Repsol 2008 -

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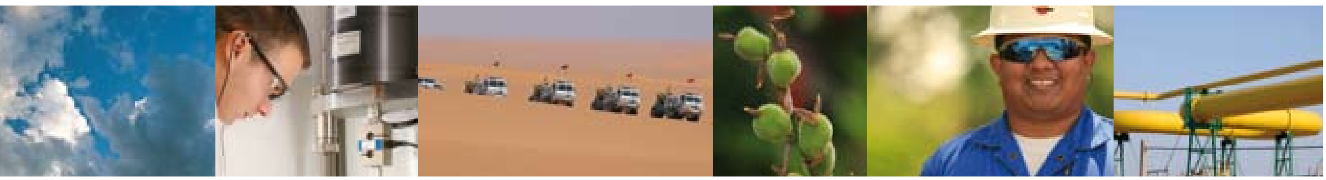
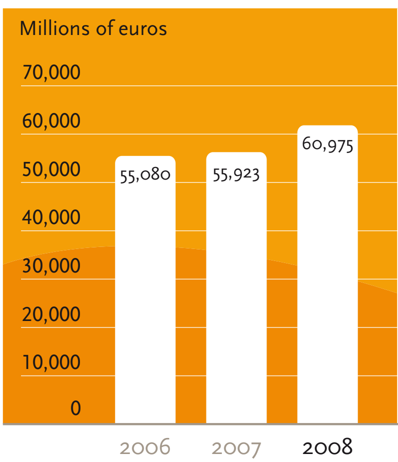
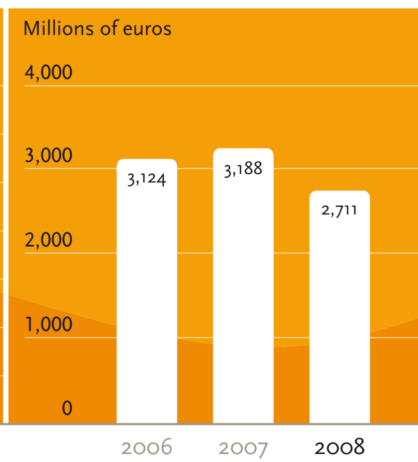


Financial highlights -

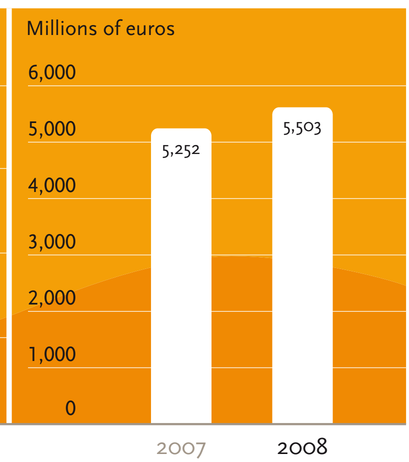
INCOME FROM OPERATIONS



NET PROFIT

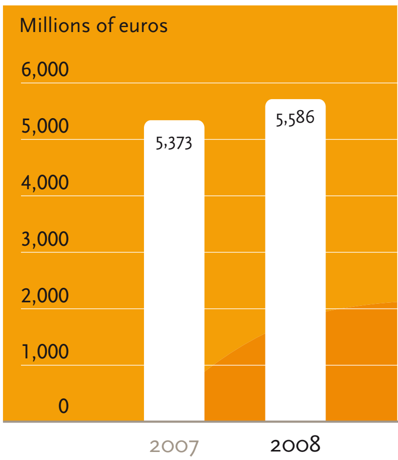


RECURRING OPERATING INCOME
EXCLUDING INVENTORY EFFECT

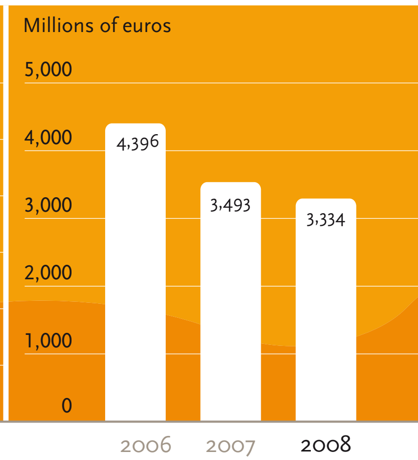


Recurring operating income excluding the effect of the value of inventories of raw materials increased by 5% in 2008

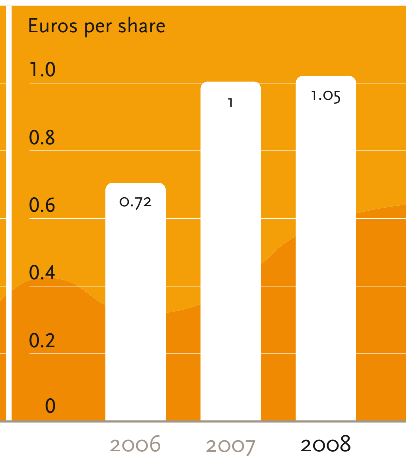
INVESTMENTS



NET DEBT



DIVIDEND PER SHARE



Repsol has a sound financial position: it closed the year with liquidity of over €6.8 billion, and reduced debt by 4.5%

Letter from the Chairman and CEO

Dear shareholders,

It is with great pleasure that I inform you on our company's main milestones and results in 2008. As you all know, the year was marked by a sharp downturn in the world economy in the second half of the year, a downturn which became an economic crisis as the year 2009 progressed.

In 2008 the Repsol Group obtained consolidated net profit of €2.711 billion, while recurring operating income, excluding the effect of inventories of raw materials, increased by 5% to €5.503 billion.

The company achieved these results within an international context of high crude oil prices and a strong euro against the dollar in the first half of the year, a situation which changed dramatically in the second half of the year with the barrel price even falling below $40, when in July it had stood at over $140.

For yet another year, we have decided to continue with our policy of increasing shareholder remuneration and I am pleased to announce that we have proposed to the Annual Shareholders Meeting payment of a total gross dividend of 1.05 euros per share for the year 2008, an increase of 5% on the previous year.

In 2009 we face an extensive, profound world financial crisis, and this has led our company to establish new goals of greater constraint and responsibility. Within this framework our priorities are to maintain financial discipline and compliance with the 2008–2012 Strategic Plan.

In the light of the international economic recession, and given the present context of hydrocarbon prices, we have decided to take our policy of austerity further, and have established an extraordinary savings plan of over €1.5 billion for 2009.

This plan includes measures such as freezing remuneration of the Board of Directors and management team – an example of the Repsol governing and management bodies' commitment to the policy of austerity established by the Group –, renegotiating contracts in line with the new price scenario, cutting back non-essential expenses and delaying deferrable investments, to enable us to devote ourselves fully to key projects and thereby guarantee the company's profitable growth.

Investments carried out by Repsol in 2008 amounted to €5.586 billion, an increase of 4% over the previous year, a figure in line with the annual investment

objectives established in the Strategic Plan.

We plan to maintain this investment effort in 2009 in order to continue laying the foundations for future growth.

Despite the negative worldwide macroeconomic scenario, Repsol has a sound financial position: it closed the year with liquidity of over €6.8 billion and reduced debt by 4.5%, reaching a debt/capital employed ratio of 11.9%. The company's net debt has been reduced by 24% since 2006.

In recent years, Repsol has undertaken a committed policy to seeking hydrocarbon reserves through a tremendous exploration effort which has begun to see significant results. In 2008 our company participated in three of the five largest discoveries made worldwide: in Guara, in the Brazilian Santos basin, Kinteroni, in Peru, and Huacaya, in Bolivia.

One of the strategic initiatives with the greatest potential is the exploration activity in deep waters of the Santos basin, where we have high quality oil deposits, in what can be considered one of the most important offshore

“In 2008 Repsol attained an exceptional position in the international ranking of discoveries, participating in three of the five largest discoveries worldwide”

oil basins on the American continent discovered the last thirty years.

In Libya, another of the regions which offers an excellent outlook for our group, the I/R field commenced production in the second quarter of 2008. One of the largest oil discoveries in our company’s history, this field is already in the production phase. In 2008 our contracts in the NC-115 and NC-186 blocks in the same country were also extended to the year 2032.

Towards the end of the year, in November, Repsol was awarded the hydrocarbon exploration rights for three blocks in the offshore area of Newfoundland (Terranova) and Labrador, in Canada. This represented a further step forward in the company’s plans to increase gas and oil exploration and production in member countries of the Organization for Economic Co-operation and Development (OECD).

In addition to these achievements, in the first months of 2009 four new gas discoveries were announced in the Algerian Sahara desert as well as a significant oil find in US waters of the Gulf of Mexico: the deepwater Buckskin well, located 300 kilometres off the coast of Houston. This region, in which Repsol participates in the significant Shenzi area project, is considered one of the world’s most profitable with the greatest deepwater exploration potential. In 2009 Repsol also discovered gas 400 kilometres off the coast of Morocco and made exploration finds with the Iguazu well in Brazil and on the Libyan coast.

In addition to these exploration and production activities, Repsol has consolidated its position as a world reference in refining, a segment in which the company has notable competitive advantages, such as its conversion capacity, which is higher than the EU average, its strong margins and the excellent location of its industrial complexes.

To implement our company’s growth vectors, significant investments are forecast, which will be financed entirely from funds generated by our business. These large projects include the Cartagena refinery which, at €3.262 billion, can without doubt be considered the largest industrial investment ever made in Spain.

Parallel to these investments, in 2008 Repsol also carried out a divestment plant of non-strategic assets. This includes the sale of its service station networks in Ecuador and Brazil, as well as its stake in the Manguinhos refinery.

Within the framework of enhancement of the geographical distribution of the company’s assets and application of global management with a local focus, in February 2008 Repsol completed the sale of 14.9% of YPF to the Petersen Group for the sum of 2.235 billion dollars. Within a maximum period of four years from this date, the Petersen Group may also purchase an additional percentage of 10.1% of the YPF equity, and has already exercised an option for 0.1%.

Since taking over as Chairman of Repsol just over four years ago, I have defended a management policy based on stringency and transparency. I am pleased to inform you that this policy has not been long in bearing fruit: for the third consecutive year Repsol has been rated the most transparent of the world’s large oil companies by the prestigious international Dow Jones indexes.

"Financial discipline and prudent investment are the guiding forces behind our usual performance, but today, more than ever, they must lead the way"

The group also received the top rating in client relations, climate change strategy and biodiversity and significantly improved its rating in exploration and production. It should be highlighted that in 2005 we undertook a voluntary commitment to reduce CO_2 emissions by a million tonnes by 2012. The efficiency actions applied in recent years enabled us to achieve this goal in 2008 and the company has therefore revised its objectives and established a new, more ambitious plan: to reduce emissions by 2.5 million tonnes of CO_2 equivalent during the period 2005–2013.

This new advance confirms the correct approach of our policy on corporate responsibility, which forms an intrinsic part of our business model and the way we relate to society. As an example of this commitment, in 2008 Repsol devoted a total of €30 million to social and cultural programmes, and €83 million to research and development.

In February 2009, Repsol's Board of Directors approved the proposal for a new organizational structure aimed at reducing and concentrating the company's management team. The new organization, which reduces the number of business units by three, represents a rationalisation and simplification of Repsol's senior management structure and reinforces multidisciplinary business profiles with global vision and an ability to adapt to changing environments such as today's.

As I mentioned at the beginning of this letter, before us lies a future full of uncertainties and challenges, but also great opportunities, which we are facing with tremendous optimism and effort. I am firmly convinced that together the Repsol human team has established sound foundations which we will make the very most of.

Budgetary stringency, opportunity-seeking, financial discipline and prudent investment are the guiding forces behind our usual performance, but today, more than ever, they must continue to guide our approach.

I would like to end this letter by expressing my sincere thanks for your support and contribution to our business project, an exciting challenge to which we devote all our energies.

Antonio Brufau Niubó
Chairman and CEO

Milestones 2008

Compliance with the Strategic Plan -

In February 2008, the Chairman of the Repsol Group, Antonio Brufau, presented the Strategic Plan to 2012, which establishes the company's lines of growth and is based on ten key projects such as extension of the Cartagena refinery, development of the BM-S-9 block (Carioca and Guara) in Brazilian deep waters, the I/R field in Libya and the Shenzi field in the Gulf of Mexico. The 2008–2012 Strategic Plan, which is developed based on an established schedule, forecasts that in 2012 Repsol's net profit will multiply by 2.8 and EBITDA by 1.8.

The largest industrial investment in the history of Spain is underway -

In December 2007 an investment of over €3.2 billion was approved to increase the capacity of the Cartagena refinery, a project which will make this industrial complex one of the most modern in the world and double its production capacity to 220,000 barrels a day.

Throughout 2008 the necessary administrative permits were obtained for the extension, an initiative which has been most favourably received by the region and the administrations, as it will boost the economy of the Region of Murcia.

The works will provide employment for over 6,000 people and when operative the new refinery will generate around 700 jobs. More than 50% of production will be middle distillates, which will contribute to significantly reduce the shortage of these products in Spain. Extension of the Cartagena refinery, which is the largest industrial investment in the history of Spain, is one of the key initiatives in the 2008–2012 Strategic Plan.

Dividend increases by 5%

Net profit of the Repsol Group in 2008 amounted to €2.711 billion. This figure enabled the Board of Directors to propose to the Annual Shareholders Meeting payment of a total gross dividend for 2008 of 1.05 euros per share, an increase of 5% on the dividend paid in the previous year.

The overall sum designated for payment of the total gross dividend for the year 2008 is € 1.282 billion, which represents 47.3% of the net profit obtained in 2008. This rise is in line with the policy of increasing shareholder remuneration planned by the company.

Large discoveries in Brazilian deep waters

In June 2008 a second oil field was discovered in the BM-S-9 block, located in deep waters in the Brazilian Santos basin. The megafield, called Guara, is next to the Carioca field, discovered at the end of 2007. Preliminary examinations indicate that both contain a high potential of high-quality oil resources and confirm this basin as one of the world's deep water areas with the greatest potential.

The new Guara deposit, discovered by the consortium formed by Petrobras (45% and the operator), BG (30%) and Repsol (25%) 310 km. off the coast of the state of Sao Paulo, proved the presence of light oil with densities of around 28° API, at a depth of 5,000 metres, in 2,000 metres of water. Development of these projects is another of the ten key growth initiatives included by Repsol in the 2008–2012 Strategic Plan.

Sale of 15% of YPF

In February 2008 Repsol completed the sale of 14.9% of its affiliated company YPF to the Petersen Group for the sum of 2.235 billion dollars. The deal forms part of the company's strategy for enhancing the geographical distribution of its assets and applying global management with a local focus. Within a maximum period of four years from this date, the Petersen Group can also execute a purchase option on an additional 10.1 percent of the equity of YPF. The Petersen Group has already executed an option for 0.1%.

New gas deposits in Algeria, Bolivia, Peru, Brazil and Morocco

In Bolivia, Repsol discovered the Huacaya X-1 well where in 2008 it produced around 800,000 m^3 of gas a day (0.3 bcm/year). Repsol is the operator in the consortium for this concession with a share of 37.5%.

At the beginning of 2008 a new gas discovery was made in Peru at the Kinteroni X1 well, in block 57. Preliminary production tests showed flows of 1 million m^3 of gas a day (0.365 bcm/year) and 198 m^3per day of associated liquid hydrocarbons (72,270 m^3/year). Repsol is the operator of the consortium which will exploit the Kinteroni X1 field.

At the end of January 2009, Repsol announced three new gas discoveries in the Algerian Sahara desert: one in the Reggane basin, another in the adjacent Ahnet basin and a third in the Berkine basin. All of these show an initial joint flow in excess of one million m^3/day of gas – equivalent to 1% of gas consumption in Spain – and preliminary tests indicate a high potential. At the beginning of 2009 new discoveries were also made in the Brazilian Santos basin (Piracuca, Panoramix and Iguazu), in the Tangier-Larache exploration area (Morocco) and, again, in Ahnet (Algeria).

New Repsol Guide

On 3 December 2008, the Repsol Guide 2009 was launched with a new image and offering innovative travel proposals through quality gastronomy. The name change takes full advantage of the potential of the Repsol brand in Spain and worldwide and strengthens the position of this publication as the reference guidebook for planning trips in Spain, the south of France, Andorra and Portugal. The new Repsol Guide maintains the prestige of the previous publication, the Guia Campsa, which has provided information on gastronomy and tourism for over 30 years.

Growth in the Gulf of Mexico

On 6 February 2009 Repsol announced an important new oil discovery in the Gulf of Mexico: the Buckskin deepwater well, located in Keathley Canyon, 300 kilometres off the coast of Houston. Repsol is the exploration operator of this new deposit. In the same area, production of oil and gas commenced in March 2009 in the Shenzi field, considered one of the world's deepwater areas of greatest interest and with the most potential.

Sale of non-strategic assets

In 2008 Repsol sold its service station networks in Ecuador and Brazil as well as its stake in the Brazilian Manguinhos refinery. In June Repsol signed an agreement with the Peruvian-Chilean company Primax for the sale of the Ecuadorean companies Recesa and Oiltrader. In Brazil, Repsol reached an agreement with the Brazilian group AleSat Combustiveis for the sale of its fuel distribution operations, which included the purchase by this group of the network of 327 Repsol brand service stations.

Six world championships

For yet another year, Repsol participated in the world's top motor sport competitions – the best testing grounds for its fuels and lubricants – and won six world championships: the women's Outdoor Trial and the men's Indoor Trial; the GP2 series – the threshold to Formula 1 – and the World Touring Car Championship, in both the driver's championship and manufacturer's championship. 2009 could not have got off to a better start for Repsol: Marc Coma took victory in the first Dakar Rally to be held in South America, in the year in which the company celebrates 40 years in the world of motor sport.

Reinforced presence in the Murzuq basin in Libya

In the second quarter of 2008 Repsol commenced production at the I/R field in Libya, one of the ten key growth projects defined by the company in its 2008–2012 Strategic Plan. Current gross production is 16,000 barrels/day, although a figure of 90,000 barrels/day is expected to be reached.

On 17 July 2008, Repsol signed a new agreement with NOC, the Libyan national oil company, extending its exploration and production contracts in the country. This extends the term of the contracts for the NC-115 and NC-186 blocks, in the Murzuq basin, to the year 2032. The agreement guarantees Repsol exploitation of the substantial resources discovered in both blocks. In December Repsol then announced a new exploration discovery, also in the Murzuq basin, the most prolific region for hydrocarbon discoveries in this North African country.

Exploration in Canada -

In November 2008 Repsol was awarded the hydrocarbon exploration rights on three blocks in the offshore area of Newfoundland (Terranova) and Labrador, in Canada. This represents a step forward in the company's plans to increase its presence in gas and oil exploration and production in member countries of the Organization for Economic Co-operation and Development (OECD).

New K6 cylinder

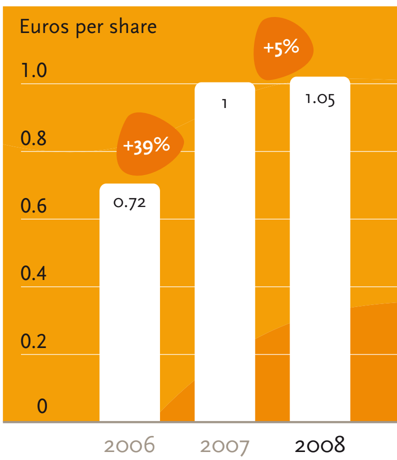
As part of its goal to enhance products and services, Repsol has launched a new 6 kilo butane cylinder format. Called the K6, it is more modern, lighter and easier to manage, with an ergonomic design to make it easier to transport.
The cylinder is compatible with installations using the traditional 12.5 kilo cylinder. The new format aims to meet the needs of customers who require more convenience and autonomy, both in traditional domestic use and in the professional and leisure sectors. This launch coincides with the 50th anniversary of Repsol Butano.

The most transparent oil company -

For the third year running, Repsol was ranked the most transparent of the world's large oil companies by the prestigious Dow Jones international indexes.
This is endorses the policies of maximum transparency and stringency introduced by the management team. The group also received the highest ranking in customer relations, climate change and biodiversity.

Repsol shares -

DIVIDEND PER SHARE



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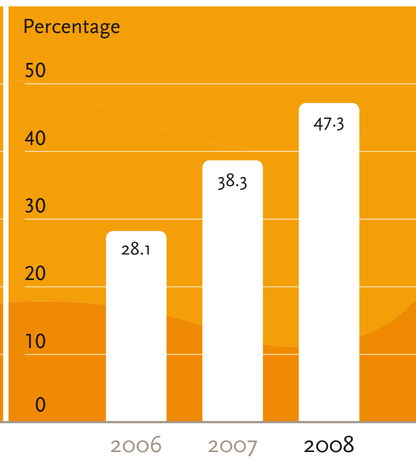
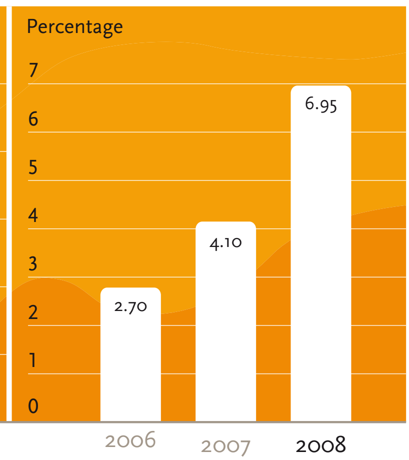


PROFITABILITY PER DIVIDEND



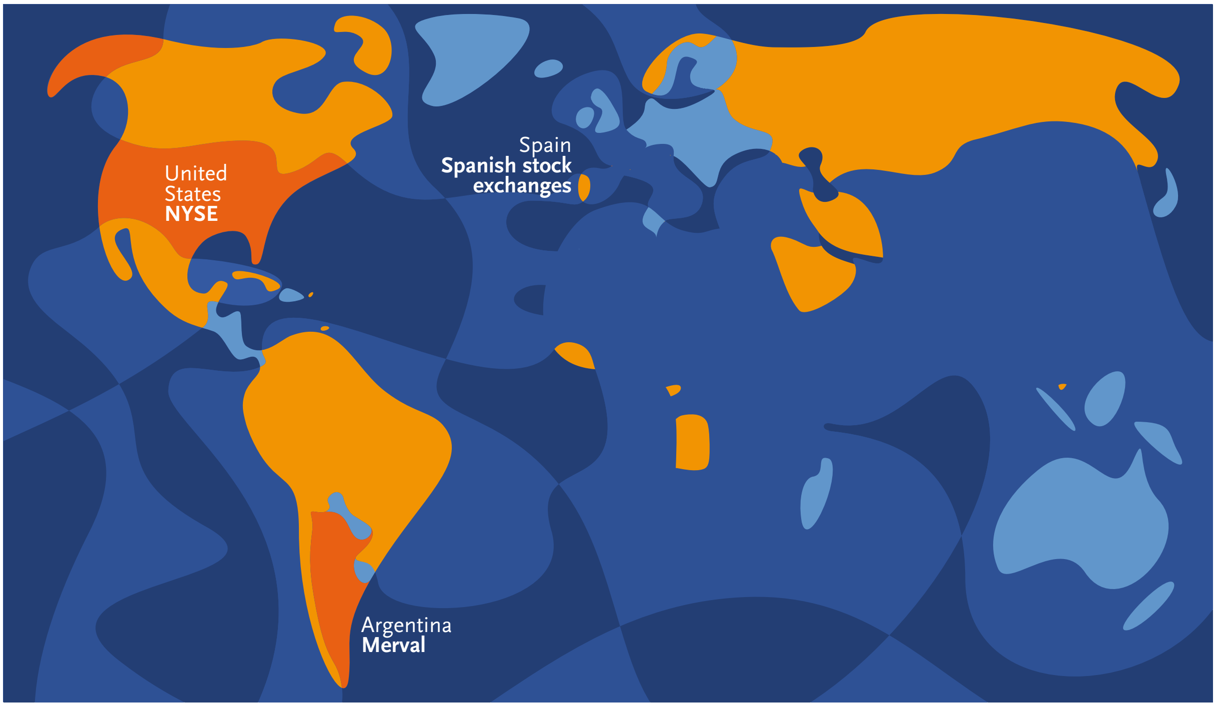
The securities market in 2008 was severely affected by the world economic crisis. Uncertainty regarding the evolution of the major economies strongly increased volatility and lack of trust in all stock markets. Within this negative context, the Repsol shares closed 2008 at €15.10 and performed better than the Ibex-35, the reference index on the Spanish stock markets.

Repsol shares performed more favourably, for example, than the whole of the Euro Stoxx Oil & Gas Index – which includes the leading oil and gas companies in Europe –, the Dow Jones Utilities Index and the Bloomberg index of the 500 largest European companies. In December 2008, the company's Board of Directors approved a gross dividend payout of 0.525 euros per share for the year 2008, which was paid on 15 January 2009. At this Board Meeting Repsol's chairman, Antonio Brufau, highlighted the need to continue with a stable shareholder remuneration policy compatible with the decision to maintain the company's current financial soundness and liquidity.

Profitability for shareholders

Last February, Repsol's Board of

● REPSOL GROUP PRESENCE WORLDWIDE ● STOCK EXCHANGES ON WHICH THE REPSOL SHARE IS LISTED



Directors agreed to propose to the Annual Shareholders Meeting the distribution of 0.525 euros per share corresponding to the complementary dividend for the year 2008, payable from 9 July, 2009. This proposal, which is expected to be approved by the Annual Shareholders Meeting, means that the total gross dividend for 2008 will be 1.05 euros per share, an increase of 5% on the previous year.

The overall sum designated for payment of the total gross dividend for the year 2008 is € 1.282 billion, which represents 47.3% of the net profit obtained in 2008. This increase is in line with that of other large companies in the sector and with the policy of increasing profitability for shareholders established in the 2008–2012 Strategic Plan. Profitability per dividend amounted to 6.95% which is almost three times the amount in 2005.

Governing bodies -
Board of Directors

Chairman and CEO

Antonio Brufau Niubó
Chairman and CEO
Chairman of the Delegate Committee

Vice Chairman

Luis Fernando del Rivero Asensio
Institutional Outside Director
1st Vice Chairman
Member of the Delegate Committee

Isidre Fainé Casas
Institutional Outside Director
2nd Vice Chairman
Member of the Delegate Committee

Directors

Juan Abelló Gallo
Institutional Outside Director
Member of the Strategy, Investment and Corporate Social Responsibility Committee

Paulina Beato Blanco
Independent Outside Director
Chairwoman of the Audit and Control Committee

Artur Carulla Font
Independent Outside Director
Member of the Nomination and Compensation Committee

Luis Carlos Croissier Batista
Independent Outside Director
Member of the Strategy, Investment and Corporate Social Responsibility Committee

Carmelo de las Morenas López
Independent Outside Director
Member of the Audit and Control Committee

Ángel Durández Adeva
Independent Outside Director
Member of the Audit and Control Committee

Javier Echenique Landiríbar
Independent Outside Director
Member of the Delegate Committee
Member of the Audit and Control Committee

Antonio Hernández-Gil Álvarez-Cienfuegos
Independent Outside Director
Member of the Delegate Committee
Chairman of the Nomination and Compensation Committee

José Manuel Loureda Mantiñán
Institutional Outside Director
Member of the Strategy, Investment and Corporate Social Responsibility Committee

Juan María Nin Génova
Institutional Outside Director
Member of the Nomination and Compensation Committee
Member of the Strategy, Investment and Corporate Social Responsibility Committee

Pemex Internacional España, S.A. (represented by Raúl Cardoso Maycotte)
Institutional Outside Director
Member of the Delegate Committee
Chairman of the Strategy, Investment and Corporate Social Responsibility Committee

Henri Philippe Reichstul
Independent Outside Director
Member of the Delegate Committee

Luis Suárez de Lezo Mantilla
Executive Director
Member of the Delegate Committee
ED Legal Affairs and Secretary of the Board

Executive Committee

Antonio
Brufau Niubó
Chairman and CEO

Miguel Martínez
SanMartín
Chief Operating
Officer

**Pedro
Fernández Frial**
Executive Director
Downstream

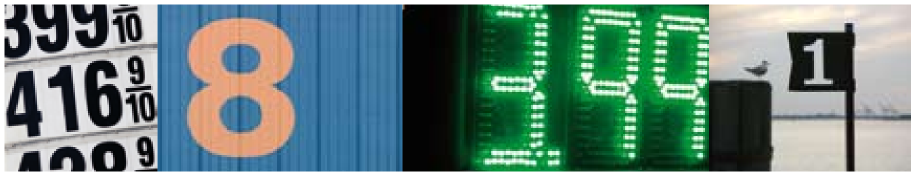
**Nemesio
Fernández-Cuesta**
Executive Director
Upstream

Antonio
Gomis Sáez
Executive Director
YPF

Fernando Ramírez
Mazarredo
Executive Director
Finance and
Corporate Services

Cristina Sanz
Mendiola
Executive Director
Corporate Resources

Luis Suárez
de Lezo Mantilla
Executive Director Legal
Affairs and Secretary
of the Board



Financial and Economic information

Macroeconomic environment

The year ended 31 December 2008 was marked by the global economic crisis and uncertainty. Economic growth had begun to slow down in the first quarter of 2007 due to turbulence in the financial system which at first affected structured credit markets and their financing requirements, but subsequently intensified, generating tensions in the credit market beyond the issue of subprime mortgages. The financial crisis became more toxic in 2008 and markets entered a vicious cycle of deleveraging and declining asset values, affecting the real economy because of a significant loss of confidence and leading to a recession in the major economies.

In its January 2009 report, the International Monetary Fund (IMF) estimated that global growth in 2008 had declined to 3.4% in comparison with the 5% growth recorded in recent years. Growth in advanced economies was weaker in 2008, approximately 1% (2.7% in 20007), while emerging and developing economies grew 6.3%, showing strong performance although lower than the 8.3% growth recorded in 2007. These figures show that the impact of the financial crisis on mature markets was more intense than on emerging markets, which demonstrated great resistance until the last quarter of the year when financial tensions peaked as Lehman Brothers, the US investment bank, declared bankruptcy.

Another important factor within the context of the 2008 macroeconomic scenario was the sharp rise in inflation up until the third quarter, after which it fell sharply, principally as a consequence of the evolution of raw materials, oil and cereals prices.

One year, two scenarios

Oil prices in 2008 continued the upward trend that began in 2002. The average price of Brent was $97 versus the $72 recorded in 2007; although it was highly volatile reaching a maximum of $133 in July 2008 and then plunging to a monthly average of $40 in December as a result of the slump in global economic activity.

The oil market in 2008 was extremely volatile. Prices in the first half of the year followed the upward trend in place since the start of 2007, continuing to climb

from the average $92 per barrel in January reaching a record high, in nominal and actual terms, in early July when, in the specific case of West Texas Intermediate (WTI), prices peaked at more than $145 per barrel. Various factors were responsible for this rise, such as: inelastic demand, particularly in countries not members of the Organization for Economic Co-operation and Development (OECD); the uncertainty over whether supply would be able to meet demand in the short, medium and long term; and the development of a financial market that was significantly commodity-leveraged. The turning point came in August when the financial crisis spread to oil markets due to two causes: reduced demand in view of the

In the second half of 2008 oil prices fell to levels not seen since 2004

macroeconomic outlook; and deleveraging in the financial market. Oil prices fell to levels not seen since 2004, averaging $99.45 per barrel at the end of 2008.

The moderation in inflation registered from August 2008 because of weak demand and lower commodity prices enabled central banks to take coordinated action, drastically reducing interest rates and injecting liquidity. Governments also intervened providing public funds to recapitalize banking entities and to purchase so-called toxic assets, also coordinating major tax stimulus measures to mitigate the adverse impact of the financial crisis and its effects on the real economy.

In the United States, GDP in 2008 grew by 1.1%, down from the 2% recorded in 2007. The crisis, which was initially concentrated in the housing sector, spread to the manufacturing sector and is intensely affecting private spending.

The Euro zone, which showed positive performance in the first half of 2008, was also severely affected by the financial crisis in the second half of the year, and average growth fell from 2.6% in 2007 to 1%.

In Spain, the international financial crisis aggravated the real estate correction that started in 2007. This scenario adversely affected domestic demand and, as a result, GDP at year-end 2008 stood at 1.2% compared to 3.7% in the last decade, following two

REPSOL GROUP INCOME STATEMENT

Millions of euros	2007	2008
Operating revenue	**5,808**	**5,083**
Upstream	1,882	2,258
LNG	107	125
Downstream	2,204	1,111
YPF	1,228	1,159
Gas Natural SDG	516	555
Corporate and other	(129)	(125)
Financial result	**(224)**	**(372)**
Profit before tax and affiliated companies	**5,584**	**4,711**
Income tax	(2,338)	(1,940)
Share of results of companies accounted for using the equity method	109	66
Net income for the year	**3,355**	**2,837**
Income attributable to minority interests	(167)	(126)
Income attributable to the parent company	**3,188**	**2,711**

quarters of economic downturn, something which had not happened in 15 years.

In 2008 Latin America benefited from high raw material prices in the first half of the year and greater macroeconomic stability, recording economic growth of nearly 4.6%, one percentage point less than in 2007. However, the financial crisis also affected the last part of 2008 due to the leveraging process, against a backdrop of increasing uncertainty.

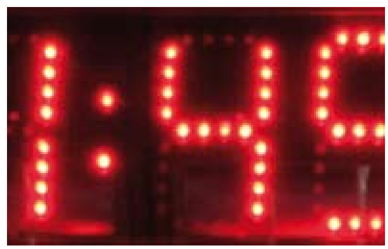
Revenues

At €2.711 billion, Repsol's net income in 2008 was 15% below the record figure posted in 2007. Excluding the inventory effect in both years, income for 2008 would have been similar to the previous year's figure. Operating revenue was €5.083 billion in comparison with €5.808 billion in 2007, while EBITDA stood at € 8.160 billion, in comparison with the 8.573 billion obtained in 2007. Earnings per share were €2.23.

Operating revenue in the Upstream business (Exploration and Production) was up 20% to €2.258 billion, reflecting higher oil benchmark prices.

Liquefied Natural Gas (LNG) revenues rose 17% to €125 million, driven by increased activity and higher prices of both the main commodities and the Spanish electricity pool.

Income in the Downstream area (Refining, Marketing, Liquefied Petroleum Gas, Trading and Chemicals) once again showed Repsol YPF's leadership position



in this business. Operating revenue in the year reflected an improvement in refining margins in comparison with the previous year, although this business was negatively affected by the sharp contraction of the chemical business in 2008 due to the global economic slump.

Associated companies

With regards to Repsol's associated companies, operating income for YPF was €1.159 billion, 5.6% less than in 2007. Higher prices in the Argentinean market offset the rise in costs, the fall in exports and in the chemical business, and the depreciation of the peso. At €555 million, operating income in Gas Natural SDG increased by 7.6%. This growth is attributable to higher year-on-year average electricity prices in Spain, the increase in electricity generation, the incorporation of the power business in Mexico, and enhanced performance in the gas business, particularly in regulated distribution in Brazil and in gas supply and marketing in deregulated markets.

Repsol Group's financial charges in 2008 amounted to €372 million and income tax accrued in 2008 totalled €1.940 billion, representing an effective tax rate of 41.2%.

Financial review

Despite the complex macroeconomic scenario, Repsol's financial position remained strong at the close of 2008. Net financial debt stood at €3.334 billion, €159 million less than at the end of 2007. This debt reduction was achieved despite the proportional consolidation of Gas Natural SDG's net debt which increased during the year above all due to the partial acquisition of the electric utility Union Fenosa.

Excluding Gas Natural SDG, net debt fell by €488 million thanks to the fact that the volume of EBITDA generated exceeded the amount of net investments, dividend payments and tax liabilities.

The year-on-year appreciation of the dollar in 2008 increased the nominal amount of net debt, most of which is denominated in this currency, by €179 million.

The 2008–2012 Strategic Plan approved by Repsol at the beginning of the year served as the framework for the investments made in the year. The company invested €5.586 billion in 2008, most of which was allocated to developing the Shenzi exploration field in the United States, construction of the Canaport (Canada) regasification plant, the Peru LNG project and exploration activity. Expenditures include €517 million for the partial acquisition of Union Fenosa by Gas Natural SDG in July 2008. Other investments included ongoing refining projects, upgrading operations and installations, safety and the environment, fuel quality and conversion. The final investment decision for the Cartagena (Spain) refinery expansion project was made in 2008.

Divestments in the year totalled €1.721 billion. On 21 February 2008, Repsol sold a 14.9% stake in YPF to the Petersen Group for 2.235 billion dollars, providing the purchaser with a vendor loan in the amount of 1.105 billion dollars. The Petersen Group will also be able to exercise an option

NET DEBT AT THE CLOSE OF THE YEAR

Millions of euros	2007	2008
Non-current financial liabilities	10,065	10,315
Less preferred shares (see note 19)	(3,418)	(3,524)
Current financial liabilities	1,501	1,788
Non-current financial assets	(1,650)	(2,466)
Less financial assets available for sale (see note 15)	138	881
Other current financial assets	(266)	(494)
Cash and cash equivalents	(2,585)	(2,891)
Hedging derivative instruments on interest rate (see note 38)	(292)	(275)
Net financial debt	**3,493**	**3,334**
Preferred shares (note 19)	3,418	3,524
Net financing (*)	**6,911**	**6,858**

Notes to the 2008 Consolidated Annual Accounts.
(*) In addition, at 31 December 2008 and 2007 €721 and €632 million are recorded under the heading "Other non-current liabilities" and €31 and €61 million under the heading "Other creditors" corresponding to financial leases recorded using the amortized cost method (see note 23).

to increase its stake in YPF by an additional 10.1% within a maximum period of four years. This Group has already exercised an option for an additional 0.1%.

This authorization is valid for 18 months from the date of the Shareholders Meeting, rendering null and void the authorization granted by the previous Ordinary Shareholders Meeting held on 9 May 2007.

Accordingly, over the year 2008 Repsol acquired a total of 12,924,428 own shares, representing 1.06% of the company's share capital, for a total amount of €261.73 million and with nominal value of €12.92 million. In addition, Repsol sold 695,000 own shares with a nominal value of €0.69 million and for a total amount of €17.50 million. At 31 December 2008, Repsol held an open position of 12,229,428 own shares.

In line with its prudent financial policy, Repsol holds a significant volume of financial investments which are included in the headings listed under note 15 of the Annual Report as "Other financial assets at fair value through profits or loss", "Loans and receivables" and "Held to maturity investments" for an amount of €4.625 billion, of which €4.452 billion correspond to Repsol, excluding Gas Natural SDG. The group also has undrawn credit lines amounting to €3.916 billion, of which €3.496 billion correspond to Repsol, excluding Gas Natural SDG.

Consequently, net debt and the net debt/capital employed ratio, in which capital employed corresponds to net debt plus net equity, provides a true and fair view of both the volume of necessary borrowings and their relative weighting in the funding of capital employed in operations.

At December 2008, the net debt to capital employed ratio stood at 11.9%, 1.5 percentage points lower than at year-end 2007. Taking preferred shares into account, the variation in this ratio was from 26.5% at December 2007 to 24.4% at the close of 2008.

The attached table describes the calculation of reported net debt on the basis of balance sheet information contained in the consolidated financial statements.

Management of financial risks

The organization and systems in place at the Repsol group ensure that the risks associated with the financial instruments to which the group is exposed can be identified, measured and controlled. The group's activities involve several types of financial risks:

Liquidity risk

Liquidity risk is associated with the group's capacity to finance its commitments at reasonable market prices and to execute its business plans with stable sources of funding.

Repsol applies a prudential policy with respect to liquidity risk, keeping sufficient resources available in cash and other liquid financial instruments and undrawn credit lines to meet the maturities of loans and financial debts falling due within a twelve-month horizon. The group had undrawn credit lines totalling 3.916 and €4.132 billion on 31 December 2008 and 2007 respectively.

Credit risk

The group's credit risk exposure mainly corresponds to commercial debts from trading operations. These amounts, which totalled €5.758 and 7.103 billion at 31 December 2008 and 2007 respectively, are recorded in the

EVOLUTION OF NET DEBT

Millions of euros	January–December 2008
Net debt at the start of the period	**3,493**
EBITDA	(8,160)
Working capital variation	(1,187)
Investments	5,586
Divestments (1)	(1,721)
Dividends paid (including affiliated companies)	1,608
Exchange rate effects	179
Taxes paid	2,399
Other movements	1,137
Net debt at the close of the period	**3,334**

(1) The figure for divestments includes €690 million corresponding to the loan granted to the Petersen Group as part of the sale of 14.9% of YPF carried out on 21 February 2008. In addition, divestments in long-term financial assets (€14 million) are not shown as these do not affect net debt variation.

balance sheet net of allowances for doubtful accounts and are measured and controlled by individual client or third party. For this purpose, the group has its own systems, aligned to best practices, for constantly monitoring the creditworthiness of all its debtors and for determining third party risk limits. No client accounts for more than 4% of the total amount of these accounts payable and exposure is therefore spread over a large number of clients and other counterparties.

On a general basis, the group considers bank guarantees issued by financial entities to be the most suitable credit risk protection instrument. In certain cases the group has taken out credit insurance policies through which it transfers the credit risk associated with the commercial activity of some of its business to third parties.

At 31 December 2008, the group held guarantees in force granted by third parties totalling €2.460 billion, having executed guarantees received for an amount of €10 million. As of 31 December 2007, this figure stood at €1.949 billion, with €19 million worth of guarantees having been executed.

Note 5 of the Consolidated Financial Accounts provides additional details on the risks associated with the financial instruments used by the group and note 38 describes the hedging financial instruments.

Business risk factors -

The Repsol group conducts its activities within an environment in which there are risks arising from either factors affecting the group exclusively or external factors affecting all companies in the sector. These risks may have an impact on the company's business, operations, results and financial situation. Furthermore, future risks, currently unknown or not considered relevant, may also affect the company's business.

Exchange rate risk

The results of operations are exposed to variations in the exchange rates of the currencies of the countries in which Repsol operates. To mitigate this risk, Repsol contracts derivatives for those currencies in which there is a liquid market with reasonable transaction costs.

The company is also exposed to exchange rate risks affecting the value of its assets and financial investments in dollars. Most of Repsol's financing is obtained in dollars, either directly or synthetically through the contracting of foreign exchange derivatives.

Commodity price risk

As a result of carrying out commercial transactions and activities, the Repsol group's results are exposed to volatility in the price of oil, natural gas and derivative products.

Interest rate risk

The market value of the group's net financing and net interest expenses may be affected as a result of variations in interest rates.

Regulatory risks

The oil and gas industry is subject to extensive governmental regulation and intervention in areas such as exploration and production permits, the imposition of specific contractual obligations for drilling and exploration, production restrictions, price controls, asset divestments, exchange rate controls and the nationalization, expropriation or cancellation of contractual rights. Such regulation and legislation applies to virtually all Repsol group operations in the countries where it conducts its activities. Additionally, this legislation and regulation may change in the future.

The Repsol group is also subject to increasingly demanding environmental legal requirements in virtually all the countries in which it operates. These affect

the company's operations in relation to issues such as the environmental quality of products, atmospheric emissions and climate change, discharges into water and management of ground water, as well as the generation, storage, transport, treatment and final disposal of waste. These requirements have had and will continue to have a substantial impact on Repsol's business, its financial situation and the result of its operations. The company has therefore made and will continue to make the necessary investments to comply with these requirements.

Business areas

Repsol worldwide

Upstream -

LNG -

Downstream -

YPF -

Gas Natural SDG


Norway
Russia
France
Spain
Kazakhstan
Portugal
Italy
Iran
Morocco
Algeria
Libya
Saudi Arabia
Mauritania
Liberia
Sierra Leone
Singapore
Equatorial Guinea
Angola

Upstream - Exploration and Production

Income

Operating income from the Upstream division in 2008 was €2.258 billion, 20% higher in comparison with the 1.882 billion obtained a year earlier. EBITDA amounted to €2.864 billion in comparison with 2.631 billion in 2007. The improved results were mainly due to the increase in income as a result of higher average selling prices.

The average retail price of the Repsol liquids was US$87.3/barrel (€59.3/barrel) against US$61.5/ barrel (€44.8/barrel) in 2007. The average price of gas was US$4.2 per thousand cubic feet, an increase of 37% on 2007. These increases were driven by higher oil prices on the international markets. Oil played a major role in the 2008 economic scenario: after starting the year strongly, the price of oil continued to climb, reaching a record US$147/ barrel in July. It then suffered a sharp fall to below US$40/barrel in December.

Extraction lifting cost was US$2.24/barrel, an increase of 1.8% compared to the US$2.20/ barrel of 2007. This trend is attributed to the decrease in production largely due to the deconsolidation of Andina in Bolivia and the end of operations in Dubai. Finding costs of proved reserves averaged US$10.9/barrel in the 2003-2008 period.

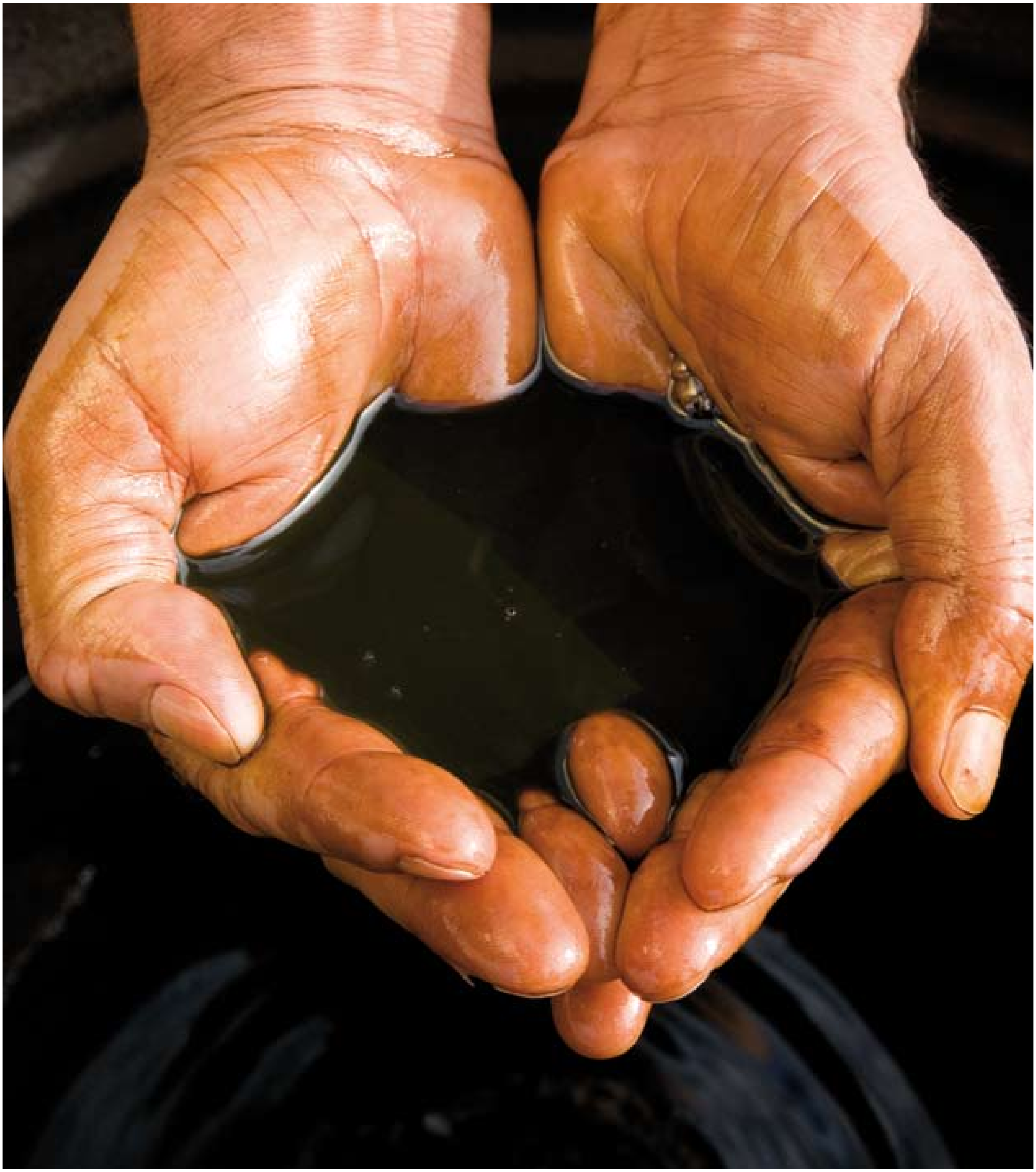
Activities by countries

In 2008 major strides were made in the consolidation process of the Upstream business in key regions for the company, such as the Gulf of Mexico (United States), Brazil, Peru, North Africa and Trinidad and Tobago. To reinforce the strategy of diversification and growth in OECD countries defined by Repsol, the first steps were taken in 2008 towards commencing operations in Canada and Norway. The objective is to ensure organic growth by maximizing asset profitability and boosting production and reserves over the 2008–2012 period.

United States

Over the past three years, Repsol has significantly enhanced its presence in deep waters of the US Gulf of Mexico, participating in the major Shenzi oil development project and securing a large number of exploration blocks. This region is considered one of the most profitable with the greatest deepwater potential in the world.

The company holds a 28%


Oil extracted from a Repsol well in Libya.

A Repsol installation in Libya.

interest in the Shenzi field, one of the largest deepwater discoveries made to date in the Gulf of Mexico. Repsol commenced production of oil and gas in this field in March 2009. Development of the first phase of the project was completed ahead of schedule and on budget.

In Exploration Round 206 carried out in early 2008, Repsol obtained 32 new exploration blocks in the Gulf of Mexico which, together with others achieved in recent years, comprise a very sound exploration project portfolio. The company's participation in these rounds forms part of its strategy for diversification and growth in OECD countries. In March 2009 Repsol obtained a further 20 exploration blocks in Round 208.

Repsol is one of the leading companies in offshore mineral exploration acreage in the Santos, Campos and Espiritu Santo basins in Brazil, an area with an enormous potential at a world level

Africa

Repsol has a significant presence in North Africa, centred on Libya and Algeria, countries in which it has major ongoing projects which guarantee sustainable and profitable growth over the coming years.

In June 2008 production commenced in Libya at the I/R field situated in the prolific Murzuq basin in Blocks NC-186 and NC-115. Repsol participates in both of these blocks. Discovered in 2006, the I/R field is one of the most important exploration discoveries made in the history of the company and the largest in Libya in the last decade. With a production potential of 90,000 barrels/day, development of this field will give a major boost to the company's reserves and production in this country. This field is one of the ten key growth projects defined by Repsol in its 2008–2012 Strategic Plan.

At the end of 2008, the Libyan National Oil Company NOC approved the development plans submitted for the "J" and "K" fields in block NC-186 (Repsol, Total, OMV and StatoilHydro). The development plan for field "E" in block NC-200 (Repsol and OMV) should be approved in the first half of 2009, thereby enabling production to commence in these three new fields. A new exploration discovery was also made in 2008 in block NC-186 with the Y1 well.

On 17 July, Repsol and NOC signed a new agreement extending the term of the oil exploration and production contracts in this country. The new agreement extends the term of the contracts for blocks NC-115 and NC-186 until the year 2032, which represents an additional 15 years for the block NC-115 contract and another five to nine years, depending on the fields, for the block NC-186 contract. The agreement ensures that Repsol will be able to exploit the abundant resources discovered in both blocks, for which the exploration licenses were also extended for an additional five years.

In Algeria, 2008 saw two new gas discoveries in the Reggane basin in block 351c-352c operated by Repsol. These finds are in addition to those made in the same block in previous years. It is expected that Reggane will be declared commercially viable by Sonatrach in 2009, which will enable development of this major

gas project to commence. Two other exploration discoveries were also made in this country in the M'Sari Akabli block, also operated by Repsol.

Latin America

Brazil is one of the principal areas for the future growth of Repsol, one of the leading companies in offshore exploration mining acreages in the Santos, Campos and Espiritu Santo basins with a total of 21 exploration blocks (the company is an operator in 11 of these).

Repsol holds a 10% interest in the Albacora Leste field (Santos basin), which has been in production since April 2006. Output in this major Brazilian deepwater field was approximately 140,000 barrels/day in 2008. It has over 400 million barrels of proved and probable crude oil reserves.

A new major discovery was made in the second quarter of 2008 in Brazilian deep waters in block BM-S-9 in the Santos basin with the Guara well. This find is in addition to the Carioca field, situated in the same block, discovered at the end of 2007. Preliminary appraisals indicate that both fields offer a great potential of high-quality oil resources. The Brazilian offshore region is proving to be one of the world's most high potential deepwater areas.

The exploration discoveries in block BM-S-9 reinforce the company's strategy in the Brazilian offshore region and represent one of the key growth projects in the Upstream area. In 2009 two additional wells are to be drilled in this block. One of these, the Iguazu well, proved positive in April 2009.

In Bolivia, an agreement was signed in May 2008 with the Bolivian company YPFB for the sale of a 1.08% share of the company Andina. Following this transaction, the shareholder structure of Andina is YPFB (51.08%) and Repsol E&P Bolivia (48.92%). Similarly, the Shareholders Agreement was signed in October 2008 which will regulate the administration, operations and management of this company. This agreement came into force in November 2008. Repsol also discovered the Huacaya gas well in Bolivia.

In Trinidad and Tobago, Repsol is one of the leading private companies in terms of oil and gas production and reserves, together with BP, with which it shares

In January 2008 Repsol made an important discovery in Peru with the Kinteroni well

ownership of the company bpTT. The firm, in which Repsol holds a 30% stake, is the operator of an extensive offshore hydrocarbon production area in the country, which in 2008 reached an average production of more than 460,000 barrels of oil equivalent.

The Teak Blow Down gas compression project for domestic sales was completed in the fourth quarter of 2008, boosting gas production by 700,000m^3/day as of January 2009.

The bbTT Mango and Cashmina fields, which commenced production in the fourth quarter of 2007, contributed to increasing production in 2008 as well as availability of gas for Train 4 at the Atlantic LNG liquefaction plant in which Repsol holds a 22.22% stake.

In Peru, work continued in 2008 towards complete development of the Camisea field (blocks 56 and 88), in which Repsol holds a 10% interest. These blocks will supply natural gas to the future liquefied natural gas plant, part of the Peru LNG project, which is due to be operational in 2010 and in which Repsol holds a 20% stake. Two fields are being developed in block 88, San Martin (in production since 2004) and Cashiriari (currently under development), and in block 56 production in the Pagoreni field commenced in September 2008.

Also in Peru, in January 2008 Repsol made a major discovery with the Kinteroni well in block 57, which is located in the Ucayali-Madre de Dios basin in the country's central jungle, 50 km from the Camisea gas-condensate field. The presence of gas and condensate in the Kinteroni field was confirmed with a significant resource potential that is currently being appraised. Repsol, with a 53.84% stake, is the operating company.

In Colombia, the Capachos Sur field in the Capachos block commenced production in April 2008. Repsol owns 100% of this 259 km^2 block situated in the Llanos basin.

Alaska and Canada

In the first quarter of 2008 Repsol was awarded 93 blocks in Alaska in Exploration Round 93. These offshore blocks are located in the Chukchi Sea and cover a total area of 2,139 km^2. The company's objective is to create a large project portfolio in this almost unexplored area which offers a high potential

In 2008 Repsol made a total of **ten new exploration discoveries** in Brazil, Peru, Algeria, Colombia and Libya, in addition to **six further discoveries made by YPF**

The Stena Drillmax drill ship in the Gulf of Mexico, where exploration tasks have been carried out.

of undiscovered resources.
In July 2007 Repsol reached an agreement with Shell Offshore Inc. and Eni Petroleum US LLC to explore 71 adjacent offshore blocks in the Beaufort Sea, north of the prolific Prudhoe Bay and the Kuparuk oil fields. Repsol holds a 20% stake in these blocks.

In Canada, at the end of 2008 Repsol won exploration rights for three blocks in the Newfoundland (Terranova) and Labrador offshore areas. Two of these blocks are situated in the Central Ridge/ Flemish Pass area and the other is in the Jeanne d'Arc basin. Repsol's partners in these blocks, which have a combined area of 4,000 km², are the Canadian companies Husky Oil and Petro-Canada. The awarded exploration rights represent a further step forward in the company's plans to increase its presence in oil and gas exploration and production activities in OECD countries.

Europe

In Norway, and again in line with the strategy of diversification and growth in OECD countries, an agreement was signed in September 2008 with the Norwegian company Det Norske Oljeselskap ASA (Det Norske) for the joint study of the areas available in Exploration Round 20. Repsol holds a 40% stake in this project, with Det Norske holding the remaining 60%. In November, a joint bid was submitted for four blocks. Repsol also presented a bid for 100% of another three blocks. The result of this round is expected to be announced in 2009.

Also in Norway, in October 2008 Repsol, jointly with Det Norske, Bayerngas and Svenska, presented a bid for four blocks situated between the Njord and Draugen (Norwegian Sea) blocks, in the APA Round 2008 (Award of Predefined Areas). Repsol obtained one exploration area.

Discoveries

In 2008 Repsol made a total of 10 new exploration discoveries in Brazil, Peru, Algeria and Libya.

In Brazil, Repsol discovered a second oil field in June 2008 in block BM-S-9, in deep waters of the Santos basin in Brazil. The new field, known as Guara, is adjacent to the Carioca field discovered at the end of 2007 in the same block. Preliminary appraisals indicate that both fields contain a high potential of high-quality oil resources and

confirm this basin as one of the deepwater areas with the greatest potential worldwide.

The presence of light oil with a density of approximately 28°API was found in the new Guara field, discovered by the consortium formed by Petrobras (45% and the operator), BG (30%) and Repsol (25%), 310 km off the coast of the State of Sao Paulo, at a depth of 5,000 metres beneath over 2,000 metres of water.

In 2009 Repsol and its partners in the block will continue to carry out the activities and investments necessary in order to more accurately determine the exact size of the Carioca and Guara fields and to define the future development plan. Two additional wells are to be drilled in 2009 (one of these proved positive in April 2009) and a production test will be conducted in the Guara well. Development of these deepwater projects in the Santos basin is one of the ten key growth initiatives included by Repsol in its 2008–2012 Strategic Plan.

Two other major discoveries were also made in Brazil at the beginning of 2009 in deep waters of the Santos basin in the Piracuca and Panoramix fields.

In Peru, a significant exploration discovery was made in January 2008 in block 57, located in the Cuzco province at the Kinteroni exploration well. Repsol, with a 53.84% stake, is the operator of the consortium that will exploit the field (Petrobras holds the remaining 46.16%). Preliminary production tests registered flows of one million cubic metres of gas per day (0.365 bcm/year) and 198 cubic metres per day of associated hydrocarbon liquids (72,270 m^3/year).

In order to define a commercial and development plan for this discovery, a 3D seismic survey will be conducted on the Kinteroni structure and several delineation and exploration wells will be drilled in the block.

All these activities will enable a more accurate assessment of the resources discovered, which are initially estimated at around 2 TCF (56 bcm).

Kinteroni, next to the Camisea gas field in blocks 56 and 88 in which Repsol holds a 10% stake, will supply gas to one of the company's major Liquefied Natural Gas (LNG) projects: Peru LNG.

In Algeria, two new exploration discoveries were made with the

View of a Repsol production filed in Libya

AZSE-2 (Azrafil SE) and KLS-1 (Kahlouche S) wells in block 351c-352c (Reggane Nord), located in the Reggane basin. Repsol, with a 33.75% stake, is the operator of the consortium, together with the Algerian state company Sonatrach (25%), Germany's RWE Dea (22.5%) and Italy's Edison (18.75%). Situated in the south-central part of the Algerian Sahara desert, the block covers an extensive area of 4,682 km². This discovery is in addition to another four made in the same block, the first in 2005 (Reggane 5 well), another two in 2006 (with the Sali 1 and Kahlouche-2 wells) and the last in 2007 (with the Reggane 6 well).

Another two exploration discoveries were made in this North African country in the M'Sari Akabli block with the TGFO-1 and OTLH-2 (Oued Talha) wells. Repsol holds a 33.75% stake and is the operator of this block, which covers a total surface area of 8,103 km².

At the beginning of 2009, a discovery was announced in the Gassi Chergui area with the AL-2 well in the Berkine basin.

In Colombia, three new discoveries were made. Two of them were with the Cosecha Z and Cosecha Y Norte wells in the Cosecha block in the Llanos Orientales basin, in which Repsol holds a 25% stake and Oxy, the operator, holds the remaining 75%. The Cosecha block has a surface area of 2,856 km². The third discovery was made with the Capachos Sur 1 well, in the Capachos block in which Repsol is

During 2008, there was an increase in hydrocarbons production mainly in Peru, Trinidad and Tobago and the United States.

the operator with a 100% stake.

In Libya, a new exploration discovery was made at the beginning of 2008 in the prolific NC-186 block with the Y1 well. With a 32% stake, Repsol is the operator of this 4,295 km² block in the Murzuq basin.

In the deep waters of the US Gulf of Mexico, a major oil discovery was made at the beginning of 2009 at the Buckskin well located in the Keathley Canyon area, 300 kilometres off the coast of Houston. Repsol is the exploration operator of the consortium which discovered this new field, in which a hydrocarbon column of around 100 metres has been discovered. The new well is 10,000 metres deep beneath 2,000 metres of water.

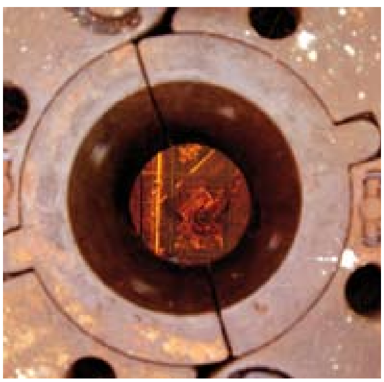
Production

Repsol's hydrocarbon production in 2008 stood at 332,721 barrels of oil equivalent per day, 14.6% less than in 2007. Excluding contractual variations in Dubai (5,000 boepd), Venezuela (3,200 boepd) and Bolivia (47,600 boepd), production levels were similar to those of the previous year. Production increased, particularly in the United States (1,200 boepd), thanks to the start of production of new wells in the Shenzi field; in Trinidad and Tobago (3,900 boepd); and in Peru (1,900 boepd), where the Pagoreni field in block 56 commenced production.

Investments

In 2008 the Upstream business area invested a total of €1.184 billion, 18% less than the 1.439 billion invested in 2007. These expenditures were mainly allocated to development of the Shenzi field in the United States and exploration activities in North Africa, Brazil and the Gulf of Mexico.

Additional Upstream information



The Upstream area of the 2008–2012 Strategic Plan includes all Repsol's oil and natural gas exploration and production activities outside YPF. Management of the asset portfolio focuses on profitable, diversified, sustainable growth committed to safety and the environment. This strategy is based on growth in production and reserves, geographical diversification of the business, operative excellence and profitability, with an increase in average unit margins.

In coming years Repsol's Upstream business area will focus on organic growth in three main areas: deep waters of the Gulf of Mexico, in the United States, and Brazil; North Africa; and northern Latin America and Trinidad and Tobago. Major strides were made in 2008 and the first months of 2009 in the consolidation process of the Upstream business in these key regions for the company. Repsol was awarded 32 new exploration blocks in the Gulf of Mexico in 2008 and a further 20 in 2009. An important discovery was made in the Santos basin (Brazil) with the Guara well in 2008 and Iguazu in 2009, while production commenced at the I/R field (Libya) and, in 2009, in Shenzi (United States), among other milestones. In 2008 the company participated in three of the world's five largest hydrocarbon discoveries and, to reinforce the objective of geographical diversification and growth in OECD countries, the first steps were taken towards commencing operations in Canada and Norway. In the first quarter of 2009, Repsol had already announced eight discoveries in the five key regions identified for exploration in the 2008–2012 Strategic Plan.

Repsol extracts hydrocarbons in harsh environments, such as deserts and deep waters.

Repsol exploration work in Libya.

UPSTREAM

Millions of euros	2007					2008				
	1 Q	2 Q	3 Q	4 Q	TOTAL	1 Q	2 Q	3 Q	4 Q	TOTAL
Operating income	1,132	1,090	1,053	1,199	**4,474**	1,238	1,485	1,361	830	**4,914**
North America and Brazil -	121	116	49	88	374	101	129	63	60	353
North Africa -	284	409	465	511	1,669	518	616	538	235	1,907
Rest of the world -	739	567	549	622	2,477	627	753	778	593	2,751
Adjustments -	(12)	(2)	(10)	(22)	(46)	(8)	(13)	(18)	(58)	(97)
Ebitda	586	585	725	735	**2,631**	753	913	759	439	**2,864**
North America and Brazil -	2	19	13	(14)	20	52	55	32	(5)	134
North Africa -	242	364	375	438	1,419	356	473	384	158	1,371
Rest of the world -	342	202	337	311	1,192	345	385	343	286	1,359
Operating revenue	459	428	529	466	**1,882**	576	751	672	259	**2,258**
North America and Brazil -	39	(19)	13	(58)	(25)	–	32	24	(16)	40
North Africa -	217	333	349	335	1,234	338	446	335	83	1,202
Rest of the world -	203	114	167	189	673	238	273	313	192	1,016
Inversiones	564	255	297	323	**1,439**	242	240	376	326	**1,184**
North America and Brazil -	362	54	117	77	610	110	116	123	129	478
North Africa -	28	65	44	62	199	44	53	182	97	376
Rest of the world -	174	136	136	184	630	88	71	71	100	330

At the close of the year, Repsol's Upstream area was participating, either directly or through its subsidiaries, in oil and gas exploration and production blocks in 23 countries and was the operator in 19 of these blocks. Repsol holds a stake in the Russian exploration and production company West Siberian Resources (WSR) and commenced exploration operations in Norway and Canada, taking the Upstream area's presence to 26 countries.

Reserves

As of 31 December 2008, the Repsol Group's proved reserves amounted to 2.21 billion barrels of oil equivalent, 60% of which correspond to proved developed reserves.

Proved reserves of liquids totalled 902 million barrels, 41% of the total of reserves. Gas reserves amounted to 7.34 trillion cubic feet and represent 59% of Repsol YPF's proved reserves.

The Repsol Group added 154 million boe in 2008. The additions of Argentina (75 million boe), Bolivia (21 million boe), Algeria (19 million boe) and Libya (18 million boe) were particularly significant.

The Group's reserves are mainly located in Argentina (25%) and Trinidad and Tobago (22%). 17% is located in the rest of the South American countries (Venezuela, Peru, Bolivia, Brazil, Ecuador and Colombia), 7% in North Africa (Algeria and Libya) and the remaining 2% in the Gulf of Mexico.

Repsol's **Upstream** area is currently present in **26 countries** on four continents

Upstream milestones

- In January 2008 an important gas discovery was made in Peru in block 57 with the Kinteroni well.
- In February 2008 exploration well Y1 in block NC-186 in Libya's Murzuq basin was completed with a positive result.
- February also saw an exploration discovery with the Capachos Sur 1 well in Colombia.
- Repsol was awarded 32 new exploration blocks in Exploration Round 206 carried out in the Gulf of Mexico at the beginning of 2008.
- In February 2008 production commenced at the second production well of the Shenzi-Genghis Khan (Manifold K, K1-2) megafield, an extension of Shenzi, through the neighbouring Marco Polo platform.
- In the first quarter of 2008, Repsol obtained 93 exploration blocks in Alaska in the Chukchi Sea, in an area with a high potential of resources to be discovered.
- In the second quarter of 2008 an important discovery was made in Brazilian deep waters, in block BM-S-9, in the Santos basin, with the Guara well.
- The I/R well in Libya commenced production on 3 June 2008. Eleven wells were already in production in this area at 31 December 2008.
- On 17 July, Repsol and the Libyan national oil company NOC signed a new agreement extending the oil exploration and production contracts in blocks NC-115 and NC-186 in Libya until 2032.
- Production at block 56 (Pagoreni field) in Peru commenced on 10 September. This block, together with block 88, in production since 2004 and in which Repsol also holds a 10% stake, make up the Camisea field, which forms part of the Peru LNG project. This will enable natural gas to be supplied to the future Pampa Melchorita liquefaction plant.
- Also in September 2008, the agreement for the sale of Repsol YPF Ecuador S.A.'s 25% stake in block 14 was signed with the company PetroOriental S.A. (CNPC).
- On 23 September 2008 an AMI (Area of Mutual Interest Agreement) was signed with the Norwegian company Det Norske Oljeselskap ASA ("Det Norske") for the joint study of the areas available in Exploration Round 20 in Norway. On 7 November a joint bid was submitted for four blocks and another for 100% of another three blocks. At the end of 2008, Repsol obtained an exploration area in Norway.

- In the fourth quarter of 2008, Repsol was awarded exploration rights for three blocks in the offshore area of Newfoundland (Terranova) and Labrador, in Canada.
- The Teak Blow Down gas compression project for domestic sales was completed at the end of 2008, boosting gas production by 700,000 m^3/day as of January 2009.
- At the end of 2008, the national Libyan company NOC approved the development plans submitted for the "J" and "K" fields in block NC-186 (Repsol, Total, OMV and StatoilHydro), which will enable production to commence.
- At the beginning of 2009 three exploration discoveries were announced in Algeria, in the Reggane block (KLS-1), in the adjacent Ahnet basin (OTLH-2) and in the Gassi Chergui area (AL-2).
- At the beginning of 2009, the Panoramix and Piracuca wells, in the Brazilian Santos basin, were completed with a positive result.
- In February 2009 Repsol successfully commenced its operated drilling campaign in the deep waters of the Gulf of Mexico with the announcement of a discovery with the Buckskin well.
- In March 2009, Repsol reached a preliminary agreement with the Government of Ecuador on the terms of the company's presence in the country which will enable it to increase the value of its assets and provides for a reduction in the tax on excess profits from 99% to 70%.
- In March 2009 Repsol commenced production of oil and gas in the Shenzi field in deep waters of the US Gulf of Mexico, on a platform located in the Green Canyon 653 block.
- At the end of March 2009, Repsol discovered gas in the Tangiers-Larache exploration zone, 40 kilometres off the coast of Morocco.
- On 1 April 2009 a new gas discovery in Algeria was announced, the second find in the Ahnet basin and Repsol's eighth discovery in 2009.
- The third discovery in block BM-S-9, in the Brazilian Santos basin with the Iguazu well, was announced on 15 April 2009.
- On 21 April 2009, Repsol announced a new discovery of hydrocarbons in Libyan waters.

Operations by countries

THE UPSTREAM AREA WORLDWIDE

Exploration block

Development/exploitation block

At the close of 2008, the Upstream area held mineral rights on 393 blocks, with a net surface area of 243,113 km². 327 of these blocks are exploration blocks, totalling a net surface area of 231,251 km².

In 2008, Repsol completed 38 exploration drillings, ten of which proved positive. At the end of the year, ten exploration wells were in the drilling phase.

Spain

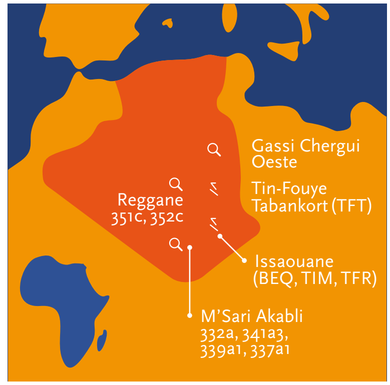
At the close of 2008, Repsol held mineral rights on 32 blocks in Spain: 20 exploration blocks, with a net area of 9,722 km², and 12 exploitation blocks totalling a net area of 929 km².

In 2008, Repsol produced a total of 0.7 Mboe (around 1,968 boepd) through its facilities in Casablanca, Rodaballo and Boqueron (Mediterranean Sea) and Gaviota (Cantabrian Sea). Proved net oil reserves at year-end were estimated at 2.4 Mboe.

The Royal Decree on the Awarding of Research Permits for Canary Island permits 1-9 remains suspended as a result of a Supreme Court ruling on an error in the wording of the text of this decree. A new decree has been drafted by the Ministry for Industry to correct this error and is currently being processed. The first exploratory drilling, located at water depths of between 1,000-1,500 m, is ready to begin preparation for drilling operations as soon as the corresponding authorization is received.

No exploratory drillings were carried out in Spain in 2008, although 1,023 km² of 3D seismic were acquired.

Exploration block



Exploration block

Development/exploitation block

Saudi Arabia

As of 31 December 2008, Repsol YPF held mineral rights to an exploration block (block C) in the country's Rub Al'Khali basin, with a net area of 15,420 km².

On 7 March 2004, Repsol signed a contract with Saudi Arabia's Ministry of Petroleum and Mineral Resources granting exploration of non-associated natural gas in block C to the consortium formed by Repsol (30%), Eni (50% and the operator) and Saudi Aramco (20%). In 2007 the drilling of the Ubaylah 2 well was completed. In 2008 drilling of two wells was concluded with a negative result and the remainder of the wells will be completed in 2009.

In November 2008, the partners decided to carry out a 3,000 km² 3D seismic survey in order to reevaluate the exploratory potential of the northern sector of the block and define the conditions for the fourth exploration well to be performed in block C. To complete this campaign an 18-month extension of the contract has been requested.

Algeria

At the close of 2008, Repsol held mineral rights on 5 blocks in Algeria: 3 exploration blocks, with a net area of 7,789 km², and 2 development blocks with a net area of 581 km².

The year's net production was 1.8 Mbbl of liquids and 21.2 bscf of natural gas, with an equivalent net production of 5.5 Mboe (15,138 boepd), originating mainly from the TFT block (operated jointly by Sonatrach and Total) and, to a lesser extent, from the Issaouane block operated by Repsol. Net proved reserves of liquids and natural gas were estimated at 42.3 Mboe at the end of the year.

Over the year 8 exploration wells were completed, 4 of which gave positive results (2 in the Reggane block, AZSE-2 and KLS-1, and two others in the M'Sari Akabli block,

TGFO-1 and OTLH-2).

The contract for the Gassi Touil Integrated Project was unilaterally terminated by Sonatrach, the state Algerian company, on 13 August 2007. Sonatrach and Repsol are currently in a process of arbitration.

In 2008 197 km of 2D seismic and 870 km² of 3D seismic were acquired in Algeria.

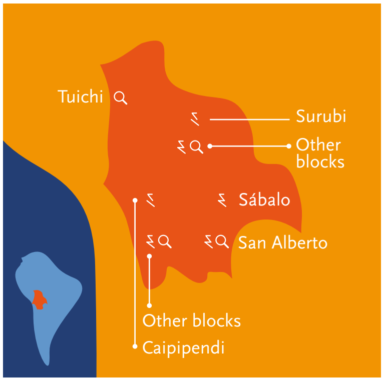
2008 Milestones

• Two new exploration discoveries were made in block 351c-352c (Reggane Nord) in the Reggane basin with the AZSE-2 (Azrafil SE) and KLS-1 (Kahlouche S) wells, the second of which was announced in 2009. With a 33.75% stake, Repsol is the operator of the consortium, together with the national Algerian company Sonatrach (25%), Germany's RWE Dea (22.5%) and Italy's Edison (18.75%). Located in the central-southern part of the Algerian Sahara, the block covers an area of 4,682 km². This discovery is in addition to four other discoveries made in the same block, the first in 2005 (Reggane 5 well), another two in 2006 (Sali 1 and Kahlouche-2) and the fourth in 2007 (Reggane 6 well). Sonatrach is expected to declare Reggane commercially viable in 2009, which will enable development of this important gas project to commence, a project which is included in the 2008-2012 Strategic Plan as one of the company's key initiatives.

• Two further exploration discoveries were made in the M'Sari Akabli block with the TGFO-1 and OTLH-2 wells (Oued Talha), announced in 2009. Repsol holds a 33.75% stake and is the operator of this block which has a surface area of 8,103 km².

At the beginning of 2009 three exploration discoveries were announced in Algeria, in the Reggane block (KLS-1), the adjacent Ahnet basin (OTLH-2) and in the Gassi Chergui area (AL-2).

A new gas discovery in Algeria was announced on 1 April 2009, the second find in the Ahnet basin and Repsol's eighth discovery in 2009.



Exploration block
Development/exploitation block

Bolivia

As of 31 December 2008, Repsol held mineral rights on 31 blocks in Bolivia: 6 exploration blocks, with a net area of 7,022 km², and 25 exploitation blocks, with a net area of 1,489 km², located in the Beni, Pie de Monte, Subandino Sur and Subandino Norte basins.

The year's net production was 2.4 Mbbl of oil, including condensates and liquids separated from natural gas, and 53.4 bscf of natural gas. Total equivalent net production was 11.9 Mboe (32,425 boepd), concentrated mainly in the fields operated by Andina and in the Mamore block. Proved hydrocarbon reserves corresponding to Repsol at the close of the year were 91.8 Mboe.

Analysis of the data and information generated during the drilling and formation tests of the Huacaya discovery commenced in 2008 in order to select the best technical-economic alternative for assessing the discovery and establishing the future development plan. The Huacaya X-1 exploratory discovery was made at the end of 2007. The declaration of commercial viability for the area corresponding to the structure discovered has already been presented to the competent body. The remaining exploration area was returned to YPFB.

Work continued in 2008 on full development of the important Margarita gas and condensate field, located in the Caipipendi block, to the north of the Tarija province. The contract for this block, which is operated by a consortium formed by Repsol (37.5% and the operator), BG (37.5%) and PAE (25%), came into effect on 2 May 2007 and is for a term of 24 years.

2008 Milestones

• In May 2008 an agreement was signed with the Bolivian company YPFB for the sale of a 1.08% stake in Andina. Following this transaction, the shareholder structure of Andina is broken down into YPFB (51.08%) and Repsol E&P Bolivia (48.92%). In addition, the Shareholders Agreement was signed in October 2008 which will regulate the administration, operation and government of the company. This agreement came into force in November 2008.

Exploration block

Development/exploitation block

Brasil

At the close of 2008, Repsol held mineral rights on 22 blocks in Brazil: 21 exploration blocks (net area of 3,925 km²) and one development block (51 km²), located in the Santos, Espiritu Santo and Campos basins. Repsol is the operator in 11 of these blocks.

The year's net production was 4.8 Mbbl of liquids and 1.2 bscf of natural gas, with a total net equivalent production of 5 Mboe (13,732 boepd), from the Albacora Leste block. Net proved reserves for this block were estimated at 26.3 Mboe at 31 December 2008. During the year, 3 exploration surveys were completed, one of which produced a positive result (Guara).

Repsol is one of the leading private companies in offshore exploration mineral areas in the Santos, Campos and Espiritu Santo basins. It also holds a 10% stake in the Albacora Leste field, which commenced production in April 2006 in the Campos basin. In 2008 this important Brazilian deepwater oil field produced around 140,000 bopd, a figure which is expected to increase to 180,000 bopd. The field's total proved and probable reserves were estimated at 423.3 Mbbl at the close of the year.

2008 Milestones

• In June 2008 Repsol discovered a second oil field in deep waters of the Santos basin. The new well, called Guara, is located in block BM-S-9 and is adjacent to the Carioca field discoveredat the end of 2007 in the same block. Preliminary evaluations indicate that both offer a high potential of high-quality oil resources and confirm this basin as one of the world's deepwater areas with the greatest potential. In 2009, Repsol and its partners in the block will continue to carry out the activities and investments necessary in order to more accurately determine the size of the Carioca and Guara fields and define the future development plan. In 2009 two additional drillings will be completed (one of which is the Iguazu well) and a production test will be carried out at the Guara well.

• Three important discoveries were made at the beginning of 2009 in the Santos basin with the Piracuca, Panoramix and Iguazu wells.

Colombia

At the end of 2008, Repsol held mineral rights on 9 blocks in Colombia: 7 exploration blocks, with a net area of 4,278 km², and 2 exploitation blocks (Capachos and Cravo Norte), with a net area of 268 km². The year's net production was 2.6 Mbbl (7,218 bopd) of oil. Net proved reserves of this hydrocarbon at the close of the year were estimated at 4.4 Mbbl.

8 exploration wells were completed in 2008: 5 proved negative and 3 positive (Capachos Sur-1, Cosecha Z and Cosecha Y Norte). 200 km of 2D seismic were also acquired.

2008 Milestones

- In 2008 three new discoveries were made in Colombia, two with the Cosecha Z and Cosecha Y Norte wells, in the Cosecha block in the Llanos Orientales basin, in which Repsol has a 25% stake and Oxy, the operator, holds the remaining 75%. The Cosecha block has a surface area of 2,856 km². The third discovery was made with the Capachos Sur 1 well, in the Capachos block in which, with a 100% stake, Repsol is the operator.
- In April 2008, the Capachos Sur field in the Capachos block commenced production. Repsol owns 100% of this 259 km² block situated in the Llanos basin.

Canada

At the end of 2008, Repsol successfully bid for exploration rights in three blocks in Canada located in the offshore area of Newfoundland (Terranova) and Labrador. Two of these blocks are located in the Central Ridge/ Flemish Pass area and the other is in the Jeanne d'Arc Basin. Repsol's partners in these blocks, which have a total area of 4,000 km², are the Canadian companies Husky Oil and Petro-Canada. The awarded exploration rights represent a further step forward in the company's plans to increase its presence in oil and gas exploration and production activities in OECD countries.

Exploration block

Development/exploitation block

Cuba

At the end of 2008, Repsol held mineral rights on an offshore exploration block off Cuba that covers six exploration areas (N 25/26/27/28/29/36), plus area 35, awarded at the beginning of 2005. The areas total a net area of 4,512 km² and are all included under the same contract.

No exploration wells were drilled in Cuba in 2008.

Ecuador

At the close of 2008, Repsol held mineral rights on 2 development blocks in Ecuador with a net area of 770 km². The year's net production was 5.2 Mbbl (14,135 bopd) of oil, the majority obtained from block 16. Net proved oil reserves at the end of the year were estimated at 11.2 Mbbl.
No exploration wells were completed in Ecuador in 2007.
On 4 October 2007, President Rafael Correa signed an Executive Decree whereby the state's share in excess revenues was increased from 50% to 99%.
In March 2009 Repsol reached a significant agreement with the Government of Ecuador which will enable the company to establish a stable contractual framework within a year. This agreement extends the exploitation period of block 16 by six years, from 2012 to 2018 and establishes a transitory period of one year during which the Government of Ecuador will reduce the tax on excess profits from 99% to 70%. During this one-year period both parties will negotiate a long-term services provision contract which will govern Repsol's activities in this country.

2008 Milestones

• On 10 September 2008 the agreement for the sale of Repsol YPF Ecuador S.A.'s 25% stake in block 14 was signed with the company PetroOriental S.A. (CNPC).

Exploration block

United States

As of 31 December 2008, Repsol's Upstream area held mineral rights on 236 blocks in the United States in the Green Canyon, Atwater Valley, Beechey Point, Harrison Bay, Karo, Keathley Canyon, Mississippi Canyon, Posey, Unnamed and Walker Ridge areas. 230 of these are exploration blocks, with a net area of 3,505 km², and the other 6 are exploitation blocks (39 km²) and correspond to Shenzi. The year's net total production was 0.6 Mboe. Net proved reserves at the close of the year were estimated at 48.9 Mboe.

An exploration well was completed in 2008 with a negative result, 205 km² of 3D seismic were carried out and 122 km of 2D seismic and 14,061 km² of 3D seismic were purchased.

In recent years Repsol has significantly enhanced its presence in deep waters of the US Gulf of Mexico, participating in the major Shenzi oil development project and securing a large number of new exploration blocks. This region is considered one of the world's most profitable deepwater areas with a high exploratory potential.

In 2007 Repsol launched the Kaleidoscope project, an ambitious research and development programme which has enabled the company to develop its own cutting edge technology for interpreting seismic data, providing Repsol with a competitive advantage which will be of great help in enhancing its presence in the Gulf of Mexico.

In July 2007 Repsol reached an agreement in Alaska with the companies Shell Offshore Inc. and Eni Petroleum US LLC to explore 71 adjacent offshore blocks in the Beaufort Sea, just to the north of the prolific Prudhoe Bay and the Kuparuk oil fields. Repsol holds a 20% stake in these blocks.

2008 Milestones

• The second production well in the western area of the Shenzi field (previously known as Genghis Khan) commenced production in February 2008 through the neighbouring Marco Polo platform. Shenzi is one of

the largest discoveries to date in this region's deep waters.

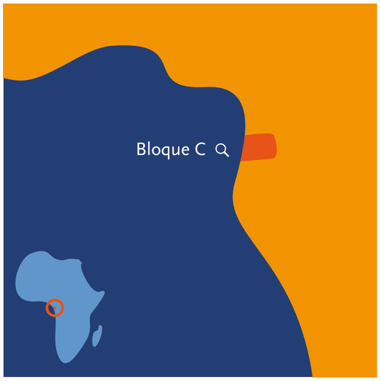
• In Exploration Round 206, carried out in the Gulf of Mexico at the beginning of 2008, Repsol obtained 32 new exploration blocks which, together with those achieved in recent years, create a sound portfolio of exploration projects. The company's participation in these rounds forms part of its strategy of diversification and growth in OECD countries.

• In the first quarter of 2008, Repsol obtained 93 blocks in Alaska in Exploration Round 193. These blocks are located in the Chukchi Sea and cover an area of 2,139 km². The company's objective is to create an extensive project portfolio in this almost unexplored area with a high potential of undiscovered resources.

• A major oil discovery was made in early 2009 in deep waters of the Gulf of Mexico with the Buckskin well in the Keathley Canyon area, 300 kilometres off the coast of Houston. Repsol is the exploration operator of this new field where a hydrocarbon column of around 100 metres has been discovered which it is estimated could be even greater at the top of the structure. The new well is at a depth of 10,000 metres beneath 2,000 metres of water.

• In March 2009, ahead of schedule, Repsol commenced oil and gas production at the Shenzi field with its own platform. The company holds a 28% share in this unified field. The production platform was installed in the summer of 2008.

• Repsol obtained 20 new exploration blocks in Exploration Round 208, held in March 2009.



Exploration block

Equatorial Guinea

As of 31 December 2008, Repsol held mineral rights on one exploration block in this country with a net area of 689 km².

In 2007 the Langosta-1 exploration well was drilled in block C, where Repsol holds a 35% stake, and was completed on 3 December 2007. The results obtained are currently in the evaluation process.

Exploration block

Guyana

At the close of 2008, Repsol held mineral rights on an offshore exploration block off Guyana with a net area of 8,625 km².

No exploration wells were drilled in 2008, but 1,715 km² of 3D seismic were acquired.

In September 2007, the International Court of Maritime Laws issued its ruling on the litigation regarding the border issue of the Georgetown block (in which Repsol holds a 75% share) between Guyana and Surinam. According to the ruling, 100% of this block is located in territorial waters of Guyana.

Exploration block

Iran

As of 31 December 2008, Repsol held mineral rights on 2 exploration blocks totalling a net area of 14,638 km².

An exploration well in the offshore Mehr block was completed in 2008 with a negative result (BKH-4N).

In 2004, Repsol and Shell signed an agreement with the National Iranian Oil Company (NIOC) to develop the integrated LNG project, Persian LNG. The final decision regarding investment

in the liquefaction plant and commencement of exploration and development operations has not yet been taken.

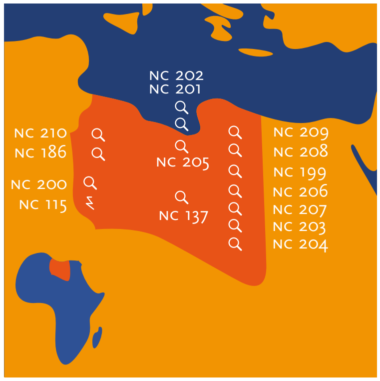
With regards to the Band E Karkhek-2 well, located in the onshore Mehr block discovered in 2005, NIOC announced its commercial viability in January 2007. This was officially confirmed in June 2007. The viability of developing the field is currently being analysed.

Kazakhstan

In the last quarter of 2006 Repsol acquired a 25% stake in the company Zhambay LLP, which owns the Zhambay exploration block, from KazMunaiGaz, the country's state hydrocarbon company. The block is located in the Caspian Sea near the border with Russia and the mouth of the River Volga. Repsol's partners in this project are KazMunaiGaz (50%) and the Russian oil company Lukoil (25%). The agreement for participation in the Zhambay block, which is of great exploration interest due to its location and the high potential detected, was signed in 2005.

In the second half of 2007 the reprocessing of the 1,100 km of 2D seismic acquired in the block between 2002 and 2005 started. A geological survey of the block and the adjacent area in the north of the Caspian Sea was also commenced.

In 2008 the project partners requested a new extension of the contract for a two-year period. Drilling of the first well is expected to be carried out in 2010 or 2011. In 2009 a decision will be taken regarding the most suitable site and drilling equipment for this operation.



Exploration block -

Development/exploitation block -

Liberia

As of 31 December 2008 Repsol held mineral rights in Liberia on 3 exploration blocks (LB 15, LB 16 and LB 17) with a net area of 1,711 km².

In the first international bidding process carried out by the Liberian government in 2005, Repsol was awarded the exploration and development rights on block 16, located in this African country's territorial waters. In the summer of 2004 the company had already obtained the rights to block 17 through direct negotiation. This block is adjacent to block 16 and borders the blocks previously signed in territorial waters of Sierra Leone (blocks 6 and 7).

Libya

At the end of 2008 Repsol held mineral rights on 15 blocks in Libya. 14 of these are exploration blocks (including block NC-186 which, although officially classified as an exploration block, has fields in production) with a net area of 58,224 km². The only exploitation block (NC-115) has a net area of 874 km². The year's net production was 18.4 Mbbl of oil (50,197 bopd), obtained from blocks NC-115 (El-Sharara field) and NC-186, in the Murzuq basin. In 2008 total production of the two blocks in production in Libya amounted to 302,000 bopd. Net proved reserves of oil at the close of the year were estimated at 115.9 Mbbl.

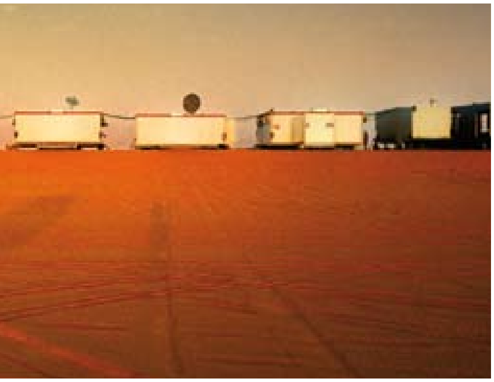
11 exploration wells were completed in the country (one, Y1 NC-186, proved positive) and 3,976 km of 2D seismic and 2,563 km² of 3D seismic were acquired.

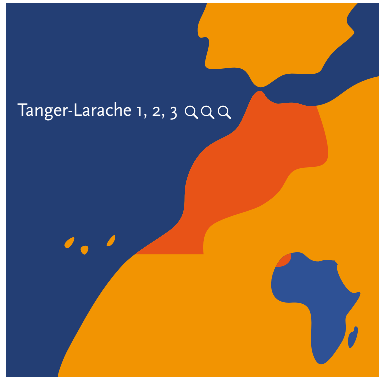
In 2007, Repsol and its partners in Libya began a revision process of contractual conditions with the national company NOC. This process finalized in July 2008.

2008 Milestones

- At the beginning of 2008 a new discovery was made in the prolific NC-186 block with the Y-1 well. With a surface area of 4,295 km², this block is located in the Murzuq basin and is operated by Repsol through the company's 32% stake.

- In June 2008 production commenced in blocks NC-186 and NC-115 in the I/R field, also located in the Murzuq basin. Repsol holds stakes in both of these blocks. Discovered in





Exploration block

2006, this field is one of the most important oil finds in the company's history and the most important in Libya in the last decade. With a production potential of 90,000 barrels per day, development of this field will enable the company to significantly increase reserves and production in this country. The I/R field is one of the 10 key projects defined in Repsol's 2008-2012 Strategic Plan.

• On 17 July, Repsol and NOC, Libya's national oil company, signed a new agreement extending the oil exploration and production contracts for blocks NC-115 and NC-186 until 2032. The new agreement extends the term of the contracts for these blocks in the Murzuq basin, with 15 additional years in the contract for the first block and 5 or 9 years, depending on the fields, for the second block. The agreement guarantees Repsol exploitation of the numerous resources discovered in both blocks. Repsol and its partners also extended their exploration licenses for these blocks by 5 years, which may increase oil production and reserves.

• At the end of 2008 NOC approved the development plans submitted for the "J" and "K" fields in block NC-186 (Repsol, Total, OMV and StatoilHydro). The development plan for field "E" in block NC-200 (Repsol and OMV) is expected to be approved in the first half of 2009, thereby enabling production to commence in these three fields.

Morocco

At the close of 2008 Repsol held mineral rights on 3 exploration blocks in Morocco located in the Rharb basin and totalling a net area of 4,396 km².

No exploration wells were drilled in 2008.

2008 Milestones

• At the end of March 2009, Repsol discovered gas in the Tangiers-Larache exploration area, 40 kilometres off the coast of Morocco, with the Anchois well. Repsol has a 48% interest and is the operator of the Tangiers-Laroche 1-2-3 exploration blocks. In 2008 preparations were made for this well, which was commenced in January 2009.

Exploration block

Development/exploitation block

Mauritania

As of 31 December 2008 Repsol held mineral rights in Mauritania on 2 exploration blocks with a net area of 45,439 km².

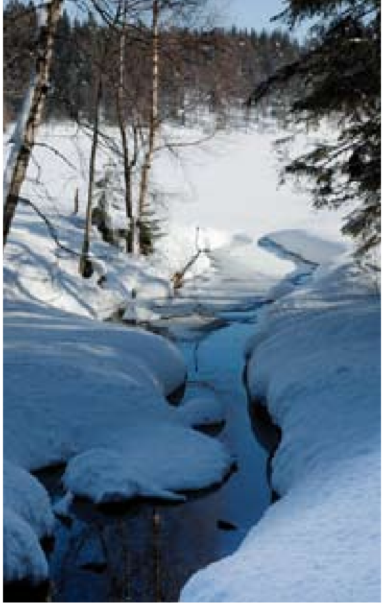
In 2005 the Mauritanian authorities awarded Repsol exploration blocks TA-9 and TA-10 located in the Taoudenni basin. The company is the operator of these blocks and controls a 70% share, with RWE Dea holding the remaining 30%.

No exploration wells were drilled in 2008, but 1,194 km of 2D seismic were acquired.

Mexico

At the close of 2008 Repsol held a multiple services contract for the Reynosa-Monterrey development block located in the Burgos basin in the north of the country. The company took charge of this operation in March 2004. The area already had 16 gas fields that had been discovered and were in production, and the aim was to substantially increase output of these fields through additional development investment. The contract was awarded in 2003 as part of the first international tender held by the Mexican national company Pemex for participation in gas field development and production activities in the country. With this contract Repsol became the first international company to participate in hydrocarbon development and exploitation activities in Mexico.

When Repsol took over the operation, production was 10.5 Mscfd. At the end of 2004 a level of 18.2 Mscfd was reached and a year later production of 39.6 Mscfd was achieved. In 2006 the average was 37.8 Mscfd



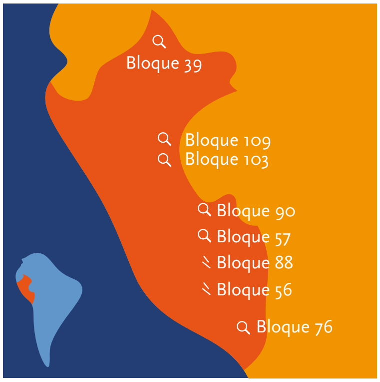
and in 2008 the figure stood at 44.6 Mscfd. In January 2008 a maximum production of 55 Mscfd was obtained, five times the amount recorded for 2004.

In five years of activity in this region, Repsol has drilled 57 gas wells with an average depth of 2,900 metres, acquired 754 km^2 of 3D seismic and 137 km of pipelines and constructed 44 km of access roads.

Norway

In September 2008, in line with the company's strategy of diversification and growth in OECD countries, an AMI (Area of Mutual Interest) was signed with the Norwegian company Det Norske Oljeselskap ASA (Det Norske) for the joint study of the areas available in Exploration Round 20. Repsol holds a 40% interest in this project, with Det Norske holding the remaining 60%. In November a joint bid was submitted for four blocks. Repsol also presented a bid for 100% of another three blocks. The result of this round is expected to be announced by mid 2009.

Also in Norway, in October 2008 Repsol, together with Det Norske, Bayerngas and Svenska, submitted a bid for four blocks located between the Njord and Draugen fields (Norwegian Sea), in the 2008 APA (Award of Predefined Areas) Round. Repsol obtained one exploration area.



Exploration block

Development/exploitation block

Peru

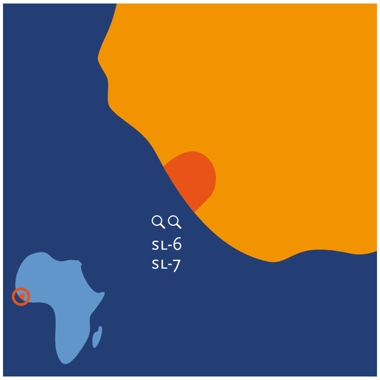
At 31 December 2008, Repsol held mineral rights on 8 blocks in Peru: 6 exploration blocks, with a net area of 31,395 km², and 2 development blocks, with a net area of 202 km². Net production of hydrocarbons in 2008 was 3.2 Mboe (8,722 boepd), from block 88 (Camisea field). Net production of crude oil, including condensates and liquids, was 1.5 Mbbl and natural gas 9.3 bscf. Net proved reserves of crude oil and gas were estimated at 113.5 Mboe at the close of the year.

589 km of 2D seismic were acquired in 2008.

In 2008 work continued on schedule for complete development of the Camisea oil field (blocks 56 and 88) in which Repsol holds a 10% stake. These blocks will supply natural gas to the future Pampa Melchorita LNG plant which forms part of the Peru LNG project. This facility, in which Repsol holds a 20% interest, is expected to be operative in 2010. There are two fields in block 88, San Martin (in production since 2004) and Cashiriari (currently in production) and the Pagoreni field in block 56 which commenced production in September 2008.

2008 Milestones

- In January 2008 a significant exploration discovery was made in Peru in block 57, located in the Cuzco province, with the Kinteroni exploration well. Repsol is the operator of the consortium which will exploit this field, and holds a stake of 53.84%. The remaining 46.16% is owned by Petrobras. Preliminary production tests showed flows of one million cubic metres of gas per day (0.365 bcm/year) and 198 cubic meters per day of associated liquid hydrocarbons (72,270 cubic metres/year). In order to define a commercial and development plan for this discovery, a 3D seismic campaign will be conducted at the Kinteroni structure and several delineation and exploration wells will be drilled in the block. All these activities will enable a more accurate assessment of the resources discovered, which are initially estimated at around 2 TCF (56 bcm).
- On 10 September production commenced at block 56 (Pagoreni). Together, this block and block 88, in which Repsol also controls 10%, make up the Camisea field.



Exploration block

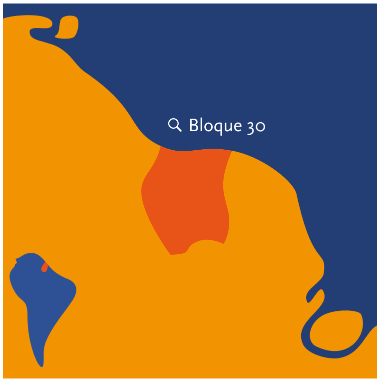
Russia

In February 2006 Repsol reached a strategic agreement with West Siberian Resources (WSR) through which it acquired a 10% stake in the company. The agreement includes an industrial alliance for joint development of hydrocarbon exploration and production projects in Russia, where WSR holds a significant portfolio of assets. The alliance with this company enabled Repsol to enter the hydrocarbon sector in Russia and represents an excellent opportunity to gain presence in this region.

In December 2007 WSR signed an MOU (Memorandum of Understanding) to merge with the Russian company Alliance Oil, whose main assets are the Khavarosk refinery, which has a capacity of 4 Mta, 156 service stations in the Russian Far East, storage terminals and two production licenses in Kazakhstan and Tatarstan, with 100 Mbbl of proved and probable reserves. The merger process was completed in 2008. During the year the integrated company produced 48,000 bopd and refined around 66,500 bopd. Total proved and probable reserves amounted to 489 Mbbl at the close of 2008.

Sierra Leone

At the end of 2008, Repsol held mineral rights in Sierra Leone on 2 offshore exploration blocks totalling a net area of 2,625 km^2. The company was awarded these blocks (SL-6 and SL-7), in which it holds a 25% stake, in January 2003 following a bidding round. Its partners are Anadarko (50%) and Woodside (25%). The water depth of the blocks ranges from 100 to 3,800 metres. No exploration wells were drilled in 2008.



Exploration block

Development/exploitation block

Suriname

At the end of 2008 Repsol held mineral rights in this country on one exploration block with a net area of 5,574 km².

Repsol YPF Surinam is the operator of the block with a 40% stake. Its partners are Noble Energy Suriname (30%), Noble Energy Caribbean (15%) and Petro Hunt Suriname (15%). In 2008 the West Tapir-1 well was drilled, where findings showed the amounts of hydrocarbons to be insufficient to be commercially viable.

Trinidad and Tobago

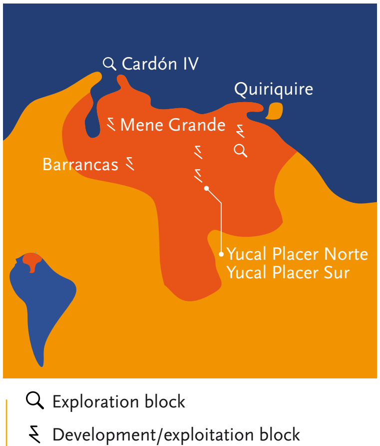
At the close of 2008 Repsol held mineral rights on 7 offshore exploitation blocks with a net area of 2,363 km², including 30% of the company bpTT's offshore exploration and production assets in Trinidad and Tobago, through its stake in the company BPRY. The year's net production was 6.5 Mbbl of liquids and 274.9 bscf of natural gas, with net equivalent production of 55.4 Mboe (151,436 boepd). Net proved reserves of oil and natural gas were estimated at 488 Mboe at 31 December 2008. No exploration wells were drilled in the country in 2008.

Repsol is one of the two largest private companies in the country in terms of oil and gas production and reserves together with BP with which it shares ownership of the company bpTT. This company, in which Repsol holds a 30% stake, operates an extensive offshore hydrocarbon production area off Trinidad and Tobago and in 2008 reached an average daily production of over 460,000 barrels of oil equivalent.

In the fourth quarter of 2007 bbTT's Mango and Cashmina fields commenced production, providing increased production in 2008 and availability of gas for train 4 of the Atlantic LNG liquefaction plant, in which Repsol holds a 22.22% share.

2008 Milestones

• The Teak Blow Down gas compression project for domestic sales was completed in the fourth quarter of 2008, increasing gas production by 700,000 cubic metres per day as of January 2009.



Venezuela

At 31 December 2008 Repsol held mineral rights in Venezuela on 7 blocks: 2 exploration blocks, with a net area of 669 km², and 5 exploitation blocks, with a net area of 757 km². The year's net production was 2.7 Mbbl of oil and liquids separated from natural gas, and 60.1 bscf of gas, with an equivalent total of 13.4 Mboe (36,542 boepd), mainly obtained from the Quiriquire, Barrancas, Mene Grande and Yucal Placer blocks. Net proved reserves of liquids and natural gas were estimated at 122.9 Mboe at the close of the year. No exploration wells were drilled in 2008.

On 1 April 2008 Repsol and PDVSA agreed on the final conditions for the process of migrating from operative agreements to joint ventures. This agreement reflects the new stakes – PDVSA (60%) and Repsol (40%) – for the Mene Grande and Quiriquire Somero crude oil fields, and for the Quiriquire Profundo gas field – Repsol (60%) and PDVSA (40%). The agreement also establishes a 20-year extension of the Quiriquire and Mene Grande concessions, and establishes an increase in sale prices and the possibility of accessing new business in the country.

In May 2007 Repsol signed a Memorandum of Understanding (MOU) with PDVSA, with the conditions for including the Barua and Motatan fields within the Petroquiriquire joint venture, in which Repsol YPF holds a 40% stake. At the end of 2008 the agreement was pending approval by the National Assembly of Venezuela.

Work continued in 2008 on securing Repsol's participation in one of the new heavy crude oil projects in the Orinoco Strip and the company continued to collaborate with PDVSA on evaluation of the Junin 7 block.

Liquefied Natural Gas (LNG) -

Revenues

Operating revenue from the LNG activity in 2008 was €125 million against the previous year's €107 million, an increase of 17%. EBITDA increased to €173 million in comparison with €146 million in 20007.

Prices of the main commodities saw an upward trend in the first half of 2008, followed by a decline in the second half of the year. Throughout 2007 and the first part of 2008 natural gas prices increased in all markets due to record crude oil prices, growing demand in both new and established markets, and significant delays in investments. Despite steep prices during this period, demand in large importing markets, such as Spain and Asian countries, did not decline, showing a sharp upward trend in the first half of the year. In the second half of the year, however, the global financial crisis and shrinking demand contributed to reversing this trend with prices falling back to the levels of some years ago.

In the first half of 2008, the average price of Henry Hub, the main reference index for natural gas, was $10.1/MBtu, 36.5% higher than for the same period in 2007. The average for the year as a whole was lower, $8.9/MBtu, an increase of 25.3% over the previous year. It should also be noted that in addition to the high prices in the first half of the year, Asian markets, unlike the European and North American markets, were paying a premium, with prices linked to oil product prices. As a result, the industry diverted shipments

from the Pacific and Atlantic basins to this market since it was more profitable.

With regards to the electricity generation market, the average accumulated price of the Spanish electricity pool in 2008 was €64.4/MWh, 63.9% higher than in 2007. This increase is attributable, among other factors, to increased demand, the rise in international commodity prices, and the higher cost of CO_2 emission rights. The trading volume in the Spanish


Quarry used in the Peru LNG project.

Repsol LNG installations in Trinidad and Tobago.

electricity system daily market was much higher: 232 TWh in 2008 in comparison with 200 TWh in 2007.

On the other hand, income from the businesses within the LNG area is generally in US dollars. The year-on-year 7.4% depreciation of this currency against the euro had a negative impact on 2008 earnings.

Projects

In the LNG sector, Repsol is carrying out a policy aimed at strengthening its competitive position in this business, which plays a key role in its medium and long term growth.

Repsol is involved in an integrated LNG project in Trinidad and Tobago, where together with BP and BG, as well as other companies, it holds a stake in the Atlantic LNG liquefaction plant. The strategic geographical location of this plant enables it to supply markets in the Atlantic Basin (Europe, United States and the Caribbean) at highly advantageous economic conditions.

This plant has four operational liquefaction trains with a combined capacity of 15 million tonnes per year. Repsol holds a 20% stake in Train 1, 25% in trains 2 and 3 and 22.22% in Train 4. Production capacity of Train 4, one of the largest in the world, is 5.4 million tonnes per year. In addition to its participation in the liquefaction trains, Repsol is a leading player in gas supply and one of the main purchasers of LNG (approximately 3.2 million tonnes per year).

Commencement of operations in Trinidad and Tobago

This plant commenced production operations in April 1999. On 1 January 2000, Repsol acquired 10% of bpTT, a company with production assets in Trinidad and Tobago, from BP. In January 2003, the company exercised a purchase option for an additional 20%, taking its stake to 30%.

Most of the natural gas for the trains comes from the bpTT marine fields. Train 2 commenced operations in 2002 and Train 3 in 2003. Their combined capacity amounts to 7 million tonnes/year. Repsol has long-term contracts for 2.7 bcm per year for these trains.

On 15 December 2005, a few months ahead of schedule, the fourth liquefaction train of the Atlantic LNG plant commenced operations. This project included

The Canaport (Canada) plant will commence operations in mid 2009, enabling a significant increase in the volumes of gas marketed in Canada and north-eastern United States

construction of a second dock and a fourth LNG storage tank.

Canaport

Repsol, together with Irving Oil, holds a stake in the Canaport project for the construction and operation of the first LNG regasification plant on Canada's east coast. Located in Saint John (New Brunswick) and with an initial supply capacity of 10 bcm/year (1 billion cubic feet per day, which could be extended to 2 billion cubic feet per day), the Canaport terminal is one of the largest in North America and will supply markets on the east coast of Canada and north-eastern United States. Repsol, with a 75% stake, will operate the plant and supply the LNG for the terminal, and will be entitled to the entire regasification capacity. The plant is scheduled to commence operations in the first half of 2009.

Construction work at the plant in 2008 continued with slight delays to the planned schedule. The onshore part of the project for the two tanks included in the initial project is 92% complete. Work on the third tank, which was approved subsequently by the consortium and which will make it possible to receive supplies from the largest LNG tankers built to date, is 72% complete. Construction of the offshore terminal is practically finished. In addition, the New Brunswick (Canada) and Maine (United States) gas pipelines are ready to transport natural gas delivered to the Canaport plant to markets in the north-eastern United States.

In 2008, Repsol began marketing activities in New England and other parts of the north-eastern United States. These markets will see a significant expansion in 2009 when the Canaport terminal commences operations. Gas from Repsol's exploration and production activities in the Gulf of Mexico will also be marketed.

In Peru, the integrated liquefied natural gas project, Peru LNG, is currently being developed. Together with the Canaport project, Peru LNG is one of the

OPERATIONAL MAGNITUDES

	2006	2007	2008	2008 / 2007 variation %
Net production of LNG (*) (Bcma)				
Trinidad	3.0	3.3	3.5	4.7
(*) Equity gas: does not include production of LNG by companies accounted for using the equity method				
LNG marketing				
Loads (n°)	42	66	65	(1)
Volume marketed (Bcma)	3.2	4.5	4.7	4.2

Conversion factor: 1 Bcma (billion m^3/year) = 39.68 TBtu.

LIQUEFIED NATURAL GAS (LNG)

Millions of euros	2007					2008				
	1 Q	2 Q	3 Q	4 Q	TOTAL	1 Q	2 Q	3 Q	4 Q	TOTAL
Operating income	266	221	291	145	**923**	308	393	472	371	**1,544**
EBITDA	28	21	50	47	**146**	40	35	51	47	**173**
Operating profit	27	19	27	34	**107**	32	18	38	37	**125**
Investments	124	58	108	97	**387**	78	67	78	19	**242**

major initiatives envisioned in the 2008-2012 Strategic Plan and a key project for the company's growth. Repsol has been involved in this project, in which it holds a 20% stake, since 2005, in partnership with Hunt Oil (50%), SK (20%) and Marubeni (10%).

Other key initiatives

The Peru LNG project entails the construction and operation of a liquefaction plant in Pampa Melchorita, in which Repsol holds a 20% stake, and a gas pipeline that will connect with the existing pipeline in Ayacucho. Natural gas will be supplied to the plant by the Camisea consortium, in which Repsol also has a stake.

The project also includes exclusive marketing by Repsol of the liquefaction plant's entire production, estimated at over 4.5 million tonnes per year. The term of the gas purchase agreement signed with Peru LNG is 18 years from commencement of commercial operations. In terms of volume, this is the largest LNG acquisition ever made by Repsol.

In September 2007, Repsol was awarded the international public tender offered by the Federal Electricity Commission (Comisión Federal de Electricidad, CFE) to supply LNG to the natural gas terminal at the port of Manzanillo on Mexico's Pacific coast. The contract envisages the supply of over 67 bcm of LBG to the Mexican plant for a 15-year period. The Manzanillo plant, which will supply gas to CFE's power plants in the central-western region of Mexico, will be fed with gas from the LNG Peru project.

At the end of 2008, construction work on the onshore part of the liquefaction plant was 68% complete, after advancing 41% over the course of the year. The offshore installations were 72% complete, and the gas pipeline 62% complete. The plant is expected to commence operations in mid-2010. The finance agreements for this project were established in December 2007 and concluded on 26 June 2008.

THE LNG AREA WORLDWIDE

The first financing instalment was made in November 2008.

Regasification plant

In Spain, Repsol holds a 25% stake in Bahia Bizkaia Gas, S.L. (BBG). This company owns a regasification plant with unloading facilities for LNG tankers of up to 140,000 m³, two 150,000 m³ LNG storage tanks, and a vaporization capacity of 800,000 Nm³/hour. BBG is the operator of this plant which has a regasification capacity of 7 bcma, forms part of the Spanish gas system, and is remunerated by the National Energy Commission (Comisión Nacional de la Energía, CNE) by means of tariffs, tolls and fees. The plant is located in the harbour of Bilbao and has three other partners (BP, EVE and Iberdrola) each holding a 25% stake. Expansion of this facility is currently being appraised. This would involve the construction of a third tank, also with a 150,000 m³ capacity, and the addition of a further 400,000 Nm³/hour regasification capacity. In 2008, the regasification plant had an availability rate of 96% and a load factor of over 68%, both figures higher than those for 2007 and the average in Spain, where the average load factor is 52%.

Repsol also holds a 25% stake in Bahia de Bizkaia Electricidad, S.L. (BBE), a company which owns a combined cycle power plant with an installed capacity of 800 MWe. The plant uses natural gas delivered by BBG as its main fuel. Electricity generated at this plant is fed to the grid for residential,

The Pampa Melchorita plant (Peru) is expected to commence operations in 2010

The Repsol-Gas Natural LNG (Stream) joint venture, in which both companies hold a 50% stake, is one of the world's leading companies in marketing and transport of LNG

commercial and industrial consumption. Situated in the harbour of Bilbao, this facility has the same partners as BBG. In 2008, the availability rate of the plant was 97% and the load factor over 66%, both figures higher than those for 2007.

In Iran, Repsol and Shell, together with NIOC, are continuing work on the integrated Persian LNG project. The final investment decision on the liquefaction plant has not yet been taken.

In December 2007, Repsol and Gas Natural signed a shareholders agreement with Sonangol Gas Natural (SONAGAS) to carry out initial development of an integrated gas project in Angola. This initiative involves entails evaluation of gas reserves to determine the investments that would be required for developing and, if appropriate, exporting these reserves in the form of liquefied natural gas. The services contract and the decree law for concession of the areas of interest, approved by Angola's Council of Ministers in July 2008, are pending ratification by the National Assembly. Seismic tests and other procedures were carried out in 2008 and a well is expected to be drilled in 2009.

LNG transport and marketing

The Repsol-Gas Natural LNG (Stream) joint venture, in which both companies hold a 50% share, is one of the world's leading companies in LNG marketing and transport and one of the largest operators in the Atlantic Basin. One of this company's missions is to ensure optimized management of both partners' fleet, which comprises a total of 11 LNG tankers. In 2008 Repsol, with management support from Stream, marketed 4.7 bcm of LNG and handled 65 cargoes, mostly from Trinidad and Tobago with Spain as the main destination.

At the close of 2008, Repsol's fleet consisted of three LNG tankers under time charter agreements, with a total capacity of 416,700 m^3. The company also

had another fourth tanker, the Sestao-Knutsen, which can carry up to 138,000 m³ of gas and is owned 50-50% by Repsol and Gas Natural. At the beginning of the second half of 2009, the fleet will be increased with the addition of the new Iberica Knutsen Tanker, which Repsol and Gas Natural will share on a 50-50% basis.

Additionally, in early 2007, Repsol signed time charter agreements for four new LNG transport vessels, one from Naviera Elcano and three from Knutsen OAS. The four vessels are scheduled to commence operations in 2010 and are equipped with the latest technology and have a nominal capacity of 173,000 m³ of LNG. The vessels will be used mainly for transporting supplies associated with the contract between Repsol and Peru LNG.

Investments

In 2008 investments in the LNG business totalled €242 million, 37% less than the €387 million invested in 2007. These investments were mainly applied in the construction of the Canaport regasification plant (Canada) and the Peru LNG liquefaction project. This last project was financed with capital contributions from the partners until November 2008, at which time the first external financing disbursement was made.

LNG Milestones

- In 2008 the final construction work on the Canaport regasification plant, which will supply the north-eastern coast of North America, was carried out.
- In 2008 Repsol commenced marketing activities in the New England area and the north-eastern United States. These markets will expand significantly in 2009 when the Canaport terminal commences operations.
- At the end of 2008, construction work on the onshore part of the Peru LNG liquefaction plant was 68% complete, after advancing 41% over the course of the year.
- The Trinidad and Tobago liquefaction trains increased production in comparison with 2007. Both the volume of LNG marketed and the unit margin also increased.

Downstream -
Refining
Marketing
LPG
Trading
Chemicals

Revenues

Operating revenue in the Downstream business area was €1.111 billion, down 49.6% in comparison with 2.204 billion in 2007. This drop was mainly due to the following factors:

a) Lower non-recurring income, for a value of €329 million, mostly due to capital gains (€315 million) on the sale of a 10% stake in CLH in 2007.

b) The negative trend of the accounting effect of inventories of raw materials and products (-€495 million) in comparison with the positive effect recorded in 2007 (€234 million).

c) Lower income from the Chemical business (-352 million) in comparison with 2007 (€100 million). This drop was mainly the result of a fall in sales (16.4%) due to falling demand and a reduction in stock in the manufacturing and distribution chain; and because of narrower margins, affected by high naphtha prices in the first half of the year and the sale and depreciation of stocks in the second half of the year.

Excluding the effects of non-recurring income and inventory valuations in the last two years, the drop would have been 2.1%, from €1.657 billion in 2007 to 1.622 billion in 2008.

If the contribution of the chemical business in both years is also excluded, income would have increased by 22.7%, from € 1.565 billion in 2007 to 1.92 billion in 2008, reflecting the positive performance of the other Downstream businesses (Refining, Marketing, LPG and Trading) in comparison with 2007 (on a like-for-like basis, excluding the impact of non-recurring items and inventories).

Refining

The capacity of Repsol's five refineries in Spain (Cartagena, A Coruña, Petronor, Puertollano and Tarragona) increased by 30,000 bbl/day in 2008 thanks to the investments made to eliminate bottlenecks. This enabled installed capacity in Spain to increase from 740,000 bbl/day to 770,000 bbl/day. Installed capacity at the La

Pampilla refinery (Peru), in which Repsol holds a 51.03% stake and is the operator, is 102,000 bbl/day.

In 2008, Repsol sold its 31.13% stake in the Brazilian Manguinhos refinery, maintaining its 30% holding in the Refap refinery, also in Brazil.

In 2008, the Repsol refineries within the Downstream division processed 39 million tonnes of crude oil, slightly less than the figure for 2007.

The refining margin in Spain in 2008 was $7.4/bbl, 15% higher than in 2007, thanks to the strength of middle distillates and fuel oil and despite weaker petrol performance. The higher dollar/euro exchange rate reduced this advantage and, consequently, the euro/barrel margin in 2008 was fairly similar to the 2007 margin.

The new European specifications on automotive petrols and diesels came into force on 1 January 2009 by which the sulphur content is reduced from 50 ppm to 10 ppm. Repsol's Spanish refineries completed the necessary investments and are prepared to manufacture according to these new specifications.

With the aim of consolidating its leadership in Spain, Repsol is currently implementing an ambitious investment plan to increase the refining capacity and conversion level, while also enhancing safety, environmental protection and the efficiency of its facilities. The project for expanding the Cartagena refinery and for conversion at the Petronor refinery in Bilbao are key aspects of this plan. Progress was made in 2008 towards developing these projects according to plan.

Marketing

Repsol markets its range of products through an extensive network of service stations under a multi-brand strategy: Repsol, Campsa and Petronor in Spain, and Repsol in other countries where the Downstream business operates. The marketing activity also includes other sales channels and the marketing of a wide range of products such as lubricants, asphalts, coke and derivatives.

Total oil product sales (excluding LPG) amounted to 42.86 million tonnes, 7.75 less than in the previous year. This drop was due to weaker demand and to the sale of the marketing business in Ecuador and Brazil and of the marketing business in Chile in 2007. Sales in Europe were down 2.4% and 29.3% in the rest of the world. With regards to sales

The capacity of Repsol's five refineries in Spain (Cartagena, A Coruña, Petronor, Puertollano and Tarragona) increased by 30,000 barrels per day

OPERATIONAL MAGNITUDES (REFINING, MARKETING AND LPG)

	2007	2008 (1)	2008 / 2007 Variation %
Processed materials (millions of tonnes)			
Crude	40.1	39.0	(2.7)
Other loads and raw materials	6.5	5.1	(20.8)
Total	**46.6**	**44.1**	**(5.2)**
Production (thousands of tonnes)			
Middle distillates	20,906	19,994	(4.4)
Petrols	7,820	7,235	(7.5)
Fuel oils	7,337	7,308	(0.4)
LPG	1,017	1,013	(0.4)
Asphalts	1,741	1,558	10.5)
Lubricants	249	212	(14.8)
Others (excluding petrochemical)	1,627	1,674	2.9
Total	**40,696**	**38,995**	**(4.2)**
Sales of petrol products (thousands of tonnes)			
Gas oils/Kerosene	25,853	23,723	(8.2)
Petrols	7,757	6,775	(12.7)
Fuel oils	7,397	7,234	(2.2)
LPG	3,405	3,223	(5.3)
Rest	5,448	5,130	(5.8)
Total	**49,860**	**46,085**	**(7.6)**
Sales by areas (thousands of tonnes)			
Europe	39,156	38,183	(2.5)
Rest of the world	10,704	7,902	(26.2)
Total	**49,860**	**46,085**	**(7.6)**

(1) Does not include Refap since July

to the company's own network, light product sales in Spain fell by 5.8% due to a fall in demand, and in other countries sales were 22.7% lower mainly because of the previously mentioned divestments.

At the end of 2008, Repsol had a network of 4,399 service stations in countries in which the Downstream business area operates. The network in Spain consists of 3,590 sales points, 75% of which have strong concessionary links to the company, and 946 of which are company managed. Service stations in other countries were located in Portugal (441), Italy (133) and Peru (235).

In June 2008, as part of its non-core asset divestment strategy, Repsol sold its liquid fuel marketing business in Ecuador to Primax for $47 million. The sale included the network of 123 service

Distillation tower at the Tarragona refinery (Spain),

stations, as well as the industrial sales business, commercial and logistics infrastructure, and the aviation and lubricants activities.

In December 2008, Repsol also sold its liquid fuel marketing business in Brazil for $55 million to the Brazilian group AleSat. The sale included the network of 327 service stations as well as the commercial and logistics infrastructure and other complementary business such as the convenience stores, direct sales and asphalts.

Throughout 2008, Repsol continued with its policy aimed at improving service quality, particularly in company managed service stations. By the end of the year, 243 facilities had been adapted to the new Sprint store concept, with over 60 m² of commercial floor space, more than 1,300 product references, and annual sales per store of over €300,000.

Customer loyalty programmes through the use of specific cards are an essential part of Repsol's marketing strategy. At the end of 2007 the company launched a new card, Solred MÁXIMA, offering clients 5% discounts on all services and products in the stores and a 1% discount on fuels. This card can also be used for payment at repair shops and motorways and offers a wide range of advantages. Solred MÁXIMA is accepted at more than 4,000 Repsol, Campsa and Petronor service stations in Spain and Portugal.

Respect for the environment forms part of the policy and strategy of the company, which focuses all its efforts on

A project which creates wealth and employment

The expansion of the **Cartagena** refinery is one of the key initiatives in the 2008–2012 Strategic Plan. An investment of €3.262 billion will make this complex one of the most modern in the world and will double its capacity to 220,000 bbl/day. The project includes, as the main units, a hydrocracker, a coker, atmospheric and vacuum distillation units and desulphurisation and hydrogen plants.

In 2008 the administrative permits necessary for the extension were obtained. This initiative has met with a highly favourable response from both the region and the administrations, as it will boost the economy of the Region of Murcia. Around 1,000 people are already employed in the works, which are forecast to be completed on schedule.

This project will enable production of clean transport fuels to be maximized and will provide employment to over 6,000 people during the construction phase. Once operative, it will create around 700 jobs. Over 50% of the products produced in the complex will be middle distillates, which will play a significant role in reducing the shortage of these products in Spain.

developing environmentally-friendly and advanced technology products. Repsol sells a wide range of latest generation fuels that comply with the strictest quality standards: Efitec 95 and 98 petrol, Diesel e+ and Diesel e +10.

In keeping with its commitment to society, Repsol continued to promote projects for the integration of people with disabilities, who at the end of 2008 amounted to 230 employees in the Marketing division, more than 3% of its workforce.

Liquefied Petroleum Gas

Repsol is one of the world's leading retail distribution companies of LPG and the market leader in Spain and Latin America. The company is present in ten countries in Europe, North Africa and Latin America.

Total LPG sales in 2008 amounted to 3.22 million tonnes, a decrease of 5.3% in comparison with the previous year. In Peru, LPG sales increased 93% thanks to development of the market. Sales in Spain fell 1.9% compared to the previous year.

In Spain, Repsol distributes bottled, bulk and piped LPG through collective distribution networks and has more than 10 million bottled LPG customers supplied through a network of 522 distribution agencies. Bulk LPG sales accounted for 39% of total retail LPG sales in 2008.

To reinforce its leadership position on the Spanish market, improve service quality and guarantee supply, the company implemented an efficiency plan for factories in Spain over the 2007-2009 period.

Investments in the Downstream area increased by 64% in 2008

OPERATIONAL MAGNITUDES (CHEMICALS)

Thousands of tonnes	2007	2008	2008 / 2007 Variation %
Capacity			
Basic petrochemical	2,664	2,679	0.6
Derivative petrochemical	2,937	2,927	(0.3)
Total	**5,601**	**5,606**	**0.1**
Sales by products			
Basic petrochemical	772	629	(18.6)
Derivative petrochemical	2,341	1,973	(15.7)
Total	**3,113**	**2,602**	**(16.4)**
Sales by markets			
Europe	2,776	2,348	(15.4)
Rest of the world	337	254	(24.6)
Total	**3,113**	**2,602**	**(16.4)**

In Portugal, Repsol distributes bottled and bulk LPG to end customers and supplies other operators. Sales in 2008 reached 184,199 tonnes, making the company the third operator, with a 21% market share.

In Latin America, Repsol is the leading LPG distributor in Argentina, Ecuador, Peru and Chile. It markets bottled and bulk LPG on the Argentinean retail market to the domestic, commercial and industrial sectors, with sales totalling 325,836 tonnes.

In November 2008, the company sold its 51% stake in Repsol YPF Gas de Bolivia S.A., abandoning the bottling and bulk marketing activities in this country.

Chemicals

The company's chemical business, which forms part of the Downstream area, incurred an operating loss of €352 million compared to an operating profit of €100 million in 2007. This was mainly due to a decrease in sales as a result of shrinking global demand and the reduction in stocks in the entire transformation and distribution chain, as well as narrower margins due to high naphtha prices in the first half of the year and depreciation of stocks in the second half of the year.

Sales to third parties in 2008 stood at 2.60 million tonnes, 16.4% less than the 2007 figure of 3.11 million tonnes.

The project for the extension of the Sines complex (Portugal), which aims to double output and increase competitiveness through greater integration and energy efficiency, was approved in June 2008. The project includes three new plants –one for linear polyethylene, one for polypropylene and a third for cogeneration– as well as extension of cracker capacity by more than 40%, to 570,000 tonnes/year. The new linear polyethylene and polypropylene plants will be in a highly competitive position thanks to both their size and latest generation technology.

Investments

Investments in the Downstream area increased by 64%, totalling €1.534 billion in comparison with €936 million the previous year. Most of this amount was allocated to ongoing refinery projects, particularly in Spain, and to operation improvements, installations and fuel quality, as well as safety and the environment.

Additional Downstream information

The Downstream area comprises the following activities: refining, logistics, crude oil and product trading and marketing of fuels, including liquefied petroleum gas (LPG) and chemicals, on both the wholesale and retail markets. Repsol YPF is the largest oil refiner in Spain and Peru and is also present in Brazil.

With regards to marketing activities, the Group markets products through its service stations distributed over five countries. It is the leader on the Spanish and Argentinean markets and one of the reference companies in Peru.

Improvements in refining

Excluding YPF, Repsol operates five refineries in Spain and another in Peru with a total installed capacity of 872,000 barrels per day. It also holds a stake in the Refap refinery (Brazil).

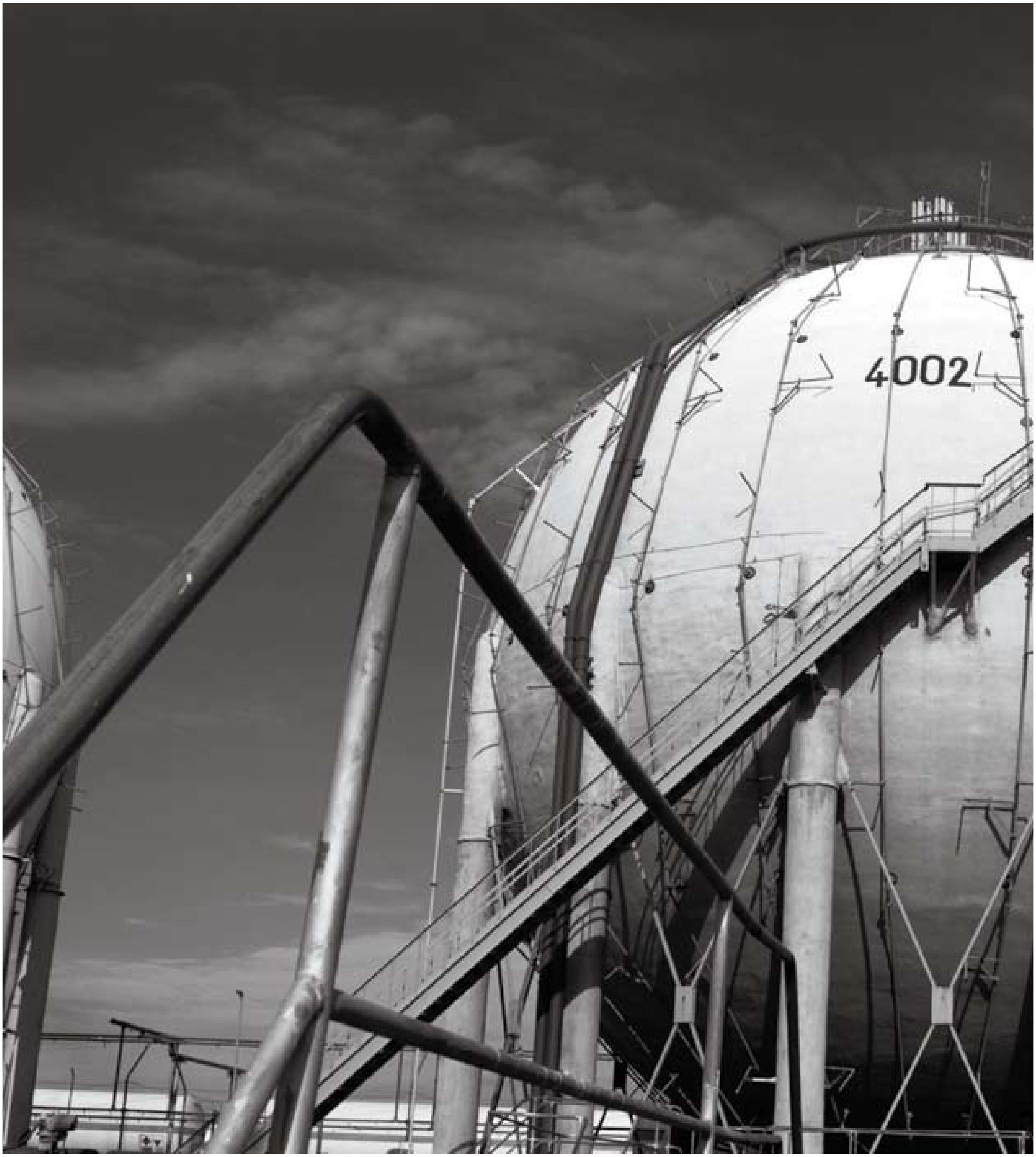
The company has introduced a number of improvements in recent years. In 2002 it installed a hydrocracking unit in the Tarragona refinery and in mid-2004 a mild hydrocracker commenced production in the Puertollano refinery. In 2005 a new FCC hydrotreatment unit commenced operations in the A Coruña refinery, an isomerisation unit in Tarragona and an FCC Naphtha desulphurization unit in Bilbao, where in mid-2006 a middle distillates desulphurization unit was installed. In 2008 Repsol's Spanish refineries finalized the investments necessary for manufacturing automotive fuels with the quality specifications adopted in the European Union.

Repsol's international supply and marketing activities are centralized through the company Repsol YPF Trading y Transporte (RYTTSA), which has offices in Madrid, Buenos Aires, Houston and Singapore.

Logistics

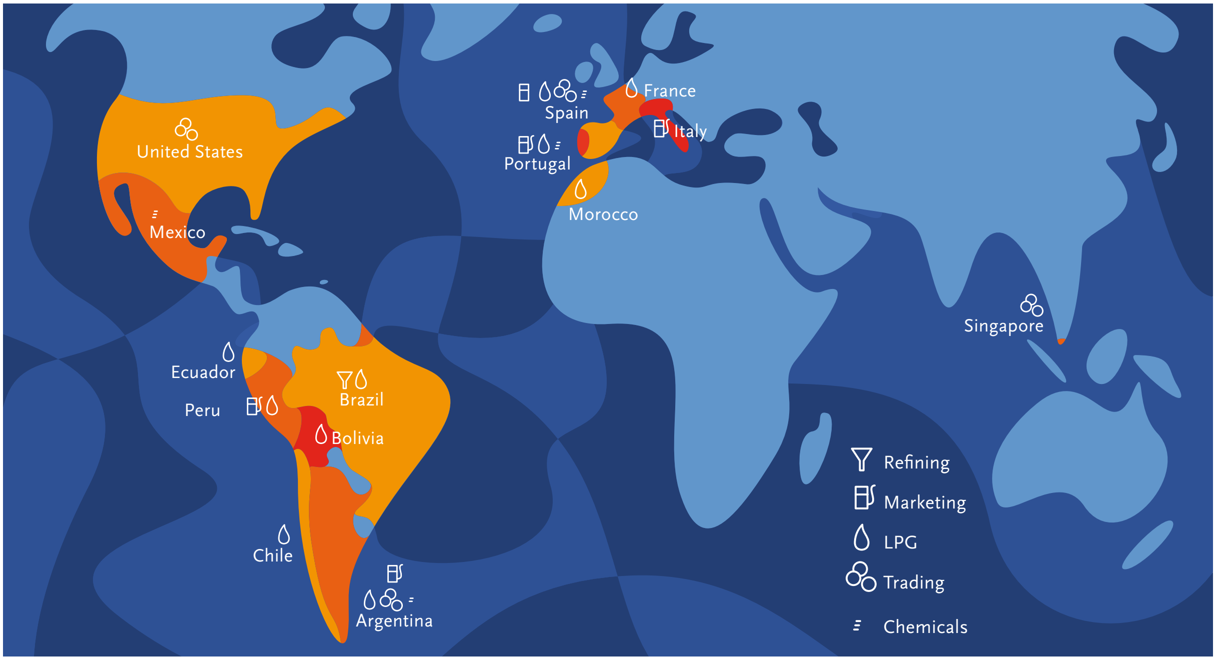
Most of the distribution of products refined in Spain is handled by the Compañia Logistica de Hidrocarburos (CLH), in which Repsol holds a 15% stake.

At 31 December 2008, the company's transport network consisted of 3,835 km of oil pipelines and two tankers. CLH also has 38 storage facilities –all connected to the oil pipeline



Liquefied petroleum gas tank at one of the Repsol industrial complexes.

DOWNSTREAM WORLDWIDE - REPSOL GROUP



network, with the exception of Gijon, Motril and the four facilities in the Balearic Islands – and 28 airport installations which, together, represent a total capacity of approximately 6.6 million m³.

In Peru there is a contracted storage capacity of 125,000 m³.

LPG Marketing

The Group supplies liquefied petroleum gases mainly through the refineries in Spain and acquisitions from third parties on the international markets. Nearly a third of its requirements are met with the group's own production. In Europe and North

DOWNSTREAM

Millions of euros	2007					2008				
	1 Q	2 Q	3 Q	4 Q	TOTAL	1 Q	2 Q	3 Q	4 Q	TOTAL
Operating income	9,114	9,955	10,457	11,272	**40,798**	11,556	12,245	11,502	7,144	**42,447**
Europe	8,287	9,034	9,393	10,334	37,048	10,848	11,431	10,971	6,653	39,903
Rest of the world	1,233	1,365	1,521	1,528	5,647	1,390	1,570	1,142	674	4,776
Adjustments	(406)	(444)	(457)	(590)	(1,897)	(682)	(756)	(611)	(183)	(2,232)
EBITDA	574	803	574	450	**2.401**	709	816	633	(383)	**1,775**
Europe	506	696	530	398	2.130	682	741	591	(268)	1,746
Rest of the world	68	107	44	52	271	27	75	42	(115)	29
Operating profit	515	633	393	663	**2,204**	482	643	415	(429)	**1,111**
Europe	466	552	378	599	1,995	482	594	396	(345)	1,127
Rest of the world	49	81	15	64	209	–	49	19	(84)	(16)
Investments	198	170	220	348	**936**	315	315	309	595	**1,534**
Europe	152	152	212	328	844	299	293	296	581	1,469
Rest of the world	46	18	8	20	92	16	22	13	14	65

Africa, Repsol is present in Spain, Portugal, the south of France and Morocco. The strategy followed in all these countries consists of offering clients a top quality product combined with excellent service.

Repsol Butano is the largest bottled LPG distribution company in Europe, in terms of both revenues and volume. It also distributes bulk propane via individual installations (Personalised Plan) or collective distribution networks (piped propane installations and town pipelines) to domestic, commercial and industrial clients. These sales represent 34.3% of total sales.

In 2007 the Administration liberalized maximum prices

Downstream Milestones

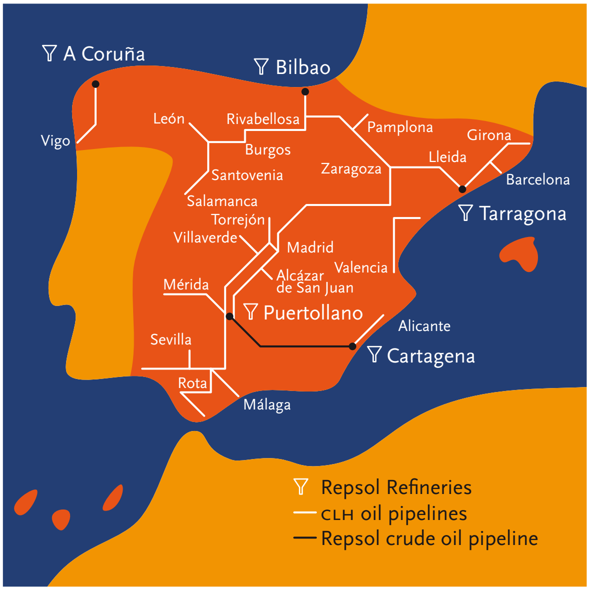
- In 2008 the administrative permits necessary for extension of the Cartagena refinery were obtained. The project, which is the largest industrial investment in the history of Spain (€3.262 billion), will make this industrial complex one of the most modern in the world.
- Within the framework of the strategy of divestment of non-strategic assets, Repsol sold its 31.13% stake in the Manguinhos refinery in Brazil. In December, the company sold the liquid fuel marketing activities in Brazil to the Brazilian group AleSat for 55 million dollars.

In February 2008 the company divested the polymethyl methacrylate (PMMA) business with the sale of the Bronderslev (Denmark) and Polivar (Italy) subsidiaries.

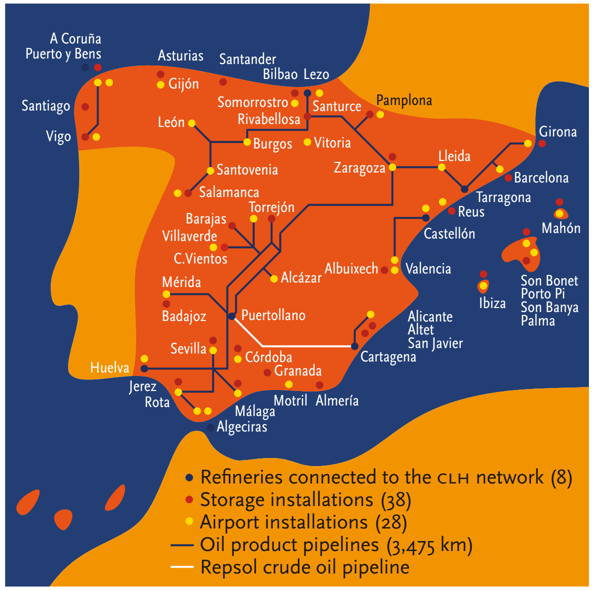
In June 2008 Repsol signed an agreement with the company Primax for the sale of the Ecuadorian companies Recesa and Oiltrader for a sum of $47 million (€32 million). In the case of lubricants, Repsol will maintain a marketing and distribution contract with Primax and, in the case of aviation, a technical-commercial contract.

- In September 2008 commencement of the extension works of the Sines petrochemical complex (Portugal) was announced. This project includes the construction of new linear polyethylene and polypropylene units which will triple the current capacity of this industrial complex.

REPSOL REFINERIES IN SPAIN



LOGISTICS IN SPAIN



for LPG in the case of cylinders weighing over 20 kg and for use as a fuel. Only LPG in cylinders of between 8 and 20 kg is subject to a maximum price, which still represents 91% of total sales of bottled LPG, as well as piped LPG with quarterly and monthly updates. Prices for bulk supplies are not fixed.

Repsol has been present in Portugal since 1993. The last two years have seen the effective

integration of logistics and distribution networks in this country, while the brand image has been unified with the launch of cylinders in new colours and a common valve for all types of bottles.

In France, where Repsol distributes bottled and bulk LPG, sales in 2008 reached 16 kt, under a mixed distribution model of cylinders at the sales point and a home delivery service. The bulk business focuses on small clients and domestic use with commercial formulas similar to the Personalised Plan.

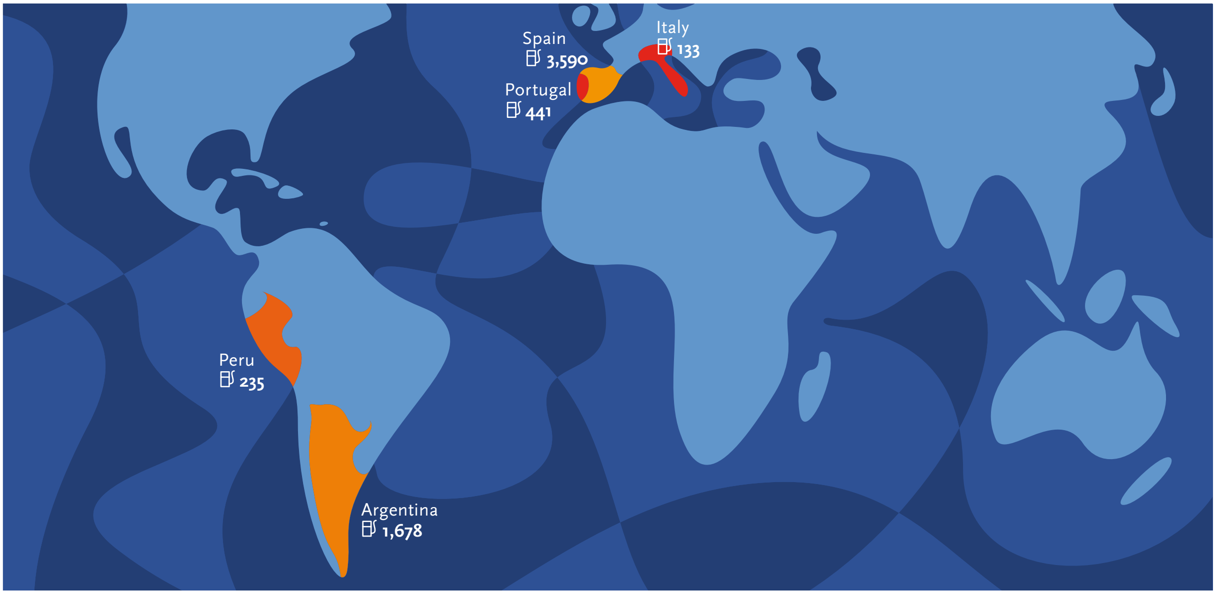
The French and Portuguese markets are totally liberalized and operators establish the price freely based on international prices of raw materials, internal distribution costs and the level of competition.

Repsol is present in Morocco through National Gaz, a bottled LPG distribution company which recorded sales of 40 kt in 2008. Distribution is shared between direct sales and exclusive distributors. The price of bottled LPG is subsidized and regulated by the Administration, which establishes the margin of each element of the distribution channel from the producer or importer to the sales point.

Leader in Latin America

Repsol YPF is the leader in LPG distribution in Argentina, Ecuador, Peru and Chile. This position, together with the production sources located in Argentina, Bolivia and Peru, represents a strong competitive advantage, as it strengthens vertical integration.

REPSOL GROUP SERVICE STATION NETWORK



Repsol is the leader in LPG distribution in Argentina, Ecuador, Peru and Chile.

Lipigas, a company in which Repsol holds a 45% stake, is the leader on the Chilean market, with a 37.6% market share and sales in 2008 of 430 kt.

In Peru, Repsol participates in the LPG market through the brand Solgas Repsol and is the leading company in terms of prestige and quality, with a 38.5% market share. Sales in 2008 amounted to 408 kt.

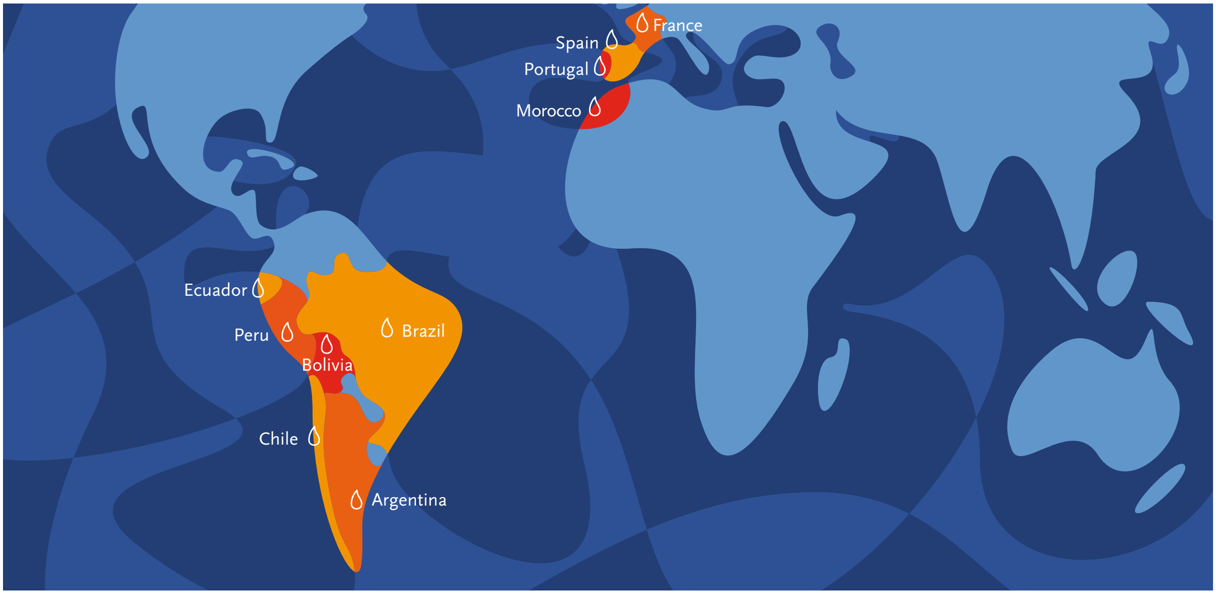
The Chilean and Peruvian markets are totally liberalized. Distribution of bottled LPG is carried out through distributors (both exclusive and non-exclusive) who in turn resell the product to the sales points.

In Ecuador, Repsol participates through Duragas, the leading LPG distribution company which operates nationwide with a market

share of 38.9%. In 2008, Duragas marketed 390 kt of LPG. The sale price of bottled LPG in Ecuador is heavily subsidized by the state. Marketing is carried out through a network of exclusive distributors.

In Bolivia, since YPBF assumed control of natural resources, pursuant to a decree law on nationalization of hydrocarbons, product availability has been drastically reduced, resulting in a decrease in sales volume. Despite

LPG REPSOL GROUP



this, sales in the retail segment stood at 22 kt of LPG and market share was 6%.

Repsol commenced marketing LPG in Brazil in 2004 in the bulk segment and through wholesale sales. In 2008 sales amounted to 21 kt.

High level of integration

The Repsol Group produces, distributes and markets petrochemical products directly. This activity is mainly carried out in Spain (Tarragona and Puertollano), Argentina (Ensenada, Bahia Blanca and Plaza Huincul) and Portugal (Sines). The most important markets are Europe and the Mercosur countries.

Most of the units share the industrial complex with the Repsol refineries, thereby enabling a high level of integration between both activities.

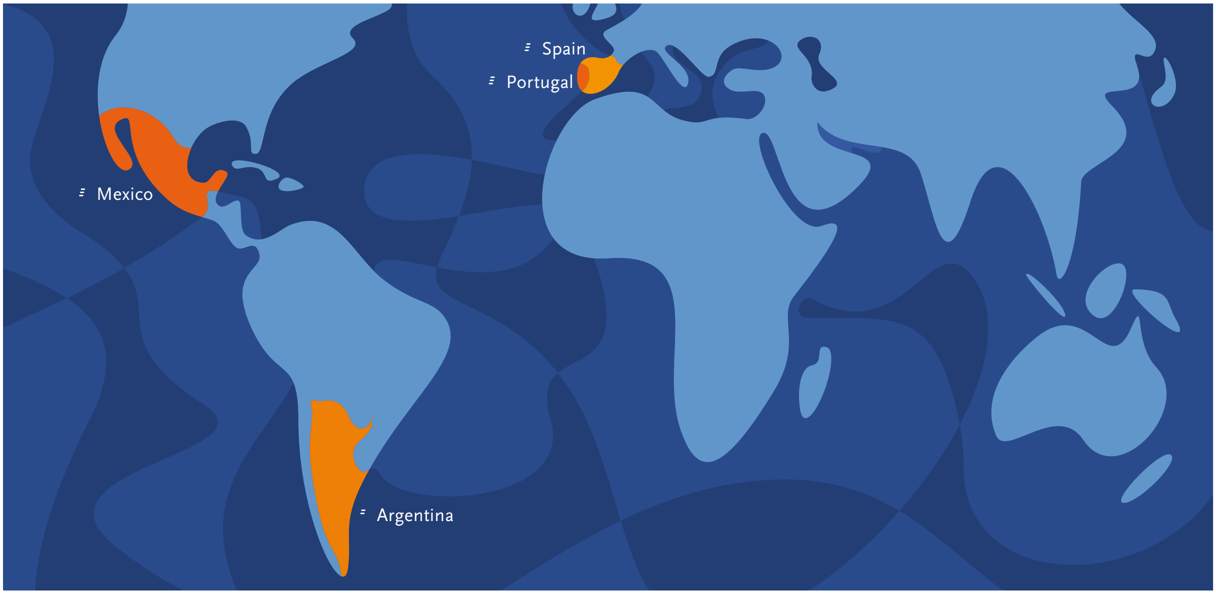
The company is the market leader in basic and derivative **petrochemical products** in Spain

The Group's basic petrochemicals production focuses on obtaining olefins and aromatics. In derivatives, the three main petrochemical products are polyolefins, intermediate products and industrial products.

Chemicals in Spain

Repsol is the market leader in basic and derivative petrochemical products in Spain, where its main assets are located at the Tarragona and Puertollano industrial complexes. These plants have an olefin cracker and polyolefin and intermediate product production units. This enables a high level of integration between basic and derivative chemicals, as well as a high level of integration with the refining activities.

CHEMICALS - REPSOL GROUP



Through a joint venture with Dynasol (50%), Repsol produces synthetic rubber at the Santander plant. In Spain it also produces styrene-derived plastics and polyolefin compounds as well as specialised chemical products (accelerants and agrochemicals, for example).

Other countries

In Portugal, Repsol carries out chemical activities at the Sines complex, around 160 km south of Lisbon. This complex has production plants similar to those of the Puertollano and Tarragona complexes and consists of an olefin cracker, two polyethylene plants and an energy plant which provides power to the complex. The expansion of these installations will enable production to double and increase competitiveness thanks to greater integration and energy efficiency.

In Mexico, Repsol has a plant at Altamira which produces synthetic rubber through the previously mentioned joint venture with Dynasol (50%).

Marketing

Repsol markets its chemical production directly. Sales of derivative petrochemical products are carried out through a commercial network divided into five regions: Atlantic, Mediterranean, Northern Europe, Southern Europe and South America. The company is also a charter member of the ChemConnect website, the leader in e-commerce of chemical products.

YPF -

YPF operating revenue amounted to €1.159 billion in 2008, 5.6% less than in 2007. This drop was due to the international crisis, which intensified in the last few months of the year.

On 21 February 2008, Repsol concluded the sale of a 14.9% stake in YPF to the Petersen Group for 2.235 billion dollars. This transaction, which values YPF at 15 billion dollars, forms part of the company's strategy of enhancing the geographical distribution of its assets and implementing global management with a local focus. The agreement also allows for the Petersen Group to increase its YPF holding to 25% through an option to purchase an additional 10.1%. The Petersen Group has already exercised an option for an additional 0.1% stake.

Extension of concessions

In 2008, YPF investments amounted to €1.508 billion compared with 1.374 billion the previous year. Nearly 80% of these expenditures were allocated to oil and gas development and exploration projects, including the agreement for extending the concession in the Neuquen province.

Average annual production in Argentina was 617,100 barrels of oil equivalent per day (boepd) versus 649,200 in 2007, a decrease of 4.8%. Output was affected by labour strikes and a fall in demand for gas. Without taking these effects into account, average annual production would have reached 628,300 boepd.

Operating costs increased in 2008, mainly because of taxes - which rose from €179 million to €685 million in 2008 due to the effect of withholdings -, amortization, purchases from third parties, environmental and legal contingencies, and severance pay and compensation.

Although international prices were higher than in 2007, they fell sharply in the last quarter of 2008. This affected both domestic and foreign market prices although in the latter case this was curtailed by withholdings, which were higher than in 2007 following the implementation of Resolution 394 which affects oil and crude oil product exports, and Resolution 127, which affects natural gas and liquefied natural gas exports.

With the exception of petrol for the internal market, 2008 saw a fall in demand mainly as a result of the international crisis and other factors, such as the farmers'

The Lujan de Cuyo refinery (Argentina), with the Andes in the background.

strike and the drought.

On the internal market, the company collaborated with the Government of Argentina on the Total Energy Plan (TEP), participating in programmes to supply diesel and replace natural gas with liquid fuels.

The contribution from YPF associated companies was lower than in the previous year due to the following factors:

• The company Mega was affected by the impact of the resolutions on petrol and LPG export prices and by the fall in the price of ethane.

• The fall in the price of urea in the last quarter, which had an impact on sale prices of the company Profertil and devalued its stocks.

• The company Refinor saw its profits reduced by the application of Resolution 394 which affected the price of its exports.

• YPF Holding's earnings were affected by higher provisions for environmental contingencies, although this was partly offset by the commencement of production of Neptuno.

Operating profits from YPF's Exploration and Production business stood at €441 million, 55% down on the previous year due to higher costs in the industry, the effect of regulated oil prices in the Argentinean market and strikes.

In 2008, YPF's hydrocarbon production was 226 million barrels of oil equivalent, 4.9% less than in 2007, 114 million of which were liquids and the remainder gas. Labour disputes and weaker demand for gas in the last third of the year reduced output by 4.8 million barrels.

Investment in exploration

In 2008, YPF made five oil discoveries and one gas discovery, out of a total of 17 wells drilled. Of the six positive wells, four are in the Neuquina basin (El Orejano x-1, Borde Sur del Payun e-4, Puesto Cacho x-1 and Los Reyes Norte x-1), the fifth is located in the Austral basin (Las Flechas x-2001) and the sixth in the Gulf of San Jorge (El Balcon x-1). Total investments in exploration amounted to €122 million.

Seismic activity focused on the Rio Barrancas block in the province of Neuquen, and also on the Tamberias block in the

In 2008, YPF made five oil discoveries and another gas discovery, out of a total of 17 wells drilled

province of San Juan. In 2008 only the province of Chaco offered new mineral concessions.

With regards to field development activities, 602 development wells were drilled which, together with secondary, repair and infrastructure activities, involved an investment of €868 million.

Within the framework of the 1.215 billion-euro global investment plan, €55 million were allocated to the Asset Development Plan (Plan de Desarrollo de Activos, PLDA) for rejuvenating mature fields. Launched in 2007, this initiative forms part of the company's strategy aimed at progressing towards a leadership position in the exploitation of mature fields and basins. The objective is to define integral development and rejuvenation plans for all YPF fields based on current technology and focusing efforts on enhanced subsoil knowledge.

The work carried out in recent years within the framework of the Asset Development Plan enabled YPF to incorporate proved reserves, both within and outside Argentina, totalling 75 million barrels of oil equivalent in 2008, mostly oil. In addition, the milestone of replacement of 120% of oil reserves was achieved in the Chubut and Santa Cruz areas, in the southern basin of Argentina.

We should also highlight the results obtained in mature fields, such as Perales, Barranca Baya and Manantiales Berth. Together with the activity in the Maurek area and particularly in the Cañadon Yatel field, these results enabled reserves to be incorporated in this region.

Pilot tests were conducted in the Neuquina basin to assess the technical and economic feasibility of developing tight gas fields. The results of these studies are currently pending.

The 10-year extension (2017–2027) of the concessions in the Neuquen province should also be highlighted. Together with the extension achieved in Loma la Lata in 2002, this enabled the concessions of 50% of YPF's reserves in Argentina to be extended.

Another significant event was the awarding of the Gold Prize to the company Mega in the "Medium Private Company" category by the jury of the 2008 Ibero-American Quality awards.

YPF's natural gas sales in 2008 totalled 16.4 billion m^3, and increased above all in the distribution, industrial and manufacturing segments. YPF's market share in Argentina was 40% and the average price of the natural gas sold by the company increased by 32% in 2008, enabling the gradual alignment of prices on the domestic market.

The first liquefied natural gas (LNG) regasification operation commenced in June 2008 at the Bahia Blanca harbour with the Excelsior regasification tanker contracted for this purpose in order to meet the country's demand. This project was developed for the Argentinean Government and was successfully completed in record time, incorporating an average of approximately 4 million cubic metres/day in the winter season between June and September. This operation, the transfer of LNG from one vessel to another anchored vessel, from the Excelsior to the Excelerate, was the first of its kind in the world.

Additionally, within the framework of the programme for supporting the Government of Argentina, in the winter of 2008 YPF constructed the world's largest propane-air plant in Buenos Aires. The plant, with a supply capacity of 1.5 million cubic metres/day, will be used to meet peak winter demand in the capital of Argentina.

With regards to the Refining, Logistics and Marketing activity, YPF refineries processed 18.7 million cubic metres of oil, 1% less than in 2007.

Over the course of 2008, full use

The extension of the concessions in Neuquen enabled the permits of around 50% of YPF's reserves to be extended

La Plata refinery (Argentina).

of the refineries' installed capacity was maintained thanks to the operational reliability plans being carried out which enable the units' maintenance cycles to be extended, thus increasing effective processing capacity and enabling maximum use of assets to meet Argentina's growing demand for fuel.

Petrol production for the domestic market amounted to 3 million cubic metres, 14% higher than in 2007 and a new record in recent years. This was accompanied by enhanced quality of the petrols produced and made it possible to meet the Argentinean market's increasing demand.

Record production

YPF completed the remodelling of the catalytic cracker (FCCB) at the La Plata refinery, which enabled an increase in the production of middle distillates and petrols, with a new record set in the production of diesel and Jet A1 aviation fuel at this facility in October, reaching an average of 13,625 cubic metres/day. Middle distillate production at this refinery thus surpassed, for the second consecutive month and the fourth time in its history, the threshold of 400,000 cubic metres/month.

With regards to heavy products, the production of 2 million cubic metres of fuel oil was noteworthy, similar to the figure for previous year. Internal factory demand was thus met and the requirements of the Total Energy Plan (TEP) were complied with, delivering over 290,000 cubic metres of fuel oil.

The fleet contracted for river and marine transport was renewed with the incorporation of three new vessels: the newly-built Maria Victoria and Caleta Rosario double-hull vessels, and the Argentina V barge, all of which comply with the Group's latest safety standards. A sixth barge is under construction and is scheduled for launch in 2009.

In 2008, YPF's supply of liquid fuels was in line with the growth recorded in Argentina, ensuring a permanent, high-quality supply to all its clients. This supply, particularly in the case of petrol, a key supply for sustaining growth levels, was made from the company's refineries, or was imported to meet exceptional levels of demand.

At the end of 2008, YPF had 1,642 service stations, 1,642 of which were under own management. The company has begun to update the image of its sale outlets, seeking a more modern image and bringing

At the end of 2008, YPF had 1,678 service stations, 1,642 of which were under own management The company has begun update the image of its sale outlets

it in line with the slogan “Let’s invent the future”.

Prices in the domestic market gradually adapted to international prices and those of bordering countries.

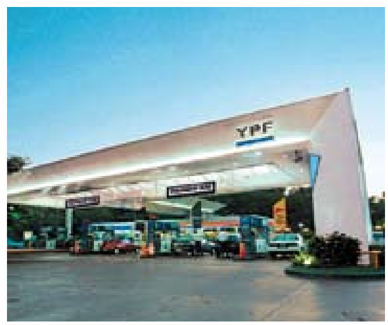
At the close of 2008, YPF launched a new fuel, YPF D. Eurodiesel, at low sulphur content fuel (less than 50 parts per million), which is recommended for all high-performance EURO IV engines.

Increased margins

The Refining, Logistics and Marketing areas obtained a profit of €743 million in 2008. Investments in this area amounted to €167 million.

With regards to YPF’s chemicals business, profits increased by 20%, reaching an all-time high of €158 million thanks to an increase in margins in all lines and the integration of the refining, exploration and production activities. This was achieved despite the fall in international prices in the fourth quarter of 2008 and declining demand for fertilizers due to the farmers’ strike in Argentina. These enhanced financial results were shored up by high international prices in the first three quarters of the year, the application of a cost savings and expense curtailment plan, and a policy aligned to prices in the local market which boosted the Argentinean industry’s growth. Investments in the year amounted to €25 million.

In 2008, the company Profertil, in which YPF holds a stake, won the National Quality Prize in the large company category,



and also renewed its exemption on customs duty for methanol exported to the United States.

YPF's workforce at the end of 2008 comprised 11,038 employees, a year-on-year decrease of 1.3%. 271 new employees joined the Exploration and Production area, an increase of 16% over 2007. The workforce of the company Astra Evangelista (AESA) was reduced by 540 workers.

The Repsol YPF Group commenced implementation of a teleworking pilot project. In Argentina, the project was launched with the collaboration of the Ministry of Labour. YPF is the first company in the country to implement this new work arrangement, which was adopted by several of its employees, and which was recognised with the awarding of the Meta 4 Prize for Innovation in Human Resources.

Three labour agreements govern the employment conditions of YPF's refinery, field, service station and LNG employees. In 2008, several salary agreements were reached with trade union representatives.

With regards to Research and Development (R+D), within the framework of the Asset Development Plan (PLADA), YPF began to evaluate and develop technologies for the exploitation of heavy oil fields, enhancing the recovery factor of mature fields, and recycling the water used in production processes for irrigation and other purposes. The Chemicals area launched a new fertilizer made with liquid sulphur generated by the hydrocarbons processed at the refinery. With regards to environmental protection, the company continued to develop soil recovery technologies.

Additional YPF information

Exploration and production

At 31 December 2008, YPF held mineral rights in Argentina on 113 blocks covering a net area of 76,722 km^2: 21 exploration blocks (50,221 km^2) and 92 exploitation blocks (26,501 km^2), located in the Neuqina, Cañadon Asfalto, Bolsones Intermontanos, Gulf of San Jorge, Austral, Colorado Marina, Cuyana, Noroeste and Malvinas basins.

Average net daily productions by areas were the following: Neuquina (420.03 kboepd), Gulf of San Jorge and Austral (108.57 kboepd), Cuyana (25.31 kboepd), Noroeste (45.11 kboepd) and the offshore basins (17.49 kboepd).

Net proved reserves of liquids and natural gas in Argentina at the close of 2008 were estimated at 1,141 Mboe.

Logistics

In Argentina there is no company operating primarily in the distribution of oil products, and each operator therefore carries out their own distribution. YPF has a network of 1,801 km of oil pipelines for distribution of its refined products which link up its two main refineries with the 16 storage and supply installations, which can house up to 983,620 m^3 of products. It also has 53 airport installations, 40 of which are owned by the company (24,000 m^3 of storage capacity), and 27 company-owned tanker trucks. The YPF refineries receive crude oil through pipelines: the Lujan de Cuyo refinery from Puesto Hernandez through a 528 km oil pipeline, and the La Plata refinery from Puerto Rosales through a 585 km oil pipeline.

YPF also holds a 37% stake in Oldelval, the company which manages the oil pipeline linking the Neuquina basin with Puerto Rosales, and a shareholding of 33.15% in Termap, an operator with two storage and port installations: Caleta Cordova, located in the southern province

YPF

Millions of euros	2007					2008				
	1 Q	2 Q	3 Q	4 Q	TOTAL	1 Q	2 Q	3 Q	4 Q	TOTAL
Operating income	1,989	2,065	2,199	2,383	**8,636**	2,282	2,330	2,914	2,556	**10,082**
Upstream	1,055	1,117	1,154	1,250	4,576	1,026	939	1,097	1,207	4,269
Downstream	1,639	1,719	1,815	2,100	7,273	1,882	1,789	2,448	2,034	8,153
Corporation	34	26	99	101	260	55	68	78	79	280
Adjustments	(739)	(797)	(869)	(1,068)	(3,473)	(681)	(466)	(709)	(764)	(2,620)
EBITDA	715	730	668	851	**2,964**	756	618	855	573	**2,802**
Upstream	502	575	601	772	2,450	507	380	457	453	1,797
Downstream	241	159	69	77	546	259	258	419	138	1,074
Corporation	(28)	(4)	(2)	2	(32)	(10)	(20)	(21)	(18)	(69)
Operating profit	328	296	228	376	**1,228**	365	279	402	113	**1,159**
Upstream	139	211	235	394	979	167	130	68	76	441
Downstream	210	116	16	44	386	225	218	375	83	901
Corporation	(21)	(31)	(23)	(62)	(137)	(27)	(69)	(41)	(46)	(183)
Investments	303	287	349	435	**1,374**	250	316	346	596	**1,508**
Upstream	234	247	297	309	1,087	223	247	259	486	1,215
Downstream	56	39	26	92	213	17	45	54	76	192
Corporation	13	1	26	34	74	10	24	33	34	101

YPF Milestones

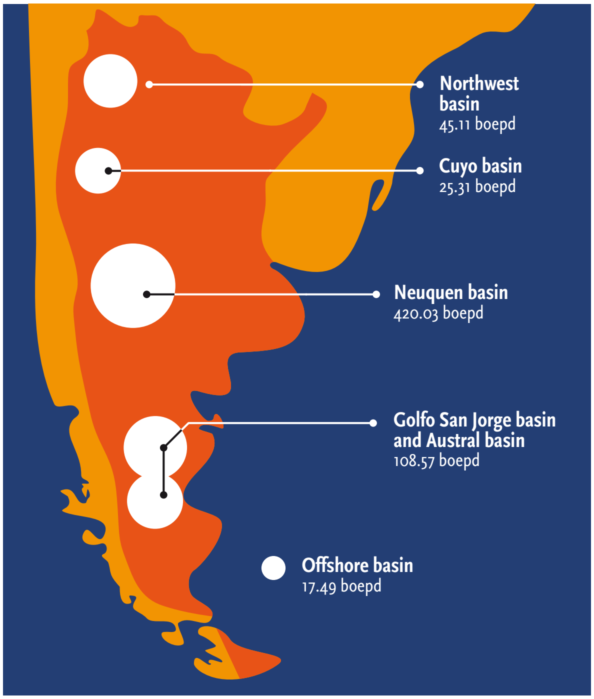
- In February Repsol concluded the sale of 14.9% of YPF to the Petersen Group for 2.235 billion dollars. This operation forms part of the company's strategy to enhance geographical distribution of its assets and apply global management with a local focus. The agreement allows for the Petersen Group, which has already exercised an option for 0.1%, to extend its stake in YPF to 25%.
- The concessions in the province of Neuquen were extended for a ten-year period (2017-2027), which represents the extension of the concessions of almost half of YPF's reserves in Argentina.
- In June 2008 the first liquefied natural gas (LNG) regasification operation in South America commenced in the port of Bahia Blanca.
- YPF completed the remodelling of the catalytic cracker (FCCB) at the La Plata refinery, enabling production of middle distillates and petrols to increase.

of Chubut and with a capacity of 314,000 m³; and Caleta Olivia, located in the province of Santa Cruz and with a storage capacity of 246,000 m³.

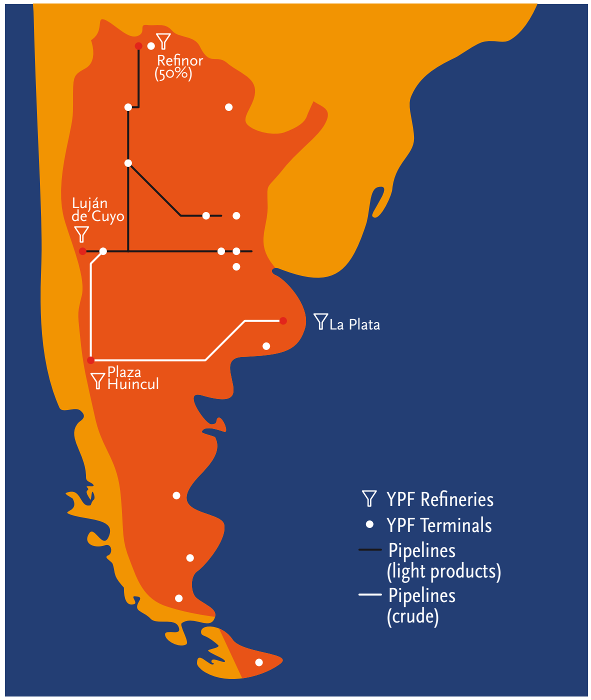
YPF also holds a 30% share in Oiltanking Ebytem, the operator of the Puerto Rosales maritime terminal, with a capacity of 480,000 m³, and of the extension of the Puerto Rosales-La Plata oil pipeline from Brandsen to the ESSO refinery in Campana. The installations also include a crude oil storage and distribution plant situated in Formosa, with an operational capacity of 19,000 m³.

In 2008, YPF completed the first liquefied natural gas regasification operation in South America

YPF HYDROCARBON BASINS



YPF REFINERIES



Marketing

In Argentina, YPF has a network of 1,678 service stations, 1,642 of which are company managed and the remainder form part of Repsol YPF's 50% stake in Refinor, a company with a refinery located in Campo Duran and a Refinor brand service station network located mainly in the country's north-eastern provinces. This represents almost a third of the total number of sales points in Argentina, making the Group the leader in this market, as is the case in Spain.

In Argentina, YPF's chemical business focuses mainly on the manufacture of industrial products, including a wide range of raw materials for chemical, industrial and agricultural activities. Production is located at the Ensenada, Plaza Huincul and Bahia Blanca complexes. Production of urea and ammonia in Argentina is carried out through Profertil, a joint venture with Agrium.

YPF is the largest LPG producer in Argentina. On the retail market it sells bottled and bulk LPG on the domestic, commercial and industrial markets, with a 34.8% market share. Until May 2005, the market was liberalized, although since 2002 agents reached agreements with the Administration on stability of prices for butane. After 2005 the new LPG Law stipulates that the Energy Department will establish quarterly wholesale prices for butane and propane and will recommend maximum retail prices for bottled gas for domestic use. Distribution of bottled LPG is carried out entirely through distributors who in turn resell the product to the sales points.

Gas Natural SDG -

Gas Natural SDG's operating revenue increased by 7.6% to €555 million. This growth is largely due to the positive performance of the electricity business in Spain as a result of improved prices in the electricity pool, the incorporation of the Mexican power business in 2008 and growth in distribution activities in Latin America.

Investments in 2008 amounted to €894 million, an increase of 37%, mainly attributable to the financial investment carried out for the acquisition of a percentage stake in the electricity company Union Fenosa. Excluding this operation, material investments were slightly lower than the previous year and were applied above all to gas and electricity distribution activities.

Through its 30.9% stake in Gas Natural SDG, Repsol participates in the entire gas value chain, from supply to distribution and marketing.

Through the Repsol-Gas Natural LNG (Stream) joint venture, the company consolidated its position in 2008 as the world's third-ranking company in terms of volume of liquefied natural gas (LNG) transported. Founded in 2005, the objective of this joint venture company is to maximize the value of its partners' contracts through efficient management and marketing, as well as facilitating access to LNG supply sources and strategic markets.

Sales volume

Gas distribution in Spain contributed 34.6% of Gas Natural's results, with sales for regulated activity amounting to 270,073 GWh. The distribution network increased by 6.9% to 48,578 kilometres. Sales in Latin America increased 16.2% to 208,408 GWh and the distribution network increased 2.8% to 61,196 kilometres.

In 2008, Gas Natural SDG strengthened its presence on the Italian market with the acquisition of the Pitta Costruzioni Group, which operates in the Puglia region in southern Italy, for the sum of €30 million. This acquisition, together with the incorporation of Italmeco at the end of 2007, has enabled Gas Natural SDG to increase its distribution area in Italy, which now comprises 187 municipalities in eight regions: Molise, Abruzzo, Puglia, Calabria, Basilicata, Campania and Lazio. In 2008, gas sales in Italy amounted to 2,933 GWh, there were 397,000 supply points and the distribution network totalled 5,521 kilometres.


Gas pipes for use at the Repsol Technology Centre located in Mostoles (Spain).

GAS NATURAL SDG

Millions of euros	2007					2008				
	1 Q	2 Q	3 Q	4 Q	TOTAL	1 Q	2 Q	3 Q	4 Q	TOTAL
Operating income	849	723	729	853	**3.154**	1.031	963	1.017	1.199	**4.210**
EBITDA	183	158	184	192	**717**	230	203	209	206	**848**
Operating profit	149	119	123	125	**516**	157	130	136	132	**555**
Investments	48	74	99	430	**651**	54	72	598	170	**894**

SALES

BCM	2004	2005	2006	2007	2008
Spain	20.99	23.36	23.11	22.2	21.2
Latin America	7.92	8.59	9.19	9.92	12.4
Rest of the world	3.94	4.16	3.9	4.34	4.9
TOTAL SALES	**32.85**	**36.11**	**36.2**	**36.4**	**38.5**

NUMBER OF CLIENTS

Millions	2004	2005	2006	2007	2008
Spain	4.8	5.1	5.4	5.7	5.8
Latin America	4.5	4.8	4.9	5.1	5.3
Rest of the world	0.3	0.3	0.3	0.4	0.4
TOTAL NUMBER OF CLIENTS	**9.6**	**10.2**	**10.6**	**11.2**	**11.5**

In the electricity industry, the company operates a total of 6,495 MW installed power for electricity generation divided between Spain, Puerto Rico and Mexico.

In Spain, Gas Natural SDG has operational combined cycle electricity generation installations of 3,600 MW. A group of 400 MW is currently under construction in Malaga and a further two, totalling 800 MW, in the port of Barcelona. In addition, an application is currently being processed for two 400 MW groups in Lantaron (Alava). In generation, the total of combined cycle plants together with installed capacity for cogeneration and wind generation produced 18,130 GWh at year-end 2008, that is, 6.8% more than in the previous year.

Petroleum Oil & Gas España (100% owned by Gas Natural) is participating, jointly with Repsol, in the offshore well to be drilled in 2009 at the Montanazo concession off the coast of Tarragona. The preparatory work for this project was carried out in the fourth quarter of 2008.

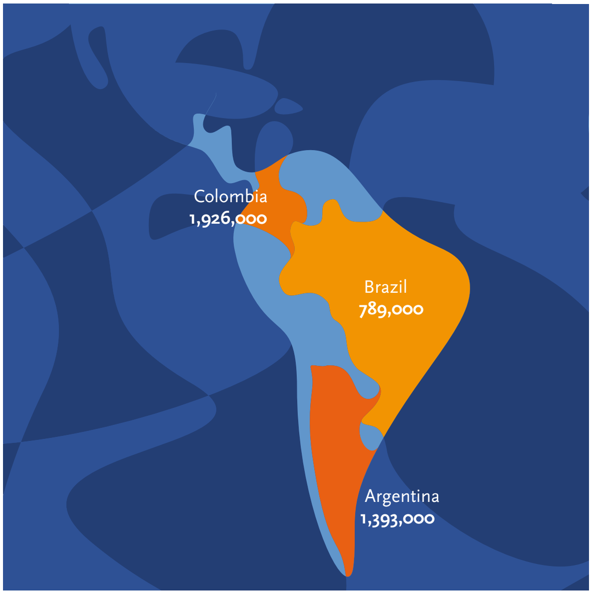
Repsol and Gas Natural, in consortium with other companies, have signed a shareholders' agreement to develop an integrated gas project in Angola. The company Gas Natural West Africa (60% Repsol-40% Gas Natural), which will manage this project, has been incorporated. In the initial phase, an appraisal will be made of the gas reserves before making the necessary investments for development and subsequent export of LNG. Progress has been made defining the seismic exploration and drilling work to be carried out in 2009.

With regards to the Gassi Touil project and following Sonatrach's decision in August 2007 to unilaterally terminate the agreement, the international arbitration process is still underway in which Repsol and Gas Natural will defend their rights and which will decide on the validity of the termination and on the damages caused. The arbitration court's decision is expected to be announced in 2009.

Supplies

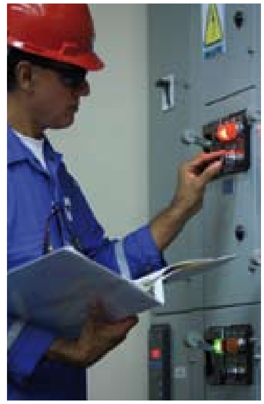
Most natural gas consumed in Spain comes from imports. Algeria is the main source of supplies, although recent years have seen a significant effort to diversify. The supplies of the company Gas Natural SDG come from a number of sources. The group purchases LNG from

GAS NATURAL SDG CLIENTS IN LATIN AMERICA



Gas Natural SDG Milestones

- On 30 July 2008, Gas Natural SDG reached an agreement with the construction company ACS to purchase its entire 43.3% stake in the electricity company Union Fenosa.
- Gas Natural SDG consolidated its presence on the Italian market with the acquisition of the Pitta Costruzioni group.



producers in Algeria, Libya, Trinidad and Tobago, Nigeria and the Middle East and natural gas from producers in Algeria, Norway and Spain.

An important element of the Gas Natural SDG group's supply strategy is the Maghreb-Europe gas pipeline, which has a diameter of 48 inches and is 540 km long. It was completed in 1996 and connects the production fields in Hassi R'Mel, in Algeria, with the consumer centres in Spain and Europe through Morocco and the Strait of Gibraltar. From January 2005 its capacity was extended from 9 bcma to 11.7 bcma. Gas Natural SDG holds a 72.6% stake in the company Europe-Maghreb Pipeline Ltd. (EMPL), which holds the exclusive right to operate the section of the Maghreb-Europe gas pipeline located in Morocco and the Strait of Gibraltar. The remaining 27.4% is owned by Transgas, a company which distributes natural gas in Portugal.

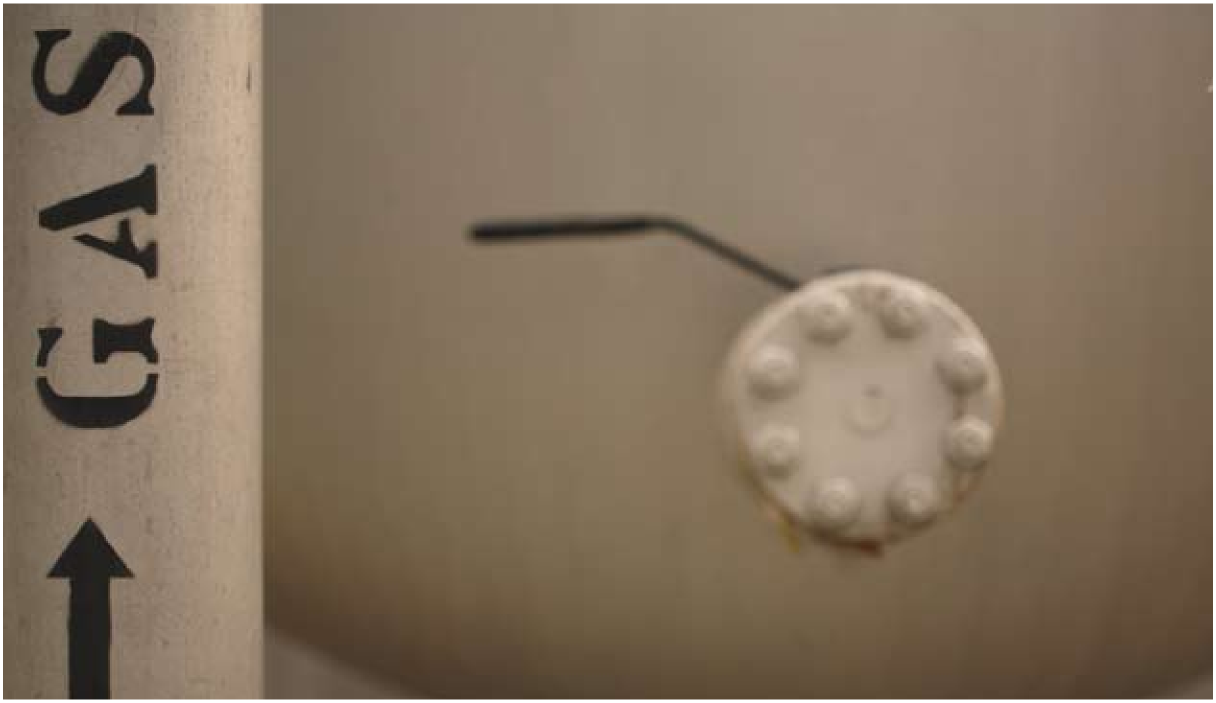
Distribution and marketing

Gas Natural SDG is the largest distributor of natural gas in Spain. Most sales are concentrated in the industrial sector and power stations.

In line with the planned schedule, on 1 July 2008 the gas sector in Spain was totally liberalized with the abolition of the regulated supply market, in accordance with Law 12/2007, published on 3 July 2007, and with Order ITC/2309/2007, published on 31 July 2007. Distribution companies have ceased tariffed supply activity and have created last resort supply. Royal Decree 1968/2007, published on 28 July 2007, regulates the introduction of last resort supply in the natural gas sector, which is available to consumers connected to gas pipelines with pressures less than or equal to 4 bar and with an annual consumption of less than 3 GWh may take part in. Gas Natural SDG is one of the companies which have undertaken a commitment to last resort supply.

Repsol YPF participates, through Gas Natural SDG, in the distribution of natural gas in Argentina, Colombia, Brazil and Mexico to 5.25 million clients.

The group participates in the distribution of natural gas in six of the largest Latin American cities: Mexico City, Monterrey, Santafe de Bogota, Buenos Aires, Rio de Janeiro and Sao Paulo. In general, prices to end consumers are regulated. In Argentina and Mexico there is a market of industrial



clients authorized to freely choose their supplier based on a minimum level of consumption.

In July 2004, Gas Natural SDG closed the acquisition of Enron's stake in the Compañia Distribuidora de Gas de Rio de Janeiro (CEG) and CEG RIO, and the group subsequently increased its holdings in these companies to 54.16% and 72% respectively. In Brazil, Gas Natural SDG distributes natural gas in the metropolitan area and state of Rio de Janeiro and, since the year 2000, in the southern region of the state of Sao Paulo, with a total of 789,000 clients.

In Colombia, the group distributes in Bogota, the Cundi-Boyacense area and the eastern region of the country, with a total of 1.9 million clients. In Mexico, Gas Natural SDG is present in the cities of Nuevo Laredo, Saltillo, Toluca, Monterrey and the Bajio and Mexico City areas, and has 1.1 million clients. Finally, in Argentina, the group participates, through Gas Natural BAN, in distribution of gas in the north of Buenos Aires, where it has 1.4 million clients.

Infrastructure

Enagas is the company which owns most of the gas transport infrastructures in Spain. After the initial public offering (IPO) in June 2002 by Gas Natural SDG, the company has reduced its stake in Enagas (at 31 December 2008 it held 5%).

Electricity

The Repsol Group participates in electricity generation and marketing projects which enable it to make a profit from its natural gas reserves and consolidate its profile as a diversified company in Spain and Latin America.

Acquisition of Union Fenosa

On 30 July 2008, Gas Natural SDG reached an agreement with ACS to purchase its entire 45.3% stake in Union Fenosa at an effective price of €18.33 per share, which values the electricity company's share capital at €16.757 billion. In accordance with the terms of the agreement signed, in early August Gas Natural acquired a 9.9% stake in Union Fenosa from ACS for the sum of €1.675 billion.

In accordance with the agreement signed with ACS, the purchase price was adjusted, deducting the €0.28 per share dividend paid by Union Fenosa on 2 January 2008. The resulting adjusted price is €18.05 per share.

The acquisition of Union Fenosa represents a significant step forward in the development of Gas Natural SDG and its strategy of integration of gas and electricity, and will accelerate compliance with the 2008–2012 Strategic Plan

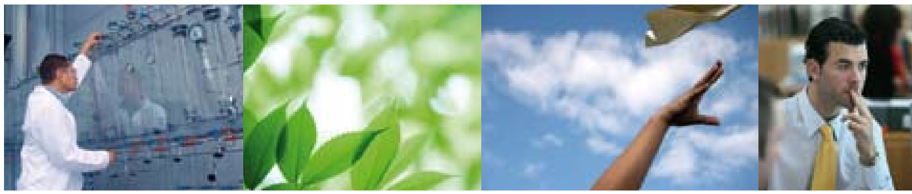
On 12 December 2008, Gas Natural SDG purchased a 4.7% stake in Union Fenosa from Caixanova. Therefore, at 31 December 2008 Gas Natural's stake in Union Fenosa amounted to 14.7%. Once the threshold of 30% of voting rights in Union Fenosa had been exceeded, Gas Natural SDG was under the obligation to submit a takeover bid, within one month, for the remaining shares in the electricity company. Therefore, in September 2008 the company initiated the process for securing the corresponding permits from the appropriate authorities.

The acquisition of Union Fenosa represents a significant step forward in the development of Gas Natural SDG and its strategy of becoming a leading integrated gas and electricity company, and will enable it to accelerate compliance with the 2008-2012 Strategic Plan. This will take it to a new level as an integrated gas and electricity operator due to the complementary nature of both companies' within the whole value chain of the energy sector.

In July 2008, Gas Natural SDG signed an agreement with 10 banking institutions to finance the acquisition of 100% of Union Fenosa, including the stakes held by ACS and Caixanova as well as the subsequent takeover bid. Nineteen institutions are currently participating in the banking syndicate and the process of general syndication has commenced.

In order to ensure a sound, flexible financial structure, Criteria and Repsol have undertaken to make contributions to Gas Natural SDG's equity, for the amount and in the manner necessary for the company to obtain a consolidated rating immediately after settlement of the takeover bid of at least BBB (stable) and Baa2 (stable) from S&P and Moody's respectively, and for a maximum amount of €1.903 billion and 1.6 billion respectively.

Gas Natural SDG has commenced the process for carrying out the planned capital increase for the sum of €3.5 billion within the context of the Union Fenosa acquisition transaction. On 30 January 2009, its Board of Directors agreed to convene an Extraordinary General Meeting for the purpose of authorizing the issue of new shares with preferential subscription rights.



Corporate areas

Human resources

At the close of 2008, Repsol had 36,302 employees working in over 30 countries, concentrated mainly in Spain (50%) and Argentina (33%), with employees in Portugal (4%), Brazil (2%), Peru (2%), Ecuador (2%) and Trinidad and Tobago (2%). Of these employees, 6% work in the Upstream area, 48% in Downstream, 30% in YPF, 6% in Gas Natural SDG and 0.5% in the LNG division. 1% of the workforce is executive personnel, 6% technical managers, 43% technicians, 6% administrative staff and 43% operatives. Permanent work contracts account for 91% of the total and women represent 26% of the total workforce.

In February 2008, coinciding with the presentation of the 2008–2012 Strategic Plan, the company announced the structure of its new management team, which renewed 21% of its members.

Throughout 2008, there were 157 changes, including changes in management positions and new appointments (63). Based on the business requirements outlined in the Strategic Plan, the most important traits required of executives in charge of managing the company were defined:

- Global, diverse leaders with a vision of the various functions and geographical environments and with sufficient flexibility to adapt to the company's various needs and priorities.
- Strongly committed to achieving results.
- Excellent people management skills.

Following these managerial changes, the profile of Repsol's management team is more global, with greater diversity with regards to gender and nationality (the percentage of women holding executive posts increased from 8% to 10% and nationality diversity from 17% to 19%).

In May 2008, the Repsol Executive Convention was held to inform on the new management style, promote the leadership of the Executive Committee and further a sense of pride in forming part of the company. Over 250 executives from 16 countries participated in this event. Almost 900 of these executives work in countries other than the country in which they were contracted, forming the group of expatriates. These executives are mainly concentrated in the Upstream business area (79%).

A Repsol worker at the Tarragona industrial complex (Spain).

Diversity and work/life balance

In 2008 the company continued to work on the analysis and implementation of new measures to further diversity and work/life balance, promoted by the Diversity and Work/Life Balance Committee created in 2007. This committee continued to work on an in-depth study of the objectives and strategic priorities in relation to this issue for the 2009-2012 period. One of the measures implemented in 2008 was the teleworking pilot project, in which more than 130 people from specific business areas in Spain and Argentina participated. The results of this initiative have been extremely positive and it will therefore be gradually extended to include more workers and areas.

Another initiative that should be mentioned is the pilot project to provide support to employees through an external company offering a wide range of services, from legal and financial consulting to the recruitment of domestic staff.

In addition, in the first half of 2008 the Working Hours Reduction Protocol was signed. This initiative is designed for employees on shift work and establishes flexible measures for reducing the specific working hours of these employees.

In 2008, 422 people with disabilities joined the Repsol workforce (365 through direct contracting and 57 through alternative measures), increasing the percentage of staff with disabilities to 2.29% after an increase of more than 10% in the previous year. Through an advertising campaign with the slogan "At Repsol we work towards making integration a reality", the Company publicized its position, vocation and commitment to the social and employment integration of people with disabilities. Repsol carries out a number of projects aimed at furthering equal opportunities and the social integration of all groups, particularly those who encounter greater difficulties in accessing the job market.

The company also conducted an audit on remuneration and promotion of personnel not included in the wage agreement in order to guarantee equal opportunities for this group.

The best professionals

In 2008 an important change was made in the recruitment strategy for professionals wishing to join the company, which is based on acquiring knowledge with regards to their motivation and on the optimal use of available resources. Recruitment techniques and processes were redesigned and the concept of "brand as an employer" was introduced to encourage job marketing.

The aim of these improvements is to project Repsol's values with regards to quality employment, seeking a closer relationship with the academic world and professional training based on a number of initiatives. These initiatives included: launch of the "SOY" campaign in university newspapers, presenting the company's five employment values: career development, diversity, teamwork, global scope and commitment to society; the redesigning and updating of the contents of the Employment Channel, which can be accessed through the corporate website; promoting the company's presence at employment forums; and the sponsorship of various seminars and reports. Repsol was included in the select group of Top Companies in which to Work.

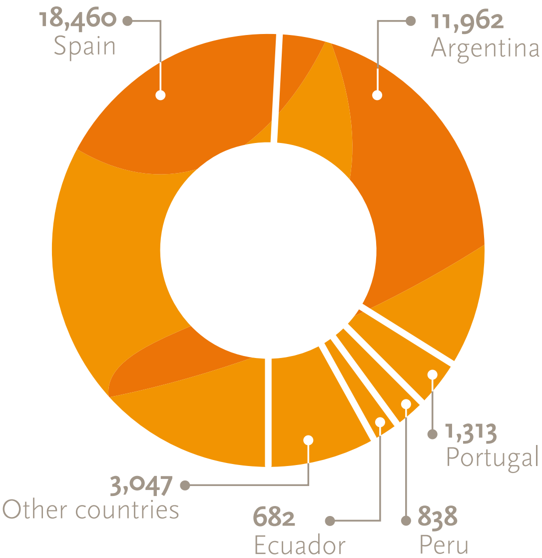
The company also launched the "Impulsa" grants programme. This programme provides students in their last years of university with an offer that goes beyond in-house work experience. It provides training in languages, general skills and competencies and the possibility of joining the company through the New Professionals Programme.

More than 1,850 people joined the company in 2008. Over 120 of these new recruitments are related to the Plan de Choque action plan, a 5-year programme that aims to recruit professionals in the Upstream area in order to meet the needs of the growth plan for this business. 280 people also joined the Refining Spain area in the Downstream division to fill the vacancies in the installations extension project and ensure a suitable generational shift.

Talent management

With the help of the "People Review" system – a tool for identifying and developing talent in Repsol – and through 58 work sessions organized in 2008, it was possible to obtain a talent map for each of the company's areas and design a specific development plan to offer greater opportunities to professionals.

WORKFORCE BY COUNTRIES
Total: 36,302



In line with the company's interest in continuing to identify, year after year, its workers' talent, 16 sessions of the "Development Center" programme were held in 2008. Around 170 professionals were evaluated in these sessions, 75% of whom were women, a clear example of the project's potential for detecting talent in this group.

Executive coaching was also introduced as a professional development tool. This experience was launched in the Marketing and Chemicals businesses, creating a procedure which will be applied in other areas over the next years. A personal interview process for staff showing great potential was also implemented in order to learn more about this group of employees.

Technical know-how is a key factor in the growth of Repsol's business worldwide. The Executive Committee therefore decided to launch a project for the review of technical competencies, standard jobs and training courses which will enable homogenous, efficient management of technical talent from a platform of common knowledge for all employees.

After identifying needs regarding technical skills, the defined learning "road maps" will make it possible to:

- Advise employees on their development, offering a structured training plan for each stage of their career focused on acquiring critical skills.
- Promote technical training with a wider global scope integrated and shared by the various company areas.
- Optimize planning, management and training.

More employment for the disabled

- Repsol received the Business and Society Foundation Award for working actively on disability. This award evaluates the best business actions implemented in the field of integration of disadvantaged persons, always within the framework of corporate competitiveness and social cohesion. Repsol was selected from a total of 27 candidates.
- The company continued to enhance standards of accessibility in its service stations and offices, an area in which it is a reference among Spanish companies. In 2008 it opened the first service station manned entirely by a workforce of ten people with different capacities.
- According to the Business and Society Observatory, Repsol is the company which generates more direct employment in absolute terms for people with different capacities.

The Repsol University

The second half of 2008 saw the creation of the Advanced Training Centre, Repsol's corporate university project. This groups together all resources for training activities in one single organisational unit and consists of the Leadership and Management School and the Exploration and Production, Industrial, Marketing and Corporate Processes Technical Schools. The creation of this centre will help to optimize investment in training, which in 2008 amounted to €27 million for the whole of the company.

Repsol's variable remuneration system for professionals known as Management by Commitments (Gestión por Compromisos, GxC), completed its third year in operation and now forms part of the organisation's day-to-day language. The aim of this system is to focus employees' efforts on meeting the established objectives, but also aims to achieve professionals committed to their own development and that of the people working under them, objectively evaluating not only results, but also how these are attained. It also emphasises follow-up of day-to-day actions, furthering those which the company believes to be key elements: responsibility and commitment to results, enterprising spirit and excellence, collaboration, people development and merit-based recognition.

Analysis of the 2007 results shows that progress is continuing to be made on merit-based differentiation and that actions which contribute to the long-term

Repsol launched the "Impulsa" **grants programme,** which offers training which goes beyond work experience

The second half of 2008 saw the creation of the Advanced Training Centre, Repsol's corporate university project

success of the organisation are promoted and rewarded.

The working environment in 2008

In order to evaluate the progress of the actions defined based on the results of the working environment study carried out in 2006, in November 2008 a follow-up survey was carried out among over 8,000 employees throughout the company. The results of the survey, in which participation was 77%, showed that progress has been made in most of the improvement areas identified.

Labour relations

The period of the IV Framework Agreement for Spain finalized in 2008 with no labour conflicts. In November negotiation on the V Framework Agreement commenced with the creation of the negotiating table and presentation of the negotiation platforms.

In the first half of 2008 the Harassment Protocol was signed, which establishes the guidelines which all employees should follow in the event of a situation of employment harassment.

Occupational health

Since the Repsol Regulation on Occupational Health Management was signed in October 2007, the Technical Health Committee has been working to provide a body of regulations to create homogenous standards on this matter at an international level and, within this context, the following procedures should be highlighted:

- Health and safety requirements when travelling to risk countries.
- Monitoring of individual health, together with regular health check guides.
- Provision of Medical Services.
- Health and Hygiene in the preparation of foodstuffs.

A procedure of health data and indicators was also approved which will enable the present follow-up systems to be enhanced.

Innovation - and technology -

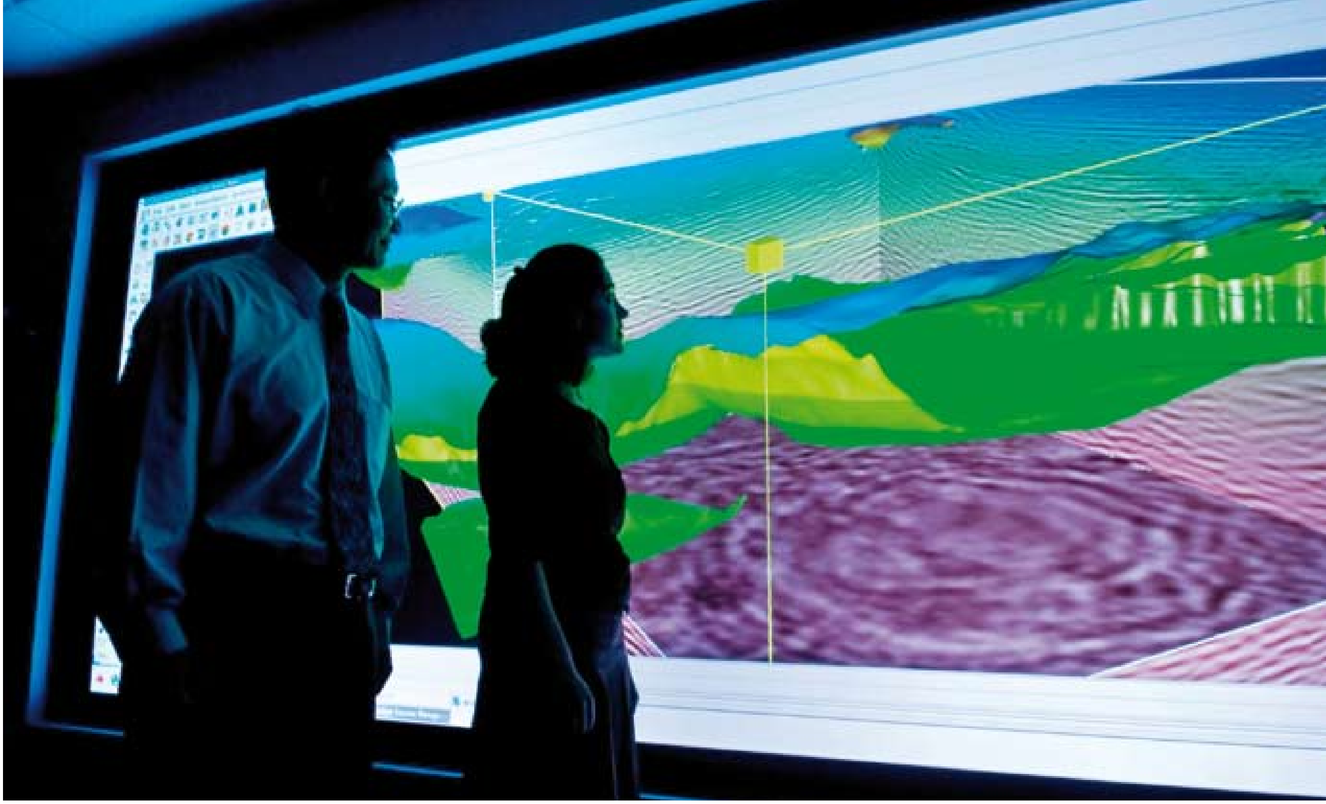
Repsol considers its Research and Development (R+D) investments and activities to be essential tools that provide it with competitive technology for producing the best products by means of efficient and environmentally friendly processes, thereby fulfilling market needs and its clients' expectations. This increases the company's value to the benefit of its shareholders and the company acts in a socially responsible manner.

Resources are applied to R+D programmes to identify and incorporate the best commercially available technology while at the same time work is carried out to develop the company's own technology to enable it to achieve a stronger competitive position. The company also conducts research on emerging technologies that can change the business outlook and constantly monitors technological areas identified as being of critical importance for the company.

Over 400 researchers

450 researchers work at the Group's technology centres in Mostoles (Spain) and La Plata (Argentina), developing an intensive project programme covering all of the company's business lines: oil and gas exploration and production, the natural gas value chain, oil refining and petrochemicals, without ignoring future diversification opportunities such as biofuels. In 2008 €74 million were invested to carry out all these activities, plus another €9 million for projects undertaken in the business units.

Aware of the increasing importance of scientific and technological development for strengthening the bonds between the company and the society, Repsol collaborates with its social environment. To achieve this, the company has an active collaboration policy through agreements with universities, companies and other public and private technology centres. The 2008 budget allocated for these types of agreements totalled more than €12 million, much higher than in recent years. The areas of cooperation ranged from preliminary feasibility studies for commencement of new projects to undertaking specific phases in R+D initiatives according to specific knowledge and/or specific facilities available at these centres. There was also an increase in the company's involvement


Interpretation of seismic images for deepwater exploration at the Repsol offices in Houston (United States).

in consortiums with other companies for the pre-competitive development of new technologies.

Repsol also participates in R+D projects sponsored by various administrations (regional, national and European). In 2008 it took part in 24 different types of projects promoted by the Spanish Government and in seven European Union projects.

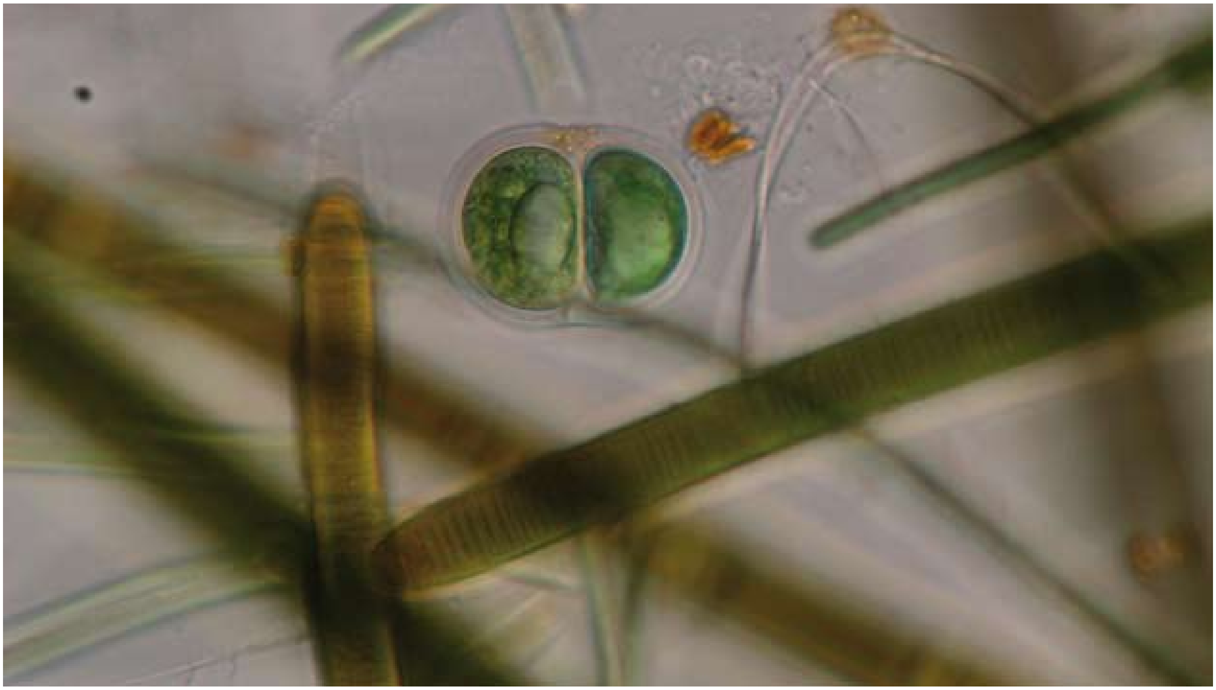
R+D projects and programmes involve the entire value chain of the various businesses, from exploration of new oil and gas fields to extraction and preparation for transport, including transformation and manufacturing of products in industrial complexes and distribution to the end client. The following significant lines and actions in the various Repsol business areas are particularly worthy of mention:

Upstream. Repsol applies the most advanced technologies in the exploration of new hydrocarbon deposits, developing new seismic processing technologies in cooperation with other companies and leading universities to improve the possibilities of analyzing and interpreting seismic images, the first step in hydrocarbon exploration. This technology provides a competitive advantage as it increases the possibilities of finding deepwater hydrocarbon reserves – a scenario that until now was characterized by geological formations that were complex and invisible using traditional techniques – and significantly reduces exploration risks and associated costs.

Another of the main lines of technological development at Repsol involves improved recovery technologies aimed at extracting more oil and gas from mature fields. The company also develops and adapts technologies to enhance non-conventional hydrocarbon production, such as heavy crude oils and gas trapped in low permeability deposits, as well as technologies and methodologies to improve production in offshore fields.

LNG. In this business, in which Repsol is an international leading player, liquefaction technologies are being developed for use in floating systems, which will make it possible to capitalize gas reserves that cannot be exploited in an economically viable manner at present.

Downstream. Specialised technological support for refineries makes it possible to



Culture of microalgae for research on second generation biofuels at the Repsol Technology Centre.

obtain better quality petrols and diesel fuels. Advances in this field enable Repsol to keep ahead of international regulatory requirements, sustainably maximize the operating margin, ensure compliance with environmental requirements, and promote energy savings and efficiency. Within this strategic framework new products are being developed, such as plant-based biofuels and enhanced performance lubricants and asphalts adapted to comply with new environmental regulations.

Several fleet trials and field tests have been conducted to ensure that these new bio-products reach the market with full guarantees, including the following: a trial using a fleet of buses running on biodiesel made with recycled cooking oil; the tests performed on 200 vehicles using a biodiesel with a high content of renewables (30%); field tests using a new enhanced safety oil as a biodegradable electrical transformer; and the test on a road surface using asphalt that can be spread at a low temperature that provides environmental advantages and cost savings.

As part of its commitment to research and sustainable development, Repsol has also launched several innovative projects, such as the study of new crops for producing biofuels, the development of CO_2 capture systems using reusable bio-algae as energy biomass, products made with vegetable oils for treating crops affected by plagues, and the application of spreadable oils to treat wood to

Investment on R+D in 2008 amounted to €83 million

450 researchers work at the technology centres in Mostoles (Spain) and La Plata (Argentina), developing an intensive project programme which covers all the company's business lines

prevent attacks by xylophagous organisms.

Competition fuels developed and manufactured at the Repsol Technology Centre are used in major sports competitions. In 2008, for the fourth consecutive year, Honda HRC rated Repsol's CTR-54 competition fuel the best performer compared to several others manufactured by competitors. Repsol's technology department also developed the first competition diesel fuel for the new Mitsubishi vehicle which competed in the Dakar 2009. Knowledge acquired in these cutting edge technologies is later used to enhance the company's products that reach the end consumer.

In LPG, we should highlight the gradual introduction of new integral air conditioning applications for the residential, tertiary and industrial sectors. These applications, together with autogas (LPG used to power vehicles) and use in coastal fishing vessels (Peixe Verde project), open up a wide range of environmentally friendly business opportunities.

Excellence in performance

In petrochemicals, the lines of research focus on optimising existing processes, many of which are proprietary technology, and on developing products adapted to new market requirements in increasingly competitive scenarios. It is in these types of products, particularly those for mass consumption, in which excellence in performance and the balance between properties and the cost of raw materials and energy required for production mark the difference in efficiency and sustainability between processes and producers.

The projects developed throughout 2008 made it possible to redesign polyol production units, increasing capacity while at the same time enhancing the quality of the composition and properties of these products.

More efficient procedures were defined for the production of polyolefins and alternative uses for traditional monomers were developed by introducing more efficient catalysts in the processes.

Through its stake in Dynasol, the company continues to develop new synthetic rubbers, the applications of which are highly valued in sectors such as the automotive industry.

Safety and the Environment

For Repsol, caring for safety and the environment is an essential element in the management of its activities. This principle forms part of the company's strategic vision with a commitment to "contribute to the sustainable development and enhancement of the social environment, and respect human rights, the environment and safety". This commitment is complemented by the following ethical value: "we demand a high degree of safety in processes, installations and services, with particular attention to the protection of employees, contractors, customers and the local surroundings, and we convey this principle of performance to the entire organization".

These are the commitments and values underlying Repsol's Safety, Health and Environment Policy which is applied to all the company's activities through the management system. Its main support is the Safety and Environment Manual, which is supplemented by an extensive set of standards, procedures and technical guides which are constantly updated to adapt them to the best practices in the industry.

The most important actions carried out recently to improve safety and the protection and conservation of the environment and the evolution of the most relevant indicators are described in the Repsol 2008 Corporate Responsibility Report and on the company's website www.repsol.com.

Safety

Repsol's goal is to achieve accident-free operations. For this purpose, each year the company establishes management

Safety is a priority in all Repsol installations.

improvement measures and investments to maintain the facilities in accordance with the best standards in the sector. The management system is continuously evaluated in order to improve safety.

The accident rate at Repsol decreased once again in 2008. The integrated lost time accident frequency rate (company employees plus contractors) fell by 25% in comparison with the previous year, thereby meeting the annual target and the strategic goals defined by the company for 2012.

Unfortunately, however, despite all the improvement actions implemented and the progress made in this respect, nine accidents involving fatalities occurred, with eleven deaths, three of whom were company employees and eight employed by contractors. Five of these deaths occurred in road accidents.

The environment

In compliance with Repsol's strategic lines, protection and conservation of the environment are key elements in the company's activities. Significant environmental investments were made in 2008. Key among these, as in previous years, were the improvements introduced in the refining business to meet environmental oil product quality standards. Also significant were the measures implemented to minimise air emissions, the optimization of water consumption, reduction in the dumping contamination load, proper waste management and the enhancement of systems to prevent spillages based on the best available practices and technological innovation. Great efforts were made to identify, assess and address possible contamination episodes in the past.

Note 39 of the Repsol YPF Group Consolidated Annual Report provides detailed information on the assets, expenses and investments, contingencies, provisions and future actions in relation to the environment.

Climate change

In 2008 the European Union

approved a package on climate change and renewable energies. The document establishes a target of a 20% reduction in greenhouse gas emissions by 2020 and an increase of up to 20% in the use of renewable energies. European Union committees will be meeting in 2009 to define the specific measures to be implemented in order to meet these goals.

Additionally, the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Poznan (Poland) in December 2008, reached agreements on the Kyoto Protocol Adaptation Fund and on transparency measures for handling Clean Development Mechanism (CDM) projects. The countries included in Annex

Safety and environment recognitions

- For the third consecutive year, Repsol forms part of the select global Dow Jones Sustainability Index World and the European Dow Jones Sustainability Index STOXX.

Dow Jones Sustainability Index is a group of stock exchange indexes in which the companies listed must certify to advanced practices in the various facets of corporate sustainability. Among other aspects, each year these indexes evaluate companies' safety and environmental management. In 2008, for the first time Repsol obtained the highest score in its sector in environmental policy and management, in biodiversity protection and health and safety in the workplace. For the second consecutive year, it also obtained the maximum rating for climate change management.

Environmental project in Bolivia.

- For the third consecutive year, the Repsol Group formed part of the Climate Leadership Index which lists the 30 best FT500 industrial companies in climate change strategy and transparency policy. The company was rated as one of the three best in the oil and gas sector and is the only company which has been one of the top three companies in these three years.

In order to be included in this index, Repsol successfully passed the evaluation of ten key criteria in its activity, such as investment in new emission reduction technologies, management and reporting of emissions or investment in energy saving and efficiency measures.

- Since 2003 Repsol has also formed part of the London Stock Exchange FTSE4Good (Financial Times Stock Exchange Index) index.

I of the Kyoto Protocol also tried to advance in the negotiations on commitments to reduce greenhouse gas emissions and those not included in Annex I on the possibility of including carbon dioxide capture and storage within CDM and on clarification of the rules for technology transfer. The parties aim to conclude these actions at a key meeting to be held at the end of 2009 in Copenhagen (Denmark).

In 2008 Repsol implemented a new Carbon Plan in all the business lines involving emission of greenhouse gases (GHG), principally seeking emission reduction opportunities, assessing viability as a CDM project, improving the quality of GHG inventories and investing in Carbon Funds and energy efficiency.

Repsol has complied with its strategic objective of a **reduction in emissions of CO_2** equivalent four years ahead of schedule

In 2005 Repsol established an objective of a reduction of one million tonnes of CO_2 equivalent over the 2005–2012 period in respect of a business as usual scenario. Thanks to the efficiency measures applied in recent years, the company was able to meet this target in 2008. The company has therefore revised this objective and set a more ambitious goal: a reduction of 2.5 million tonnes of CO_2 equivalent during the 2009-2013 period in respect of the business as usual scenario.

One of the cornerstones of the Carbon Plan is the development of a potent in-house programme to detect reduction opportunities. Thanks to this initiative,

A Repsol operative on Casablanca, the only oil extraction platform in Spain.

known as CORE (Catálogo de Oportunidades de Reducción, Catalogue of Reduction Opportunities), 94 projects had been identified by the end of 2008.

Throughout the year Repsol also continued to work towards ensuring the consistency, transparency and credibility of the processes of quantification, follow-up and reporting of greenhouse gases in accordance with ISO Standard 14064.

Investment in Carbon Funds continued as established in recent years. These funds are used to develop CDM projects in developing countries, investing in energy efficiency initiatives, renewable energies, waste management, fuel change projects and other initiatives. In 2008 the company participated in two initiatives carried out in China through the Natsource Carbon Fund "Greenhouse Gas Credit Aggregation Pool (GG-CAP)", an industrial cogeneration project and another hydroelectric power project. In order to enhance the company's energy efficiency, in 2008 Repsol also established the organisational structure required to perform in-depth analysis of good management practices.

Biodiversity

Repsol undertakes to respect biodiversity in the planning and development of its projects and operations, preventing and minimizing possible negative impacts on ecosystems. In 2008 the Repsol Group developed a set of regulations establishing the biodiversity criteria and guidelines for all the company's operations, including a commitment to implementing Biodiversity Action Plans in projects developed in sensitive areas.

Along these lines, in 2008 the company continued development of the two Biodiversity Action Plans (BAP) commenced in previous years: in 2006 in relation to exploration activities in block 39 in Peru in collaboration with the prestigious Smithsonian Institution, and in 2007 in offshore operations in Trinidad and Tobago.

Knowledge management -

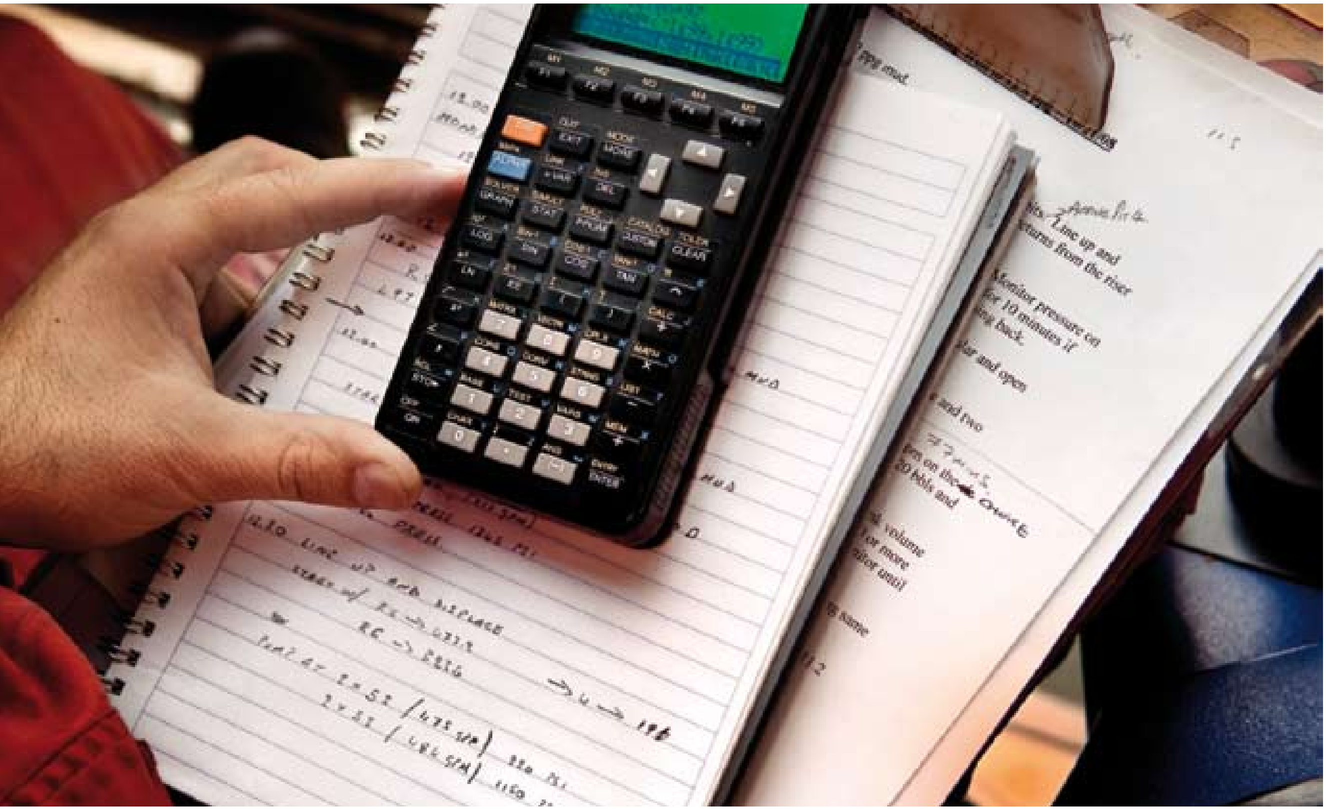
Repsol is currently immersed in a process of change to adapt to the needs of a competitive market that requires continuous innovation. The company plans to contribute to this adaptation via the creation of value and innovative capabilities in the organization through the use of knowledge management techniques and tools.

Knowledge management initiatives at Repsol must contribute to business results, efficiency improvement and commitment management through the design and deployment of a model for development and transfer of capabilities among all the business units and the organization's transversal areas. The objective is to create a common framework for the generation of innovative capabilities, constantly in line with the strategic objectives and with quantifiable results to ensure continuous improvement.

Corporate vision

Repsol's aim is for knowledge management to become an undifferentiated and intrinsic part of the day-to-day activity of its employees and of its work processes and evaluation systems, contributing to both the creation of a framework of continuous improvement and innovation and to an environment that encourages the participation, involvement and development of the people who work in the company. Through knowledge management, Repsol aims for its employees to feel professionally enriched and motivated as well as encouraged, on a personal level, to participate actively in the company's progress.

Repsol's employees, no matter where they are or in which unit or functional area they carry out their activities, will have access to all available knowledge (contents, people and processes) to enable them to find, whenever they need it, the pertinent knowledge and the constant identification



and transfer of good practices in all key areas and processes, contributing to the creation of a favourable environment for innovation.

Actions carried out

Within the framework of the strategic plan for knowledge management, new practice communities have been created which, together with those already in existence, comprise approximately 20,000 people throughout the company. In 2008 projects for employee knowledge retention and knowledge transfer to others, due to staff retirement, rotation, changes, incorporation of new professionals, training material, etc., remained in place. The methodology applied is mainly supported by compiling personal histories and experiences which are recorded on audiovisual support.

To take the company's knowledge closer to all employees, the Moebius Project was launched, which aims to make the knowledge existing within Repsol available to all members of staff. To accomplish this, a prototype of the desired final system has been created. In collaboration with the Systems Division, a preliminary version has been designed which is currently being used to show the achievable functionalities to all business units and also to provide a trial environment to optimise performance and ensure adequate use by end users.

Recognitions

In 2008 Repsol received the European MAKE-2008 award in recognition of the actions developed by the company and the results achieved in knowledge management through the evaluation of more than 500 professionals, which resulted in Repsol being selected as one of the ten best European companies in this field.

Quality: excellence in management

Repsol perceives quality as the constant pursuit of excellence by appropriate management of the company's resources in order to generate value for all its interest groups over the course of time.

To make progress on the road to excellence, in 2001 Repsol adopted the models of the European Foundation for Quality Management (EFGM) and the Ibero-American Foundation for Quality (FUNDIBEQ), applying these models through the performance of regular self-assessments which enable the company's units to identify, prioritize, implement and evaluate their improvement plans.

Repsol is a member of both these international foundations (EFQM and FUNDIBEQ) and also participates actively in the leading quality associations in the geographical regions in which it operates.

Updating the Strategic Quality Plan

Each year the Quality Committee, made up of senior management representatives from strategic business areas and corporate directors, approves the company's Strategic Quality Plan which establishes priority objectives and planned actions for developing the quality policy. The current plan envisages several strategic lines that recognize and promote customer focus as one of Repsol's core professional values, through knowing and meeting customers' needs swiftly and flexibly, and anticipating their expectations. The basic premise of the plan is to foster creativity and innovation as a means of ensuring sustainable competitive advantages.

In 2008 the company continued with development of the key Strategic Quality Plan programmes. Within the sphere of consolidation and enhancement of the self-assessment process, the company's various business units define and implement their improvement plans and programmes based on the self-assessments carried out.

Since this programme was first launched in 2001, more than 120 self-assessments have been performed. This means that at December 2008, 100% of the organization had completed at least two self-assessments and 30% had performed three or more.

In 2008 an in-depth review of the self-assessment methodology designed in 2007 was carried out in order to enhance its alignment with the business strategy, ensure the integration of all improvement

Innovation of products and services forms part of the day-to-day work at Repsol.

initiatives and follow-up of the action plans, and guarantee that the quality function acts as an element for management of change. All these actions are supported by ambitious value creation objectives and a system of indicators for follow-up and continuous enhancement of improvement processes and increased efficiency.

Repsol also worked on implementing process-focussed management throughout the company. The creation of processes and identification of performance indicators and metrics support the decision-making process and help to identify and implement improvements to ensure that objectives are achieved.

Repsol promotes the use of benchmarking as a basis for establishing improvement objectives suited to the environment and detecting and disseminating knowledge of best practices within the organization.

Quality training

Repsol also promotes innovation as an essential management value as reflected in its quality policy. In 2007 the company approved the adoption of the innovation framework promoted by the Club Excelencia en Gestión (Management Excellence Club) and the COTEC Foundation as a reference for enhancing the organization's capacity for innovation.

A new quality training curriculum was developed in 2008 for all company personnel. This curriculum covers all quality-related aspects: excellence and self-assessment models, process-driven management, quality system certifications and basic tools and methodologies for improvement and their implementation.

On 8 October 2008, an open-door seminar was organized at Repsol's headquarters, in collaboration with the Management Excellence Club, under the slogan "Let's invent the future". The event, which was attended by 150 people from some 60 companies, provided information on some of the relevant initiatives being implemented by the group in its quest for excellence. To report on Repsol's quality policy commitments, the day's agenda included subjects relating to the transformation of the organization, human capital, innovation and the environment, among others.

Social Responsibility

Repsol operates in a wide variety of social, cultural and economic environments. A concern for local sensitivities enables the company to understand and respond to the particular needs of the various communities with which it comes into contact in the different phases of its business. Attention to local issues brings Repsol into closer touch with the concerns of the people living in the vicinity of the company's operations.

Repsol's efficient and modern energy management is therefore framed within the context of a firm commitment to the welfare, development and prosperity of the societies in which it is present and to the principles of sustainable development. Social commitment is an inherent part of the company's activity. Its management model is defined by protection of the natural and social environment, good relations with the communities in which it works, safety of personas and respect for human rights.

In 2008 Repsol made progress in putting into action the six strategic lines of the 2007–2009 Corporate Responsibility Master Plan. At 31 December 2008, 50 of the 65 steps established in the Plan had been implemented, representing an 80% progress rate.

Commitment to society

A close continuous relationship with the company's various interest groups is one of the basic premises of the Community Commitment Programme which, within the framework of one of the strategic lines of the Master Plan, aims to promote dialogue and cooperation with the community.

This programme focuses on analyzing, organizing and guiding the company's social commitment activities, bringing them into line with the objectives and strategy of its business and with the real needs of the communities and societies in which Repsol operates.

One of the key milestones this year was the preparation and approval of the Policy on Community Relations and the Policy on Indigenous Communities Relations, which now govern the performance of Repsol and of its contractors and suppliers.

Social agents participated in the development process of these policies. Specifically, over 24 national and international organizations were contacted when the Policy on Indigenous Communities Relations was drawn up.

This policy represents Repsol's support for the recognition of indigenous peoples as laid down in Convention 169 of the International Labour Organization (ILO) and in the Declaration on the Rights of Indigenous Peoples of the United Nations General Assembly. It acknowledges the differential nature of these communities, the duty to respect and promote their human rights and fundamental freedoms and, particularly, their organisational,

Repsol is a company committed to education and has financed the construction of schools in countries such as Bolivia.

INVESTMENT IN SOCIAL AND CULTURAL PROGRAMMES

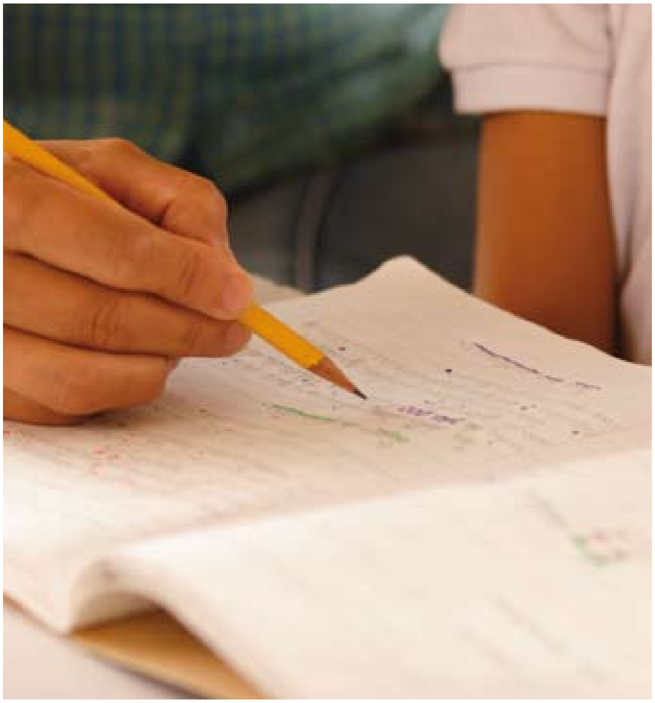
Thousands of euros	2005			2008
Spain (1)	10,856	12,806	13,308	8,982
Europe, Africa and Asia	295	801	1,270	845
North America	719	478	54	62
South America (excluding Argentina)	3,903	5,116	5,310	5,343
Argentina	6,898	6,254	12,360	14,662
Total	**22,671**	**25,455**	**32,302**	**29,894**
% on pre-tax profits (2)	**0.41%**	**0.47%**	**0.58%**	**0.63%**

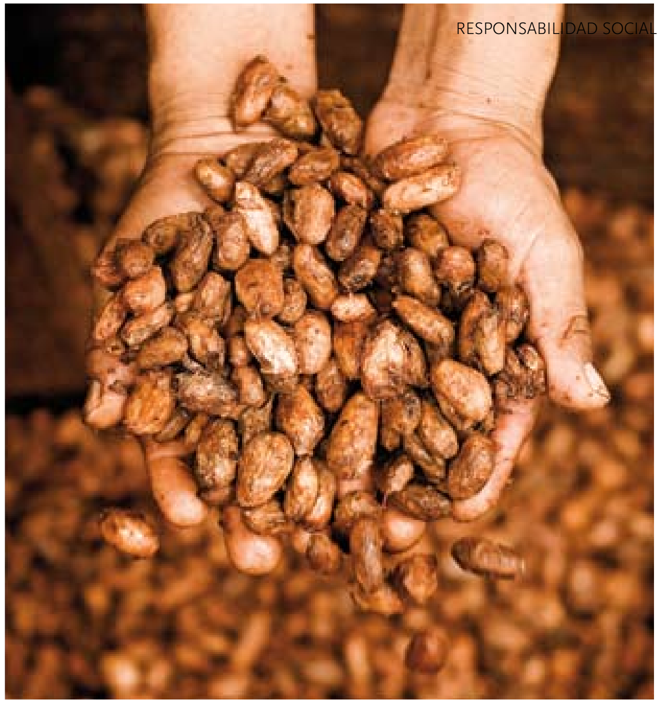
(1) Participation of the ISE in 2008 amounted to around €5 million
(2) Calculated on profit before tax and affiliated companies

economic and social structures. Likewise, within the framework of the above mentioned approved policies, Repsol undertakes to freely, previously and knowledgeably consult these communities and that they may participate, whenever possible in the profits provided by the exploitation activities of the hydrocarbon resources in their lands, among others.

These policies make it possible to strengthen the approach that Repsol has sought to promote in the dialogue with and understanding of the communities in the vicinity of its business operations, and to respond to their specific needs by drawing up plans for community relations.

The company's approach to corporate responsibility and sustainable development were once again recognised in 2008. Repsol was again included in the selective Dow Jones Sustainability Indexes. In terms of the social criteria assessed in the analysis, Repsol stood out for its sound social commitment and scored top ratings in human capital development, health and safety in the workplace and social impact on communities. Likewise, by continuing to be included in the FTSE4Good index, Repsol's commitment to long-





Repsol social and cultural projects promoted in Venezuela, Peru and Ecuador.

term value creation is endorsed for another year.

In 2009, and taking into consideration the expectations of interest groups, the foundations for the company's new Corporate Responsibility strategy will be established based on the new 2010–2012 Master Plan.

The new Foundation

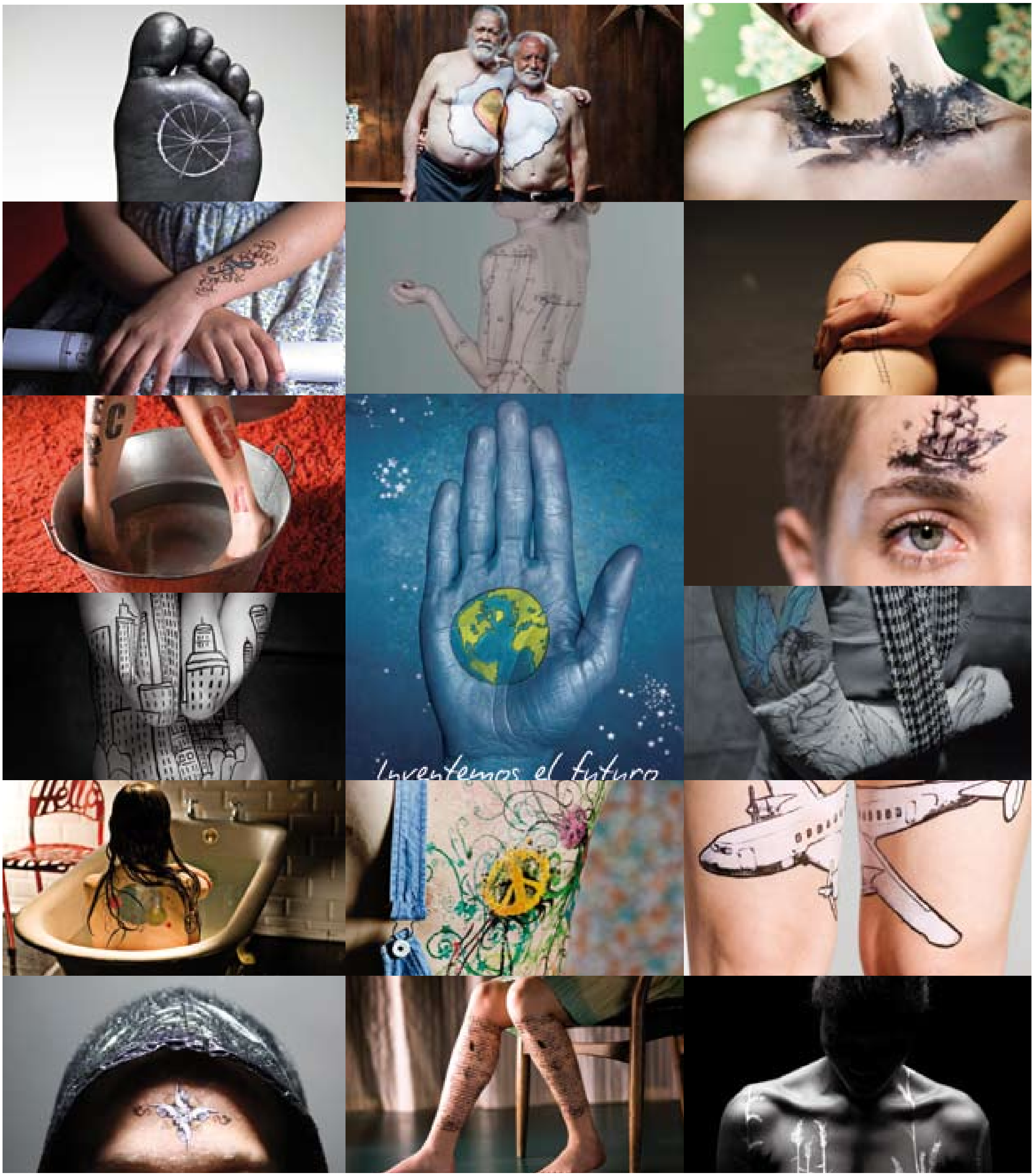
As a result of Repsol's voluntary commitment to the sustained enhancement of society, the Repsol Foundation embarked on a new phase in 2008 in which it set new goals.

The Foundation is considered to be the maximum expression of the company's commitment to social responsibility. Its aim is to work in those fields in which it can make the greatest contribution, which have a clear impact on the enhancement and progress of society and which contribute to people's wellbeing. Its areas of action focus on social action, energy and the environment, responsible mobility and education and culture. The Foundation will also provide debate on and analysis of trends and sensitive areas of concern within the social, energy and environmental fields, creating meeting places and discussion forums.

The new Foundation includes management of cultural, social, scientific and educational programmes and activities as well as those for promoting research, a function previously dispersed within the Repsol Group, thus giving continuity to the initiatives that were developed from its Corporate Responsibility area. One of the lines of action relating to social commitment responds to needs identified in the communities from a long-lasting viewpoint. As a rule, the company decides, in conjunction with the communities or their representatives, which priority objectives should be undertaken in order to help address the needs identified.

The activities carried out by the company can be summarised in the following lines of action: education and training, community development, health, social integration, the environment, art and culture.

In 2008 Repsol YPF and its foundations devoted a total of €30 million to social investment. During the year a total of 1,300 social and cultural programmes were undertaken.



Photos from the Repsol institutional campaign “Let’s invent the future”.

The value of communication

Transparency and close relations with the company's various interest groups are the cornerstone of Repsol's communications strategy. Nowadays, society demands accessible information and Repsol therefore has no hesitation in meeting this need in the smoothest and most reliable manner possible, through a number of tools.

Shareholders and investors

These groups have access to a wide range of resources that provide them with information on the day-to-day business of the company. Since its flotation in 1989, Repsol has had a Shareholder Information Office and an Investor Relations Department, through which it meets the needs of shareholders, institutional investors and market analysts.

Shareholders can request any information they require from the Shareholder Information Office, by going to the office themselves, calling the 900 100 000 freephone number or by post or email. In 2008 the Shareholder Information Office handled over 62,000 calls (an average of 238 a day) and around 300 emails from shareholders requesting information. The most common queries in 2008 were regarding the share price, the Annual General Meeting, the policy and payment dates of dividends and relevant facts regarding the company.

The corporate website (www.repsol.com) also provides access to all relevant information on the company, as well as specific contents in the section "Information for shareholders and investors", which in 2008 received over 200,000 visits. The site also provides an email address (infoaccionistas@repsolypf.com) to which queries and requests for publications can be sent. In 2008 over 500 emails were sent to this mailbox, mainly requesting information about Repsol.

The Investor Relations Department maintains fluid communication with institutional investors and market analysts. One of the highlights of its activities in 2008 was the presentation of the 2008-2012 Strategic Plan to investors and the international financial community. During the year, 12 global roadshows were held (meetings by company executives with international institutional investors) and more than 120 one-on-one interviews with investors and financial analysts. Repsol also organised a number of sector-based conferences in Europe and the United States which were attended by a large number of institutional investors. In 2008 the Investor Relations Department also arranged a trip for financial analysts to Repsol's Houston offices to present the company's Upstream projects in the area, as well as the company's deepwater exploration strategy.

The Chairman of Repsol, Antonio Brufau, acted as the host at the last World Petroleum Congress, held in Madrid (Spain).

Media communications

Repsol's media relations policy is based on the principles of transparency, immediacy, accuracy and veracity of the information conveyed. The company strives to ensure that requests for information from journalists are answered as quickly as possible, maintaining fluid, continuous contact with the media, which is considered essential for informing on progress, activity and management of a company which is present in some 30 countries.

Repsol's Communications Department maintains daily contact with general and specialised international, national, regional and local media, providing them with information on everything that professionals in this sector require. It also works closely with the local media in the places where the company's industrial complexes are located.

The website repsol.com is one of the most visited of all the IBEX-35 companies, with over 80 million pages viewed a month

All the media are informed of any activity and initiative carried out by Repsol by means of press releases. In 2008 Repsol distributed over 80 press releases in Spain alone, as well as others disseminated by the industrial complexes at a local level and those issued in the countries where the company operates.

To strengthen the relationship with the media, press conferences and specific informative meetings are organized. Particular mention should be made of those held in 2008 to inform on the Annual General Meeting and present the 2008–2012 Strategic Plan.

The Press Room on the company's website provides immediate access to information

Transparency and a close relationship with the company's various interest groups are the cornerstone of Repsol's communications strategy

about the Group. It enables both the media and members of the general public to view press releases issued by Repsol, publications, a gallery of images and all kinds of relevant information about the company. It also contains useful tools, such as a glossary of terms.

To facilitate communication with the media, Repsol has a press mailbox (prensa@repsol.com) which operates 24 hours a day. Almost 4,000 queries and requests for information were handled in 2008 through this channel.

Repsol on the Internet

The repsol.com portal is an important communication tool. The average monthly visits and pages viewed, five million and eighty million respectively, make it one of the most visited websites of all the companies that make up the IBEX-35, the main benchmark index of the Spanish stock exchange. The repsol.com site continuously includes new features which enhance the appeal, accessibility, security and speed of the information. The portal, which among other services provides the company's customers with the possibility of operating online, can be consulted in Spanish, English, Portuguese, Catalan, Galician and Basque.

In 2008 the international consultancy Hallvarsson&Hallvarsson rated Repsol as the top Spanish company in terms of transparency and best practices in the contents of its corporate website, which was ranked sixth in the global ranking of companies with the highest market capitalization in Europe.

The company's portal also received the IMA Outstanding Achievement Award for its Service Stations channel in recognition of the effort made to inform on its business activities and forge a closer relationship between the brand and its products and customers in an innovative and accessible way.

Brand policy -

In 2008 considerable progress was made in consolidating the brand strategy and major milestones were achieved in marketing and communication, the cornerstones for creating value for the company.

Communication of Repsol's technological innovation at the service of society.

The communication campaign "Inventemos el futuro" (Let's invent the future) summarises the position of an expert company in the energy sector and one that is at the same time responsible and people-oriented, committed to society and the future.

• **Microalgae.** Repsol develops second-generation biofuels from microalgae and other cultures not suitable for food purposes.

• **Kaleidoscope.** Cutting edge science and technology join forces to discover oil and gas deposits in the depths of the sea, respecting the natural environment.

• **Asphalts.** By recycling tyres, Repsol produces asphalts which reduce environmental and acoustic pollution and improve road safety.

• **Plastics.** Repsol is developing a new generation of environmentally friendly plastics for greenhouses which achieve more efficient crops by making optimum use of sunlight and using less water.

Rationalization of the company's brand architecture. Repsol's brand policy focuses on building and enhancing the YPF brand in Argentina and the Repsol brand in the rest of the world.

The key actions carried out involved conducting a company-wide review of the main brand applications, prioritising those with the greatest visual impact. An example of this approach is the change of the name of the guidebook "Guia Campsa" to "Guia Repsol", after providing information about gastronomy and tourism in Spain for over 30 years. The product brands have also been redefined, using the Repsol brand for all products to reinforce the link. The company's new product brands are designed within the framework of a graphic family that facilitates selective recall, while always meeting the specific needs of each business area.

Repsol's corporate headquarters in Madrid (Spain).

Correct follow-up and application of brand identity objectives plays a key role in the coherence of the positioning of the Repsol brand and its trademarks. It enables sustainable construction of brand renown, guarantees knowledge and conveyance of the values that identify the brand and acts as a support for increasing its financial value.

Visual identity programme

The strategic priority of building and managing the brand is reflected in the guideline documentation that governs the company's communication, at both an external and internal level. To guarantee correct application of the brand and its identity, the key communication managers are provided with identity manuals, which strictly define the most significant aspects of the use of the brand at their various contact points, whether it be a service station, a butane gas distribution agency or a fuel transport truck. A process of renewal of the visual identity manuals has been commenced, in which efforts are focused on interactivity, simplification, ease of use and the possibility of downloading printed forms.

Brand evaluation

In the period 2006-2007 and within the framework of an internal strategic reflection, a number of initiatives were undertaken to optimise brand management and create financial value in the medium and long term. To gauge the impact of these initiatives on the company's brands and its clients, a new evaluation of the company's main brands was carried out which analysed progress in their positioning, the impact of communications and sponsorship actions, and changes within the competitive context. This helped to evaluate the brand role and strength since the last evaluation to the present day, which will provide support for strategic decision-making within this context and strengthen brand recognition and other intangible assets as well as the company's key assets vis-à-vis its employees and society in general.

Sports Sponsorship

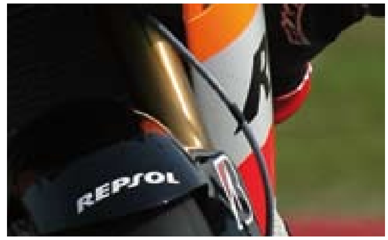
In 2008 Repsol participated once again in competitions such as the World Motorcycle Championship which represent the best test benches for its fuels and lubricants by exposing them to the most extreme situations. It is thanks to the experience acquired in developing specific products for top level competitions that Repsol is able to maintain its lead position in the research and development of products capable of living up to the its customers' expectations.

2008 was an outstanding season in terms of world titles obtained by the Repsol drivers who took part in top level international competitions. Between them they won the outdoor World Trial Championship in the women's category, and the same title and that of the indoor World Trial Championship in the men's category. They also secured first place in the GP2 Series –the threshold to Formula 1– and the title of individual and team world champions in the World Touring Car Championship, adding six more world medals to Repsol's record.

Of note in 2008 was Repsol's participation in the World Touring Car Championship (WTCC). In its fifth year, this competition earned a position as the second most important automobile event, only surpassed by Formula 1. Yvan Muller's victory and the team victory secured with Seat were an excellent international showcase for the Repsol brand, another of the attributes, together with the development of fuels and lubricants, which leads the company to pledge its commitment to sports sponsorship.

A young promise

In the World Motorcycle Championship, the 16-year-old Repsol rider Marc Márquez is on his way to forming part of the elite in this sport, demonstrating his qualities, both sporting and human, traits which Repsol always views positively in its sports representatives, in addition to rigorous standards and professional expertise. In MotoGP, the maximum category, Dani Pedrosa held on to his position as leader for the first half of the championship and, although his good luck then ran out, he ended the season with a well-deserved third place in the



The rider Dani Pedrosa, one of Repsol's ambassadors in motor sporting competitions.

overall classification.

In trial, Toni Bou proved to be the indisputable new leader in this speciality by regaining his two world titles, while Laia Sanz remained at the top in the women's category, achieving her eighth world crown.

2009 could not have got off to a better start for Repsol. Once again, Marc Coma proved that he is second to none in offroad motorcycles by winning the Dakar 2009, which was held for the first time in Argentina and Chile. He is the first Spaniard to be two-time champion in this legendary event and the first win by a Repsol rider this year, which marks the 40th anniversary of the company's presence in the motor world.

The new Repsol headquarters

On 3 November 2008, after having obtained the permits and authorizations from the Madrid City Council, construction work on the new Repsol headquarters located in Calle Mendez Alvaro commenced at the site of the previous headquarters of Compañia Logistica de Hidrocarburos (CLH). The prestigious Rafael de la Hoz architectural firm has been commissioned to design this project.

Repsol's new headquarters will boast an overhead surface area of 66,000 m² divided into a ground floor and four floors of offices and services. Below ground level, the 56,000 m² available will be divided into two basement floors for installations and a car park for 2,000 vehicles. The project includes the allocation of over 8,000 m² for an ambitious employees' facilities programme.

A sustainable space

The closed ring layout of the buildings will house a large treed garden of over 9,500 m² designed by the architecture and landscape firm Latz & Partner. This area, based on a sustainable growth concept, will use a rainfall reutilization system and will consist of native species and/or species adapted to the Madrid climate. Within the perimeters of the business park a new green area of 2,700 m² will also be created to tie in with the existing ones in the area.

Since the design stage of the project, Repsol has been committed to sustainability, which will enable it to opt for the prestigious Leadership in Energy & Environmental Design (LEED®) Certification awarded by the U.S. Green Building Council. This renowned institution has developed a system which takes into account the full life cycle of the building (design, construction, operation and maintenance). The main variables that will be assessed are location of the plot chosen, water and energy consumption efficiency, environmental quality within the building and the sources of the materials used during the construction process.

Project for the new Repsol headquarters in Madrid (Spain).

Conversion table

			OIL				GAS	
			Litres	Barrels	Cubic Metres	Toe	Cubic Metres	Cubic Feet
OIL	1 barrel (1)	bbl	158.987	1	0.16	0.14	162.60	5,615
	1 cubic metre (1)	m^3	1,000	6.29	1	0.86	1,033	36,481
	1 tonne of oil equivalent (1)	toe	1,160.49	7.30	1.16	1	1,187	41,911
GAS	1 cubic metre	m^3	0.98	0.01	0.001	0.001	1	35.32
	1,000 cubic feet =1.04×10^6 Btu	ft^3	27.64	0.18	0.027	0.024	28.317	1,000

			Metre	Inch	Foot	Yarda
LENGTH	Metre	m	1	39.37	3.281	1.093
	Inch	in	0.025	1	0.083	0.028
	Foot	ft	0.305	12	1	0.333
	Yard	yd	0.914	36	3	1

			Kilogram	Pound	Tonne
WEIGHT	Kilogram	kg	1	2.2046	0.001
	Pound	lb	0.4536	1	0.00045
	Tonne	t	1,000	22.046	1

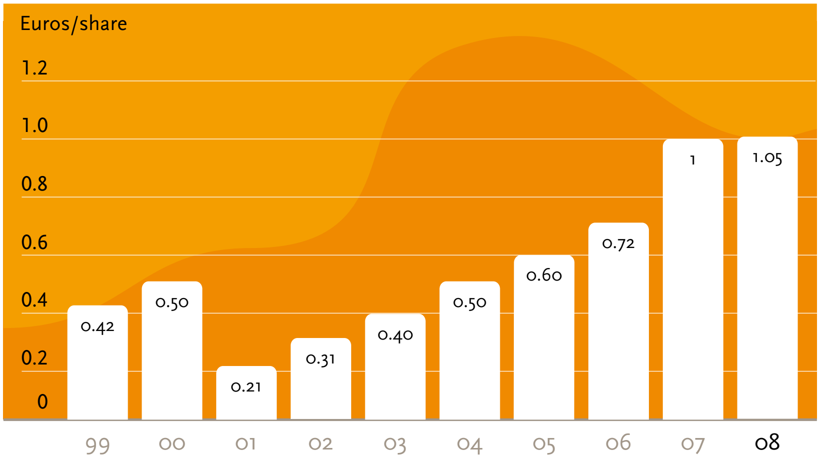
			Cubic Foot	Barrel	Litre	Cubic Metre
VOLUME	Cubic Foot	ft^3	1	0.1781	28.32	0.0283
	Barrel	bbl	5,615	1	158.984	0.1590
	Litre	l	0.0353	0.0063	1	0.001
	Cubic metre	m^3	35.3107	6.2898	1,000	1

Toe = tonne of oil equivalent
(1) Reference measure: 32.35 °API and relative density 0.8636
Btu = British termal unit

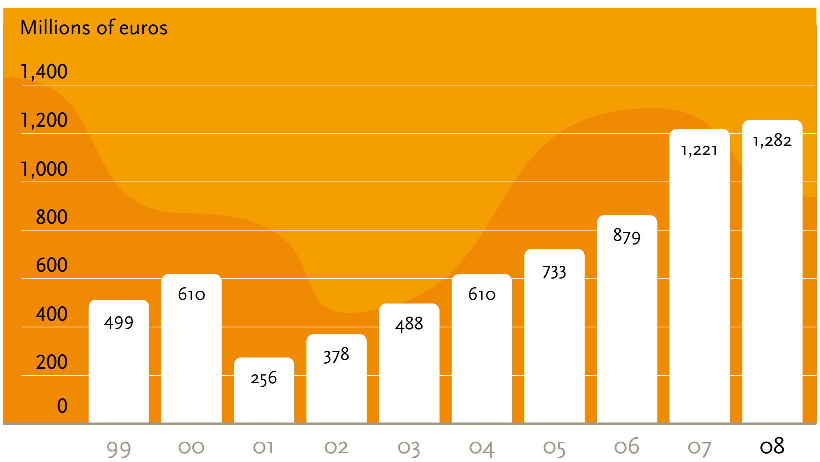
Glossary of terms

Term	Description
ADR	American Depositary Receipt
bbl	Barrel
bopd	Barrel of oil per day
bcf	Billions of cubic feet
bcm	Billion cubic metres
bcmpa	Billion cubic metres per annum
boe	Barrel of oil equivalent
boepd	Barrel of oil equivalent per day
bscf	Billion standard cubic feetr
EPC	Engineering Procurement and Construction
FCC	Fluid Catalytic Cracker
LPG	Liquefied Petroleum Gas
LNG	Liquefied Natural Gas
Gwh	Gigawatt hour
kbbl	Thousand barrels of oil
kbopd	Thousand barrels of oil per day
kboe	Thousand barrels of oil equivalent equivalentes
kboepd	Thousand barrels of oil equivalent per day
kboe	Thousands of barrels of oil equivalent
kg	Kilogram
km	Kilometre
km^2	Square kilometre
kscf	Thousand standard cubic feet
kt	Thousand tonnes
kta	Thousand tonnes per annum
m^3	Cubic metre
Mbbl	Million barrels
Mboe	Million barrels of oil equivalent
Mm^3	Million cubic metres
Mm^{3}d	Million cubic metres per day
Mscf	Million standard cubic feet
Mscfd	Million standard cubic feet per day
Mta	Million tonnes
MTBE	Methyl tert-butyl ether
Mtoe	Million tonnes of oil equivalent
MW	Million watts
PO/SM	Propylene oxide/Styrene monomer
HDPE	High density polyethylene
LDPE	Low density polyethylene
scf	Standard cubic foot
Mt	Metric tonne
toe	Tonne of oil equivalent
USD	American dollar

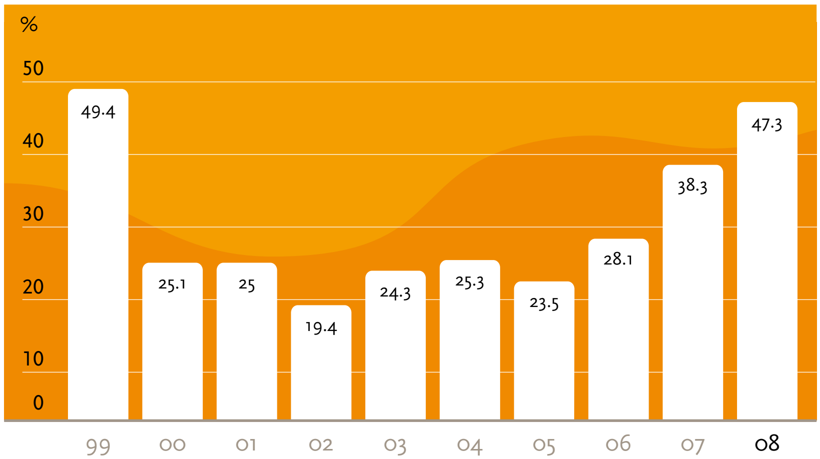
DIVIDEND PER SHARE



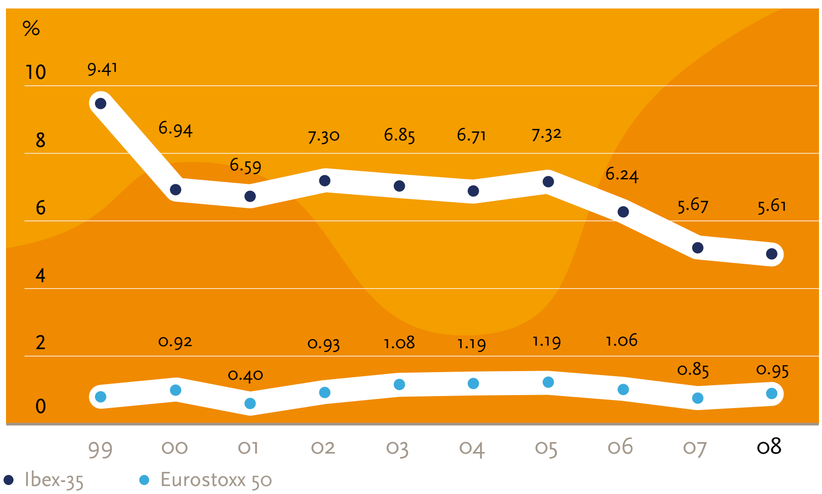
DIVIDEND



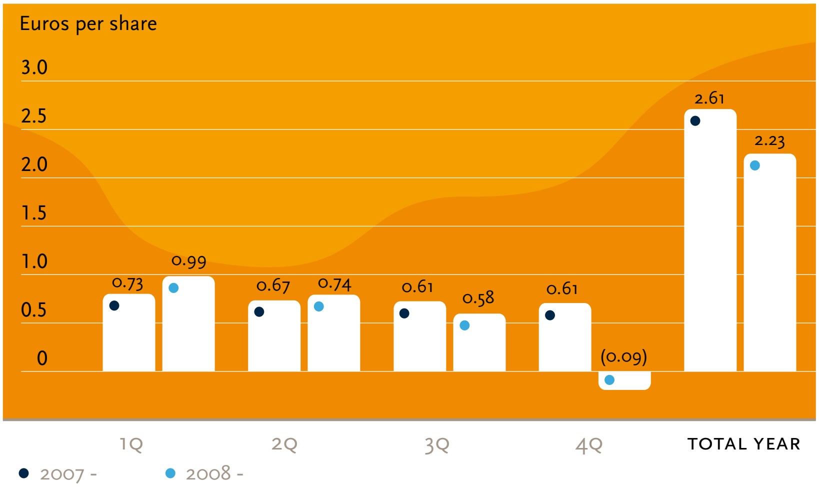
PAYOUT



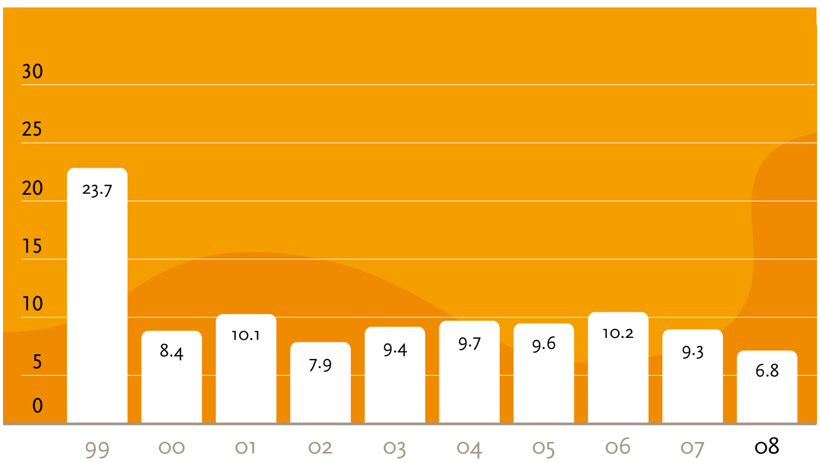
IBEX 35 AND EUROSTOXX 50 WEIGHTING



EARNINGS PER SHARE



PER (PRICE/EARNINGS PER SHARE)

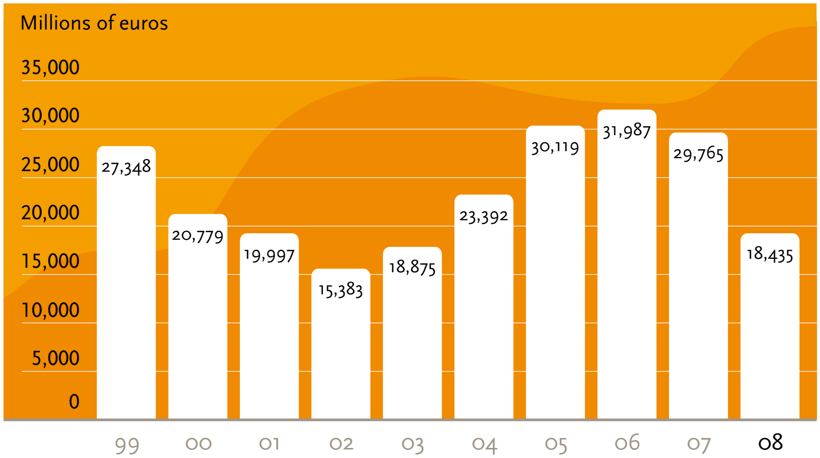


STOCK INFORMATION

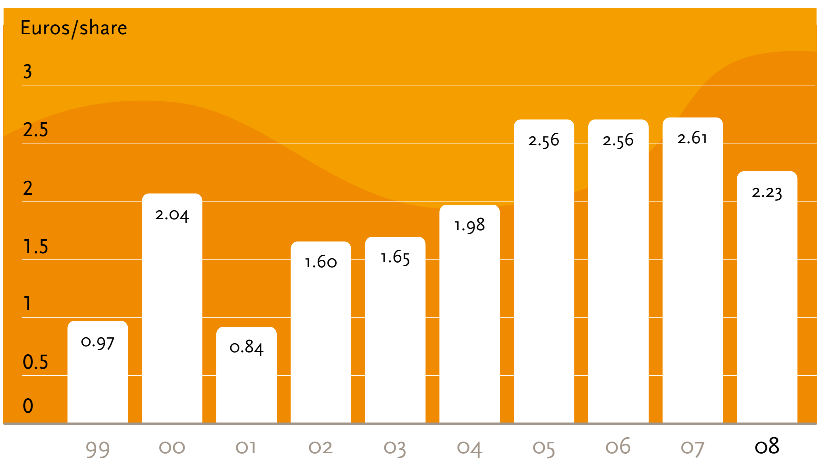
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Price of Repsol on the Continuous Market (euros/share) -										
Maximum	24.25	24.01	21.89	16.18	15.78	19.20	27.96	28.41	30.35	27.57
Minimum	14.33	16.20	14.26	10.75	11.99	15.49	18.55	20.21	23.02	12.92
31 December	23.02	17.02	16.38	12.60	15.46	19.16	24.67	26.20	24.38	15.10
Market capitalization at year end										
Price of Repsol on the NYSE (US$/ADR) (1)	27,348	20,779	19,997	15,383	18,875	23,392	30,119	31,987	29,765	18,435
Maximum	24.25	23.00	19.49	14.68	19.55	26.15	33.75	36.90	41.20	43.44
Minimum	15.44	14.63	15.25	10.30	13.29	19.30	24.34	25.39	30.40	16.10
31 December	23.25	16.13	14.56	13.08	19.55	26.10	29.41	34.50	35.63	21.50
Trading volume (no. of shares, daily average)										
Continuous Market	4,296,601	5,876,738	6,936,762	7,079,391	8,020,456	7,963,102	7.513.251	9.459.622	8,819,291	14,270,478
NYSE	250,474	326,645	288,008	343,123	191,263	218,882	221.069	304.022	313,655	952,434
Buenos Aires	8,568	34,936	434,983	14,096	5,821	2,512	3.678	3.413	2,860	1,593
Dividend per share										
Euros	0.42	0.50	0.21	0.31	0.40	0.50	0.60	0.72	1.00	1.05
Dollars	0.42	0.47	0.19	0.33	0.50	0.65	0.72	0.93	1.47	1.46
Payout (%)	49.40	25.10	25.00	19.39	24.28	25.29	23.50	28.10	38.30	47.3
Earnings per share (at 31/12) (%)	1.80	2.90	1.30	2.50	2.60	2.60	2.40	2.70	4.10	6.95
PER (price/earnings per share)	23.70	8.40	10.10(*)	7.88	9.37	9.68	9.64	10.24	9.33	6.77
IBEX-35 Ibex 35 weighting (%)	9.41	6.94	6.59	7.30	6.85	6.71	7.32	6.24	5.67	5.61
Eurostoxx 50 weighting (%)	0.78	0.92	0.40	0.93	1.08	1.19	1.19	1.06	0.85	0.95
Number of shares (millions) (at 31/12)	900	1,188	1,221	1,221	1,221	1,221	1,221	1,221	1,221	1,221
Nominal value (euros per share)	1	1	1	1	1	1	1	1	1	1

(1) ADR = American Depositary Receipt (1 ADR = 1 share)
(*) The PER data was calculated from results which exclude adjustments for Argentina. Including the adjustments the result would be 19.5 times.

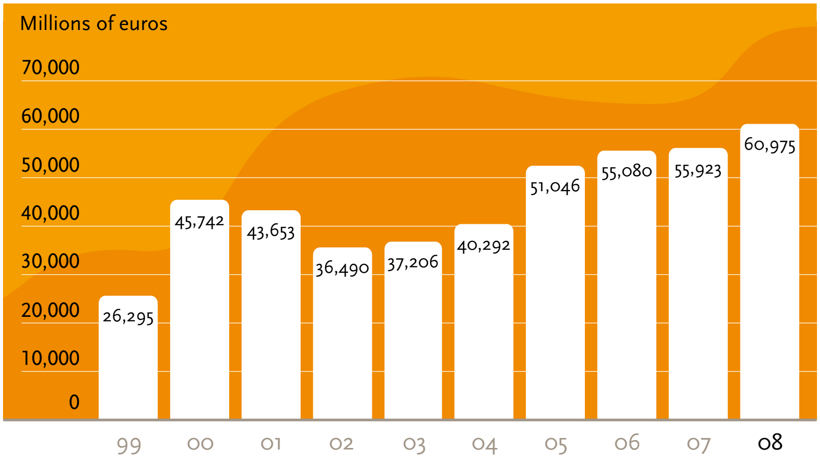
MARKET CAPITALIZATION AT 31 DECEMBER



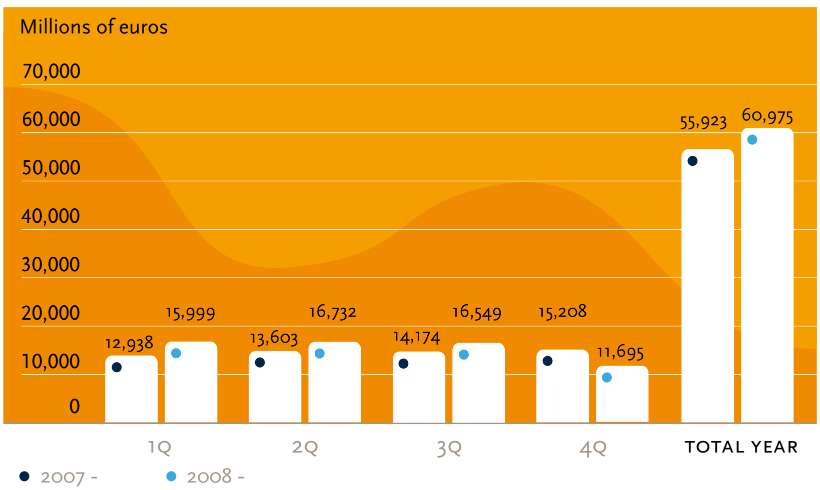
AFTER-TAX INCOME PER SHARE



OPERATING REVENUES



OPERATING REVENUES



PROFIT AND LOSS ACCOUNT

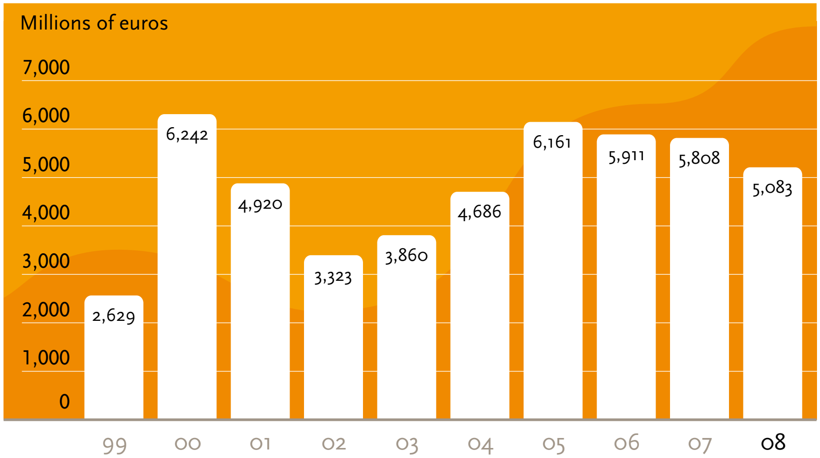
Millions of euros	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales	25,633	44,043	42,851	35,555	36,069	38,273	48,024	51,355	52,098	57,740
Others	662	1,699	802	935	1,137	2,019	3,022	3,725	3,825	3,235
Operating revenues	**26,295**	**45,742**	**43,653**	**36,490**	**37,206**	**40,292**	**51,046**	**55,080**	**55,923**	**60,975**
Procurements	16,444	27,895	26,921	24,198	24,314	24,976	33,174	35,190	36,399	40,101
Personnel expenses	1,267	1,648	1,732	1,161	1,111	1,321	1,542	1,674	1,855	2,016
Taxes	614	1,415	1,207	1,039	1,155	1,323	1,813	2,470	1,915	2,501
Works, supplies and external services	2,960	4,667	4,705	3,305	3,359	3,542	3,595	4,942	5,072	6,102
Transport and freight	585	1,011	1,197	838	863	1,201	1,124	1,187	1,140	1,198
Depreciation	1,796	2,864	2,971	2,626	2,245	2,368	2,450	3,094	3,141	3,091
Other expenses	–	–	–	–	299	875	1,186	639	593	883
Operating expenses	**23,666**	**39,500**	**38,733**	**33,167**	**33,346**	**35,606**	**44,884**	**49,196**	**50,115**	**55,892**
Operating income	2,629	6,242	4,920	3,323	3,860	4,686	6,161	5,911	5,808	5,083
Total Financial Charges	(726)	(1,300)	(1,352)	(786)	(400)	(624)	(722)	(482)	(224)	(372)
PRE-TAX INCOME	**1,683**	**4,253**	**2,468**	**2,885**	**3,132**	**4,062**	**5,439**	**5,429**	**5,584**	**4,711**
Income tax	(557)	(1,408)	(988)	(564)	(1,048)	(1,627)	(2,332)	(2,220)	(2,338)	(1,940)
Income of companies accounted for using the equity method	59	72	35	(35)	146	131	117	139	109	66
Consolidated Income for the period	1,185	2,917	1,515	2,286	2,230	2,566	3,224	3,348	3,355	2,837
Attributable to external partners	(175)	(488)	(490)	(334)	(210)	(152)	(104)	(224)	(167)	(126)
INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	**1,010**	**2,429**	**1,025**	**1,952**	**2,020**	**2,414**	**3,120**	**3,124**	**3,188**	**2,711**
After-tax income per share (euros/share)	0.97	2.04	0.84	1.60	1.65	1.98	2.56	2.56	2.61	2.23

INCOME BASED ON THE MAIN COMPONENTS

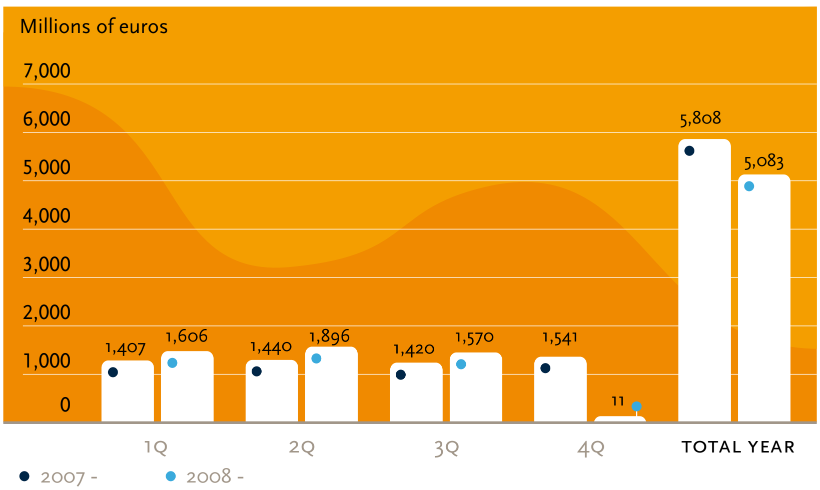
	2007					2008				
	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
EBITDA	**2,036**	**2,238**	**2,107**	**2,192**	**8,573**	**2,422**	**2,494**	**2,442**	**802**	**8,160**
Operating income	1,407	1,440	1,420	1,541	5,808	1,606	1,896	1,570	11	5,083
Financial income	10	(55)	(72)	(107)	(224)	52	(111)	(177)	(136)	(372)
Income before tax and affiliated companies	**1,417**	**1,385**	**1,348**	**1,434**	**5,584**	**1,658**	**1,785**	**1,393**	**(125)**	**4,711**
Income tax	(522)	(543)	(580)	(693)	(2,338)	(412)	(841)	(655)	(32)	(1,940)
Income of companies accounted for using the equity method	30	25	21	33	109	26	32	9	(1)	66
Consolidated Income for the period	**925**	**867**	**789**	**774**	**3,355**	**1,272**	**976**	**747**	**(158)**	**2,837**
INCOME ATTRIBUTABLE TO:										
Minority interests	37	49	47	34	167	60	71	48	(53)	126
Parent company shareholderse	**888**	**818**	**742**	**740**	**3,188**	**1,212**	**905**	**699**	**(105)**	**2,711**
Income attributed to the parent company per share(*)										
*Euros/share	0.73	0.67	0.61	0.61	2.61	0.99	0.74	0.58	(0.09)	2.23
*$/ADR	0.97	0.91	0.86	0.89	3.84	1.57	1.17	0.82	(0.12)	3.11

(*)The Repsol YPF share capital consists of 1,220,863,463 shares. Earnings per share has been calculated taking into account the average number of shares in circulation, taking into consideration the shares held by the company. The average number of shares in circulation in 2007 was 1,220,863,463 and in 2008 1,214,598,084.

OPERATING INCOME



OPERATING INCOME

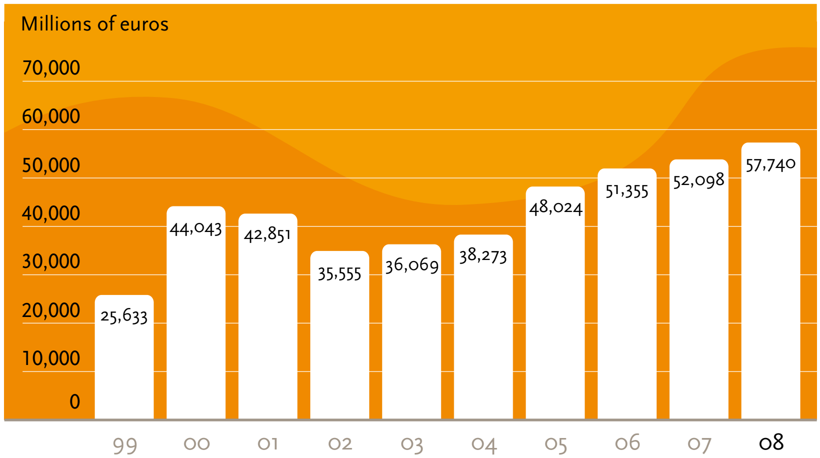


BALANCE SHEET

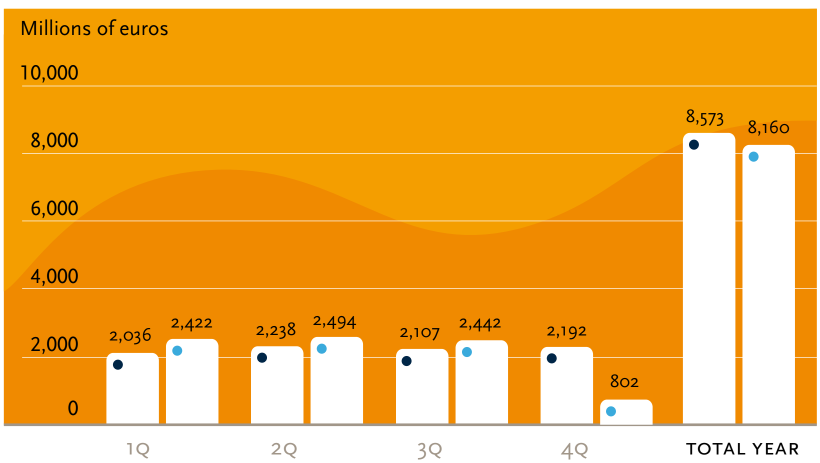
Millions of euros	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
ASSETS											
Net fixed assets	12,270	28,433	40,801	39,332	26,972	26,029					
Working capital Working capital	5,081	13,617	11,618	12,107	11,092	12,004					
Total assets	**17,351**	**42,050**	**52,419**	**51,439**	**38,064**	**38,033**					
LIABILITIES											
Equity	6,043	12,526	15,143	14,538	13,586	13,632					
Minority shareholders	1,513	1,870	3,522	6,591	4,223	4,054					
Long-term financial debt	2,275	10,223	14,886	13,488	8,273	6,454					
Other long-term debts	1,718	3,174	4,400	3,732	3,047	3,708					
Current commercial liability	3,412	5,488	7,281	5,527	4,936	5,816					
Short-term financial debt	2,390	8,769	7,187	7,563	3,999	4,369					
Total liabilities	**17,351**	**42,050**	**52,419**	**51,439**	**38,064**	**38,033**					
ASSETS											
Goodwill							3,204	3,773	3,422	3,308	2,851
Other Net Intangible assets							693	1,003	1,156	1,018	1,228
Tangible assets							20,303	23,304	23,475	23,676	25,737
Real estate investments							52	54	34	34	31
Investments accounted for using the equity method							449	399	521	537	525
Non-current financial assets							82	224	160	1,650	2,466
Assets for deferred taxes							1,099	1,197	913	1,020	1,463
Other non-current assets							1,946	1,522	1,358	298	276
Non-current assets							**27,828**	**31,476**	**31,039**	**31,541**	**34,577**
Non-current assets held for sale							83	1	249	80	1,251
Stocks							2,638	3,730	3,874	4,675	3,584
Commercial debtors and accounts payable							5,548	7,427	7,195	8,017	6,632
Other current financial assets							266	501	287	266	494
Cash and cash equivalents							3,329	2,647	2,557	2,585	2,891
Total current assets							**11,864**	**14,306**	**14,162**	**15,623**	**14,852**
TOTAL ASSETS							**39,692**	**45,782**	**45,201**	**47,164**	**49,429**
LIABILITIES											
Net Assets attributed to the parent company							12,807	16,262	17,433	18,511	20,100
Minority interests							424	528	609	651	1,170
Total Net Assets							**13,231**	**16,790**	**18,042**	**19,162**	**21,270**
Subsidies							95	96	101	109	108
Non-current provisions							1,996	2,878	2,660	2,565	2,710
Non-current financial liabilitiess							10,719	9,721	10,483	10,065	10,315
Liabilities for deferred taxes							2,960	3,380	2,707	2,473	2,554
Other non-current liabilities							1,521	1,608	1,133	1,435	1,451
Total non-current Liabilities							**17,291**	**17,683**	**17,084**	**16,647**	**17,138**
Liabilities linked to non-current assets held for sale							–	–	–	–	601
Current provisions							33	190	297	286	437
Current financial liabilities							3,142	2,701	1,556	1,501	1,788
Commercial creditors and other accounts payable							5,995	8,418	8,222	9,568	8,195
Total current liabilities							**9,170**	**11,309**	**10,075**	**11,355**	**11,021**
TOTAL NET ASSETS AND LIABILITIES							**39,692**	**45,782**	**45,201**	**47,164**	**49,429**

NOTE: The financial highlights from 2004 contained in this presentation are presented in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union

SALES



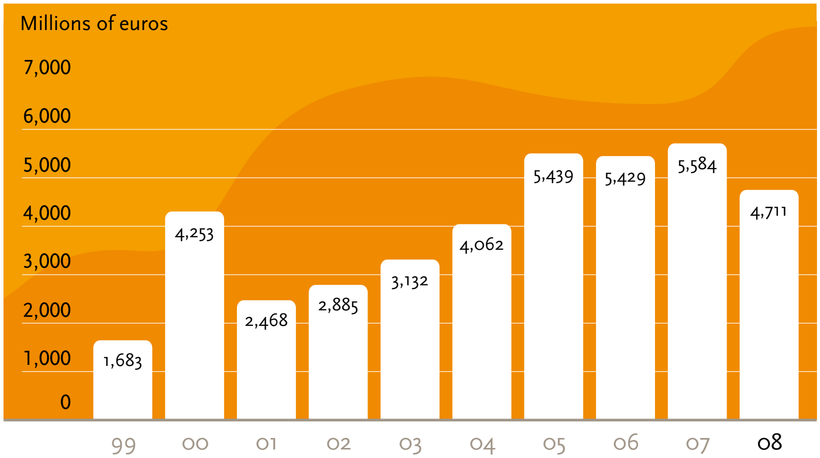
EBITDA



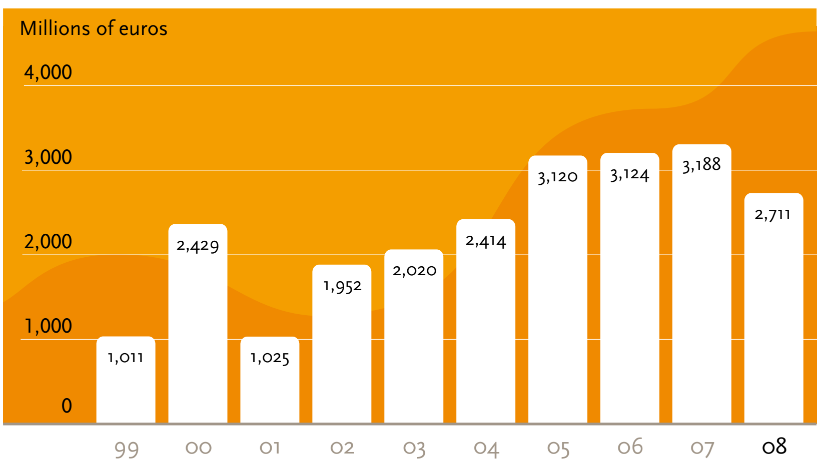
OPERATING REVENUES

Millions of euros	2007					2008				
	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
Upstream	**1,132**	**1,090**	**1,053**	**1,199**	**4,474**	**1,238**	**1,485**	**1,361**	**830**	**4,914**
North America and Brazil	121	116	49	88	374	101	129	63	60	353
North Africa	284	409	465	511	1,669	518	616	538	235	1,907
Rest of the world	739	567	549	622	2,477	627	753	778	593	2,751
Adjustments	(12)	(2)	(10)	(22)	(46)	(8)	(13)	(18)	(58)	(97)
LNG	**266**	**221**	**291**	**145**	**923**	**308**	**393**	**472**	**371**	**1,544**
Downstream	**9,114**	**9,955**	**10,457**	**11,272**	**40,798**	**11,556**	**12,245**	**11,502**	**7,144**	**42,447**
Europe	8,287	9,034	9,393	10,334	37,048	10,848	11,431	10,971	6,653	39,903
Rest of the world	1,233	1,365	1,521	1,528	5,647	1,390	1,570	1,142	674	4,776
Adjustments	(406)	(444)	(457)	(590)	(1,897)	(682)	(756)	(611)	(183)	(2,232)
YPF	**1,989**	**2,065**	**2,199**	**2,383**	**8,636**	**2,282**	**2,330**	**2,914**	**2,556**	**10,082**
Upstream	1,055	1,117	1,154	1,250	4,576	1,026	939	1,097	1,207	4,269
Downstream	1,639	1,719	1,815	2,100	7,273	1,882	1,789	2,448	2,034	8,153
Corporation	34	26	99	101	260	55	68	78	79	280
Adjustments	(739)	(797)	(869)	(1,068)	(3,473)	(681)	(466)	(709)	(764)	(2,620)
Gas Natural SDG	**849**	**723**	**729**	**853**	**3,154**	**1,031**	**963**	**1,017**	**1,199**	**4,210**
Corporation, others and adjustments	**(412)**	**(451)**	**(555)**	**(644)**	**(2,062)**	**(416)**	**(684)**	**(717)**	**(405)**	**(2,222)**
TOTAL	**12,938**	**13,603**	**14,174**	**15,208**	**55,923**	**15,999**	**16,732**	**16,549**	**11,695**	**60,975**

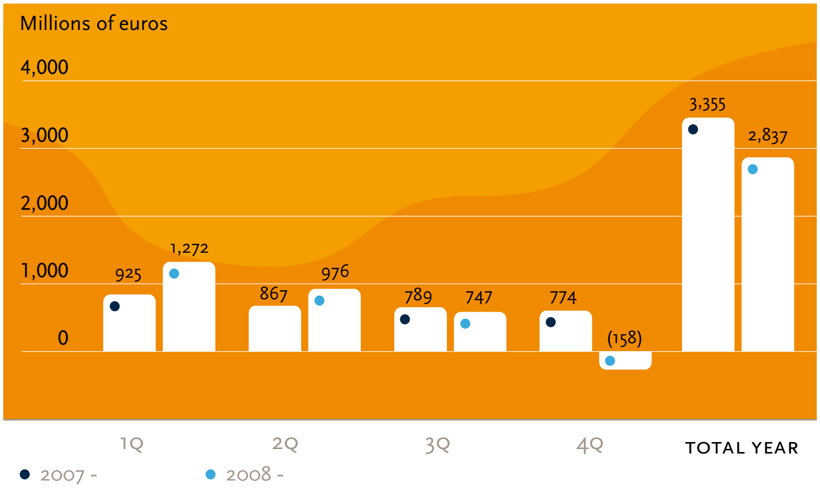
PRE-TAX INCOME



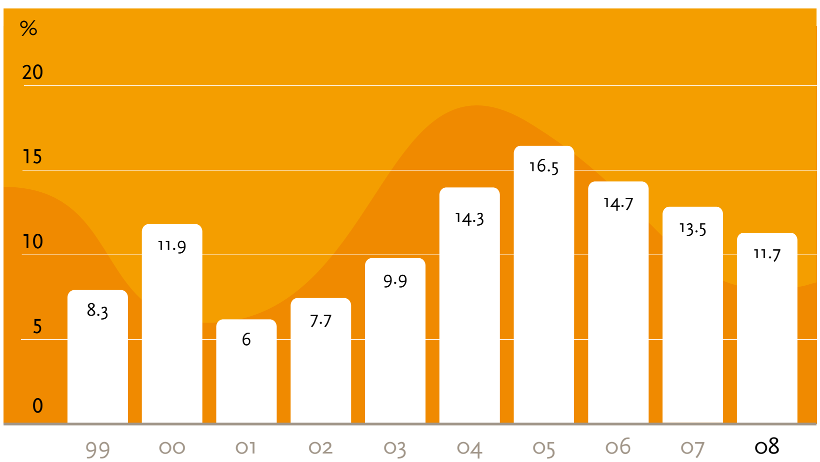
AFTER-TAX INCOME



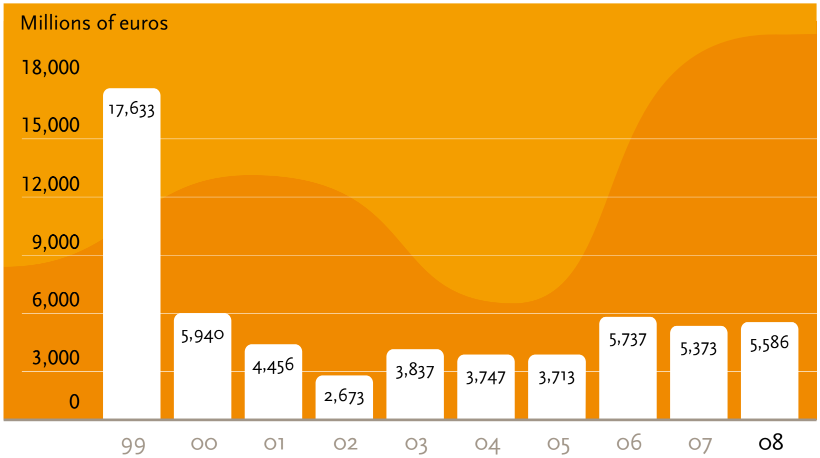
CONSOLIDATED INCOME



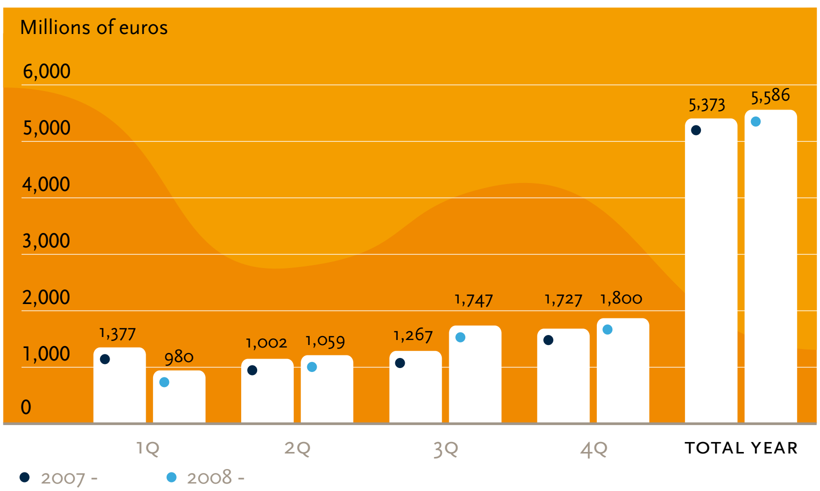
RETURN ON CAPITAL EMPLOYED (ROCE)



INVESTMENTS



INVESTMENTS



OPERATING REVENUES

										2008
	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
Upstream	**459**	**428**	**529**	**466**	**1,882**	**576**	**751**	**672**	**259**	**2,258**
North America and Brazil	39	(19)	13	(58)	(25)	–	32	24	(16)	40
North Africa	217	333	349	335	1,234	338	446	335	83	1,202
Rest of the world	203	114	167	189	673	238	273	313	192	1,016
LNG	**27**	**19**	**27**	**34**	**107**	**32**	**18**	**38**	**37**	**125**
Downstream	**515**	**633**	**393**	**663**	**2,204**	**482**	**643**	**415**	**(429)**	**1,111**
Europe	466	552	378	599	1,995	482	594	396	(345)	1,127
Rest of the world	49	81	15	64	209	–	49	19	(84)	(16)
YPF	**328**	**296**	**228**	**376**	**1,228**	**365**	**279**	**402**	**113**	**1,159**
Upstream	139	211	235	394	979	167	130	68	76	441
Downstream	210	116	16	44	386	225	218	375	83	901
Corporation	(21)	(31)	(23)	(62)	(137)	(27)	(69)	(41)	(46)	(183)
Gas Natural SDG	**149**	**119**	**123**	**125**	**516**	**157**	**130**	**136**	**132**	**555**
Corporation, others and adjustments	**(71)**	**(55)**	**120**	**(123)**	**(129)**	**(6)**	**75**	**(93)**	**(101)**	**(125)**
TOTAL	**1,407**	**1,440**	**1,420**	**1,541**	**5,808**	**1,606**	**1,896**	**1,570**	**11**	**5,083**

INVESTMENTS

Millions of euros					2007					2008
	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
Upstream	**564**	**255**	**297**	**323**	**1,439**	**242**	**240**	**376**	**326**	**1,184**
North America and Brazil	362	54	117	77	610	110	116	123	129	478
North Africa	28	65	44	62	199	44	53	182	97	376
Rest of the world	174	136	136	184	630	88	71	71	100	330
GNL	**124**	**58**	**108**	**97**	**387**	**78**	**67**	**78**	**19**	**242**
Downstream	**198**	**170**	**220**	**348**	**936**	**315**	**315**	**309**	**595**	**1.534**
Europe	152	152	212	328	844	299	293	296	581	1.469
Rest of the world	46	18	8	20	92	16	22	13	14	65
YPF	**303**	**287**	**349**	**435**	**1,374**	**250**	**316**	**346**	**596**	**1,508**
Upstream	234	247	297	309	1.087	223	247	259	486	1.215
Downstream	56	39	26	92	213	17	45	54	76	192
Corporation	13	1	26	34	74	10	24	33	34	101
Gas Natural SDG	**48**	**74**	**99**	**430**	**651**	**54**	**72**	**598**	**170**	**894**
Corporation, others and adjustments	**140**	**158**	**194**	**94**	**586**	**41**	**49**	**40**	**94**	**224**
TOTAL	**1,377**	**1,002**	**1,267**	**1,727**	**5,373**	**980**	**1,059**	**1,747**	**1,800**	**5,586**

FINANCIAL INFORMATION

Millions of euros	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating revenues	19,287	18,989	26,295	45,742	43,653	36,490	37,206	40,292	51,046	55,080	55,923	60,975
After-tax income	758	875	1,011	2,429	1,025	1,952	2,020	2,414	3,120	3,124	3,188	2,711
Operating income	1,404	1,658	2,629	6,242	4,920	3,323	3,860	4,686	6,161	5,911	5,808	5,083
Dividends	361	397	499	610	256	378	488	610	732	879	1,221	1,282
Investments	2,974	2,178	17,633	5,940	4,456	2,673	3,837	3,747	3,713	5,737	5,373	5,586
Assets	16,052	17,351	42,050	52,419	51,439	38,064	38,033	39,693	45,782	45,201	47,164	49,429
Net assets	5,557	6,043	12,526	15,143	14,538	13,586	13,632	12,807	16,262	17,433	18,511	20,100
Net financial debt at year end	(3,296)	(3,534)	(17,136)	(20,398)	(16,555)	(7,472)	(5,047)	(5,398)	(4,513)	(4,396)	(3,493)	(3,334)
Financial income	(150)	(170)	(726)	(1,300)	(1,352)	(786)	(400)	(624)	(722)	(482)	(224)	(372)
Net debt (%)	30.2	30.7	53.5	51	40.1	29.2	21.9	24.3	18.1	17.0	13.4	11.9
Interest coverage (number of times)	7.7	7.9	8.0	7.0	6.7	8.8	13.8	19.2	23.2	25.2	28.4	38.6
Profitability ratios												
Return on equity (ROE) (%)	14.2	15.1	10.9	17.6	6.9	13.9	14.8	20.0	21.5	18.5	17.7	14.4
Return on assets (ROA) (%)	7.6	7.6	6.4	9.3	4.5	6.5	6.6	7.5	8.5	8.0	7.5	6.3
Return on capital employed (ROCE) (%)	11	10.6	8.3	11.9	6	7.7	9.9	14.3	16.5	14.7	13.5	11.7
Return on capital employed ROCE (ex-goodwill)	–	–	12.0	14.3	10.4	13.1	17.0	16.5	18.7	14.1	12.7	10.7

DEFINITION OF RATIOS

Debt ratio

Net debt/equity+minority interests+net debt+exploration subventions+distribution revenues

Interest coverage

EBITDA / Financial charges

Return on equity (ROE)

Net income/average equity

Return on assets (ROA)

(Net income-minority interests-financial expenses after taxes) /Average assets

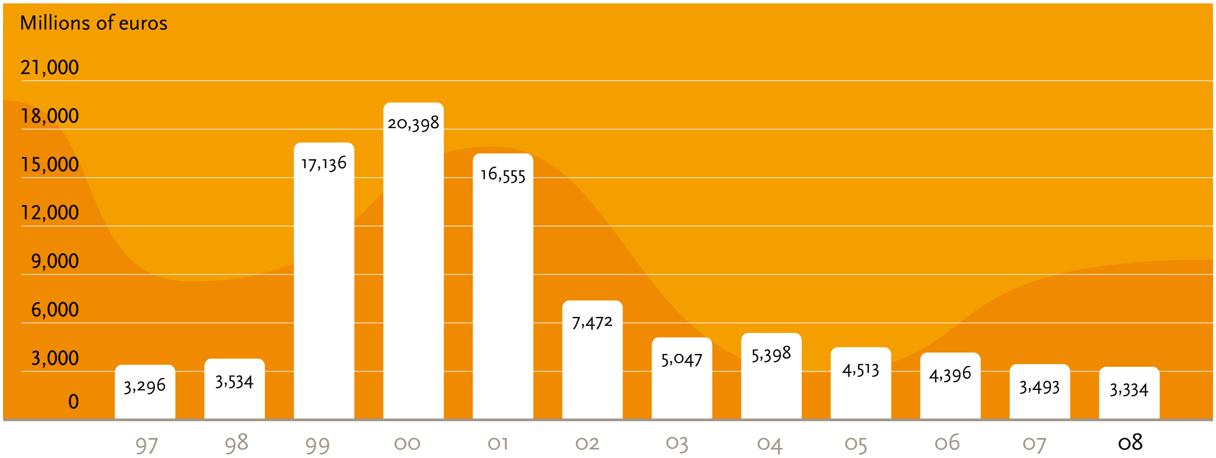
Return on capital employed (ROCE)

Net income+minority interests+financial expenses after taxes/
(equity+minority interests+net debt at the start of the period)

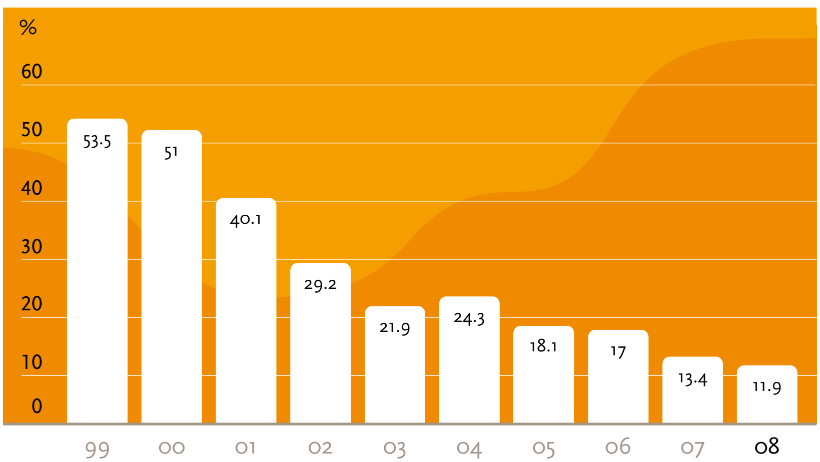
Return on capital employed ex-goodwill (ROCE)

(Net income-minority interests-financial expenses after taxes+goodwill depreciation)/
(equity+minority interests+net debt-goodwill at the start of the period)

NET FINANCIAL DEBT AT YEAR END



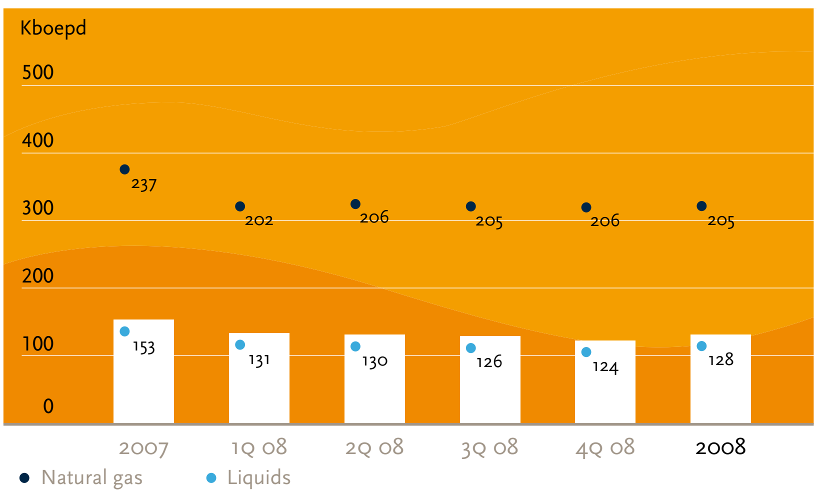
NET DEBT



UPSTREAM HIGHLIGHTS

	2007					2008				
	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
Hydrocarbon production (Kboepd)	**446**	**389**	**370**	**355**	**390**	**333**	**336**	**331**	**330**	**333**
Liquid production	**177**	**151**	**147**	**139**	**153**	**131**	**130**	**126**	**124**	**128**
North America and Brazil	18	14	15	15	16	15	15	14	13	14
North Africa	53	58	60	60	58	55	55	55	55	55
Rest of the world	105	79	72	64	80	61	60	57	57	59
Producción de gas natural	**269**	**238**	**223**	**217**	**237**	**202**	**206**	**205**	**206**	**205**
North America and Brazil	1	1	1	1	1	1	1	1	1	1
North Africa	8	12	10	11	10	10	9	9	13	10
Rest of the world	261	225	212	205	226	192	196	195	192	194

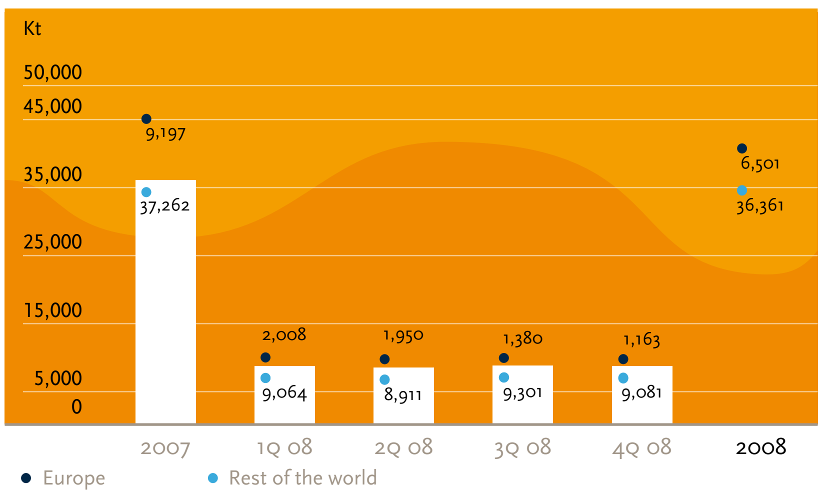
UPSTREAM HYDROCARBON PRODUCTION



DOWNSTREAM HIGHLIGHTS

	UNIT	2007 1Q	2007 2Q	2007 3Q	2007 4Q	2007 TOTAL	2008 1Q	2008 2Q	2008 3Q	2008 4Q	2008 TOTAL
PROCESSED CRUDE OIL	**Mtoe**	**9.9**	**10.7**	**10.4**	**9.1**	**40.1**	**10.1**	**10**	**9.8**	**9.2**	**39**
Europe	Mtoe	8.4	9	8.7	7.4	33.6	8.5	8.4	8.9	8.3	34
Rest of the world	Mtoe	1.5	1.7	1.7	1.7	6.5	1.7	1.6	0.9	0.9	5
OIL PRODUCT SALES	**Kt**	**11,057**	**11,929**	**11,775**	**11,698**	**46,459**	**11,072**	**10,865**	**10,681**	**10,244**	**42,862**
Sales Europe	**Kt**	**8,975**	**9,556**	**9,376**	**9,355**	**37,262**	**9,064**	**8,915**	**9,301**	**9,081**	**36,361**
Sales rest of the world	**Kt**	**2,082**	**2,373**	**2,399**	**2,343**	**9,197**	**2,008**	**1,950**	**1,380**	**1,163**	**6,501**
CHEMICALS											
PETROCHEMICAL PRODUCT SALES	**Kt**	**763**	**793**	**737**	**819**	**3,113**	**793**	**701**	**625**	**482**	**2,602**
Europe	**Kt**	**688**	**716**	**660**	**712**	**2,776**	**711**	**624**	**564**	**450**	**2,348**
Basic	Kt	169	182	175	179	705	183	170	134	94	580
Derivative	Kt	519	534	485	533	2,071	529	454	429	356	1,768
Rest of the world	Kt	**75**	**77**	**77**	**108**	**337**	**82**	**77**	**62**	**33**	**254**
Basic	Kt	15	23	8	22	68	15	17	12	4	49
Derivative	Kt	60	55	69	86	269	67	60	49	28	205
LPG											
LPG MARKETED	KT	**958**	**815**	**737**	**895**	**3,405**	**917**	**756**	**692**	**858**	**3,223**
Europe	Kt	630	415	314	534	1,894	602	387	306	527	1,822
Rest of the world	Kt	328	400	422	361	1,511	314	369	386	331	1,400

DOWNSTREAM OIL PRODUCT SALES



NUMBER OF LOYALTY CARD HOLDERS

	2004	2005	2006	2007	2008
Professionals	**1,059,954**	**1,136,137**	**1,284,441**	**1,315,233**	**1,224,920**
Solred clásica	819,911	890,449	970,482	1,037,457	987,657
Solred-DKV	145,435	151,943	221,183	175,096	134,330
Other Solred cards	50,766	50,389	50,766	62,362	66,365
Solred Gasóleo Bonificado	43,842	43,356	42,010	40,318	36,568
Private individuals	**3,289,588**	**3,509,383**	**3,730,010**	**3,650,925**	**3,640,820**
Solred Colectivos	1,205,883	1,336,170	1,483,747	1,378,134	1,296,079
Visa Repsol	743,439	705,035	666,553	585,410	523,939
Travel club	1,340,266	1,468,178	1,579,710	1,687,381	1,820,802

GLOBAL PRESENCE OF THE REPSOL YPF LPG AREA

Productivity (t/employed)						
Spain	1,741	1,748	1,724	1,612	1,588	1,777
Argentina	481	512	579	556	765	789
Ecuador	572	688	718	1,030	1,746	1,789
Peru	353	280	204	236	367	456
Chile	404	431	468	514	575	636
Portugal	–	–	–	–	2,467	2,332
Number of clients (thousands)						
Spain	10,839	10,828	10,885	10,946	10,868	10,926
Argentina	1,263	1,261	1,258	1,378	1,493	1,500
Peru	1,019	1,256	1,594	2,062	2,350	2,560
Ecuador	1,510	1,627	1,650	1,720	1,816	1,863
France	128	158	232	232	232	232
Morocco	250	250	250	250	250	250
Chile (45%)	591	489	603	490	433	443
Bolivia	679	750	750	741	511	96
Portugal	281	256	960	950	945	946
Brazil				1	2	3
Market shares (%)						
Spain	85.7	82.7	80.9	79.9	79	78.8
France	0.4	0.5	0.6	0.7	0.7	0.6
Portugal	4.3	21	21.2	21	21	21.1
Morocco	2.7	2.8	2.9	2.7	2.7	2.5
Argentina	34.5	35.5	33.8	34.2	32.8	34.8
Ecuador	37.8	38.5	38.4	38.5	39	38.9
Peru	27.9	28.5	30.3	34.5	37.8	38.5
Chile	39.2	38.2	37.4	37.5	35.8	37.6
Bolivia	39.5	38.6	36.9	34.9	23.4	6

SUPPLIES, MARKETING COMPANIES (Kt)

	2004	2005	2006	2007	2008
Spain (includes France)	**1,982**	**2,021**	**1,754**	**1,745**	**1,765**
Refining	1,033	1,037	946	849	888
Own	693	668	589	513	570
Third parties	340	369	358	336	318
Imports	949	984	808	897	877
Morocco	**32**	**34**	**36**	**38**	**40**
Imports	32	34	36	38	40
Portugal*	**–**	**–**	**160**	**194**	**184**
Imports	–	–	160	194	184
Argentina	**1,097**	**814**	**807**	**784**	**292**
Refining	660	496	498	389	136
Own	451	364	345	359	126
Third parties	209	132	152	30	10
Natural gas separation**	425	318	310	370	156
Own	336	259	183	169	109
Third parties	89	60	127	201	47
Imports	12	–	–	24	–
Ecuador	**311**	**337**	**350**	**369**	**375**
Refining	124	88	85	89	84
Third parties	124	88	85	89	84
Imports	187	249	265	280	291
Peru	**241**	**256**	**338**	**387**	**411**
Refining	68	72	72	55	55
Own	68	72	72	55	55
Third parties	–	–	–	–	–
Natural gas separation	59	182	266	332	356
Third parties	59	182	266	254	250
Imports	114	2	0	78	106
Chile (45%)	**164**	**165**	**167**	**190**	**192**
Refining	99	104	110	135	134
Third parties	99	104	110	135	134
Natural gas separation	–	–	–	–	–
Third parties	–	–	–	–	–
Imports	62	61	57	54	58
Bolivia	**146**	**146**	**153**	**101**	**20**
Refining	5	6	12	8	6
Own	–	–	–	–	–
Third parties	5	6	12	8	6
Natural gas separation	141	140	141	93	14
Own	36	36	35	–	–
Third parties	105	104	106	93	14
Total LPG supplies	**3,970**	**3,773**	**3,766**	**3,808**	**3,279**
Own production	**1,584**	**1,399**	**1,224**	**1,096**	**860**
Third party production	**2,386**	**2,374**	**2,542**	**2,712**	**2,419**

(*) Up to 2005, acquisitions in Portugal are included in Spain
(**) As of 2006, Refinor is 100% consolidated as Upstream third parties, instead of 50%

YPF HIGHLIGHTS

UPSTREAM	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
HYDROCARBON PRODUCTION (KBEPD)	**639**	**676**	**656**	**627**	**649**	**632**	**592**	**643**	**609**	**619**
Liquid production	**335**	**338**	**316**	**330**	**330**	**329**	**288**	**319**	**325**	**315**
Argentina	335	338	316	330	330	329	288	315	320	313
Rest of the world	0	0	0	0	0	0	0	3.3	4.2	1.9
Natural gas production	**304**	**338**	**340**	**297**	**320**	**303**	**304**	**325**	**284**	**304**
Argentina	304	338	340	297	320	303	304	324	284	304
Rest of the world	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.6	0.7	0.5

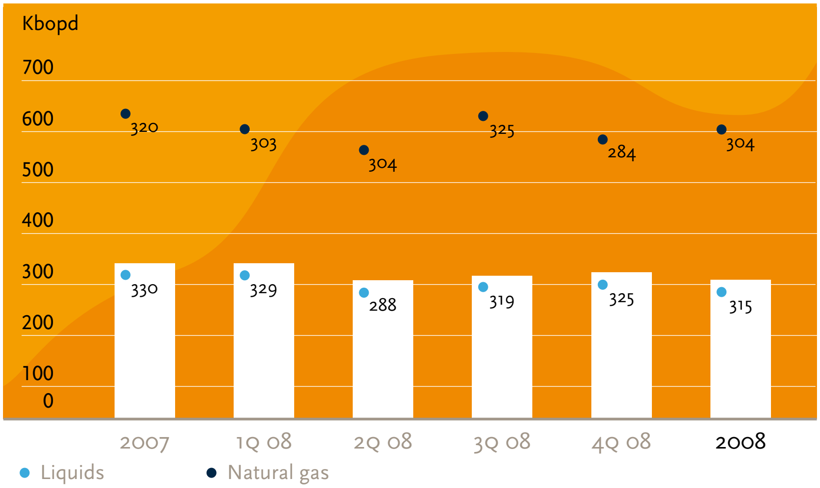
YPF EXPLORATION AND PRODUCTION

	UNIT	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL	2008/2007
HYDROCARBON PRODUCTION K	**K Boe/day**	**639**	**676**	**656**	**627**	**649**	**632**	**592**	**643**	**609**	**619**	**(4.7)**
Liquid production	**K Boe/day**	**335**	**338**	**316**	**330**	**330**	**329**	**288**	**319**	**325**	**315**	**(4.4)**
Argentina	K Boe/day	335	338	316	330	330	329	288	315	320	313	(5)
Rest of the world	K Boe/day	–	–	–	–	–	–	–	3.3	4.2	1.9	–
Natural gas production	**K Boe/day**	**304**	**338**	**340**	**297**	**320**	**303**	**304**	**325**	**284**	**304**	**(4.9)**
Argentina	K Boe/day	304	338	340	297	320	303	304	324	284	304	(4.9)
Rest of the world	K Boe/day	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.6	0.7	0.5	52.9

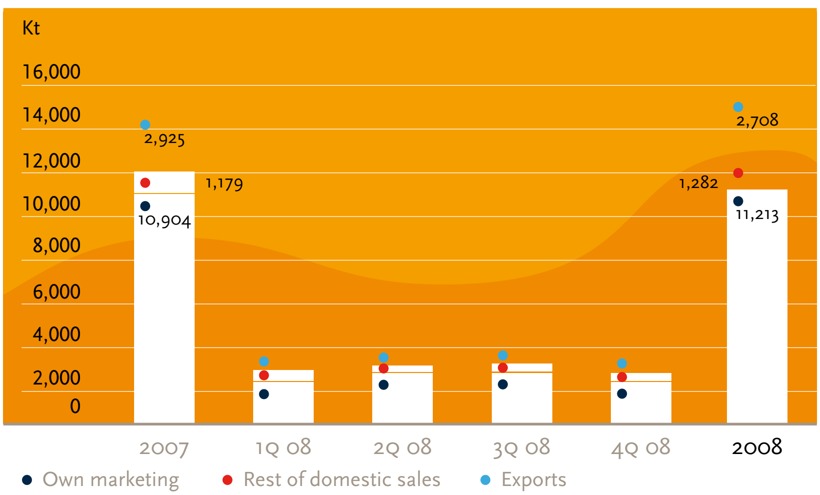
YPF HIGHLIGHTS

DOWNSTREAM	UNIT	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL
PROCESSED CRUDE OIL	**Mtep**	**4.1**	**4.2**	**4.4**	**4.1**	**16.8**	**4.2**	**4.2**	**4.2**	**4**	**16.6**
OIL PRODUCT SALES (*)	**Kt**	**3,445**	**3,772**	**4,127**	**3,664**	**15,008**	**3,705**	**3,783**	**4,026**	**3,689**	**15,203**
Own marketing	**Kt**	**2,423**	**2,632**	**3,169**	**2,680**	**10,904**	**2,622**	**2,943**	**3,014**	**2,634**	**11,213**
Rest of domestic market sales	**Kt**	**216**	**369**	**310**	**284**	**1,179**	**302**	**314**	**340**	**326**	**1,282**
Exports	**Kt**	**806**	**771**	**648**	**700**	**2,925**	**781**	**526**	**672**	**729**	**2,708**
CHEMICALS											
PETROCHEMICAL PRODUCT SALES	**Kt**	**384**	**412**	**396**	**621**	**1,813**	**406**	**377**	**388**	**334**	**1,505**
Basic	Kt	46	53	51	45	195	48	49	46	26	169
Derivative	Kt	338	359	344	576	1,618	359	328	342	308	1,337
LPG											
LPG MARKETED	**Kt**	**101**	**87**	**94**	**106**	**388**	**114**	**78**	**98**	**8**	**298**

YPF HYDROCARBON PRODUCTION



YPF OIL PRODUCT SALES



REFINERIES OPERATED BY YPF

Refining capacity (Kbopd)	2004	2005	2006	2007	2008
Argentina	320	320	320	320	319.5
Use (%)					
Argentina	93.1	94.4	98.4	102	100.3
Refineries not operated by YPF					
Argentina	14	13	13	13	13

REFINERIES OPERATED BY YPF

	Kbopd	(%)	Kta
	PRIMARY DISTILLATION	CONVERSION INDEX (2)	LUBRICANTS
Argentina			
La Plata	189	69	255
Lujan de Cuyo	106	110	–
Plaza Huincul	25	–	–
Refinor (3)	13	–	–
Total Repsol YPF Argentina	**333**	**74**	**255**

(2) Expressed as the ratio of equivalent FCC capacity to primary distillation capacity
(3) Total primary distillation capacity: Refinor 26,100 bopd

YPF MARKETING

		2007					2008					% VARIATION
	UNIT	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL	2008/2007
PROCESSED CRUDE OIL	**M Toe**	**4,1**	**4,2**	**4,4**	**4,1**	**16,8**	**4,2**	**4,2**	**4,2**	**4**	**16,6**	**(1.5)**
Oil product sales	**Kt**	**3,445**	**3,772**	**4,127**	**3,664**	**15,008**	**3,705**	**3,783**	**4,026**	**3,689**	**15,203**	**1.3**
Own marketing	**Kt**	**2,423**	**2,632**	**3,169**	**2,680**	**10,904**	**2,622**	**2,943**	**3,014**	**2,634**	**11,213**	**2.8**
Clear products	Kt	1,958	2,104	2,285	2,268	8,615	2,143	2,135	2,269	2,279	8,826	2.4
Other products	Kt	465	528	884	412	2.289	479	808	745	355	2.387	4.3
Rest of domestic market sales	**Kt**	**216**	**369**	**310**	**284**	**1,179**	**302**	**314**	**340**	**326**	**1,282**	**8.7**
Clear products	Kt	181	311	249	225	966	231	257	272	253	1,013	4.9
Other products	Kt	35	58	61	59	213	71	57	68	73	269	26.3
Exports	**Kt**	**806**	**771**	**648**	**700**	**2,925**	**781**	**526**	**672**	**729**	**2,708**	**(7.4)**
Clear products	Kt	299	296	340	210	1,145	220	183	320	214	937	(18.2)
Other products	Kt	507	475	308	490	1,780	561	343	352	515	1,771	(0.5)

YPF CHEMICALS

	UNIT	1Q	2Q	3Q	4Q	TOTAL	1Q	2Q	3Q	4Q	TOTAL	2008/2007
Petrochemical Product Sales	**Kt**	**384**	**412**	**396**	**621**	**1,813**	**406**	**377**	**388**	**334**	**1,506**	**(17)**
Basic	Kt	46	53	51	45	195	48	49	46	26	169	(13.2)
Derivative	Kt	338	359	344	576	1,618	359	328	342	308	1,336	(17.4)

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