Press Release

CEPSA REPORTS FIRST-HALF 2008 EARNINGS

Consolidated net income amounted to €283 million

- **EBITDA, including inventory revaluation, totaled €775 million, 8% higher than in the same period of 2007**
- **Recurring operating income, (excluding the effect of inventory revaluation on net assets) stood at €299 million, sliding 44% from the first half of 2007. Recurring operating income in 2Q2008 was up 11% from the figure posted in the first quarter**
- **The 73% surge in crude oil prices, which was not passed along to refined product prices to the same extent, led to a decline in Refining & Marketing margins. Compounding this circumstance was the 13% drop in the value of the US dollar against the euro, which adversely impacted earnings in the period**
- **In June, CEPSA signed an agreement with the Algerian national oil company Sonatrach to extend the contract to operate the RKF field for an additional five-year period. This field, which came on-stream in 1996 and is operated by CEPSA, yields an average of 20,000 BOPD of high-quality Saharan Blend crude oil**
- **During the first half of 2008, CEPSA earmarked a total of €1,031 million, chiefly to its Upstream and Downstream segments**

Highlights

Second Quarter 2008	First Quarter 2008	Variation	%	Millions of euros	First Half 2008	First Half 2007	Variation	%
				EBITDA				
443	332	110	33%	At Average Cost	775	719	56	8%
316	259	58	22%	Recurring	575	740	-165	-22%
				Operating Income				
284	216	68	32%	At Average Cost	500	604	-105	-17%
157	142	15	11%	Recurring	299	538	-239	-44%
				Income attributable to the parent company				
165	119	46	38%	At Average Cost	283	407	-124	-30%
76	67	9	13%	Recurring	143	362	-219	-61%
				Earnings per share (€/share)				
0,61	0,44	0,17	38%	At Average Cost	1,06	1,52	-0,46	-30%
0,28	0,25	0,03	13%	Recurring	0,53	1,35	-0,82	-61%

Non-recurring items arising in both years are mainly based on the difference in valuing inventory at Average Cost versus Replacement Cost. As regards Operating Income, this difference stands at €201 million in the first half of 2008 compared to €66 million in the same period of 2007. Factoring out the associated tax impact, these figures came to €140 and €45 million, respectively.

- **Key economic variables**

Second Quarter 2008	First Quarter 2008	Variation	%		First Half 2008	First Half 2007	Variation	%
121,38	96,90	24,48	25%	Price of Brent $ / barrel	109,14	63,26	45,88	73%
0,641	0,667	-0,026	-4%	Exchange rate $ / €	1,531	1,329	0,202	15%
				Differentials in FOB Med product prices vs. the price of Brent crude $/MT				
132,72	104,74	27,97		Gasoline 95	118,84	158,60	-39,76	
261,35	166,05	95,30		Diesel A	214,08	99,10	114,98	
-376,606	-288,937	-87,669		FO 3.5	-333,122	-195,019	-138,103	

European benchmark Brent crude continued to set historical highs, exceeding $139/barrel in the latter part of June. The average for June, $132.4/barrel, was nearly double the level of $71.5 posted the same month last year. With this development, the average for the second quarter rose to $121.38 per barrel, meaning an increase of almost 25% from the average price in the first quarter and 73% from the first half of 2007.

As for the dollar, its value depreciated 4% compared to the preceding quarter and 13% vis-à-vis the same period a year ago. Considering that most of the company's transactions are dollar-denominated, margins were directly affected by this decline.

- **First-Half 2008 Earnings**

In the first six months of 2008, CEPSA posted an EBITDA, applying the average cost method of accounting which is the criteria used in preparing financial statements under International Financial Reporting Standards (IFRS), of €775 million, an operating income of €500 million and a net income attributable to shareholders of the parent company of €283 million.

As a more meaningful indicator of profitability and performance in its major business segments and in order to factor out the circumstantial effect of price variations on crude and refined product inventories, CEPSA, as is the case with other oil companies, applies the replacement cost method of accounting, leading to what is known as “recurring” earnings. Using this criteria, EBITDA totaled €575 million while operating income came to €299 million and net income attributable to shareholders of the parent company amounted to €143 million. The year-on-year decline in these results was basically triggered by global trends and developments that have impacted the entire oil sector and particularly Refining & Marketing activities.

This first half of the year was marked by a rapid upswing in the price of crude oil, as opposed to the price of refined products which did not increase to the same extent. As a result of this environment, global refining margins fell sharply.

Average refining margins in these first six months were 18% lower than in the same period of 2007, attributable to the slowdown in demand, particularly for gasoline in the US market and in basic chemical products, which were affected by the decline in activity in some sectors (mainly construction and car manufacturers) and also in heavy products that reflect worse differentials vis-à-vis the price of crude.

In the second quarter, there was a relative improvement from the immediately preceding quarter prompted by the rise in international middle distillate prices driven by firmer kerosene and diesel demand. However, the sustained surge in supply costs was likewise not able to be immediately transferred without a time lag, leading to a sharp narrowing of marketing margins.

The slump in the US dollar, compared to the euro, had an estimated negative impact of €81 million on CEPSA's net income, affecting the Exploration & Production and Refining & Marketing segments in particular.

Crude oil production associated with CEPSA's working interests in the first half of 2008 totaled 21.9 million barrels, up 3.9% from the same period in 2007. However, CEPSA's results in its production-sharing contracts have been negatively affected by the reduction in the percentage of allowed profit oil and a large impact of new tax burden, linked to the increase in the price of crude oil. The acquisition of the Caracara block in Colombia, under a concession system, had a noticeable impact as of the month of June and will continue to considerably improve future earnings in the area.

A noteworthy development was the substantially improved earnings in the Petrochemicals segment and the Gas & Power segment, on account of firmer margins and sales in these activities in the first two quarters of 2008, compared to the same period last year.

- **Financial Highlights**

In the first six months of 2008, CEPSA's cash flow from operating activities, before changes in working capital, stood at €575 million. The main outflows of funds in the period were allocated towards capital spending projects, totaling €910 million, over 60% of which were assigned to the E&P area, and additional €399 million were used to finance the increase in working capital.

As a result of these movements, financial debt levels were up €734 million compared to the beginning of the year. The debt volume, nonetheless, remained fairly restrained, as reflected in the debt-to-equity ratio, which came to 22% at the end of June 2008.

Statement of Income by Business Segments

Millions of euros	First-Half 2008	First-Half 2007	Variation	%
Recurring EBITDA	**575**	**740**	**-165**	**-22%**
Exploration & Production	290	246	44	18%
Refining & Marketing	141	414	-272	-66%
Petrochemicals	95	61	34	56%
Gas & Power	49	20	29	149%
Amortization, depreciation and operating and working capital provisions	-276	-202	-74	36%
Recurring operating income	**299**	**538**	**-239**	**-44%**
Exploration & Production	173	194	-21	-11%
Refining & Marketing	35	311	-277	-89%
Petrochemicals	53	27	25	94%
Gas & Power	38	5	33	---
Other non-operating items	11	25	-14	---
Corporate income taxes	-157	-196	39	-20%
Minority interests	-10	-5	-5	113%
Net income attributable to shareholders of the parent company	**143**	**362**	**-219**	**-61%**
Net income attributable to shareholders of the parent company (average cost)	**283**	**407**	**-124**	**-30%**
Supplementary information				
Non-recurring items. Inventory effect (average cost – replacement cost difference) and misc.				
Before taxes	201	66		---
After taxes	140	45		---

Definitions:

- EBITDA: Revenues – operating expenses + net income from equity affiliates.
- Operating income: EBITDA – depreciation and impairment of tangible assets – operating provisions – working capital provisions
- Pre-tax income: Operating income – net financial income – amortization of intangible assets – non-operating provisions – capital grants and other income and expenses.

Statement of Income by Business Segments

Millions of euros	2nd Quarter 2008	1st Quarter 2008	Variation 2Q08 / 1Q08	%
Recurring EBITDA	**316**	**259**	**58**	**22%**
Exploration & Production	180	111	69	62%
Refining & Marketing	71	71	0	0%
Petrochemicals	49	45	4	9%
Gas & Power	17	32	-15	-47%
Amortization, depreciation and operating And working capital provisions	-159	-117	-42	36%
Recurring operating income	**157**	**142**	**15**	**11%**
Exploration & Production	100	73	27	37%
Refining & Marketing	17	18	-2	-8%
Petrochemicals	28	24	4	17%
Gas & Power	12	26	-14	-55%
Other non-operating items	7	4	3	---
Corporate income taxes	-83	-74	-10	13%
Minority interests	-5	-5	0	5%
Net income attributable to shareholders of the parent company	**76**	**67**	**9**	**13%**
Net income attributable to shareholders of the parent company (average cost)	**165**	**119**	**46**	**38%**
Supplementary information				
Non-recurring items. Inventory effect (average cost – replacement cost difference) and misc.				
Before taxes	127	74		---
After taxes	89	52		---

Definitions:

- EBITDA: Revenues – operating expenses + net income from equity affiliates.
- Operating income: EBITDA – depreciation and impairment of tangible assets – operating provisions – working capital provisions
- Pre-tax income: Operating income – net financial income – amortization of intangible assets – non-operating provisions – capital grants and other income and expenses.

Earnings by Business Segments

Exploration & Production

Second Quarter 2008	First Quarter 2008	Variation	%	Millions of euros (*)	First Half 2008	First Half 2007	Variation	%
180	111	69	62%	EBITDA	290	246	44	18%
100	73	27	37%	Operating Income	173	194	-21	-11%
				Activity and Operating Environment Highlights				
11,57	10,35	1,22	11,8%	CEPSA crude oil entitlement from working interests Millions of barrels	21,90	21,08	0,82	3,9%
				Crude sales (**)				
2,12	0,98	1,14	117%	Millions of barrels	3,10	3,69	-0,60	-16%
220	97	123	128%	Millions of $	317	240	77	32%

(*) Recurring EBITDA and operating income.
(**) Amounts net of regular tax on profit oil and additional tax on windfall profits generated in Algeria.

Activity

Once the deal to acquire the Caracara Block in Colombia received regulatory approval from the country's authorities, CEPSA added production from this field, effective March 15, 2008, to its earnings. Sales in the period amounted to 1.33 million barrels.

This new contribution enabled the company to partly offset the decline in sales of barrels produced in Algerian acreages, caused, despite greater output, by the decline in profit oil and the higher tax burden associated with the rise in crude oil prices.

At the end of June, CEPSA signed an agreement with the Algerian national oil company Sonatrach to extend the association contract for the RKF field operation for an additional five-year period. This field, which is operated by CEPSA and was placed on-stream in 1996, yields an average of 20,000 BOPD of high-quality Saharan Blend crude oil. The development plan approved by Sonatrach and CEPSA will enable maintaining the aforementioned production level during the entire extension period of the contract.

Earnings

The **Exploration & Production** segment posted an EBITDA of €290 million in the first half of 2008, up 18% from the previous year, with operating income at €173 million, obtained after deducting €117 million for amortization, depreciation and operating provisions. These earnings were the result of efforts made in exploration activity, which more than doubled last year's levels in the same period.

Refining & Marketing

Second Quarter 2008	First Quarter 2008	Variation	%	Millions of euros (*)	First Half 2008	First Half 2007	Variation	%
71	71	0	0%	EBITDA	141	414	-272	-66%
17	18	-2	-8%	Operating Income	35	311	-277	-89%
				Activity and Operating Enviroment Highlights				
6,70	6,86	-0,16	-2%	Product sales (millions of tons)	13,56	13,93	-0,37	-3%
5,59	5,24	0,35	7%	Refinery production (millions of tons)	10,82	10,66	0,16	2%

(*) Recurring EBITDA and operating income.

Refining margins, expressed in dollars, declined 18% from the levels recorded in the same period of 2007. When converted into euros, they were additionally hurt by the weakness in the US dollar.

In marketing activity, the persistent increase in commodity prices could not be passed along as swiftly to customers, leading to a loss in unit margins in practically all of the business lines of this segment.

During the second quarter, the refining margin rebounded as a result of the rise in kerosene and gas oil prices. The marketing margin on the other hand slipped from not being able to pass on these price hikes at a similar pace to end customers.

Activity

CEPSA's refinery throughput in the first half of 2008 amounted to 10.8 million tons, slightly higher than in the same period of 2007.

As regards marketing performance, 13.6 million tons of oil and basic chemical products were sold in the six-month period, slipping 3% from the amount sold in 2007, due to a considerable slump in consumption in the second quarter.

Earnings

As a result of general market fundamentals and activity, the **Refining & Marketing** segment posted an EBITDA of €141 million in the first half of 2008, down 66% from the same period last year. Operating income, after deducting €106 million in amortization, depreciation and operating provisions, stood at €35 million.

Petrochemicals

Second Quarter 2008	First Quarter 2008	Variation	%	Millions of euros (*)	First Half 2008	First Half 2007	Variation	%
49	45	4	9%	EBITDA	95	61	34	56%
28	24	4	17%	Operating Income	53	27	25	94%
				Activity and Operating Environment Highlights				
0,65	0,67	-0,02	-4%	Product sales (millions of tons)	1,32	1,28	0,04	3%

(*) Recurring EBITDA and operating income.

Unit margins in the company's petrochemical businesses performed favorably in the six-month period. Compared to the same period of last year, this improvement was over 25%.

Activity

A total of 1.32 million tons of petrochemical intermediates were sold in the first half of 2008, 3% more than in the same period a year ago. The sharpest increase in activity was witnessed in phenol-acetone sales on account of the new additional production capacity in Huelva, which came on-stream in May 2007.

Earnings

In the first half of 2008, the **Petrochemicals** segment's EBITDA amounted to €95 million, whereas operating income stood at €53 million, both figures showing a clear improvement of 56% and 94%, respectively, from those posted in the first half of 2007.

Gas & Power

Second Quarter 2008	First Quarter 2008	Variation	%	Millions of euros (*)	First Half 2008	First Half 2007	Variation	%
17	32	-15	-47%	EBITDA	49	20	29	149%
12	26	-14	-55%	Operating Income	38	5	33	628%
				Activity and Operating Environment Highlights				
719	981	-262	-27%	Electricity sales (GWh)	1.700	1.783	-83	-5%
56,92	65,86	-8,94	-14%	Average daily "pool" price (€/MWh)	61,39	36,45	24,94	68%
19.632	17.681	1.950	11%	Gas sales (GWh)	37.313	22.329	14.984	67%

(*) Recurring EBITDA and operating income.

In first-half 2008, electricity sales prices to the pool averaged €61.39/MWh. This median daily pool price jumped 68% from the first six months of 2007.

Activity

With regard to power generation, sales in the first two quarters of 2008 amounted to 1,700 GWh, 5% less than in the same period last year.

As for natural gas retailing activities, sales made by the affiliate CEPSA Gas Comercializadora, S.A. (in which CEPSA has a 35% equity interest) LNG and natural gas sales and swaps totaled 37,313 GWh in the first half of 2008, with a 67% increase in activity vis-à-vis the same period of 2007.

Earnings

The **Gas & Power** segment posted an EBITDA of €49 million in this first half of the year, while operating income came to €38 million, both figures being significantly higher than results posted in the same six-month period of 2007.

Capital & Exploration Expenditures

Key capital spending projects in the period were focused on two areas:

- Exploration & Production: acquisition of oil and gas exploration and production rights in the Caracara Block (Colombia).
- Refining & Marketing: in Refining activity, the construction of new Crude and Hydrocracking units in the La Rábida Refinery and Vacuum and Mild-Hydrocracking units in the Gibraltar-San Roque Refinery, which will significantly raise the distillation and production of middle distillates and other petrochemical products. In Marketing, expenditures were assigned towards acquiring TOTAL's activities in Portugal.

By business segments, the breakdown of capital expenditures was as follows:

Capital & Exploration Expenditures

Millions of euros	2008
Exploration & Production	626
Refining & Marketing	365
Petrochemicals	12
Gas & Power	28
Total CAPEX	**1,031**

Other Significant Events

In March, CEPSA acquired the hydrocarbons exploration and production rights on the Caracara Block. The subsidiary CEPSA Colombia is the operator of the block, with a 70% working interest. Currently, this block is producing 20,000 BOPD, and contains estimated reserves of 40 million barrels and a significant growth potential in both exploration and development.

In April, CEPSA reached an agreement with TOTAL to acquire the latter's distribution activities in Portugal, which includes 141 retail sites, as well as its marketing business in lubes and other derivatives.

At the end of June, CEPSA merged its three chemical affiliates - ERTISA, INTERQUISA and PETRESA – into one single company called CEPSA Química, S.A. with the aim of enhancing the competitiveness of the company's petrochemicals segment and maximizing cost efficiencies.

At its meeting held immediately after the 2008 Annual Meeting of Shareholders, CEPSA's Board of Directors accepted the resignation tendered by Carlos Pérez de Bricio as a Director and appointed Santiago Bergareche Busquet as a Director and new non-executive Chairman of the Board. Additionally, Dominique de Riberolles was confirmed as Chief Executive Officer of the company.

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