet new steam consumption needs at CEPSA's facilities in Palos de la Frontera (Huelva), two new cogeneration plants are in the process of being built, one 83.8 MW unit at the La Rábida Refinery, and another 14.3 MW plant at ASESA, both of which are due to start up in the second half of 2009.

Nueva Generadora del Sur

This plant sells all of its steam production to the Gibraltar-San Roque Refinery, and from an environmental standpoint, has contributed towards sharply reducing CEPSA's nitrous oxide (NOx) and sulfur dioxide (SO_2) emissions.



Company	Authorized power (*) (MW)	Electricity generation (*) (GWh)	Steam production (*) (Thousands of MT)
GEPESA (70% CEPSA)			
La Rábida Cogeneration Plant	50	401.7	1,070.1
GEGSA Cogeneration Plant	74	579.8	1,232.9
GETESA Cogeneration Plant	41	302.9	490.4
GEMASA Cogeneration Plant	27	211.8	423.3
COTESA (100% CEPSA)	38	213.3	440.1
Total Cogeneration	**230**	**1,709.5**	**3,656.8**
Nueva Generadora del Sur (50% CEPSA)	**780**	**3,878**	**1,124**

(*) Data at 100%