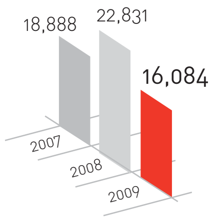
Annual Report 2009

Together along the way

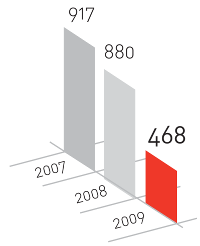
CEPSA

Annual Report 2009 | Key Figures

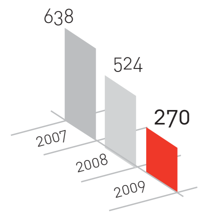
Sales Revenues [1]
Millions of euros



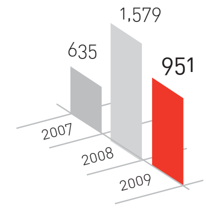
Adjusted Operating Income *
Millions of euros



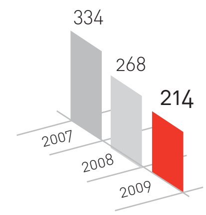
Adjusted Net Attributable Income*
Millions of euros



Capital & Exploration Expenditures
Millions of euros



Dividend Declared by CEPSA [3]
Millions of euros



	2009	2008	2007
Results (millions of euros)			
Sales revenues (1)	16,084	22,831	18,888
Adjusted operating income (*)	468	880	917
• Exploration & Production	236	332	380
• Refining & Marketing	113	394	440
• Petrochemicals	62	88	63
• Gas & Power	57	66	34
Adjusted net income attributable to shareholders of the parent company (*)	270	524	638
(Losses)/gains from inventory valuation and other non-recurring income	105	(249)	110
Net income attributable to shareholders of the parent company (IFRS)	375	275	748
Financial Data (millions of euros)			
Share capital	268	268	268
Equity attributable to shareholders of the parent company (2)	5,288	5,139	5,212
Net financial debt	1,388	1,325	482
Capital & exploration expenditures	951	1,579	635
Dividend declared by CEPSA (3)	214	268	334
Financial Data per Share (euros)			
Adjusted net income attributable to shareholders of the parent company(*)	1.01	1.96	2.38
Cash dividend	0.80	1.00	1.25
Pay-out ratio (%) (*)	79	51	52
Stock Market Data			
Average price (euros)	26.78	69.30	68.07
Operating Data			
Crude oil production from working interests (BOPD)	116,891	121,866	115,955
Crude oil sales (BOPD)	31,696	21,931	19,820
Processed crude oil (BOPD)	408,623	437,487	432,494
Product sales (millions of tons) (4)	28.5	29.0	30.1
Electric power production (GWh)	3,273	3,494	3,648
Natural gas sales (GWh)	21,338	22,122	17,956
Market Indicators			
Brent crude oil price ($/barrel)	61.51	96.99	72.52
Cracking refining margin ($/barrel)	0.25	7.02	7.53
Hydroskimming refining margin ($/barrel)	-4.23	-2.49	-0.86
Electricity pool price (€/MWh)	36.96	64.43	39.35
Natural gas price (Henry Hub Spot, €/Mbtu)	10.19	20.63	17.33
Exchange rate ($/€)	1.395	1.471	1.371
Euribor (3 months, %)	1.2	4.6	4.3
CPI (%)	0.8	1.4	4.2

(*) Excluding gains or losses on inventory price fluctuations and other non-recurring income.
(1) Excluding excise taxes on oil & gas. (2) Before final dividend for the year. (3) Dividend distributed against each year's earnings. For comparative purposes, 2009's figures include the dividend proposal to be submitted for approval of the Annual General Meeting of Shareholders. (4) Excluding crude oil sales.

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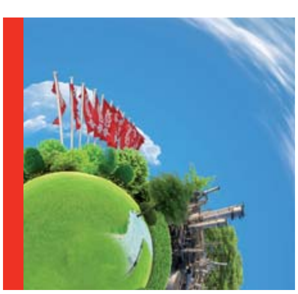

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Key Figures

Operating Environment

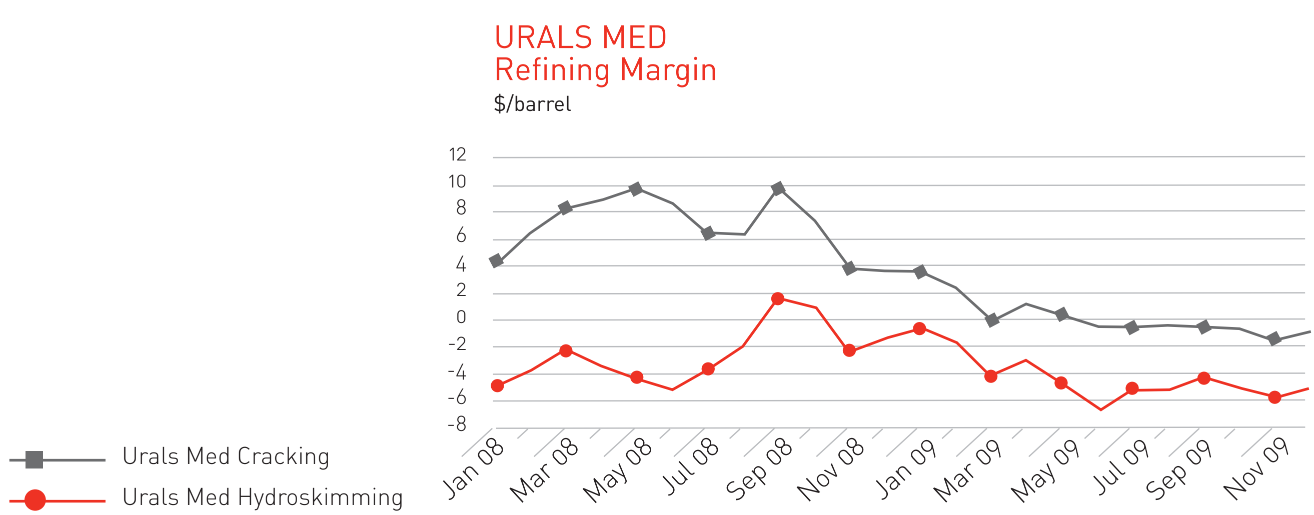
The oil industry in 2009 was impacted by a **sharp decline in demand for oil, gas and petroleum products,** as a result of the global economic recession. Nonetheless, crude prices drifted steadily upwards throughout the year, firmly underpinned by OPEC production restraints, stronger demand in Asia and positions taken on energy futures markets in anticipation of a turnaround in the economy.

Persistently weak economic activity, especially in OECD member countries, prevented the spike in raw material prices from being passed along fully to petroleum product prices

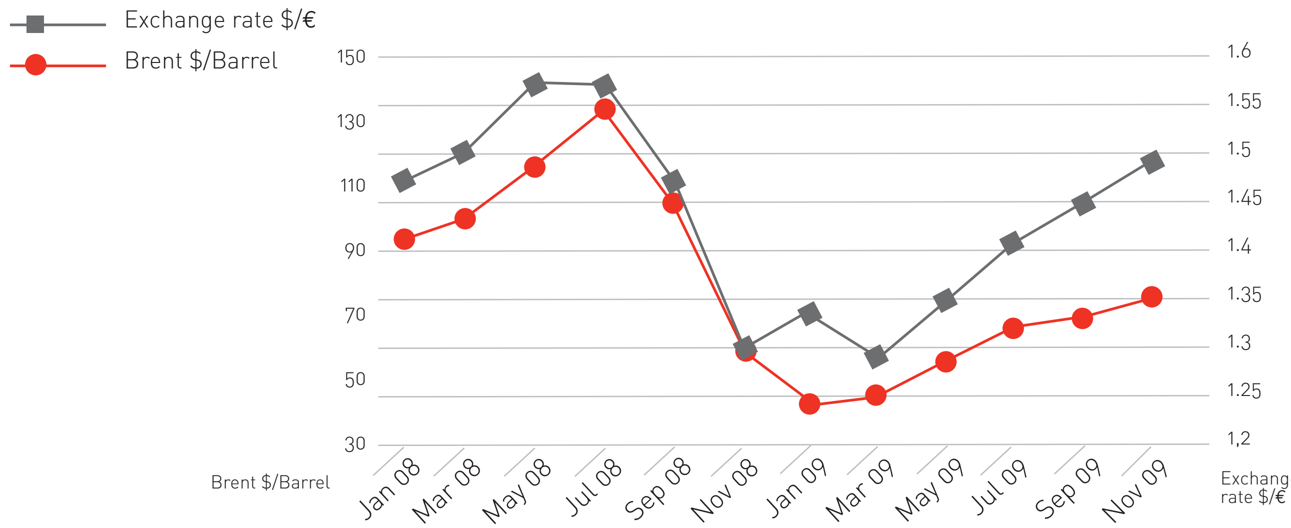
European benchmark **Brent Blend,** which started out the year at $37 a barrel, rose consistently during 2009 until reaching $78 on December 31st. In spite of this increase, the annual average stood at $62 a barrel, sharply lower than the median price of $97 in 2008.

Persistently weak economic activity, especially in OECD member countries, prevented the spike in raw material prices from being passed along fully to petroleum product prices. As regards trends in Diesel/Brent spreads, the yearly average stood at $69 per ton, considerably below the 2008 average of $207 per ton.

As a result of developments in product/crude spreads and the rise in crude purchasing formulas, **refining margins** dropped to record lows. Margins, as published by the International Energy Agency – IEA – for the area where CEPSA's refineries are located (Urals Med Cracking and Urals Med Hydroskimming), fell in the period. The hydroskimming margin went from –$2.5/barrel in 2008 to $-4.2/barrel in 2009 while the conversion (Cracking) margin plunged from $7/barrel in 2008 to $0,3/barrel in 2009.



The steep decline in petroleum product demand throughout the year had a sharply adverse impact on earnings in the Company's Refining & Marketing businesses



As for the **U.S. dollar** against the euro, its value averaged $1.39 in the year; meaning an appreciation of 5% when compared to the rate in the same period of 2008.

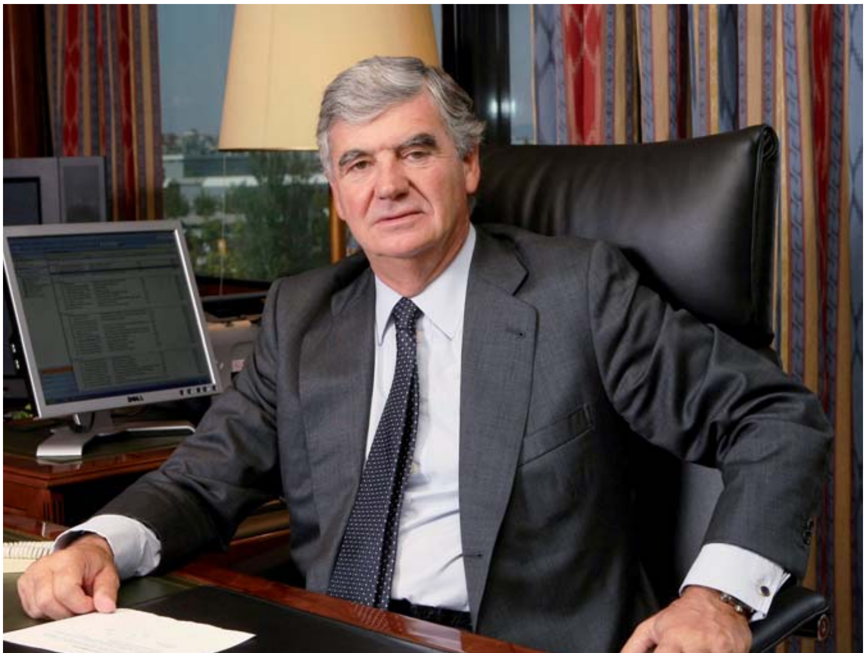
Adjusted Earnings – Summary

In **2009,** the CEPSA Group posted an adjusted operating income of €468 million while adjusted net income* came to €270 million. These figures meant decreases of €412 million (–47%) and €254 million (–49%) respectively compared to the same period of 2008.

The steep decline in petroleum product demand throughout the year, triggered by the slump in industrial production, and consequently affecting the entire transportation industry where oil products are chiefly used, had a sharply adverse impact on earnings in the Company's **Refining & Marketing** businesses, falling considerably below 2008's levels.

Although the price of crude oil rebounded in the latter part of the year, the average value still remained lower than the price posted in 2008, and OPEC production cutbacks hindered earnings in the Exploration & Production area. The rest of the Company's segments were also hit by the global recession: **Petrochemicals,** as was the case with other segments of the petroleum industry, evidenced an acute lag in activity and lower margins for the year as a whole, despite showing an improvement at the end of 2009 compared to the same period of 2008; and **Gas & Power,** affected by the drop in demand and significantly lower electric power prices.

*** NOTE:** Adjusted income (operating or net) eliminates the effect on the Company's assets from inventory price variations and other non-recurring items, providing a more meaningful indicator of the fundamentals of the business regardless of fluctuations in the value of inventory that are required both for legal (minimum security stocks) and operational reasons.



Letter from the Chairman

"The Abu Dhabi based investment firm now owns 47.02% of CEPSA, becoming the second largest shareholder after TOTAL. Both companies are internationally renowned in the business world and continue to bring a wealth of experience and value to our Group"

To Our Shareholders:

2009 was a watershed year for CEPSA from the point of view of its shareholding structure. In September, Banco Santander and Unión Fenosa closed the deal to sell International Petroleum Investment Company (IPIC) their stakes. As a result of this transaction, the Abu-Dhabi based investment firm now owns 47.02% of CEPSA, becoming the second largest shareholder after TOTAL, which holds 48.83% of the capital. Both companies are internationally renowned in the business world and, having been stable core shareholders in CEPSA for many years, continue to bring a wealth of experience and value to our Group.

The new shareholder composition led to the corresponding changes on the Board of Directors. On October 1, 2009, the Company announced the resignations of the Vice Chairman of CEPSA, Alfredo Sáenz Abad, and the Directors, Fernando de Asúa Álvarez, Juan Rodriguez Inciarte and Ernesto Mata López, all representing Banco Santander. Pedro López Jiménez tendered his resignation on May 27, 2009 as a Board member on behalf of Unión Fenosa, and Joël Vigneras and Jean-Luc Guiziou, representing TOTAL, also stepped down from the Board, as did the Independent Director, José Luis Leal Maldonado.

The Board of Directors welcomed Khadem Al Qubaisi and David Forbes, who were both co-opted as proposed by IPIC, and in addition, Mr. Al Qubaisi, who is Managing Director of IPIC, was appointed Vice Chairman of the Board and member of the Nomination and Compensation Committee.

I would like to take this opportunity to express my deepest and sincerest gratitude to Banco Santander and Unión Fenosa for their invaluable contributions. They have both been instrumental in making CEPSA one of Spain's leading companies. I would also like to thank all of the outgoing members for their extraordinary efforts, loyalty, support and tireless service. It was truly an honor and privilege to have them serve alongside us on the Board.

Allow me to also highlight the appointment of Carlos Pérez de Bricio as Honorary Chairman in 2009 and acknowledge his years of exceptional service and dedication to the Company, helping CEPSA position itself among the top tier of Spanish industrial groups.

We are all aware of the tough and challenging environment that our industry has had to face in recent times. In 2009, the market witnessed a steep decline in petroleum product demand, a sustained rise in crude oil prices, persistently weak economic conditions and historically-poor refining margins, compounded by a very feeble US dollar.

Consistent with these developments, the Company delivered significantly lower earnings in 2009 than in the previous year. All revenue figures fell compared to levels posted in 2008. Adjusted net income, excluding the effect of changes in inventory valuation, amounted to ¤270 million, sliding 49% from a year earlier.

As regards the dividend distribution to our shareholders, CEPSA's Board

"We here at CEPSA are optimistic about the future and confident that our Company will emerge from this crisis as a competitive industry leader"

of Directors approved a final dividend payment of ¤0.40 per share which, along with the interim dividend of ¤0.40 paid out in December of last year, placed the total dividend at ¤0.80 per share, 20% lower than the previous year, meaning a payout ratio of 79% of consolidated earnings excluding non-recurring items.

If 2009 was a complicated year, the outlook for 2010 will invariably be more or less the same, and the much-awaited recovery in the economy has yet to take place. We are no doubt dealing with critical and turbulent times for both the global economy in general and the oil and gas business in particular.

Prevailing circumstances are neither favorable for our sector as a whole nor, as a result, for a company like CEPSA. But we can rely on a solid shareholding and financial foundation to successfully find and implement effective and innovative solutions to the problems and concerns presented by the world economic recession, as well as a number of strengths and assets such as the diversification of our businesses and the professional capabilities and talents of our management and leadership.

We are faced with the challenge of increasingly greater energy demand that will continue to be the driver of the world's industrial development and economic growth, mainly in emerging economies albeit less so in developed countries where consumption has peaked. But this increase in our world's energy requirements must go hand in hand with a growing awareness of the issue of climate change. And there is certainly heated debate on the energy model that will sustain and fuel economic prosperity into the future.

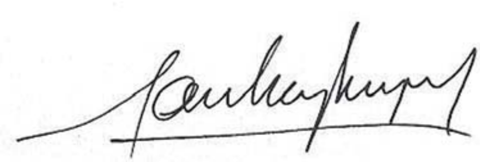
In view of these formidable challenges that will entail a transformation of our present energy model, we should not lose sight of the balance that needs to be achieved among three basic aspects involved: guaranteeing the energy supply required to maintain our society's well-being and standard of living; accomplishing this goal in a sustainable manner from an environmental viewpoint; and doing so in a cost-effective way that will not jeopardize the competitiveness of the European Union vis-à-vis countries that are less rigorous in dealing with the issue of environmental sustainability and stewardship.

Conventional energy in general and specifically that which is based on fossil fuels such as oil and gas will continue to be the primary source of our energy supplies in the coming years. The so-called energy mix will be the only way to reliably ensure our supply needs and oil and gas will continue to be the dominant components in this mix, although within a context of increasingly more stringent mandates calling for a reduction in greenhouse gas emissions and improvements in energy efficiency.

CEPSA is uniquely positioned to continue its role as a key provider and leading player in Spain's energy landscape now and into the future, and we are deeply committed to our mission.

We here at CEPSA are optimistic about the future and confident that our Company will emerge from this crisis as a competitive industry leader.

Lastly, I would like to extend my appreciation to the more than 11,700 men and women who work at CEPSA. They are the driving force of our Company and the foundation of our successes. Their collective loyalty, hard work, tenacity and commitment in these trying times are enabling Compañía Española de Petróleos, S.A. to further strengthen its position, overcome the major hurdles facing us and move forward towards a future that is ripe with opportunities.



Santiago Bergareche Busquet
Chairman

Message from the Chief Executive Officer

"All of these adverse conditions underlined the need to aggressively manage and reduce costs and improve our productivity and competitiveness, a goal that required the greater engagement and efforts of each and every one of our employees"

In 2009, the global business environment was confronted by a severe economic crisis that affected the oil sector as well, triggering a sharp decline in petroleum product demand, especially in developed OECD countries, in both the transportation sector across the board and in fuel supplies to industry.

This slump in demand, which plagued all of 2008, was even more acute in Spain than in the rest of Europe due to the weight of the construction industry.

The year was similarly marked by an unrelenting rise in the price of crude oil, with European benchmark Brent Blend climbing from $36.55 to $77.67 a barrel, driven by OPEC production restraints and the perception that an economic turnaround was on the horizon as a result of the gradual rebound in consumption in emerging economies.

The combination of higher commodity costs and lower demand prompted a precipitous fall in refining margins, generating losses in this activity as of the second quarter of 2009.

All of these adverse conditions underlined the need to aggressively manage and reduce costs and improve our productivity and competitiveness, a goal that required the greater engagement and efforts of each and every one of our employees. Let me take this opportunity to thank our workforce for their commitment and drive in accomplishing these objectives.

Despite our best endeavors, the Company posted an adjusted net income (using the replacement cost method of accounting) of €270 million, sliding 49% year-on-year. Albeit significant, this fall was relatively better than the earnings declines witnessed by our industry peers.

"Total capital and exploration expenditures amounted to €951 million in 2009, assigned towards boosting our crude oil and natural gas reserves, upgrading our refineries, solidifying our presence throughout the gas chain and rigorously guaranteeing the safety and reliability of our operations"

In all types of operating environments and circumstances, CEPSA has always striven to streamline its costs and structures: in its Chemicals division (with the creation of CEPSA Química in 2008), Refining (with measures and investments to enhance energy savings and efficiency) and the rest of the Corporation's support activities and resources. This focus, along with our efforts and discipline, made it possible to cut operating expenses nearly 13% in the year.

On the other hand, capital stewardship, meaning improved capital allocation and execution efficiency, helped us reduce our spending by 25%, without jeopardizing our strategic investments. This allowed us to maintain our strong balance sheet and sound financial position, with a debt-to-equity ratio of 26%, similar to the previous year.

Total capital and exploration expenditures amounted to €951 million in 2009, assigned towards boosting our crude oil and natural gas reserves, upgrading our refineries, solidifying our presence throughout the gas chain and rigorously guaranteeing the safety and reliability of our operations. All of these strengths make us well-positioned to override the current crisis and emerge even stronger, with even greater and more robust capabilities to successfully address the challenges that lie ahead, and to continue meeting society's energy needs in a safe, responsible and sustainable way.

Thanks to our maintenance policies, we managed to improve the availability of our refining facilities by 4%.

Our persistent focus on energy savings, as mentioned earlier, has enabled us to slash emissions beyond the levels mandated in the National Emissions Reduction Plan.

With a 23% drop in our accident frequency rate, we have once again proven our ability to exceed our safety targets and achieve exemplary performance, a cornerstone of all our activities.

Our Activities Report is intended to faithfully reflect these actions, and above all, the motivation, dedication and pride of all of us who work at CEPSA.

With all the reasonable measures having been adopted for this purpose, I hereby certify that, to the best of my knowledge, the information and data included in the enclosed documents offer a true and fair view of the Company's position and that no material changes were made subsequent to the date of their evaluation that may alter their scope.

I also certify that the financial statements of Compañía Española de Petróleos, S.A. and the consolidated statements of the CEPSA Group presented herein have been prepared in compliance with applicable accounting principles.

Furthermore, the aforementioned statements and other financial information fairly present the financial condition, results of operations, changes in equity and cash flows of CEPSA and its Subsidiaries for the periods presented. All of the financial statements appearing in this report provide information that is necessary and sufficient for their correct interpretation.

You will also find the letter from the independent auditors stating that they have reviewed the financial position and statements of the Company included in this document and have issued their unqualified opinion.

Dominique de Riberolles
Chief Executive Officer

Board of Directors(1)

Honorary Chairman

Carlos Pérez de Bricio

Chairman

Santiago Bergareche (**)

Vice-Chairmen

Michel Bénézit (**)

Khadem Al Qubaisi (**)

Chief Executive Officer

Dominique de Riberolles

Board Members

S.A.R. D. Carlos de Borbón-Dos Sicilias, Infante of Spain

Bernadette Spinoy

José Manuel Otero

Murtadha Al Hashmi

Eric de Menten

Patrick Pouyanné

Saeed Al Mehairbi (*)

Humbert de Wendel (*)

David Forbes

Secretary of the Board of Directors and Audit Committee (Non-Director)

Alfonso Escámez

(*) Audit Committee member.
(**) Nomination and Compensation Committee member.
(1) Configuration of the Board of Directors at February 25, 2010, the date on which the Financial Statements, Management Discussion & Analysis for Compañía Española de Petróleos, S.A. and Compañía Española de Petróleos, S.A. and its Subsidiaries (Consolidated Group), Explanatory Report on the MD&A, Corporate Governance Report and Proposal for Profit Distribution of Compañía Española de Petróleos, S.A. (CEPSA), all pertaining to fiscal year 2009, were approved.

ADDITIONAL INFORMATION: At the Board of Directors meeting held on May 25, 2009, Pedro López Jiménez tendered his resignation from his seat on the Board as a result of having resigned from his positions as Chairman and director of Unión Fenosa, on whose behalf he served on CEPSA's Board, and in fulfillment of the Resolution of February 11, 2009 handed down by the National Competition Committee in connection with the Gas Natural/Unión Fenosa, S.A. transaction, and Article 26 of CEPSA's Board Rules and Regulations.

Upon completion of the transaction to sell Banco Santander's and Union Fenosa's stakes in CEPSA to International Petroleum Investment Company (IPIC), the Board of Directors, at its meeting of October 1, 2009, accepted the resignations tendered by the shareholder-representative directors Alfredo Saénz Abad, Fernando de Asúa Álvarez, Juan Rodríguez Inciarte and Ernesto Mata López. At this same meeting and as proposed by the Nomination and Compensation Committee, the shareholders Khadem Al Qubaisi and David Forbes were provisionally co-opted onto the Board, according to the provisions of Article 35 of the Company Bylaws and as proposed by IPIC, as non-executive shareholder-representative directors and their appointments will be submitted for ratification, where applicable, at the next Annual Meeting. Additionally, Mr. Al Qubaisi was appointed by the Board to be Vice Chairman and was also elected to serve on the Nomination and Compensation Committee.

Likewise at this meeting, the Board of Directors accepted the resignation, as a result of changes in the shareholding structure, handed in by the independent director, José Luis Leal.

The Board also accepted the resignations tendered by the directors Joël Vigneras and Jean-Luc Guiziou, on account of the decrease in the number of Board members representing TOTAL due to the reduction in the Board's size.

Executive Management Committee(1)

From left to rigth, starting on the second row:

Senior Vice President - Exploration & Production, Natural Gas and Corporate Management
Fernando Maravall

Senior Vice President – Strategy & Control
José Eulogio Aranguren

Senior Vice President - Petrochemicals
Fernando Iturrieta

Senior Vice President – Oil Marketing
Miguel del Mármol

Senior Vice President - Human Resources, Legal Affairs and Property Asset Management
Juan Rodríguez

Chief Executive Officer
Dominique de Riberolles

Senior Vice President – Corporate Technical Area
Pedro Miró

(1) Composition on the Executive Management Committee at March, 2010.

From left to rigth, starting on the second row:

Vice President – Supply, Trading, Marine & Aviation
Iñigo Díaz de Espada

Vice President – Communications & Institutional Relations
Luis Calderón

Vice President – Commercial Planning & Distribution
Carlos Navarro

Vice President – Exploration & Production
Luis Travesedo

Vice President – CEPSA Química Operations
Federico Molina

Vice President – Specialties
Federico Bonet

Vice President - Refining
José María García

Vice President – Technology
Jaime Berbés

Chief Executive Officer
Dominique de Riberolles

Vice President – Retail/Wholesale Operations
Francisco Calderón

2009 Milestones

Banco Santander and Unión Fenosa Sell Their Shareholdings in CEPSA to IPIC

On March 25th, Banco Santander notified the Spanish Securities Market Commission (CNMV) regarding the agreement reached with the Abu Dhabi-based investment firm International Petroleum Investment Company (IPIC) for the sale of the Bank's 32.5% stake in CEPSA, at a price of €33 per share. Similarly, Unión Fenosa also filed notification with the Spanish stock market regulator that, as a result of the mandate that the utility company had given Santander to act on its behalf to make a joint sale, it was also selling IPIC its 5% interest in CEPSA under the same conditions as the ones reached between IPIC and Santander.

On September 15th, the CNMV granted IPIC dispensation from being required to make a public tender offer (PTO) on shares, as provided for Article 4.2 of Royal Decree 1066/2007, thereby meeting all the conditions and regulatory approvals for IPIC to complete the transaction and raise its ownership in CEPSA's share capital to 47%.

On October 1st, the sales transaction to IPIC was completed, with the consequent changes on CEPSA's Board of Directors.

CEPSA Receives Authorization to Develop the TIMIMOUN Gas Field in Algeria

With an investment of $1 billion, this project envisages starting-up production of eight gas-bearing structures covering an area of approximately 2500 Km^2 located in southwestern Algeria, between the cities of Timimoun and Adrar. The plan also includes the performance of seismic surveys, the drilling of wells, the construction of gas treatment facilities and hook-up to Sonatrach's pipeline infrastructures. Work will be aimed at bringing the field on-stream in 2013, with an average flow rate of 5 million cubic meters per day (1.6 BCM/y). Operated by a joint organization made up of CEPSA (11.25% interest), Sonatrach (51% interest) and TOTAL (37.75% interest), the project signals a further step in CEPSA's upstream activities, solidifying its presence in Algeria.

La Rábida Refinery: Construction of Middle Distillates Capacity Expansion (MDCE) is 100% Completed

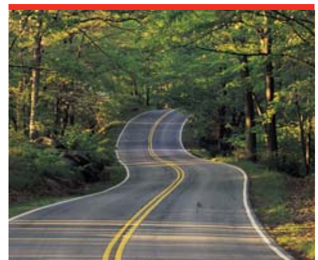
In 2009, CEPSA completed the upgrading project to expand production at the La Rábida Refinery in Huelva. Once the new production units are placed on-stream, they will be able to produce nearly 3 million tons of middle distillates (diesel fuel and jet kerosene) to meet the growing demand for these products in Spain, where there is a widening shortage. This capacity expansion will therefore reduce reliance on imports of these fuels. CEPSA has invested around € 1 billion in this project, its largest investment in production facilities following the construction of its refineries.

CEPSA Launches New *CEPSA STAR EUROTRAFIC* Card for Fleet Drivers

With this new card, transport companies, carriers and self-employed drivers can pay for motor fuel, lubricants and C-store items in over 12,000 retail sites, both in CEPSA's as well as EUROTRAFIC's networks. Accepted in 18 countries in Europe and Morocco, it enables payment of motorway tolls throughout the continent and offers road assistance and breakdown services.

New Synthetic Lubricant - *CEPSA Euromax Synt* – for Heavy-Duty Diesel Engines

A new product launched as part of the commercial and fleet range of CEPSA lubricants for heavy duty engines, CEPSA Euromax Synt 10W40 is a multi-purpose, maximum performance synthetic-blend lubricant that complies with European ACEA E7-08 and American API CI-4 specifications. It is particularly recommended for mixed fleets of vehicles from a wide range of European and American manufacturers and ages, with an emphasis on latest-technology, low emission heavy-duty diesel engines (EURO III and EURO IV from certain manufacturers that do not fit DPF pollution abatement devices).



CEPSA Signs an Agreement with GMN to Supply Crumb Rubber from Scrap Tires for Use on Roads, Contributing to the Recycling Industry

Productos Asfálticos, S.A. (PROAS), a wholly-owned subsidiary of CEPSA, and the company Gestión Medioambiental de Neumáticos (GMN) reached an agreement whereby GMN will supply crumb rubber from spare tires to PROAS, who will use this product to manufacture a new range of rubber-modified bitumen for road paving. With this agreement and the sale of this new range of products, PROAS and GMN will make major strides towards better performance in road materials and the recycling of waste tires.

CEPSA Achieves All-time Record High Use of Biocomponents in Fuels: Nearly 300,000 Metric Tones

These record amounts of biodiesel and ETBE blended into diesel and gasoline will not only help CEPSA meet its goals in terms of the energy equivalence of biofuels determined by current legislation, but also be ready for new mandates to be enforced as of 2010.

Value of Our Group

MISSION

"To be a competitive and customer-focused energy and petrochemicals company that is respectful towards the environment and committed to society."

VISION

"To be a responsible corporate citizen in managing its resources and in its conduct and actions vis-à-vis its different stakeholders."

Our Activities

Compañía Española de Petróleos, S.A. (CEPSA) is an industrial group whose activities span the entire oil value chain, ranging from the **exploration and production** of hydrocarbons to the **marketing** of petroleum products.

The Company additionally has a world-class **chemicals** division that is tightly integrated with its **refining** segment, manufacturing and selling feedstock for the production of value-added components used in a wide variety of industries; food, pharmaceuticals, chemicals, plastics and textiles.

CEPSA is also involved in other energy-related businesses, such as **natural gas** operations and **electric power** generation and sales.

Not only is CEPSA a major energy player in Spain, but it is also broadening its global portfolio of operations in countries such as Algeria, Brazil, Canada, Colombia, Egypt, Panama, Peru and Portugal, selling its products around the world.

Day in and day out, the talents, skills and dedication of a workforce of nearly **12,000 men and women** make it possible for the Company to successfully achieve its business goals and objectives.

The Group strives to make sound, reliable and efficient management of its industrial activities compatible with society's concerns and expectations. The Company is committed to **acting responsibly** in all phases of its activities, consistently adhering to the highest standards of conduct, corporate citizenship and environmental excellence, while making a positive contribution to economic growth and development.

Key Assets

Colombia

Exploration & Production:

- 16 exploration contracts, 11 operated by CEPSA
- 3 production contracts, 1 operated by CEPSA
- Location: Llanos Basin and Upper Magdalena River Valley

Brazil

Petrochemicals:

- 1 petrochemical plant.

Peru

Exploration & Production:

Marañón Basin:

- Blocks 114, 127, 130 and 131.

Panama and Morocco

Refining, Distribution & Marketing:

- Marine fuel supply.

Canada

Petrochemicals:

- 2 petrochemical plants.

Italy, Great Britain, Belgium, and the Netherlands

Petrochemicals

- Storage and marketing of petrochemical products.

Spain and Portugal

Exploration & Production:

- Concessions in the Mediterranean (offshore Tarragona).

Refining, Distribution & Marketing:

- 3 refineries. Total capacity: 21.5 million t/year
- Asphalt refinery (50%). Total capacity: 1.5 million t/year
- Over 1,750 service stations
- Over 850 shops at service stations
- 4 marine fuel supply facilities
- 7 aviation fuel supply stations
- 7 terminals for the manufacture and distribution of asphalt derivatives
- 1 plant for the production of base oils and paraffin oil
- 1 plant for bottling finished lubricants
- 11 facilities for filling canisters, storing and transporting butane and propane

* 76 bonded warehouses (Cecomasa).

Petrochemicals:

- 3 petrochemical plants
- Storage and marketing of petrochemical products (Portugal).

Gas & Power:

- 5 cogeneration plants. Authorized power: 230 MW.
- 50% of a combined cycle power plant: 780 MW.
- 20% of the MEDGAZ pipeline.

Algeria

Exploration & Production:

- Block 406 A: RKF and OURHOUD oilfields
- TIMIMOUN Block.

Egypt

Exploration & Production:

- South Alamein and North Bahrein Blocks.

Our Activities

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Petrochemicals 44

Gas & Power 46

Exploration & Production

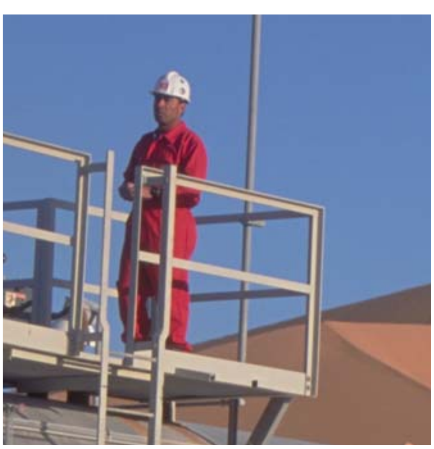
	2009	2008
Production from working interests [1] (Thousands of barrels per day)	116.9	121.9
Net entitlement production [2] (Thousands of barrels per day)	54.7	47.9
Sales revenues (millions of euros)	632	642
Adjusted operating income (millions of euros)	236	332
Total capital & exploration expenditures (millions of euros) [3]	214	742

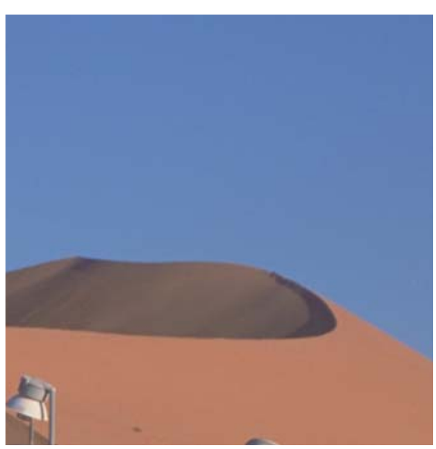
(1) Total production associated with CEPSA's working interests, calculated before applying the contractual terms and conditions of Production-Sharing Agreements (PSA).
(2) CEPSA 's net entitlement production, after applying the contractual provisions as per SEC (Securities & Exchange Commission) reporting standards.
(3) The figure for 2008 includes the cost of acquiring assets in Colombia, at €557.3 millions of euros.

Trends in reserves throughout 2009 were as follows:

(Thousands of barrels)	Algeria	Colombia	Mediterranean	Total
Net entitlement reserves at December 31, 2008	**149,418**	**22,948**	**192**	**172,558**
Revision based on price changes (1)	-40,426	-	-	-40,426
Extensions and discoveries	13,181	1,914	873	15,968
Production	-15,127	-4,769	-59	-19,955
Net entitlement reserves (2) at December 31, 2009	**107,046**	**20,093**	**1,006**	**128,145**

(1) A change in the year-end price of crude oil entails an inverse and non-proportional variation in reserves associated with production-sharing contracts. Thus, an increase in oil prices ($61.5/bbl at December 31, 2009 versus $35.6/bbl at December 31, 2008) leads to an overall decline in entitlement reserves. Furthermore, the amount of recoverable barrels may vary based on other criteria such as investments made or other cost-recovery mechanisms stipulated in PSC's.
(2) These reserve volumes do not include recoverable reserves beyond the duration of the concession agreement or operating license.





CEPSA's entitlement in the period amounted to 20 million barrels, climbing 14% from the previous year

CEPSA's crude oil production from its working interests in 2009 totaled 210% thousand BOPD, 4% less than the year before, impacted by the reduction in OPEC production quotas.

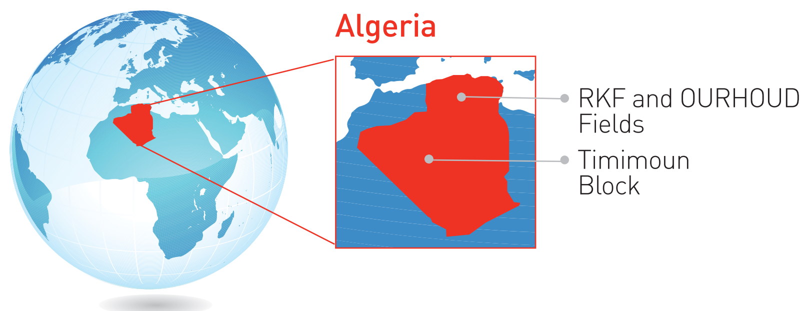
CEPSA's entitlement in the period, understood to be the amount assigned after applying contractual conditions and before paying taxes, amounted to 20 million barrels, climbing 14% from the previous year. CEPSA added production from the Caracara field in Colombia as of March 2008.

This new contribution came in addition to sales of barrels produced in the Company's Algerian acreages, which, as a result of applying production-sharing conditions, were significantly higher in 2009 than in 2008 due to lower crude oil prices.

Furthermore, CEPSA continued its intensive exploration efforts in Algeria (TIMIMOUN block, which has begun the development phase to produce gas starting in 2013), Colombia (16 blocks, 11 as operator), Peru (4 blocks, all as operator) and Egypt (2 blocks, 1 as operator).

The level of crude oil prices in full-year 2009, substantially lower than the year before, had a negative impact on CEPSA's upstream earnings in the period. Adjusted operating income, which stood at €236 million, was 29% less than in 2008.

Algeria



CEPSA conducts oil and natural gas exploration and production activities in Algeria, with its crude oil production activity (which began in the 1980's) primarily focused on two fields - RKF and OURHOUD. Since 2002, CEPSA has also been conducting natural gas exploration in various blocks. A major milestone for the Company was achieved in August 2009 when the Company was awarded authorization to develop the TIMIMOUN gas field located southwest of the Sahara, helping to further consolidate its presence in Algeria.

RKF Field

The rate of production in RKF throughout the year averaged 18,700 BOPD, less than its maximum production capacity due to OPEC output constraints.

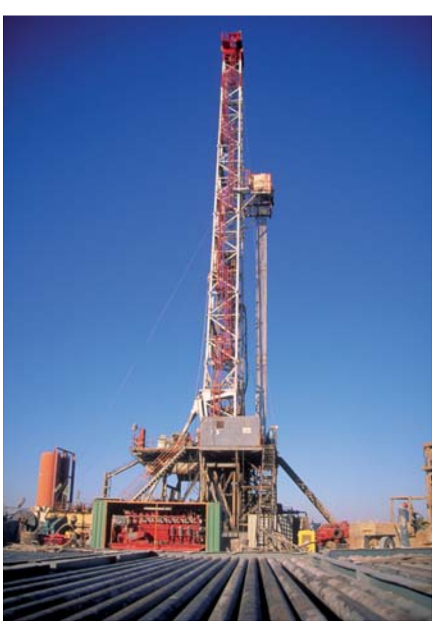
Out of the 5 wells drilled in 2009, 4 are producer wells. This work marks the completion of the planned drilling campaign for this field.

Additionally a new multiple storage collector was built to start production in these wells, and work related to the design, mapping and material procurements for the new export line linking the RKF field with the OURHOUD line was also completed.

Progress continued throughout the year on the RKF field development and upgrading plan, with the construction of new staff housing facilities.

OURHOUD Field

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



E&P in Algeria

Producing field		Operating field
OURHOUD	RKF	TIMIMOUN
39.76% CEPSA	100% CEPSA	11.25% CEPSA

Block 406 A: RKF and OURHOUD Fields

Thousands of barrels	2009	2008
RKF total production	6,828	6,844
Production from working interests RKF	6,828	6,844
OURHOUD total production	76,688	83,955
Production from working interests OURHOUD	30,488	33,377
CEPSA net entitlement reserves (RKF and OURHOUD)	107,046	149,418

In 2009, net entitlement production averaged 210,100 BOPD, lower than the field's total capacity on account of OPEC-imposed limits.

The field is both developed and operated by a consortium made up of the partners holding licenses in the three blocks that straddle OURHOUD (Block 406-A and adjacent Blocks 404 and 405). The process of re-determining the interests of each of the partners will be finalized in 2010.

In order to maintain internal pressure, 1,693 million cubic meters of gas and 19.4 million cubic meters of water were injected in the year.

In addition, a total of 7 wells (3 producer and 4 water injection) were drilled in 2009. By year-end, 57 crude producer wells, 30 water injection wells, 2 gas injection wells and 4 dual water/gas injection well were operating.

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

Work at present is focused on designing a new operation plan based on WAG (water-alternating-gas) injection as an EOR method intended to potentially boost the volume of recoverable reserves.

TIMIMOUN Block

The commercial feasibility of the TIMIMOUN natural gas field, where CEPSA's stake comes to 11.25%, was confirmed in January 2009. A temporary consortium was created to jointly operate the field with Sonatrach (51%) and TOTAL Algerie (37.75%).

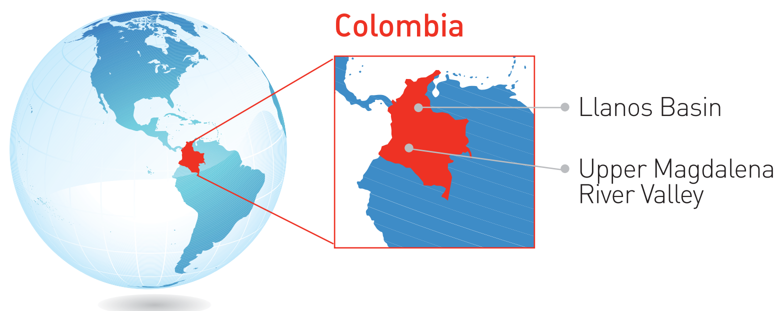
In August 2009, the Algerian National Agency for the Promotion of Hydrocarbon Resources (ALNAFT) gave the green light for the Timimoun Gas Project Development Plan. Since then, a seismic acquisition program was prepared – to be conducted in 2010 – and studies were performed in connection with the FEED (Front-End Engineering and Design).

Around $1000 million will be invested in the project which envisages starting-up production of eight structures covering an area of 2500 Km2 and comprises the performance of seismic surveys, the drilling of wells, the construction of gas treatment facilities and the hook-up to Sonatrach's pipeline infrastructures. Work will be aimed at bringing the field on-stream in 2013, with an average flow rate of 5 million cubic meters per day (1.6 BCM/y).

CEPSA's entitlement reserves of gas in this block amount to roughly 13.2 million barrels of crude oil equivalent.

CEPSA's entitlement reserves of gas in TIMIMOUN block amount to roughly 13.2 million barrels of crude oil equivalent

Colombia



CEPSA began its exploration activity in Colombia nine years ago and currently has interests in 19 E&P contracts, 12 of which are operated by the Company.

Upstream operations are located in both the Llanos Basin and the Upper Magdalena River Valley.

Upper Magdalena River Valley

Output from the Upper Magdalena River Valley in 2009 totaled 2.4 million barrels, with CEPSA's entitlement amounting to 297,000 barrels.

In order to boost production in the fields of the CPR Espinal Block, three new producing wells were drilled, and based on their successful results, a plan is in place to drill additional wells.

In 2009, production from this field came to 2.2 million barrels, 270,000 of which were assigned to CEPSA.

In the La Cañada Norte (LCN) field, where CEPSA holds a 16.7% working interest, the program for 2009 involved drilling an injector well and starting up the civil works in a producer well. The field came on-stream in August 2009. Production in the year stood at 175,000 barrels, with CEPSA's entitlement amounting to 27,000 barrels.

Llanos Basin

In March 2008, CEPSA acquired 70% of the exploration and operation rights on the Caracara Block in Colombia, making 2009 its first full year of operation.

Aggregate production in 2009 from the Llanos Basin, including the Caracara Block, totaled 7 million barrels, 4.5 million of which were assigned to CEPSA.

A drilling program was undertaken involving 22 wells, 7 of which are exploratory wells (5 yielding positive results and currently in production) and 15 development wells.

Work is currently focusing on a project to upgrade the facilities to expand capacities for separation, treatment and injection of water.

3D seismic acquisition was completed in 2009 in five of the exploratory contracts in the Llanos Basin and their results are being processed.

Annual Production

Thousands of barrels

	2009	2008
Total production	9,459	7,819
CEPSA net entitlement production	4,769	3,885
CEPSA net entitlement reserves	20,093	22,948

At the end of the year, drilling work was performed in two wells, in the El Eden and Balay contracts, as well as civil work for a well in the El Tiple contract.

Lastly, in 2009, the two swap transactions begun a year earlier with Petrobras in the Cebucán and Balay Blocks were completed. As a result, Petrobrás will be CEPSA's partner in the El Tiple, Puntero, Cabestrero and Merecure contracts and CEPSA will be the Brazilian company's partner in the Cebucan and Balay contracts.

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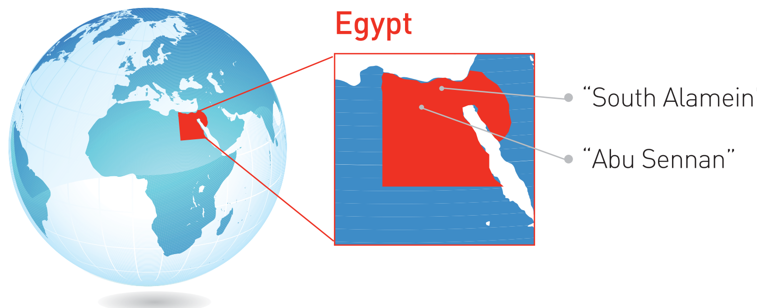
E&P in Colombia

Producing Fields	CEPSA Working Interest (%)
CPR "Espinal"	15.0%
Caracara	70.0%
LCN	16.7%

Exploration Contracts	CEPSA Working Interest (%)
Llanos 26 (*)	100.0%
Llanos 22 (*)	100.0%
Tiple (*)	70.0%
Garibay (*)	50.0%
Puntero (*)	70.0%
Cabrestero (*)	70.0%
Merecure (*)	70.0%
El Edén (*)	50.0%
El Portón (*)	50.0%
Los Ocarros (*)	50.0%
El Sancy (*)	50.0%
San Jacinto & Río Paez	33.3%
Cebucán	30.0%
Balay	30.0%
CPO 12	30.0%
CPO 14	37.5%

(*) CEPSA Operator

Egypt



CEPSA has been conducting exploration activities in Egypt, where it has working interests in the South Alamein and North Bahrein blocks located in the Western Desert.

"South Alamein"

Final approval was granted in July 2009 to the sale of 50% of the exploration rights on this block to the US firm, El Paso Egypt S. Alamein Company. CEPSA continues to hold the remaining 50% of the block as well as operatorship.

Throughout the year, three wells were drilled and work began on a fourth well.

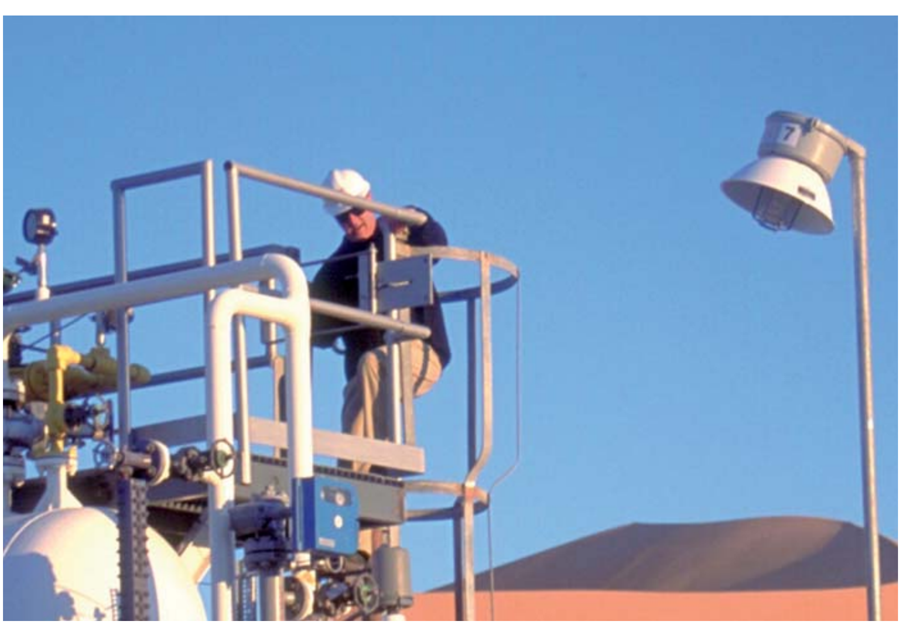
"North Bahrein"

After drilling the first exploratory well in 2008, 3D seismic data acquired earlier was reprocessed.

In December, an agreement was reached with the operator not to go ahead with the subsequent exploratory phase.

"Abu Sennan"

Given that the conditions precedent of the asset purchase agreement were not met in due time and proper form, CEPSA decided to terminate the contract on October 30th and refrained from acquiring 20% of the exploration rights on this Block.

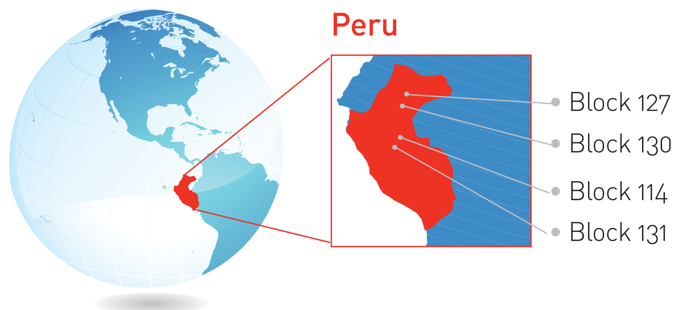


E&P in Egypt

Exploration Contracts	CEPSA Working Interest (%)
South Alamein (*)	50%
North Barhein (**)	25%

(*) CEPSA Operator
(**) In March 2010, the decision was taken not to go ahead with the subsequent exploratory phase.

Peru



CEPSA has been operating in Peru since 2007 and currently conducts work in four exploratory blocks: 127, 114, 131 and 130.

Throughout the year, various technical appraisal studies were carried out on Blocks 127, 114, 131 and 130. CEPSA relinquished Block 104 in 2010, after determining that its prospects were not sufficiently attractive.

A highlight of the year was the successful completion of the first 2D seismic acquisition program undertaken by CEPSA in Peru on Blocks 114 and 127. Integration and assessment of the data will be performed in the first half of 2010.

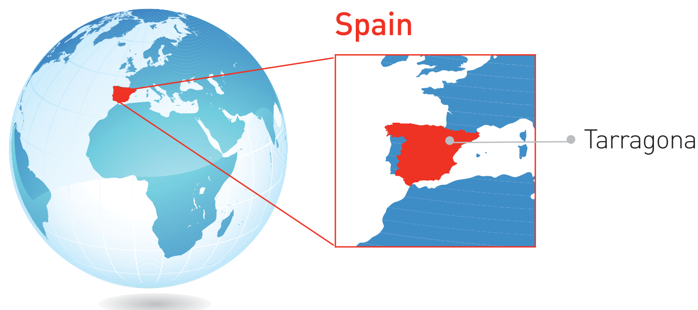
Considerable efforts were spent to obtain the required environmental permits for ongoing field operations. Accordingly, environmental impact studies were made and actions taken to aid and lend support and provide social services to indigenous communities living in our areas of influence.

E&P in Peru

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

(*) CEPSA Operator

Spain



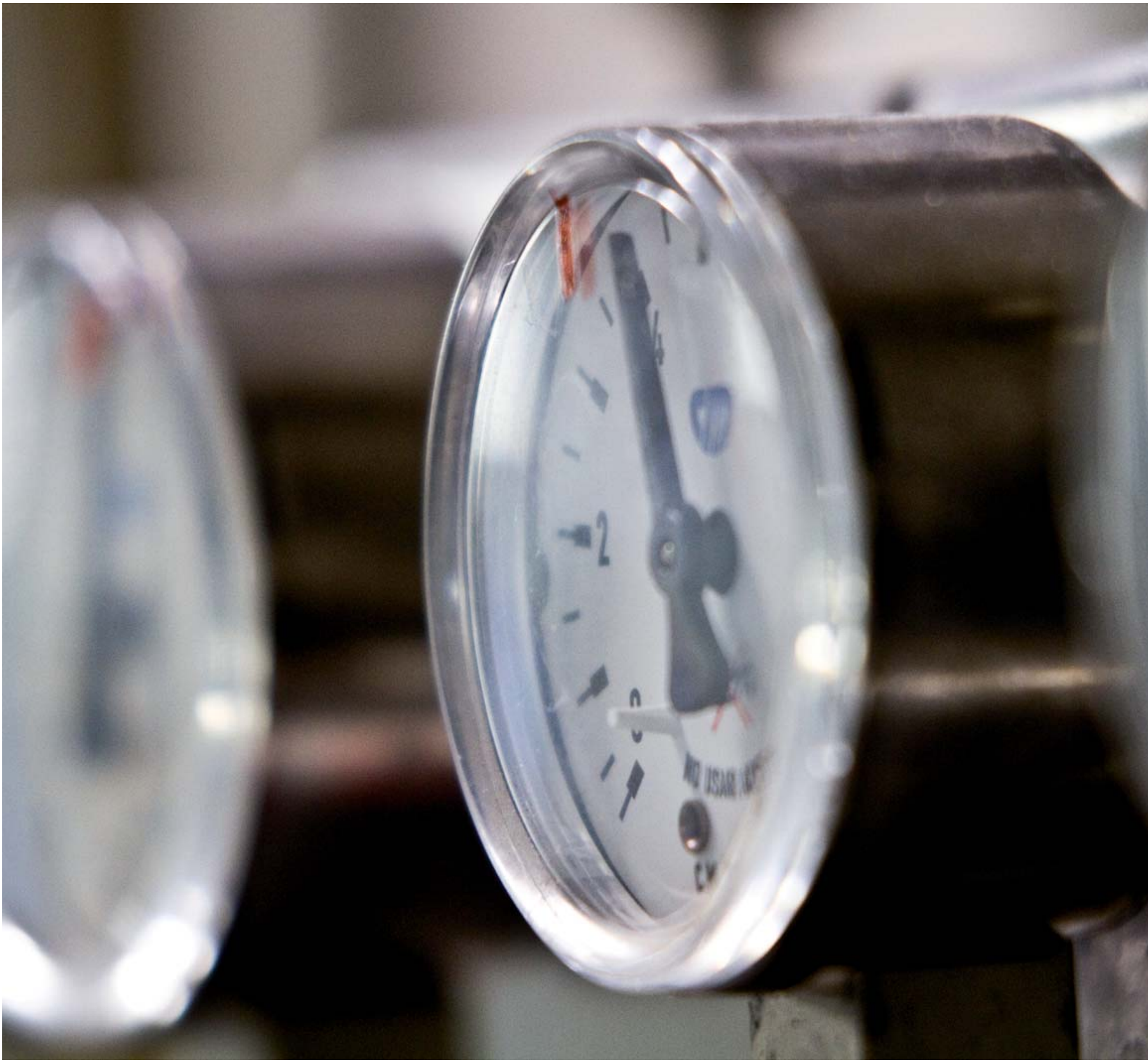
In 2009, CEPSA's production activities in Spain were focused on off-shore Mediterranean licenses, located near the coast of Tarragona, where aggregate output stood at 722,000 barrels of crude oil, with the Company's entitlement, based on its equity interests, coming to 59,000 barrels.

As regards domestic exploration activity in the year, the Montanazo D5 well, operated by Repsol and located 8 kilometers east of the Casablanca platform in the Mediterranean Sea, was drilled with positive results and is slated to come on-stream in 2011.

E&P in Spain

Exploration Contracts	CEPSA Working Interest (%)
Rodaballo	15%
Casablanca	7.4%
Montanazo	7%
Boquerón	4.5%

In 2009, CEPSA's production activities in Spain were focused on off-shore Mediterranean licenses, located near the coast of Tarragona



Refining, Distribution & Marketing

	2009	2008
Consolidated petroleum product sales (millions of tons)	25.5	26.3
Sales revenues (excluding taxes) (millions of euros)	13,166	19,334
Adjusted operating income (millions of euros)	113	394
Capital expenditures (millions of euros)	594	680

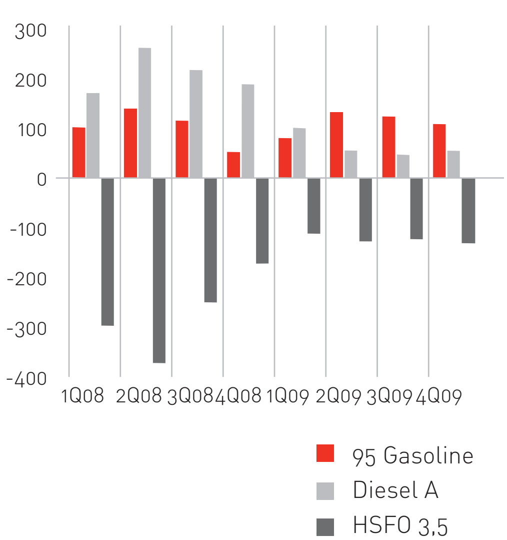
The decline in petroleum product consumption led to oversupply in the marketplace, especially in OECD member countries, which was compounded by worse crude supply and marketing conditions, leading to an unprecedented plunge in downstream earnings.

CEPSA's refinery throughput in 2009 amounted to 20.3 million tons, 6% lower than 2008's level. This drop was due to the Company's decision to reduce processing at its refining facilities, in order to tailor the volume to prevailing economic conditions.

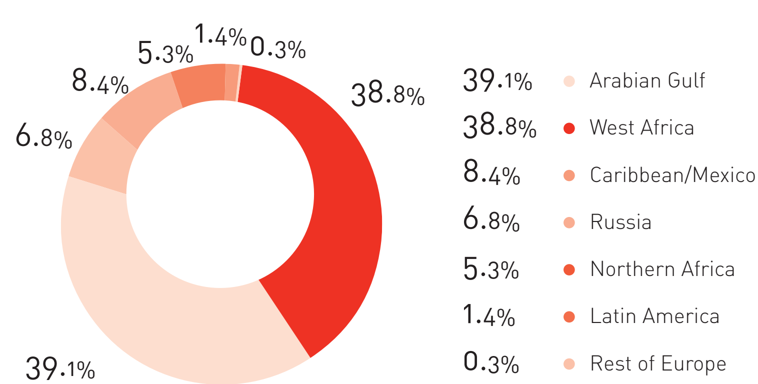
As for marketing activity, CEPSA's sales totaled 25.5 million tons in 2009, slipping 3% from the amount sold in 2008. As for motor fuel sales, they declined 4.8% vis-à-vis a year earlier.

Trends in Brent-Product Price Spreads

$/barrel



Crude Oil Sourcing



CEPSA's refinery throughput in 2009 amounted to 20.3 million tons, 6% lower than 2008's level. This drop was due to the Company's decision to reduce processing at its refining facilities, in order to tailor the volume to prevailing economic conditions

Adjusted operating income amounted to €113 million, falling 71% (€281 million) from the figure posted in 2008.

20.3 million tons of crude oil (148 million barrels) were unloaded at CEPSA's refineries in 2009, 7% less than the previous year's volume. As regards crude oil sourcing, over 77% came from countries in the Arabian Gulf and West Africa.

In $/ton, the Diesel-Brent spread narrowed considerably from the peak levels recorded in mid-2008, although there was a turnaround in this trend in the fourth quarter of 2009. On the other hand, gasoline spreads remained firm, with the year's average topping the previous year's levels. As for fuel oils, the negative spread stabilized at significantly better levels than those seen in recent years.

Refining

	Gibraltar-San Roque Refinery	La Rábida Refinery	Tenerife Refinery	ASESA (50% CEPSA)	Total 2009
Refinery throughput (millions of tons)	11.5	4.6	3.9	0.6	20.6
Capacity utilization rate	95.6%	91.9%	86.8%	82.9%	92.3%

CEPSA's refineries are managed using a plant-wide optimization model, which seeks to maximize synergies among them to achieve a high level of integration between refining and basic and intermediate chemical operations. In 2009, the Company reduced its utilization rate compared to record levels attained the year before, mainly for economic reasons prompted by poor refining margins.

From an operational point of view, 2009's highlights include the start-up of various projects that have a decisive impact on the areas of safety, environmental performance and energy efficiency. In the La Rábida Refinery in Huelva, construction of the middle distillate capacity expansion (MDCE) was completed three years after work on the project began. As of October, the assembly of the process units was finalized and pre-commissioning activities began. These operations will continue into 2010 consistent with the Start-Up Plan. Also in La Rábida, work was ongoing to assemble the Cogeneration II unit and RS-7 Sulfur Plant, as well as other projects related to the MDCE, such as the new fuel oil line to the Decal Storage Terminal and CLH oil pipeline.

CEPSA's refineries are managed using a plant-wide optimization model, which seeks to maximize synergies among them to achieve a high level of integration between refining and basic and intermediate chemical operations

At the **Gibraltar-San Roque** Refinery, new units came on-stream such as the Vacuum unit, Hydrogen plant, Sour Water Stripper, Sulfur VI Plant, as well as the cryogenic and LPG recovery unit in the Refinery's fuel network. Noteworthy capital expenditures underway include those in connection with Lubrisur's Cogeneration facility and the retrofitting of the PC2 turbine of the R-56 Platforming.

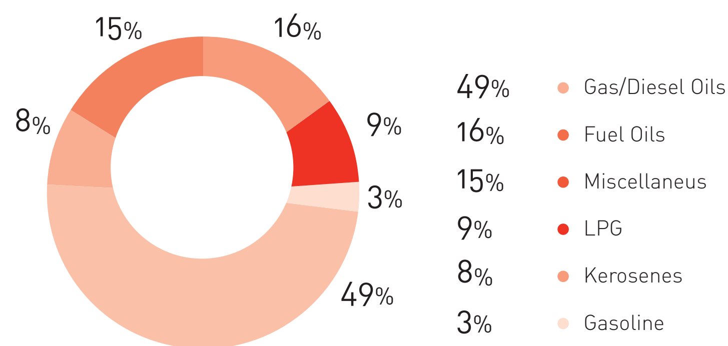
In the **Tenerife** Refinery, projects to raise capacity and enhance efficiency in the Distillation, Hydrodesulfurizing and Visbreaker units were placed on-line. In August and October, retrofits were made to the Sulfur 3 unit to boost sulfur recovery efficiency. Likewise, the biological treatment system in the Waste Water Plant was upgraded.

During the year, CEPSA continued to harness bottom-line benefits from optimizing refining processes, boosting energy savings and streamlining maintenance management and performance through various improvement programs initiated a number of years ago.

At the Gibraltar-San Roque Refinery, new units came on-stream such as the Vacuum unit, Hydrogen plant, Sour Water Stripper, Sulfur VI Plant, as well as the cryogenic and LPG recovery unit in the Refinery's fuel network

Distribution & Marketing

Product Consumption in 2009
Spanish and Portuguese Markets



Petroleum product consumption in Spain and Portugal totaled 79.1 million tons in 2009, evidencing a decrease of 5.2% from 2008 and reflecting the weakness in key economic indicators in the year.

By product groups, the decline was particularly noticeable in LPG (-8.7%) and middle distillates (-5.3%). The latter accounted for 56.6% of total consumption, with negative rates of -4.8% for gas oils and -8.5% for kerosene.

The motor fuels market retreated 4.1%, with diesel fuels representing 79.3% of total consumption. There was a stagnation in the growth trendseen in recent years in the number of diesel-driven motor vehicles.

LPG consumption fell -8.7%, chiefly due to their replacement by natural gas and other energies, with bottled LPG accounting for around 60%. As for fuel oils, consumption declined -4.8% as a result of sluggish demand and the slowdown in industrial activity.

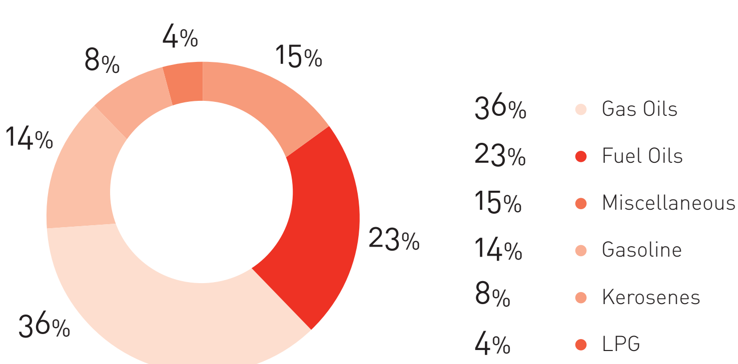
Regarding retail prices on gasoline and diesel fuels, they witnessed uneven performance in 2009, on account of the different trends in their international prices. The retail price of motor diesel in December rose 6.7% vis-à-vis the price recorded in December 2008, whereas in gasoline, the price climbed 22.3%.

Despite the aforementioned increases, retail prices on these motor fuels continued to remain below the Eurozone average. Thus, at the end of 2009, the price of 95 premium gasoline was 15.6% lower than in the rest of the EU countries (15.3% less than in France and 17.3% less than in Portugal), while automotive diesel was 9.3% lower (7.6% vis-à-vis France and 8.2% compared to Portugal).

CEPSA's sales in Spain and Portugal in 2009 amounted to 23 million tons of products, sliding 1.7% year-on-year.

	Thousands of Tons Sold in 2009 Change vs. 2008	Major Marketing Companies (100% CEPSA-owned)
Motor and Other Fuels	12,052 ↓ 3%	CEPSA and subsidiaries CEPSA Estaciones de servicio CEPSA PORTUGUESA
Marine Fuels	7,503 ↓ 0%	CEPSA and subsidiaries CEPSA PORTUGUESA
Aviation Fuels	2,190 ↓ 10%	CEPSA CEPSA PORTUGUESA
Liquefied Petroleum Gas (LPG)	516 ↓ 2%	CEPSA GAS LICUADO CEPSA PORTUGUESA
Asphalt	1.235 ↑ 3%	PROAS CEPSA PORTUGUESA
Lubricants, Base oils, and Paraffin oil	263 ↓ 4%	CEPSA LUBRICANTES and subsidiaries CEPSA PORTUGUESA
Exports (Excluding Portugal)	1,897 ↓ 3%	CEPSA INTERNATIONAL

CEPSA 2009
Breakdown of Petroleum Products



Motor and Other Fuels

CEPSA Estaciones de Servicio, S.A., a wholly-owned subsidiary, continued to consolidate its position in 2009 as a pacesetter in delivering superior customer service and top product and service quality. The Company is particularly focused on meeting the needs of fleet drivers and providing a range of loyalty schemes for private motorists, while driving profitability from its non-fuel retail business. In order to upgrade its asset base and optimize returns, new high-volume sites with growing non-fuel potential were added to the network, chiefly targeted at the private motorist segment (basically in urban areas and developing metropolitan areas), while maintaining outlets and specialized services for fleet drivers. At the same time, the Company continued with its plans to modernize and enhance the underlying structure of its retail network by selectively divesting non-strategic or lower volume sites that did not meet its quality standards.

Following the acquisition of TOTAL's service stations and oil marketing activities in Portugal in 2008, CEPSA has entrenched its position as a major player in the Portuguese market, both in retail and direct sales.

CEPSA's retail network has a total of 1,762 stations, 1,483 of which are located in Spain and 279 in Portugal. It continues to hold a leadership position in the C-store segment, with 815 stores nationwide and 39 in Portugal, offering a broad assortment of products and services to satisfy the diversified needs and expectations of its customer base.

In 2009, CEPSA launched the new CEPSA STAR EUROTRAFIC card for fleet companies and drivers to pay for fuel, engine oils and C-store merchandise in over 12,000 service stations both in CEPSA's and Eurotrafic's network in 18 European countries and Morocco, as well as handle toll transactions across the continent.

Customer Loyalty Schemes	Perks and Benefits
Porque Tu Vuelves (España) "Porque Eu Volto" (Portugal)	Discount points for product purchases from an exclusive catalog, C-store merchandise, and other retail site services and motor . fuels
VISA CEPSA Porque Tu Vuelves	5% discount on motor fuels and other purchases at CEPSA's service stations and a 1% discount at over 18 million participating entities around the world.
RACE Porque Tu Vuelves	Combines the benefits of roadside assistance and other RACE motor vehicle products with those included in CEPSA's "Porque Tu Vuelves" program.
CEPSA Gift Cards	Rechargeable for both end customers and businesses.
TRANS Club Card (Spain & Portugal)	Exclusively for fleet drivers, offering a wide range of benefits, perks, gifts and prizes.
Agro Club Card	Free of charge for farmers and stockbreeders, and the only one of its kind on the Spanish market.

CEPSA's retail network has a total of 1,762 stations, 1,483 of which are located in Spain and 279 in Portugal. It continues to hold a leadership position in the C-store segment, with 815 stores nationwide and 39 in Portugal

Regarding motor fuel sales through wholesale channels, the Company continued driving sales of its two new high-performance products: CEPSA Agromax Diesel for the farming and public works sector, which is not only more fuel-efficient, but also lengthens engine life, and CEPSA Rendimiento, a new heating oil that meets the requirements of modern heating systems in terms of energy efficiency and environmental friendliness.

Noteworthy in 2009 was that all the commercial subsidiaries met "Qualicert" standards as an objective measure of service quality perceived by customers, contributing towards the target of achieving excellence in commercial management.

In recognition of its marketing achievements, CEPSA won a number of prestigious international and national awards in 2009: the silver IMAN award from the Spanish Federation of E-Commerce and Direct Marketing in the category of "Durable Goods", and Bronze in the ECHO AWARDS from the U.S. Direct Marketing Association, which honors both the creativity and results of advertising campaigns, in the category of "Communication/Utilities".

In environmental protection, CEPSA Estaciones de Servicio continued signing Voluntary Environmental Agreements with Spain's regional governments. Additionally work continued towards gradually introducing artificial wetlands for purifying waste waters in the Company's service stations.

CEPSA Estaciones de Servicio also carried on its partnership with the Clinova Project for Innovation, seeking to inspire and develop innovative schemes and initiatives that go beyond the usual operational improvements.

Biofuels

CEPSA is steadfastly focused on delivering outstanding environmental performance, and this commitment, as articulated in the Company's Vision, is likewise reflected in the increasingly greater production of bio-based motor fuels, consistent with European trends towards cleaner-burning fuels.

In 2009, new mandates called for the inclusion of specific levels of bio-components in motor fuels sold in Spain, as enforced by Ministerial Order ITC 2877 2008 (BOE, October 14, 2008). As a result, CEPSA has implemented the necessary measures and actions, allowing it to more than adequately meet these requirements.

In fact, the Company has been at the forefront of Europe in introducing ETBE (ethyl tert-butyl ether) as a bio-component in gasoline.

The advantages of this oxygenate additive, instead of directly blending ethanol, are that it increases the octane number and quality of the gasoline pool and can be transported through common carrier pipelines in Spain, leading to better efficiency and safety in distribution. In 2009, the Company used over 75,000 tons of bio-ethanol, in the form of ETBE, to produce gasoline at its three refineries: Gibraltar-San Roque, La Rábida and Tenerife.

As for bio-diesel, CEPSA continued blending this product into Automotive Diesel "A", respecting the quality and content limits of a 5% maximum volume mandated by European specifications.

The Company has been at the forefront of Europe in introducing ETBE as a bio-component in gasoline

Accordingly, 215,500 tons of biodiesel were blended into Diesel A and additionally, another 3,800 tons into labeled biodiesel (B-10, B-15, B-20 and B-30), targeted towards customers whose fleets contain properly-equipped vehicles.

Adjacent to the La Rábida and Gibraltar-San Roque Refineries are two biodiesel facilities, pursuant to agreements signed with BIO OILS and ABENGOA, respectively, with a combined production capacity of 450,000 tons, helping to meet CEPSA's present biodiesel requirements.

Marine Fuels

Despite a challenging global operating environment, CEPSA managed to sustain its marine fuel sales at roughly 7.5 million tons. The Company reinforced its position as a leading supplier in the Canary Islands and Strait of Gibraltar and upheld its robust presence in Panama, Malta and Morocco.

Throughout the year, CEPSA continued to seek out opportunities to broaden its operations in other international ports, a strategy that it will carry on pursuing in 2010.

Consistent with its goal of delivering premium service and safety to its customers, the Company added two new double-hull barges to its fleet in both Algeciras and Panama. Overall, CEPSA's fleet of barges that are used exclusively by the Company include three in the Canary Islands, five in the Strait of Gibraltar, one in Barcelona and three in Panama. Barges are also hired for specific services in the ports of Las Palmas, Cristóbal and Balboa (Panama) and Malta.

Additionally, CEPSA delivers its products by pipeline and truck, as well as through supply terminals for fishing vessels.

At each and every port where it operates, CEPSA fully meets the specifications contained in MARPOL Annex VI regulations placing caps on the sulfur content of marine fuels, as well as ISO 8217 standards regulating the qualities of marine distillate and residual fuels.

As in all of its distribution and marketing activities, CEPSA carries out its marine fuel sales adhering to the most rigorous safety, quality and environmental standards both at company-owned (refineries and terminals, the latter managed by its subsidiaries Petrocan and Atlas) and leased facilities.

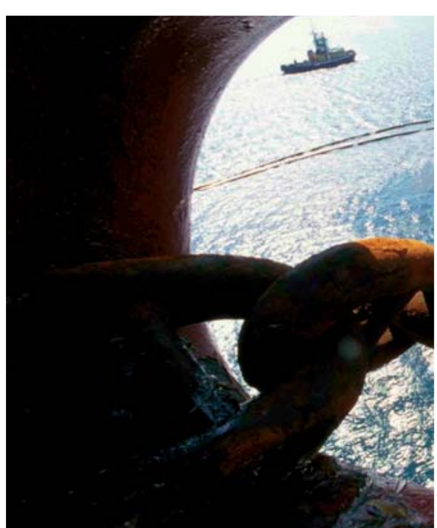
The location of its refineries has helped CEPSA become the leading Spanish marine fuel supplier in major domestic ship refueling areas such as the Canary Islands and Strait of Gibraltar, and its presence on both sides of the Panama Canal has strengthened its international position.

Aviation Fuels

CCEPSA continues to lead the aviation fuel market in Spain despite the slump in air traffic that took place in both the mainland and Balearic and Canary Islands, triggering a 10% decline in sales compared to the previous year.

The Company undertakes its commercial activity at all major Spanish airports and actively participates in the management of fuel storage and delivery operations at some of these airports through its subsidiaries CMD, CEPSA Aviación and Spanish Intoplane Services (SIS).

CEPSA supplies aviation fuels from its refineries to all major Spanish airports through tankers, pipelines and ground transportation, meeting the most stringent specifications.



Asphalt sales amounted to 1.2 million tons in the year, rising 3% from the previous year

Liquefied Petroleum Gas: Butane and Propane

CEPSA currently has over 2.3 million customers for bottled LPG (propane, butane and autogas) canisters that are delivered door-to-door through a network of more than 90 distributors or can be bought directly in more than 2,000 outlets, 800 of which belong to CEPSA's service station network. The Company also supplies bulk propane to 9,000 individual installations and piped propane to another 1,800, servicing over 41,000 residential customers.

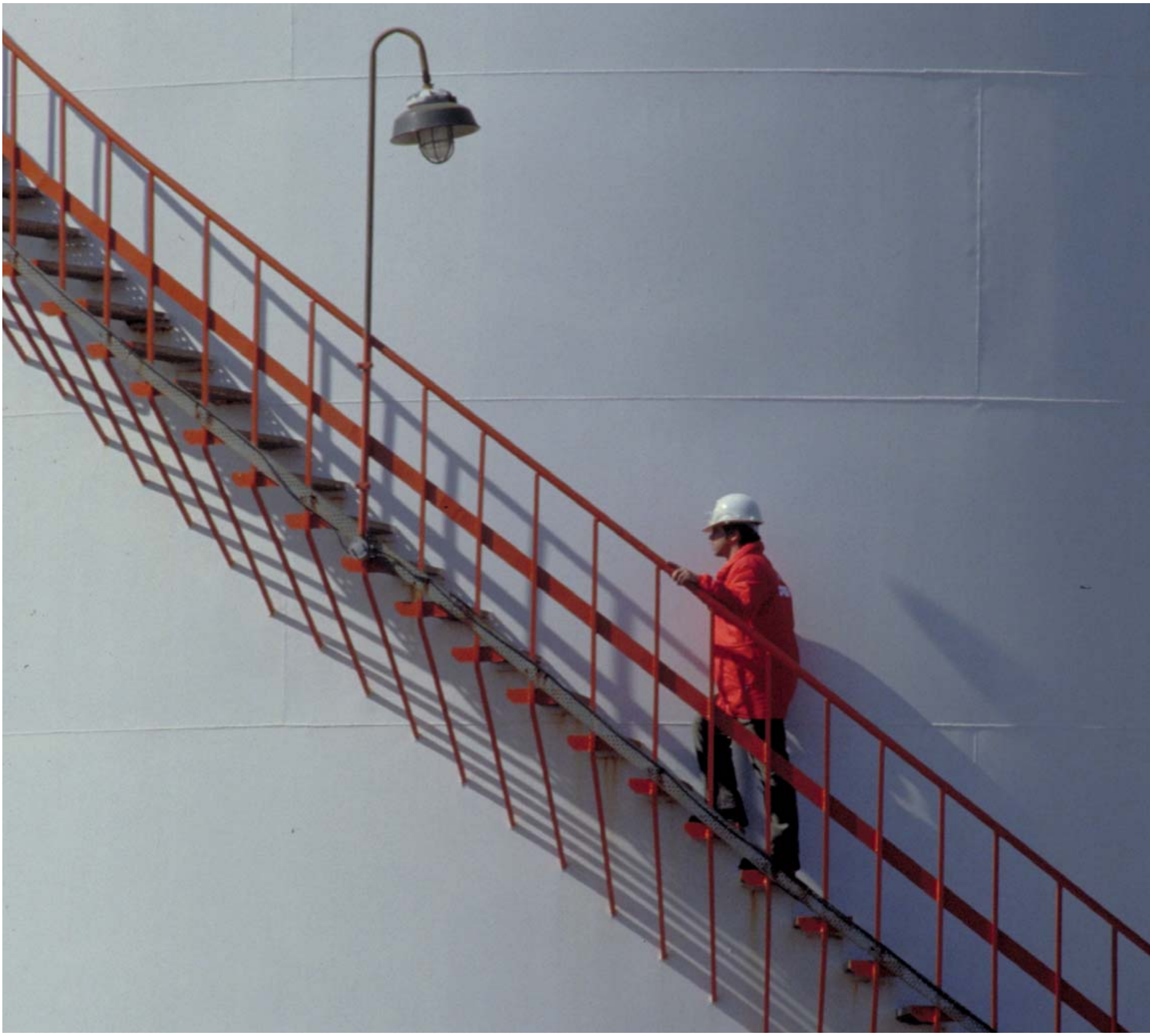
In October 2009, the Ministry of Industry, Tourism and Trade implemented a new price ceiling formula for bottled LPG that further widens the gap between Spain's prices and the average charged in the rest of the European Union, disregarding the recommendation issued by Spain's National Energy Commission (CNE) to deregulate the sector.

In 2009, capital expenditures were assigned towards upgrading the quality and safety performance of all operations conducted at the Company's facilities. Furthermore, CEPSA continued to drive sales of its new and improved light butane gas canister, equipped with a chip or electronic device to control filling, its useful life and rotations. This electronic control system is being gradually introduced on all of the Company's previously-manufactured butane canisters.

Asphalt

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

Regarding product development, road works have started to include the application of improved bitumen using crumb rubber from recycled tires. CEPSA is a frontrunner in this



Asphalt sales amounted to 1.2 million tons in the year, rising 3% from the previous year. 61% of these sales were made in Spain and as for exports, noteworthy was that sales surged 17% in Portugal from the year before.

Through its wholly-owned affiliate, CEPSA Productos Asfálticos, S.A. (PROAS), the Company has been intensifying its efforts towards developing cutting-edge methods in bitumen manufacturing, based on the know-how of its dedicated work team, and their considerable expertise in new technologies. This has helped PROAS achieve a solid reputation founded on the experience, talents, commitment and capabilities of its professionals.

Lubricants, Base Oils and Paraffin Oil

CEPSA is a market leader in Spain in lube oils, selling its products under the brand names CEPSA and ERTOIL. Its subsidiaries CEPSA Lubricantes and Atlántico have a significant domestic presence in all market sectors and segments, both directly and through an extensive network of distributors.

Aggregate sales of base oils, paraffin oil, finished lubricants and greases totaled 263,000 tons in 2009, 4% less than the year before. Out of these sales, 63% were earmarked for the domestic market. Consistent with its global expansion plan, exports of finished lubricants and greases are now sold to 61 countries through an experienced distributor network.

In Portugal, the Company successfully consolidated the joint marketing of lubricants under the CEPSA, TOTAL and ELF brands, following the distribution agreement reached in 2008 with TOTAL Lubrifiants, France.

Exports

Exports of petroleum products from CEPSA's refineries came to 1.9 million tons, sliding 3% year-on-year. These products, primarily gasoline and naphtha, were predominantly sold in Latin America and Europe.

Logistics

In 2009, 7.6 million tons of products were delivered to end customers in the Iberian Peninsula through the Company's secondary distribution system, by road and railway.

CEPSA distributes its products through a highly-efficient system that is able to satisfy the needs of its many customers in different locations, reliably meeting established delivery deadlines. It supplies marine fuel at ports, aviation fuel at airports, and motor and other fuels to service stations, industry, farmers, and residential and government consumers. To achieve its transportation goals, CEPSA has a nationwide network of wholly or partly-owned subsidiaries as well as agreements with independent companies to cover all of the Peninsula.

Wholly or Partly-Owned Logistics Companies

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

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

Petrochemicals

	2009	2008
Petrochemical product sales (millions of tons)	3.0	3.1
Sales revenues (excluding taxes) (millions of euros)	1.888	2.293
Adjusted operating income (millions of euros)	62	88
Capital expenditures (millions of euros)	34	27

In 2009, further progress was made in accomplishing most of the targeted objectives from the merger in 2008 of the Company's petrochemical activities into a single entity called CEPSA Química S.A, namely: to ensure excellence in business management, implementing best practices across the board; maximize synergies and cost efficiencies; and increase management transparency and accountability.

The myriad of actions and measures taken to achieve these goals were able to deliver considerable fixed and variable cost savings, making it possible to partially offset the adverse effects from a difficult operating environment marked by trends in the dollar/euro exchange rate, high raw material prices and the downturn in global economic activity. Against this backdrop, CEPSA posted an adjusted operating income figure of ¤62 million in 2009, slipping 30% year-on-year.

Petrochemical product sales in 2009 totaled 3 million tons, 4% lower than the year before, reflecting the slump in this industry across the board.

Sales in the first half of the year were similar to those made in the latter months of 2008, in a context of feeble demand for petrochemical products, which sharply impacted the automotive and construction industries where CEPSA's chemical products are largely used. In the second half of the year, there was a slight recovery in activity, enabling the Company to end the year with sales that were only marginally down from 2008's levels.

Detergent Precursors

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

Key expenditures in the Company's three production plants in 2009 were mainly allocated towards advancing efforts to optimize facilities, mainly focusing on energy savings and efficiency schemes. Noteworthy at the Puente Mayorga plant in San Roque, Cádiz was the acquisition and replacement of molecular sieves and refurbishments at the plant's storage depot.

Polyester Precursors

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

Throughout the year, expenditures were targeted towards upgrading and optimizing the manufacturing structure at the Guadarranque plant in San Roque, Cádiz and the Montreal plant in Canada. Investments were also assigned to the biogas recovery system project at the Montreal facility.

Phenol - Acetone

CEPSA Química has manufacturing facilities located in Palos de la Frontera (Huelva), where it produces chemical intermediates such as phenol and acetone, as well as cumene, an intermediate product that is also sold. These components are predominantly used in making phenolic resins, high-performance plastics and other applications in industries such as construction, motor vehicles, etc.

Some highlights in this business line include the construction of a new thermal oil heater and a variety of tasks associated with the scheduled turnaround performed in the year.

Solvents and Intermediates

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

The solvents line includes aromatic, aliphatic and dearomatized solvents. The Company also sells sulfur produced in the refineries' hydrotreatment processes.

Intermediate products include cyclohexane, phthalic anhydride, maleic anhydride, amines and alpha methyl styrene used in a variety of applications.

Products Manufactured and Sold	Total 2009 Sales (Mt)	Company	CEPSA Owership (%)	Capacity (Mt/year)
Detergent precursors (LAB, LAS)	497,000	CEPSA Química-Spain CEPSA Chimie Bécancour-Canada DETEN-Brasil	100 51 72	220,000 120,000 220,000
Polyester precursors (PTA, PIA)	892,000	CEPSA Química-Spain CEPSA Chimie Montreal-Canada	100 51	750,000 500,000
Phenol/Acetone	763,000	CEPSA Química-Spain	100	970,000
Solvents and Intemediates	844,000	CEPSA Química-Spain	100	925,000

Gas & Power

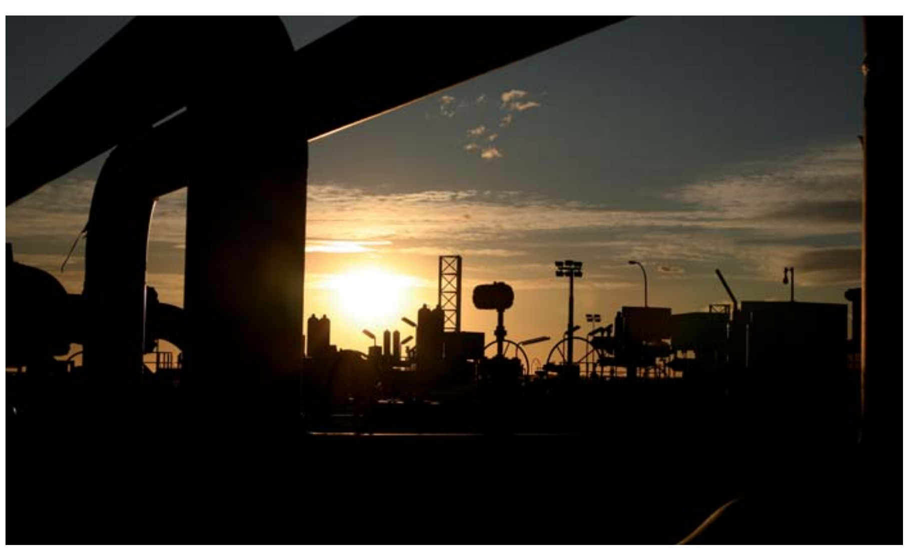
	2009	2008
Natural gas sales (GWh)	21,338	22,122
Electric power sales (GWh)	3,273	3,494
Steam sales (thousands of MT)	4,321	4,053
Sales revenues (millions of euros)	398	561
Adjusted operating income (millions of euros)	57	66
Capital expenditures (millions of euros)	101	125

The Gas & Power segment posted an adjusted operating income of ¤57 million in the year, sliding 14% from the figure posted in 2008, reflecting the drop in consumption in both natural gas and electric power markets in Spain, down 4% and 6% respectively, and narrowing margins, especially in electric power sales. The sales price to the electricity pool averaged €37/MWh, 43% less than the year before, falling to a greater extent than did natural gas prices.

Natural Gas

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

CEPSA and SONATRACH have signed an agreement, effective for a 20-year period, for the purchase-sale of 1.6 BCM (billion cubic meters) per year of natural gas to be transported through the MEDGAZ pipeline starting 2010, for both CEPSA's internal consumption and its commercial activities.



MEDGAZ Pipeline

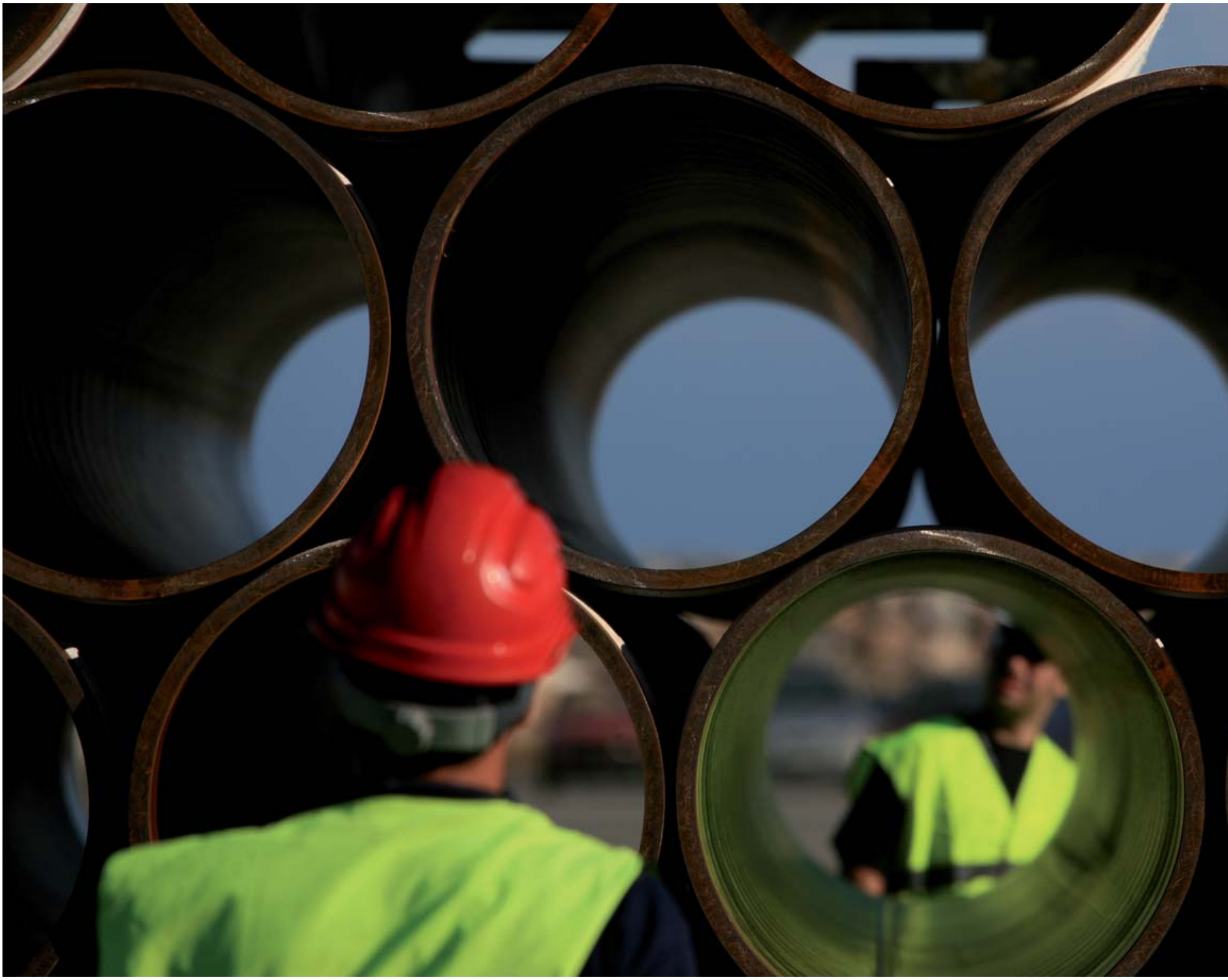
Total initial capacity: 8 BCM/year (8 billion m^3/year)

Length: 200 kilometers

Maximum water depth: 2,160 meters

Investment: €900 million

Scheduled start-up: second semester of 2010



Construction progress in 2009 reached 90%, having moved forward with building the onshore stations in Algeria and Almeria (Spain). In December 2009, flow-loop tests were started and are continuing into the first quarter of 2010. The entire pipeline is slated to come on-stream in the second quarter of 2010, with commercial operations starting up in the second half of the year.

Marketing & Distribution

As part of its long-term agreements with SONATRACH and TOTAL, CEPSA, through its 35% equity interest in CEPSA Gas Comercializadora (CGC), received 21,338 GWh of LNG shipments in 2009, and regasified, transported and distributed this gas to the industrial market by virtue of TPA (Third-Party Access) contracts in force with the utility companies ENAGAS and GAS NATURAL. In order to optimize logistics management in its deliveries, CGC made swaps with other retailers totaling 65,518 GWh.

CEPSA Gas Comercializadora is engaged in the sale of gas to industrial users, where its market share amounted to 10.2% in the year, slightly less than in 2008 (10.9%), despite the 10.5% reduction in gas consumption in the Spanish market in 2009.

CEPSA is also active in natural gas distribution through its 40% stake in GAS DIRECTO, being awarded regulatory approval to supply gas in various townships of Madrid, Galicia and Castile-La Mancha. In 2009, 581 GWh of natural gas were delivered through its grid to 5,410 residential and industrial customers, meaning an 8% and 5% increase in clientele and distributed energy, respectively, from the previous year.

Cogeneration (CHP)

In order to enhance energy efficiency at its refineries and production sites, CEPSA has five cogeneration (also known as combined heat and power or CHP) facilities, whose utilization rate averaged 85% in the year.

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

Combined Cycle

CEPSA has a 50% stake in a combined cycle power plant, Nueva Generadora del Sur (NGS), which sells all of its steam production to the Gibraltar-San Roque Refinery, and from an environmental standpoint, has contributed towards sharply reducing the Company's nitrous oxide (NOx) and sulfur dioxide (SO2) emissions.

Company	Authorized Power MW	Electricity Generation GWh	Steam Production Thousands of MT
GEPESA (70% CEPSA)			
• La Rábida cogeneration plant	50	400.1	1,388.6
• GEGSA cogeneration plant	74	601.1	1,236.6
• GETESA cogeneration plant	41	278.0	382.0
• GEMASA cogeneration plant	27	158.8	326.8
COTESA (100% CEPSA)	38	280.8	566.2
Total Cogeneration	**230**	**1,718.8**	**3,900.2**
Nueva Generadora del Sur (50% CEPSA)	780	3,225.1	1,247.1


CEPSA
CEPSA

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Technology,
Innovation & Development 56

Environment,
Safety & Quality 58

Community Involvement 62

Capital & Exploration
Expenditures 68

CEPSA and
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Managing People

Workforce By Business Areas (at December 31st)

	2009	2008
Exploration & Production	478	362
Refining, Distribution & Marketing	9,095	9,269
Petrochemicals	1,452	1,533
Gas & Power	68	68
Corporate Area, Technology, Research Center and General Services	610	583
Nº of CEPSA Group Employees	**11,703**	**11,815**

CEPSA's workforce numbers over 11,700 employees across the globe. By gender, 3,855 of these are women and 7,848 are men. In 2009, considerable efforts were made and resources allocated towards putting into effect a new management model for managing the Company's professionals, based on a system that seeks to identify and assess the knowledge, skills, abilities, personal attributes, aptitudes and behaviors that employees are supposed to demonstrate for the organization to fulfill its goals and objectives. Throughout the year, the implementation of this model, known as Competency-Based Human Resources Management, has enabled the Company to determine the strengths and opportunities for improvement in its employees and successfully tailor professional development plans to individual needs, likewise addressing the challenges and requirements of each business area or specific position.

As a part of this project, several applications for competency-based HR management were implemented that help to identify potential internal candidates to fill specific positions and create succession plans.

In 2009, CEPSA accomplished the first phase of the Development Plan for Production Supervisors (PDFM), aimed at ongoing improvement in leadership skills and abilities to successfully manage people working at the Company's production sites. The Plan involved all the Group's refining and petrochemicals facilities, and is based on training and development schemes customized to each level of responsibility.

In addition to training initiatives related to the aforementioned competency-based management and supervisor development plans, other key courses, plans and programs were as follows:

- Technical know-how and executive leadership development
- Environmental responsibility, safety, quality and occupational risk prevention
- Refining & petrochemical operations
- Professional competencies and communication skills development
- Sales skills and customer service

In order to provide employees with the appropriate tools to develop their skills and know-how, preparing them to meet the challenges of a rapidly changing and more competitive global environment, CEPSA offered over 460,000 instructional hours - averaging 45 hours per person - through a blend of

In 2009, CEPSA accomplished the first phase of the Development Plan for Production Supervisors (PDFM), aimed at ongoing improvement in leadership skills and abilities to successfully manage people working at the Company's production sites

A noteworthy achievement in the year was that CEPSA Estaciones de Servicio was chosen as one of the top 10 best companies to work for in the category of Large Companies, receiving the Flexible Company Award organized by the Madrid Autonomous Community

traditional educational methods and workshops and online technologies based on e-learning.

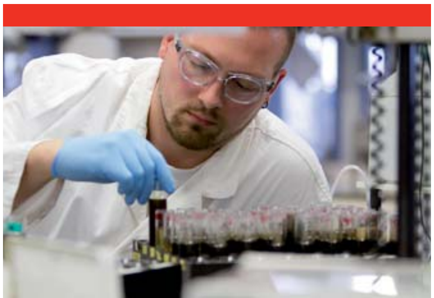
A noteworthy achievement in the year was that CEPSA Estaciones de Servicio was chosen as one of the top 10 best companies to work for in the category of Large Companies, receiving the Flexible Company Award organized by the Madrid Autonomous Community. This survey reviews companies with the best flexi-time policies in their organizations in terms of working hours and timetable, equality policies, work-life balance and employee salary and non-salary benefits and perks.

In response to the demands and aspirations of younger job-seekers who want to know what values drive a company and in order to attract the brightest and most talented professionals, CEPSA launched a job portal called www.alotroladodelamesa.com where the Company is in fact on the "other side" of the interview table and assumes the role of the potential "candidate" being asked questions in order to find out what the Company does and what kinds of jobs it offers.

In compliance with the provisions of Article 46 of Organic Law 3/2007 of March 22nd to promote gender equality in the workplace, in February 2009, CEPSA delivered an Assessment Report on this issue to the Workers' Committee as a prior step to drawing up a Gender Equality Action Plan. This analysis, carried out by experts in the field, attempts to provide an in-depth look at the actual situation of gender-related issues affecting employees at work centers included in CEPSA's Collective Agreement. Needs are identified and addressed and goals are defined to improve the status, conditions, opportunities and satisfaction of the Company's employees, setting out the mechanisms that will help develop the proposals to be contained in CEPSA's future Equality Scheme.

With regard to labor relations, new collective agreements were signed for CEPSA Química Palos (2009-2010), and for CEPSA Chemie Montreal and CEPSA Aviación (2008-2012). Overall, these agreements involve 519 employees.

In fulfillment of existing legislation regarding mandatory funding and approved vehicles for financing pension commitments and obligations to employees and their beneficiaries, CEPSA has externally funded its pension liabilities for its active and retired employees

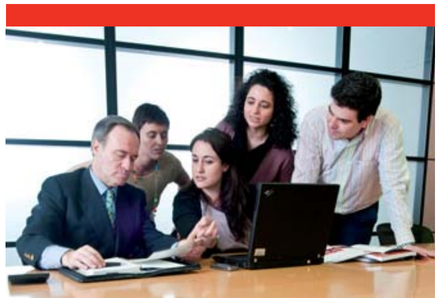


Number of CEPSA Group employees (at December 31, 2009)

11,703*

International employees

13%



Number of men

7,848

Number of women

3,855

Average age

41.4 years

Average years of service

12.4 years

Training hours [1] 462,839 (81% in house)

* 310 out of a total of 11,703 employees are attributable to shareholders in companies in which CEPSA's ownership is more than 50% but less than 100%. Out of these 11,703 people, 4,338 are employed in subsidiaries (CEDIPSA, SERVICAR and PROPEL) engaged in the direct operation of service stations.

(1) Not including training hours provided in the CEPSA Group's foreign subsidiaries.

through pension plans and/or insurance policies. The Company has two types of plans: defined-benefit plans for contingencies such as death or disability, and defined-contribution plans for retirement. 47.3% of the Group's workforce is a participant in one of the Group's pension schemes. At the end of 2009, the net worth of CEPSA's corporate pension fund amounted to €256.61 million, up 11.77% year-on-year.

The CEPSA Group's workforce in 2009 fell 0.9% from the previous year due to the decline in activity, particularly in the retail network, which was partially offset by the expansion in upstream operations. Efforts continued towards streamlining and optimizing the workforce, focusing especially on the petrochemicals area, following the merger of the Company's domestic affiliates into CEPSA Química S.A., while at the same time actively promoting internal mobility within the entire Group.

Technology, Innovation & Development

CEPSA's Technology Division achieved a milestone in 2009: the construction of the Middle Distillate Capacity Expansion (MDCE) at the La Rábida Refinery. This project, scheduled to come on-line in mid-2010, is intended to secure supplies of middle distillates needed for the motor vehicle market and consolidate this Refinery as a first-rate, world-class refining platform.

The amount invested in this project is the highest capital spending figure ever recorded in the Company's history, if we exclude the initial construction of its refineries.

Despite a tough and challenging operating environment, the MDCE Project is being completed on schedule and below projected budgetary levels, thanks above all to the outstanding work accomplished by the Development and Engineering teams and the contractors and suppliers who took part in it.

Throughout the year, CEPSA's Engineering Department supervised more than 6.5 million construction hours, achieving an extremely favorable total Accident Frequency Index (AFI) of 1.69, including cogeneration projects in progress at the Gibraltar-San Roque and La Rábida Refineries and other smaller projects.

In the area of Research, Development and Innovation, the infrastructure available since mid-2008 at the Company's new Research Center in Alcalá de Henares has made it possible in 2009 not only to centralize RD&I activities for the Refining and Petrochemical divisions, but also consolidate Exploration & Production as a new area of activity in terms of research projects aimed at enhancing performance in production wells by providing cutting-edge technological solutions and specific analytical support.

Research applied to productive processes and the development of new products is one of CEPSA's core strategic objectives. Since its start-up in 1975, CEPSA's Research Center has been actively involved in a variety of areas as diverse as molecular biology, biochemistry, polymer derivatives, fine chemicals, refining, petrochemicals, etc. The new state-of-the-art facility comprises 12,000 square meters and has a team of 60 professionals dedicated to advancing the Company's R&D capabilities.

CEPSA's Engineering Department supervised more than 6.5 million construction hours, achieving an extremely favorable total Accident Frequency Index (AFI) of 1.69

In the field of Applied Research a variety of programs have been developed geared towards improving existing productive processes at the Company's refineries and petrochemical plants

In the field of Applied Research and with the goal of maintaining and furthering the CEPSA Group's competitive edge, a variety of programs have been developed geared towards improving existing productive processes at the Company's refineries and petrochemical plants. The target is to enhance performance and energy efficiency and seek out applications for by-products we generate.

In addition to its economic impact, these programs have a positive effect on the environment since they entail the reduction of emissions and/or wastes.

Lastly, in the area of RD&I, medium and long-term priority research lines are devoted to achieving the following:

- Use of existing assets in vegetable oil hydrogenation processes to obtain fuels with partial biodiesel components.
- Increase in the conversion of bottom-of-the-barrel products into middle distillates, thereby raising the added value of the Group's refineries and their integration with chemical plants.
- Production of non-fossil fuels such as biodiesel using algae cultures, as part of the generic concept of "Bio-refineries".

Environment

Environment

CEPSA firmly believes it is possible to manage its industrial operations soundly, reliably and efficiently while at the same time rigorously monitoring environmental performance, and running its productive facilities in a way that guarantees the highest environmental standards. CEPSA remains steadfast in this commitment and determined to consistently improve on its achievements and excel in all measures

In 2009, CEPSA allocated €41.11 million to environmental projects and initiatives at its facilities, focusing its efforts on the following areas:

- The use of cleaner-burning fuels with a low or nil sulfur content, such as natural gas and LSFO;
- Enhanced performance of the sulfur plants in the Refining division;
- The development of schemes to lower/eliminate emissions of NOx, benzene and other volatile organic compounds (VOC);
- The reduction of pollutants at source and the optimization of energy efficiency through process improvements.

Likewise, work continued on tracking fugitive emissions of volatile organic compounds (VOC) in major industrial plants, pinpointing sources in order to implement remedial measures aimed at mitigating or eliminating them, in compliance with LDAR (Leak Detection and Repair) programs and conforming to guidelines set by the US Environmental Protection Agency (EPA).

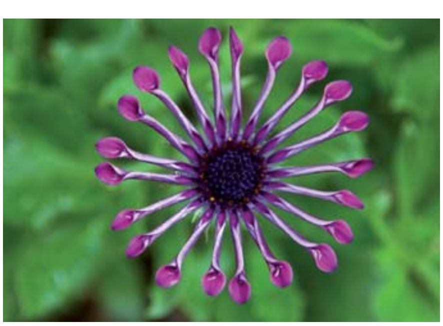
In fulfillment of the National Emissions Reduction Plan, the Group's participating industrial plants continued to lower emissions of SO2, NOx and particles set out in the Plan, achieving greater-than-mandated reductions.

As regards emission reporting and disclosure requirements under the European PRTR (Pollutants Release and Transfer Registrar - Regulation 166/2006/EC), work was conducted in 2009 to identify, analyze and quantify pollutants generated in the Refining and Petrochemicals areas.

During the year, CEPSA maintained its ISO 14001 and EMAS certifications for all of the Group's industrial facilities.

In the area of **industrial discharges,** the Company continued to put measures into place aimed at systematically minimizing their impact, both as regards surface as well as ground and coastal waters. Progress was also made on encouraging the reuse of purified waters at industrial plants. As regards groundwater, broad-based efforts were made to upgrade and expand piezometer networks in most of CEPSA's industrial plants, as well as throughout its service stations.

Similarly, CEPSA is in the process of upgrading its existing industrial effluent treatment plants.



The Group's participating industrial plants continued to lower emissions of SO2, NOx and particles set out in the Plan, achieving greater-than-mandated reductions

As regards industrial wastes, CEPSA carried on its proactive endeavors in the segregation, reduction and recycling of such wastes, testing and evaluating the use of calibration methods to track them, in order to minimize their deposit into landfills and dumps.

Furthermore, after carrying out preliminary studies on the situation as mandated by laws in force, all of the Group's industrial plants have assessed the status of their facilities with regard to these laws.

Concerning measures intended to provide appropriate and effective responses to accidental marine pollution, CEPSA continued to maintain its Internal Contingency Plans for Marine Pollution Accidents (PICCMA) at all of the Group's sea terminals and facilities, in conjunction with the Port Authorities. An inventory is regularly made on the resources needed to fulfill legislation in force.

In the area of Exploration & Production, the Company has continued conducting Environmental Impact Assessments (EIA) in areas where it operates (Colombia, Peru, Algeria and Egypt), liaising and partnering with local communities.

Cognizant of the importance of protecting and conserving the biodiversity of the natural habitats where the Company operates, CEPSA's Management took steps to learn more about the conditions of these areas and the possible impacts from its industrial activities.

In 2009, the Company managed to reduce its accident frequency rate by over 22% compared to the previous year, continuing with the direction taken to maintain its low accident rates for both in-house and contracted workers

Safety

Ensuring safe and reliable operations and allocating the necessary resources towards occupational and industrial risk prevention are key priorities and CEPSA is committed to guaranteeing that all of its operations are conducted in such a way as to protect the safety and health of its employees, the environment and the community at large. In 2009, the Company managed to reduce its accident frequency rate by over 22% compared to the previous year, continuing with the direction taken to maintain its low accident rates for both in-house and contracted workers.

CEPSA's major plants and companies have been awarded certificates for their occupational risk prevention systems, in compliance with international OHSAS 18001:2007 standards.

Throughout the year, regulatory audits were successfully passed in centers where serious accident prevention laws are enforceable. Periodic drills were conducted in all work centers, and their results were subsequently reviewed and recommended corrective actions and improvements, where applicable, were proposed and put into effect.

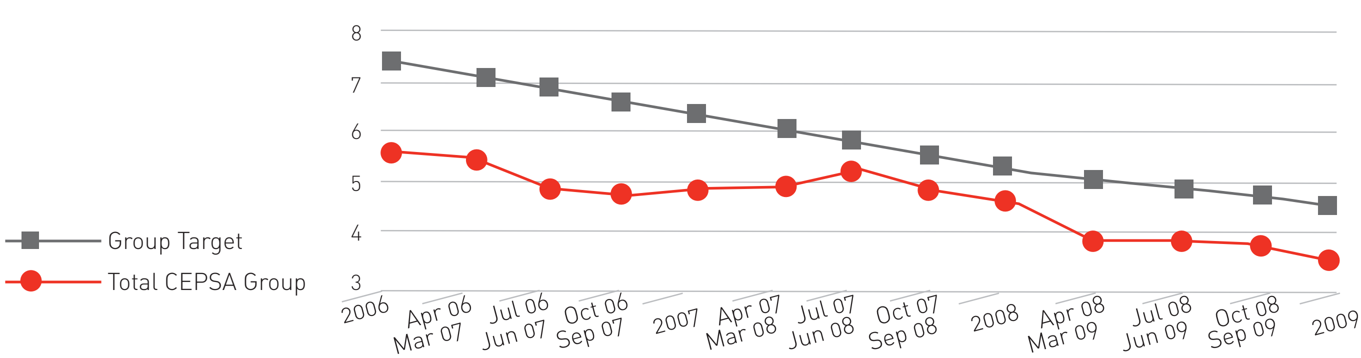
Quality

CEPSA seeks to achieve sustainable excellence in all aspects of quality performance and its quality management systems are guided by the basic principle of guaranteeing outstanding quality in all of the Company's products and services, relying on the efforts and initiatives of the entire organization. With the addition of the **ISO 9001:2008 quality management** certification for the Sales & Distribution activities of the newly-created petrochemical affiliate, CEPSA Química S.A., all of the activities of this Group subsidiary are now certified.

In 2009, aviation fuels produced at CEPSA's three refineries had their certification renewed by the Industrial Inspections Office of the Department of Weapons and Equipment under the Ministry of Defense.

Accident Frequency Rate*

Company Personnel + Contractors



* Per million hours worked

In April 2009, CEPSA was also awarded ISO 20000 certification for quality management in Information Technology, in addition to ISO 27001 information security certification which was granted in November 2008.

Throughout the year, CEPSA continued to implement a service quality benchmarking system in its subsidiaries engaged in selling and distributing farming diesel and heating oil in order to standardize and improve the quality of service provided to its customers.

CEPSA was re-elected as a member of the National Board of the Spanish Quality Association in November 2009.

Greenhouse Gases (GHG)

CEPSA made significant strides in cutting back its Greenhouse Gas (GHG) Emissions compared to the previous year, achieving the best emission record level ever since mandated caps became effective in 2005.

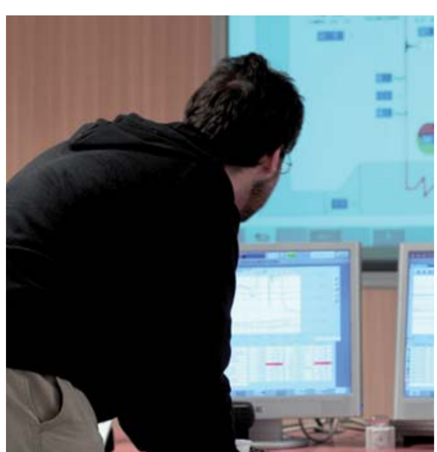
In 2009, the Company took part in the EU-wide emissions trading scheme, selling 103,465 emission permits on the secondary market and trading 681,721 allowances for certified emission credits earned under the Clean Development Mechanism (CDM).

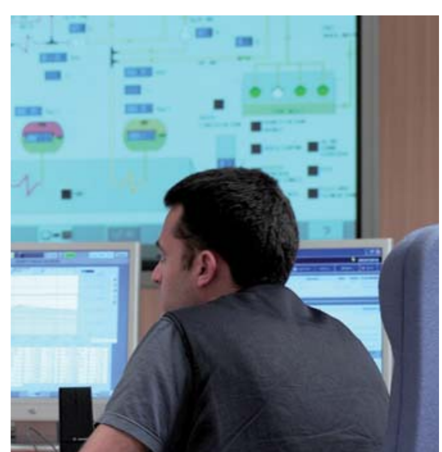
Likewise, thanks to CEPSA's participation in the Spanish Carbon Fund, the Company also received 15,967 emission credits from schemes that qualify under the CDM.

As regards the next compliance phase (2013-2020), both CEPSA's refineries and petrochemicals plants have been included in facilities deemed to be exposed to so-called "carbon leakage", and therefore, over the first two years of the aforementioned period, they will receive an allocation of 100% of the rights they are entitled to.

CEPSA has been collaborating in the development of allocation methodologies with associations both in Spain, such as AOP and FEIQUE, and European ones, such as CONCAWE and EUROPIA.

CEPSA was awarded ISO 20000 certification for quality management in Information Technology





Community Involvement

CEPSA is cognizant of the fact that it undertakes its activities across a diversity of environments. The Company understands that to generate value, it must be responsive to the needs and expectations of society at large and build close and constructive partnerships with the communities where it operates. Similarly, it believes that growth can be achieved in a socially and ethically responsible manner and it strives to integrate these values into its day-to-day operations, consistent with its goal of being a good corporate citizen.

CEPSA's conduct is governed and guided by five institutional principles: respect, commitment, safety, quality and transparency, all of which are well-embedded in the culture of a strong and solid company with a long and proven track record that now spans 80 years of history. In 2009, CEPSA continued its focus on making a positive and lasting contribution to society and to the communities where it does business and this support takes on a number of forms, through its involvement in and contributions to a broad range of programs, schemes and initiatives related to culture, education, public service, the environment and the world of sports.

CEPSA has been actively engaged in one of the most important archaeological recovery initiatives undertaken in recent times: the restoration of the Mortuary Temple of the Pharaoh Thutmose III

Promoting Heritage Conservation

Firmly committed to protecting and preserving the world's historical and cultural heritage, CEPSA has been actively engaged in one of the most important archaeological recovery initiatives undertaken in recent times: the **restoration of the Mortuary Temple of the Pharaoh Thutmose III,** located in Luxor, Egypt. In 2009, a team of 100 specialists unearthed over 4,000 blocks that will enable the reconstruction of this forgotten temple. Amazingly high-quality reliefs and well-preserved paintings were also discovered. Thutmose III, also know as the "Napoleon of Egypt" because of his military achievements, lived 3,400 years ago and created one of the vastest empires ever known to that country. Today, CEPSA is helping to restore his legacy.

The Company also carried on its partnership with the **Atapuerca Foundation,** in charge of funding and promoting archaeological research conducted in the Atapuerca Sierra. CEPSA is contributing to this work by supplying fuel to the team leading the excavations, which has distinguished itself as a milestone project in the study of human evolution.

CEPSA, as an industry leader in Andalusia, continued its longstanding support of the archaeological **excavations on the City of Carteia (Cádiz),** cooperating with the Autonomous University of Madrid in the restoration of these Roman ruins.

Advancing Culture and Education

CEPSA has always regarded education and cultural awareness as a fundamental springboard for achieving long-term social improvements. A significant part of its Corporate Responsibility policies is directed towards funding and supporting entities and institutions engaged in the promotion of scientific, technical and cultural projects and initiatives.

In 2009, CEPSA renewed its collaborative agreements with the **Friends of the Prado Museum** and the **Prince of Asturias Foundation.** The Company also lent its support to cultural activities in areas where it operates, such as the Huelva Film Festival, the Ibero-American Film Festival in the Cadiz Theatre and the Youth Symphonic Orchestra of Portugal, aimed at **promoting classical music among young people.**

CEPSA is steadfastly committed to helping graduates enter the job market with a solid foundation and background and consistently seeks out promising and talented candidates. The Company strives to offer younger generations the best professional training and development as a way of guaranteeing long-term success. In 2009, CEPSA upheld this commitment through the creation at year's end of a new University Chair: **CEPSA Energy** Chair, in partnership with the University of Seville, aimed at fostering educational and research activities related to the production and use of petroleum derivatives. This field is quickly becoming a major area of learning, within the framework of the European Space for Higher Education, and is due to be included in the curricula of colleges and universities. The newly-created chair at the University of Seville

comes in addition to those already existing at the Universities of Huelva and Cádiz and the Polytechnic University of Madrid. This initiative in higher learning is a key part of CEPSA's strategy to promote scholarship, research, training and knowledge in fields related to the Company's businesses.

Furthermore, CEPSA has continued to actively take part in numerous job forums organized by Universities and Engineering Schools, with the goal of presenting the professional opportunities offered by the Group. It is also driving training initiatives abroad, offering scholarships and funding for pursuing studies at the French Oil Institute (Paris), Heriot Watt University (UK) and the Iacocca Institute at Lehigh University (USA). CEPSA additionally has been providing its support over the past ten years to the "First Job" program of the Madrid Press Association (APM), an agreement that helps young people get their first experience in the working world.

Building a Cleaner and More Caring Environment

CEPSA's concern for the environment and biodiversity is reflected in a number of schemes aimed at preserving and enhancing environmental quality. The Company is focused on raising awareness among younger people on the importance of caring for their natural habitat. Noteworthy agreements include the one signed with the Red Life Organization to help endangered species, sponsoring the rare Iberian Imperial Eagle; CEPSA's participation in the Ecobono campaign, whose goal is the reforestation of the Forest Crown in the southern part of Tenerife; work undertaken in partnership with the association on Cetacean Conservation, Information and Study, CIRCE, engaged in the preservation of these species of marine mammals in the Strait of Gibraltar; and for the eighth year in a row, the Company's contributions to World Wetlands Day through the organization of visits to the Primera de Palos Lagoon, with the participation of schools and educational centers from the province of Huelva.

As regards social interest and public service activities, the Company once again held its "CEPSA Social Value Awards", an initiative driven by the La Rábida Refinery and which has now been extended to include the Company's centers in Portugal and the Campo de Gibraltar. Its goal is to work with and help the most

disadvantaged sectors of the population, engaging the efforts of its employees who are the ones that in fact "sponsor" these projects. In the 2009 edition, 1,524 employees sponsored 233 public service projects presented in the five areas where they were organized: Madrid, Huelva, Campo de Gibraltar, Tenerife and Portugal. CEPSA is a leading industry in these areas and prides itself on building close, long-lasting and constructive relationships with neighboring communities. In this respect, the Company collaborates with different associations and foundations such as Project Man, Energy Without Borders, the Prodis Foundation and Canada's Heart and Stroke Foundation.

Contributing to the World of Sports

Once again, CEPSA devoted its efforts towards the world of sports, focusing particularly on athletic and recreational activities for children and young people living in the communities where it operates. Accordingly the Group has been lending its support to clubs and teams in the fields of soccer, fencing and sailing. In 2009, CEPSA began sponsoring an innovative initiative that combines sports and humanitarian relief called Play4Africa, a project that champions the rights of African children to take part in sports by donating balls and shoes, while at the same time helping the fight against malaria, AIDS and water-borne diseases.

Consistent with its sponsorship goals, the Company is the official sponsor of Spain's national soccer team and its hymn for the 2009 World Cup, *"Fieles a la Roja"* (Loyal to the Red), has boosted CEPSA's brand recognition.

Lastly, a highlight of the year was the success of the CEPSA truck racing team, led by its driver, Antonio Albacete, who came out third in the FIA European Truck Racing Championship, and won the number one spot in the Spanish championship for the eleventh straight year.

Consistent with its sponsorship goals, the Company is the official sponsor of Spain's national soccer team and its hymn for the 2009 World Cup, *"Fieles a la Roja"* has boosted CEPSA's brand recognition.

Creating Meaningful Dialogue with Stakeholders

CEPSA believes that its long-term success depends on close and constructive dialogue and responsiveness to the concerns of its employees, investors, clients, the news media and other members of the community. In order to address the needs and expectations of the people and groups that have an influence on and an interest in our business activities and decisions, the Company develops a yearly Communication Plan using a variety of different channels to engage its stakeholders and elicit their feedback.

Institutional Relations

CEPSA is a member of various industry associations and actively and dynamically participates in leading international and Spanish forums and congresses in order to exchange ideas on energy-related issues and work towards the development of the different businesses the Company is involved in. In Spain, CEPSA is a member of FEIQUE (Spanish Federation of Chemical Industries) and AOP (Association of Oil Product Operators). The Company similarly supports the development of the Spanish energy sector, through its membership in the Hydrocarbons Advisory Council of the National Energy Commission (CNE) and its involvement in the Spanish Energy Club (ENERCLUB), where it contributes ideas and information on the energy sector. CEPSA is part of the Board of Trustees of the "Energy Without Borders" Foundation, whose mission is to help provide access to energy services and drinking water in areas that lack these resources. The Company is also a member of the Business Advisory Council of the Elcano Royal Institute, a think tank on global and strategic issues.

Internationally, CEPSA is also proactively involved in a number of leading forums and organizations such as the European Oil and Petrochemicals Industry Association (EUROPIA), where it holds the office of Vice-Chairmanship; The European Oil Company Organization for Environment, Health and Safety (CONCAWE); and the Mediterranean Energy Observatory (OME), an association whose main objective is to promote co-operation among the major energy companies operating in the Mediterranean basin.

Internal Communications

CEPSA regards its workforce as its most valuable asset. In order to better engage its employees, encourage a sense of identification with the goals, mission and values of the organization and create a common culture and a stronger sense of pride, belonging, empowerment and commitment, a number of internal communication tools and vehicles have been implemented that serve to: divulge details about the Company's strategies, foster greater contact among the different business areas, involve people in the key challenges facing the Group and offer ongoing information on all of CEPSA's activities, products, services and processes.

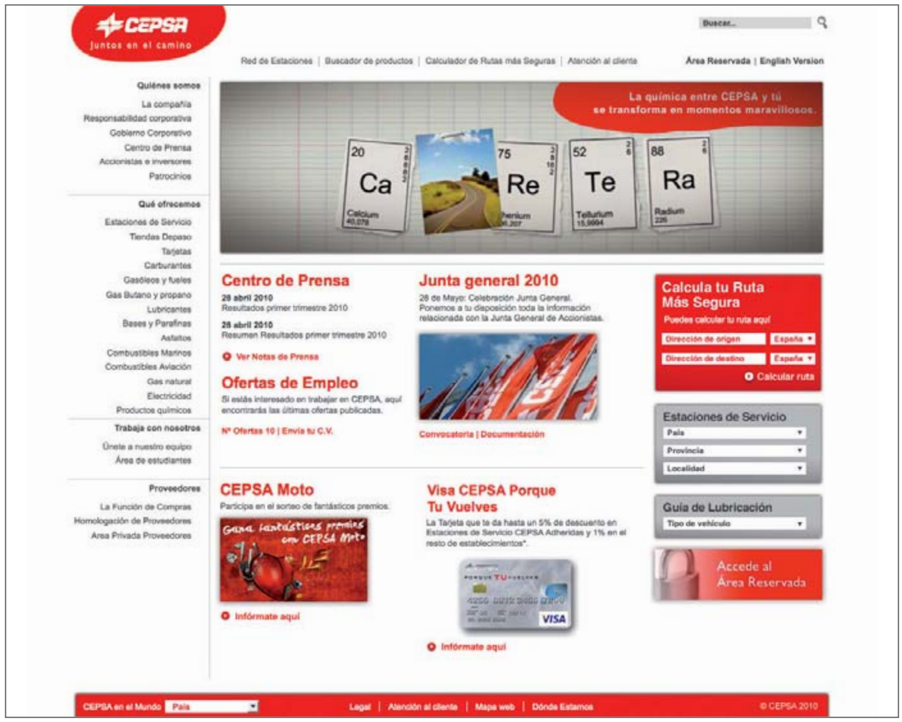
A main channel of internal communications is the Company's intranet site, which not only provides updated information on the Group's different areas and companies, but also offers on-line work tools and mechanisms and a wide array of time-saving procedures and

formalities that can be handled in a faster and more efficient manner. CEPSA is also promoting the development and use of Group collaboration features to exchange information and data between employees of the Company on specific issues.

In addition to the delivery of internal news alerts and announcements to keep staff abreast of the most noteworthy corporate developments, CEPSA also uses electronic magazines, bulletins and newsletters in the different centers of the Group so that employees continuously and directly know what is going on in the Company. These resources also help provide information that is not only technical, but also of a more personal nature, highlighting employees through interviews, profiles, etc., thereby creating a greater sense of community at the workplace.

Face-to-face communication and interaction is a top priority at CEPSA and this is reflected in initiatives such as the one organized at the Gibraltar-San Roque Refinery to hold monthly breakfast meetings between the Refinery Director and 8 people from different units and professional categories. These meetings provide staff with an opportunity to have informal question-and-answer sessions and freely convey their viewpoints.

Throughout the year, CEPSA continued to promote actions aimed at encouraging employee participation and input through suggestion boxes, digital photo contests, opinion surveys, etc. CEPSA believes that these mechanisms drive motivation among employees by making them feel more involved in the fate of the Company and including them in the Group's plans to improve environmental, social and technological performance.



External Communications

Aware of the importance and impact of its activities on the communities where it operates and that its business success relies on effective communication with its key external stakeholders, CEPSA strives to develop positive and cooperative relationships built on trust and credibility with these diverse organizations, groups and individuals. The Company's communication policies are governed and guided by the principles of transparency, availability, responsiveness and rigorous accuracy of information.

External communications are mainly directed towards the news media, investors, financial analysts and industry associations. Throughout the year, the Communications and Institutional Relations Division has been consistently focusing its efforts on keeping an open and ongoing flow of communication with these publics through channels and mechanisms such as the publication of news releases, articles, reports and corporate brochures; visits to company facilities; press conferences, face-to-face meetings and presentations; memberships in business associations and participations in forums and industry-related events; and other actions in response to specific circumstances that may arise.

Through its corporate website (www.cepsa.com), CEPSA maintains active, straightforward, coherent and transparent communication with its target groups and audiences. The Company's web page has a section aimed at the news media, the "Press Center", which includes materials such as press releases, a photo gallery, publications, etc. to help disseminate news and information about the Company. There is also a specific section for shareholders and investors that is updated periodically. In 2009, progress was made on deploying a new technological platform to make it easier to use and navigate the website, which is expected to be operational in 2010.

CEPSA regards its communication performance as an essential part of its business strategy that goes far beyond simply meeting its legal disclosure obligations. It endeavors to build, maintain and enhance the Company's relationships with its different outside stakeholders and with society as a whole.

Capital & Exploration Expenditures

(Millions of euros)	2009
Exploration & Production	214
Refining & Marketing	594
Petrochemicals	34
Gas & Power	101
Corporate Area	8
Total CAPEX	**951**

Throughout 2009, CEPSA earmarked a total of €951 million to its investment plans and programs, primarily targeted towards efficiency enhancements, productivity improvements and sound, cost-effective and reliable operational and environmental performance.

In Exploration & Production, a drilling program was undertaken to drill 15 wells in order to maintain production levels in Colombia and exploration activities were continued in both Egypt and Peru, where the Company has six exploration contracts.

Major projects in Refining and Petrochemicals include the mechanical completion of the project to expand refining capacity and middle distillates production at the La Rábida Refinery. A large portion of expenditures were assigned towards building infrastructures for connection lines and storage facilities in addition to improving energy efficiency and environmental .

As regards Marketing, the Company carried on expanding and consolidating its retail network, upgrading these sites to enhance productivity and customer service.

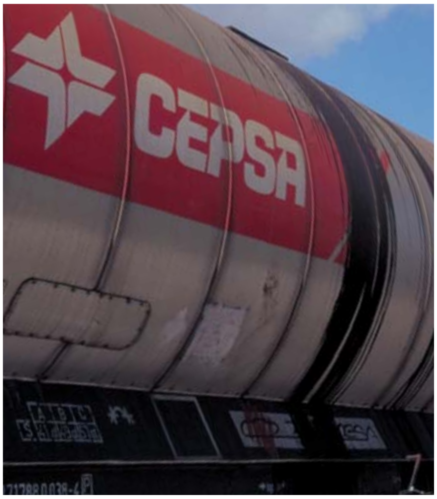
In the Gas & Power segment, considerable headway was made on the MEDGAZ Project - the deepwater gas pipeline between Algeria and Spain – in order to bring the infrastructure on-line in June 2010. Work was also conducted on the construction of two new cogeneration facilities that will start up in 2010 and 2011.

Key Refining & Petrochemical Expenditures in 2009

- Exchanger train revamp in the crude atmospheric distillation unit at the Tenerife Refinery.
- Vacuum plant and sour water stripper at the Gibraltar-San Roque Refinery.
- Sulfur plant at the Gibraltar-San Roque Refinery.

Key Expenditures in Progress

- Sulfur plants at the La Rábida Refinery.
- Expansion of middle distillate capacity at the La Rábida Refinery.
- Four berths at the Reina Sofia dock at the La Rábida Refinery.
- Retrofits in the Platforming and HDSV units at the Gibraltar-San Roque Refinery.
- Cogeneration facilities at the La Rábida and ASESA Refineries and in the Lubrisur plant in San Roque.
- Upgrading of external supply lines and other connections at the Tenerife Refinery.



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CEPSA and the Stock Market

Share capital: €267,574,941	2009	2008	2007	2006	2005
Bearer Shares at a par value of 1 euro for each share					
Share Price (euros per share)					
High	69.10	71.10	72.60	62.35	46.75
Low	21.50	67.40	52.80	38.56	29.31
Average	26.78	69.30	68.07	54.47	37.43
Year-end	21.77	67.60	71.00	59.40	38.65

Stock Market Ratios

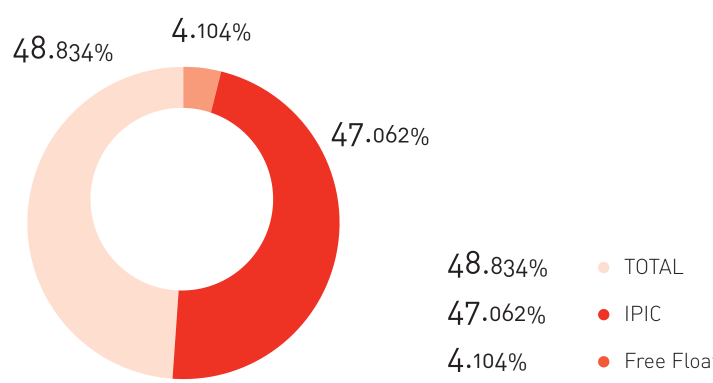
Dividend yield(%)	2.99	1.59	1.84	2.29	3.34

All of CEPSA's outstanding shares are officially traded on the four Spanish stock exchanges and listed on the Continuous Market, with year-end weightings on the Madrid Stock Exchange General Index, Energy & Utility Index, and Oil, Gas and Other Energy Sources Index of 0.157840%, 0.989056% and 4.073811%, respectively.

CEPSA's shares fell sharply in the year, going from an average price of €69.30 in 2008 to €26.78 in 2009. As a result, the Price/Earnings ratio, on a consolidated basis and using the year's average share price, was in line with the average P/E ratio for the Oil, Gas and Other Energy Sources Index and the Spanish stock market index.

The interim dividend declared by the Board of Directors amounted to €0.40 per share, which together with the final dividend of the same amount, places the total dividend at €0.80 per share. This proposal will be brought before the Annual General Meeting of Shareholders for approval and represents a payout ratio of 79%.

CEPSA Shareholder Composition at December 31, 2009



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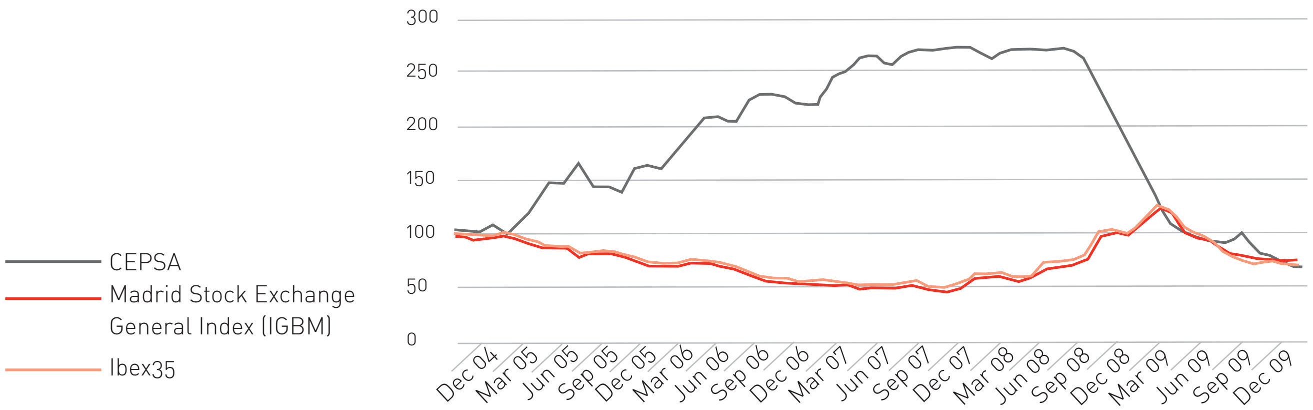
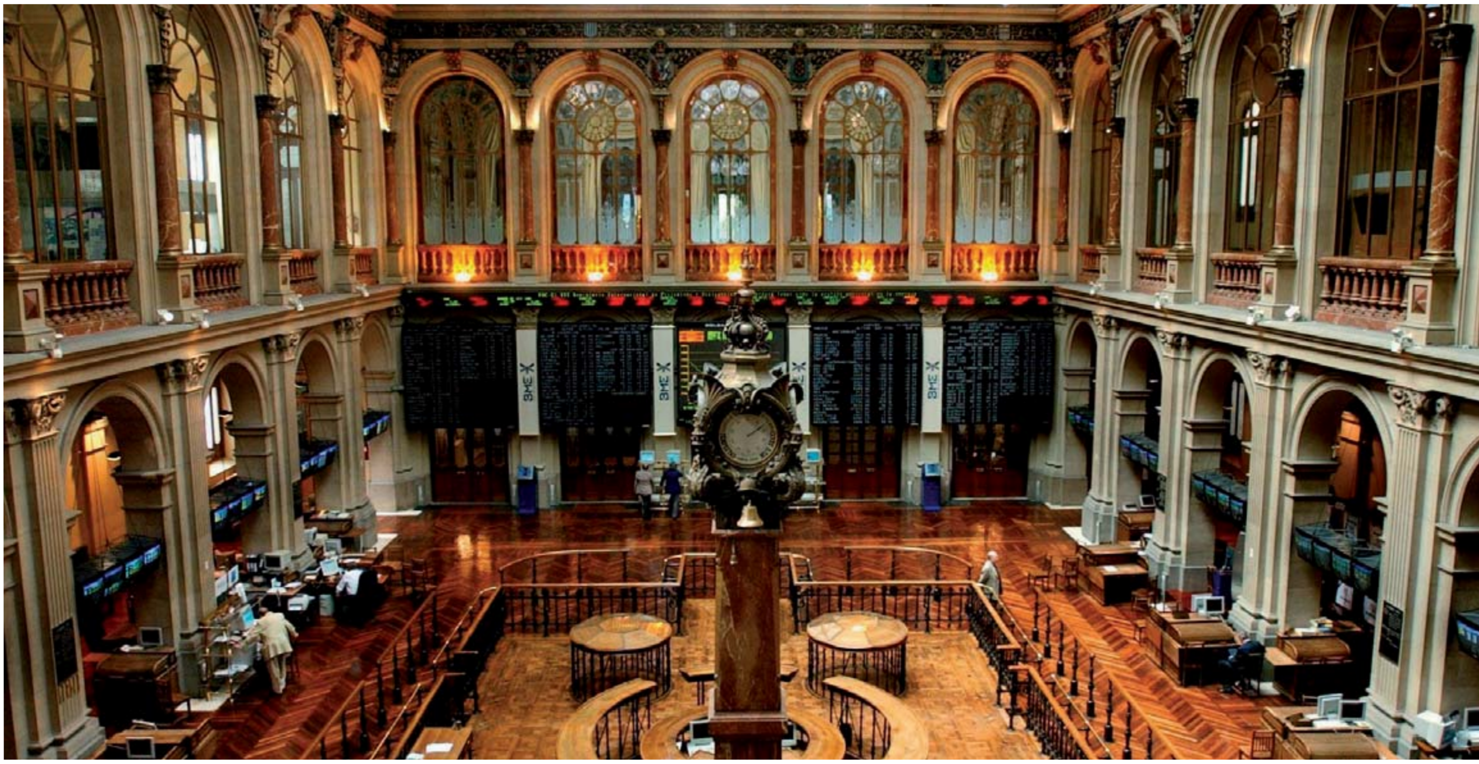
Stock Market Index Trends

100 basis points at December 31, 2004





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Report from Independent Auditors

Compañía Española de Petróleos, S.A. and subsidiaries (CEPSA GROUP)

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AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
Compañía Española de Petróleos, S.A.:

1. We have audited the financial statements of Compañía Española de Petróleos, S.A. comprising the balance sheet at 31 December 2009 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The preparation of these financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made.

2. As required by Spanish corporate and commercial law, for comparison purposes the directors present, in addition to the figures for 2009 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2008. Our opinion refers only to the 2009 financial statements. On 25 March 2009, we issued our auditors' report on the 2008 financial statements, in which we expressed an unqualified opinion.

3. Since the Company is the head of a group and meets certain requirements, it is obliged to prepare consolidated financial statements separately in accordance with International Financial Reporting Standards as adopted by the European Union, on which we issued our auditors' report on 25 February 2010, containing an unqualified opinion. The balances of the main consolidated line items applying International Financial Reporting Standards as adopted by the European Union are detailed in Note 1 to the accompanying financial statements.

4. In our opinion, the accompanying financial statements for 2009 present fairly, in all material respects, the equity and financial position of Compañía Española de Petróleos, S.A. at 31 December 2009 and the results of its operations, the changes in equity and its cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with the generally accepted accounting principles and standards under the Spanish regulations applicable to the Company applied on a basis consistent with that of the preceding year.

5. The accompanying directors' report for 2009 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2009. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Fernando García Beato
25 February 2010

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.77

Consolidated Balance Sheets

at December 31, 2009 and 2008 (Notes 1, 2 and 3)
Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)

ASSETS (Thousands of euros)	2009	2008
Non-current assets		
Intangible assets (Note 4)		
Intangible assets and rights	481,012	513,067
Impairment losses and amortisation charge	(234,158)	(251,789)
Total intangible assets	**246,854**	**261,278**
Goodwill in consolidation (Note 5)	**61,025**	**52,616**
Property, plant and equipment (Note 6)		
Tangible assets and rights	10,339,850	9,500,491
Impairment losses and depreciation charge	(5,227,585)	(4,635,705)
Total property, plant and equipment	**5,112,265**	**4,864,786**
Investments accounted for using the equity method (Note 7)	**88,926**	**95,034**
Non-current financial assets (Note 8)	**109,434**	**141,805**
Deferred tax assets (Note 14)	**88,837**	**129,840**
Total non-current assets	5,707,341	5,545,359
Current assets		
Inventories (Note 9)	**1,448,512**	**1,336,595**
Trade and other receivables (Note 10)	**2,317,936**	**2,059,877**
Current income tax assets	**-**	**34,768**
Other current financial assets (Note 8)	**266,311**	**183,985**
Other current assets	**8,595**	**9,328**
Cash and cash equivalents (Note 11)	**598,537**	**480,954**
Total current assets	4,639,891	4,105,507
Total assets	10,347,232	9,650,866

(The accompanying Notes 1 to 30 are an integral part of these Consolidated Balance Sheets)

SHAREHOLDERS' EQUITY AND LIABILITIES

(Thousands of euros)

	2009	2008
Equity (Note 12)		
Shareholders' Equity		
Share capital	267,575	267,575
Share premium	338,728	338,728
Revaluation reserve	90,936	90,936
Retained earnings	4,201,847	4,194,677
Profit attributable to the Parent	374,688	274,745
Interim dividend paid	(107,030)	(107,030)
Total equity	**5,166,744**	**5,059,631**
Adjustments for changes in value		
Translation differences	66,050	54,675
Other adjustments for changes in value	54,762	24,861
Total adjustments for changes in value	**120,812**	**79,536**
Total equity attributable to shareholders of the parent	**5,287,556**	**5,139,167**
Minority interests (Note 12.f)		
Equity attributed to minority interests	49,119	49,638
Profit attributed to minority interests	16,117	16,267
Total minority interests	**65,236**	**65,905**
Total equity	**5,352,792**	**5,205,072**
Non-current liabilities		
Bank borrowings (Note 13)	1,109,601	916,516
Other financial liabilities (Note 13)	150,926	199,701
Deferred tax liabilities (Note 14)	228,572	275,820
Grants related to assets (Note 15)	81,451	70,119
Provisions (Notes 16 and 17)	130,349	165,157
Other non-current liabilities (Note 18)	31,804	102,838
Total non-current liabilities	**1,732,703**	**1,730,151**
Current liabilities		
Bank borrowings (Note 13)	740,628	738,388
Other financial liabilities (Note 13)	69,647	18,199
Trade and other payables (Note 18)	2,407,498	1,944,260
Current income tax liabilities	35,599	5,399
Other current liabilities	8,365	9,397
Total current liabilities	**3,261,737**	**2,715,643**
Total equity and liabilities	**10,347,232**	**9,650,866**

(The accompanying Notes 1 to 30 are an integral part of these Consolidated Balance Sheets)

Consolidated Statements of Income

for the years ended December 31, 2009 and 2008 (Notes 1, 2 and 3)
Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)

(Thousands of euros)	2009	2008
Sales and services relating to ordinary activity	16,084,145	22,830,564
Excise tax on oil and gas charged on sales	2,280,753	2,284,935
Revenue (Notes 3.n and 25)	**18,364,898**	**25,115,499**
Changes in inventories of finished goods and work in progress	(410,159)	170,684
In-house work on non-current assets	56,169	39,430
Procurements (Note 25)	(12,852,169)	(18,833,595)
Other operating income (Note 25)	43,948	35,884
Staff costs (Note 25)	(530,867)	(554,744)
Changes in operating allowances	524,842	(593,892)
Other operating expenses:		
Excise tax on oil and gas	(2,281,291)	(2,285,169)
Other expenses (Note 25)	(1,777,181)	(2,059,362)
Amortisation charge	(615,877)	(587,810)
Allocation to profit or loss of grants related to non-financial assets and other grants (Note 25)	85,821	126,954
Impairment and gains or losses on disposals of non-current assets (Note 25)	(33,677)	(50,840)
Profit from operations (note 24)	**574,457**	**523,039**
Share in profit of companies accounted for using the equity method (Note7)	35,600	37,492
Finance income (Note 27)	93,698	42,620
Finance costs (Note 27)	(42,140)	(68,870)
Impairment and gains or losses on disposals of financial instruments	1,646	711
Consolidated profit before tax	**663,261**	**534,992**
Income tax (Nota 3.m y 14)	(272,456)	(243,980)
Consolidated profit for the period from continuing operations	**390,805**	**291,012**
Consolidated profit for the period	**390,805**	**291,012**
Attributable to:		
Shareholders of the Parent	**374,688**	**274,745**
Minority interests	**16,117**	**16,267**
Earnings per share:		
Basic	**1.40**	**1.03**
Diluted	**1.40**	**1.03**

(The accompanying Notes 1 to 30 are an integral part of these Consolidated Statements of Income)

Consolidated Cash Flow Statements

for the years ended 31 December, 2009 and 2008
Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)

CASH FLOWS FROM OPERATING ACTIVITIES

(Thousands of euros)

	2009	2008
Net profit for the year	390,805	291,012
Depreciation and amortisation charge and impairment losses	649,554	639,667
Changes in provisions for contingencies and expenses	2,724	37,404
Grants related to assets and other deferred income	(85,821)	(126,970)
Changes in deferred taxes	(11,710)	(74,229)
Impairment and gains or losses on disposals of financial instruments	(1,646)	(1,477)
Current provisions changes	(524,842)	592,267
Other changes	8,627	6,709
Cash flows from operating activities before change in operating working capital	**427,691**	**1,364,383**
Change in operating working capital	**647,681**	**(497,603)**
Total cash flows from operating activities (a)	**1,075,372**	**866,780**

Cash flows from investing activities	2009	2008
Payments		
Intangible assets	(24,748)	(17,509)
Property, plant and equipment	(895,095)	(1,204,444)
Financial assets		
Associates and other investments	(859)	(1,492)
Other financial assets	(65,394)	(47,471)
Consolidated share adquisitions	-	(86,065)
Grants received	7,347	628
Total payments	**(978,749)**	**(1,356,353)**
Collections		
Intangible assets	2,803	1,234
Property, plant and equipment	34,767	8,034
Financial assets	25,576	39,102
Total collections	**63,146**	**48,370**
Total cash flows from investing activities	**(915,603)**	**(1,307,983)**

Cash flows from financing activities	2009	2008
Dividends paid:		
To shareholders of the Parents	(267,575)	(294,333)
To minority interests	(24,557)	(14,675)
Total dividends paid	**(292,132)**	**(309,008)**
Net change in non-current financial liabilities	378,170	726,305
Net change in current financial liabilities	(135,961)	343,064
Net change in financial investments with returns	(5,718)	-
Finance lease payments	(23,184)	(21,183)
Total cash flows from bank borrowings	**213,307**	**1,048,186**
Total cash flows from financing activities	**(78,825)**	**739,178**
Net increase in cash and cash equivalents	**80,944**	**297,975**
Adjustments due to changes in the scope of consolidation	-	3,154
Effect of exchange rate changes	36,639	(28,228)
Cash and cash equivalents at beginning of year	**480,954**	**208,053**
Cash and cash equivalents at end of year	**598,537**	**480,954**

(a) The net income tax payments in 2009 and 2008 amounted to EUR 288,735 and EUR 313,326 thousand, respectively.
The net interest payments for 2009 and 2008 amounted to EUR 1,588 thousand and EUR 24,040 thousand, respectively.

Consolidated Statement of Recognised Income and Expense

for the years ended 31 December 2009 and 2008 (Notes 1, 2 and 3)
Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)

(Thousands of euros)	2009	2008
A) CONSOLIDATED PROFIT FOR THE PERIOD of the income statement	390,805	291,012
B) INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY:	47,769	(51,180)
1. Measurement of financial instruments:	-	(983)
a) Available-for-sale financial assets	-	(983)
2. Cash flow hedges	37,119	(84,864)
3. Translation differences	19,146	14,134
4. Companies accounted for using the equity method	303	(832)
5. Tax effect	(8,799)	21,365
C) TRANSFERS TO PROFIT OR LOSS:	1,278	(7,581)
1. Cash flow hedges	1,826	(10,830)
2. Tax effect	(548)	3,249
Total recognised income/(expenses) (A+B+C)	439,852	232,251
a) Attributable to the Parent	415,964	222,896
b) Attributable to minority interests	23,888	9,355

(The accompanying Notes 1 to 30 are an integral part of these Consolidated Statement of Comprenhensive Income)

Consolidated Statement of Changes in Equity

for the years ended 31 December 2009 and 2008 (Notes 1, 2 and 3)
Compañía Española de Petróleos, S.A. and Subsidiaries (Consolidated Group)

(Thousands of euros)

	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Translation Differences	Interim Dividend	Reserve for Fair Value Accounting of Assets and Liabilities	Minority Interests	Total
Balance at 01/01/08	**267,575**	**338,728**	**90,936**	**4,529,146**	**33,629**	**(147,166)**	**97,756**	**71,225**	**5,281,829**
Profit for the year				274,745				16,267	291,012
Gains (losses) recognised directly in equity					21,046		(72,895)	(6,912)	(58,761)
Total gains (losses) recognised directly in equity	**-**	**-**	**-**	**274,745**	**21,046**	**-**	**(72,895)**	**9,355**	**232,251**
Changes due to transactions with shareholders									
- Gross dividend				(334,469)		147,166		(13,519)	(200,822)
- Interim dividend						(107,030)		(1,156)	(108,186)
Total transactions with shareholders	**-**	**-**	**-**	**(334,469)**	**-**	**40,136**	**-**	**(14,675)**	**(309,008)**
Balance at 31/12/2008	**267,575**	**338,728**	**90,936**	**4,469,422**	**54,675**	**(107,030)**	**24,861**	**65,905**	**5,205,072**

(Thousands of euros)

	Share Capital	Share Premium	Revaluation Reserve	Retained Earnings	Translation Differences	Interim Dividend	Reserve for Fair Value Accounting of Assets and Liabilities	Minority Interests	Total
Balance at 01/01/09	**267,575**	**338,728**	**90,936**	**4,469,422**	**54,675**	**(107,030)**	**24,861**	**65,905**	**5,205,072**
Profit for the year				374,688				16,117	390,805
Total gains (losses) recognised directly in equity					11,375		29,901	7,771	49,047
Gains (losses) recognised directly in equity	**-**	**-**	**-**	**374,688**	**11,375**	**-**	**29,901**	**23,888**	**439,852**
Changes due to transactions with shareholders									
- Gross dividend				(267,575)		107,030		(15,471)	(176,016)
- Interim dividend						(107,030)		(9,086)	(116,116)
Total transactions with shareholders	**-**	**-**	**-**	**(267,575)**	**-**	**-**	**-**	**(24,557)**	**(292,132)**
Balance at 31/12/2009	**267,575**	**338,728**	**90,936**	**4,576,535**	**66,050**	**(107,030)**	**54,762**	**65,236**	**5,352,792**

(The accompanying Notes 1 to 30 are an integral part of these Consolidated Statement of Changes in Equity)

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Information to the Annual General Meeting of Shareholders

Summary of Proposals to be Submitted by the Board of Directors for Approval of the 2010 Annual General Meeting of Shareholders of Compañía Española de Petróleos, S.A. (CEPSA)

1. To study and approve, where applicable, the Financial Statements and Management Discussion & Analysis for Compañía Española de Petróleos, S.A. and its Consolidated Group, as well as the Proposed Profit Distribution and the governance and management of Compañía Española de Petróleos, S.A., all pertaining to fiscal year 2009.

2. To ratify, re-elect and fix the number, where applicable, of Directors of the Company:

2.1 To ratify the appointment of Khadem Al Qubaisi

2.2 To ratify the appointment of David Forbes

2.3 To ratify the appointment of Nathalie Brunelle

2.4 To re-elect José Manuel Otero Novas

2.5 To fix the number of seats on the Board of Directors

3. To amend Article 47 of the Corporate Bylaws.

4. To reappoint Deloitte, S.L. for a one-year period, as the independent auditors to examine and review the 2010 Financial Statements of Compañía Española de Petróleos, S.A. and the companies pertaining to its Consolidated Group.

5. .To delegate powers to the Chairman, Chief Executive Officer or Secretary of the Board in order to notarize and convert the resolutions passed at the Annual Meeting of Shareholders into a public deed, as required, as well as to formalize, execute or register them, as needed, with the Public Registries.

Compañía Española de Petróleos, S.A. Proposal for 2009 Profit Distribution

Basis of Distribution:

(Euros)

2009 Income	**406,013,055.97**
Total	406,013,055.97

Distribution to:

(Euros)

Dividends	**214,059,952.80**
Interim Dividend	107,029,976.40
Final Dividend	107,029,976.40
Voluntary Reserves	**191,953,103.17**
Total	406,013,055.97

At its meeting of November 25, 2009, the Board of Directors declared an interim dividend on the year's earnings of €0.40 per share, equivalent to €107,029,976.4, which was paid out on December 14, 2009.

If the proposed profit distribution, to be submitted to the next Annual General Meeting of Shareholders, is approved, a final dividend of €0.40 per share will be distributed, with total dividend per share coming to €0.80 per share.

Notes from the Board of Directors

At the Board of Directors meeting held on May 25, 2009, Pedro López Jiménez tendered his resignation from his seat on the Board as a result of having resigned from his positions as Chairman and Director of Unión Fenosa, S.A., on whose behalf he served on CEPSA's Board, and in fulfillment of the Resolution of February 11, 2009 handed down by the National Competition Committee in connection with the Gas Natural/Unión Fenosa, S.A. transaction and Article 26 of CEPSA's Board Rules and Regulations. The Board thanked him for his exceptional service and dedication to the Company throughout his tenure.

As set forth in Article 35 of the Company Bylaws, the Annual General Meeting of Shareholders of June 26, 2009 ratified the appointments of the directors Santiago Bergareche Busquet, Joël Vigneras and Jean-Luc Guiziou. Mr. Bergareche was co-opted onto the Board at its meeting held on June 27, 2008 while Messrs. Vigneras and Guiziou were co-opted at the meeting held on September 25, 2008.

The same Annual Meeting also resolved to re-elect the incumbent directors, Juan Rodriguez Inciarte and Ernesto Mata López, for additional five-year terms of office, pursuant to the provisions of Article 34 of the Company Bylaws.

The Annual Meeting likewise resolved to amend the wording of Articles 26 and 51 of the Corporate Bylaws and Article 9 of the Rules and Regulations of Shareholder Meetings, so that certain issues concerning deadlines for summoning Annual Meetings and Directors' compensation, as set out in legal provisions and in the rulings handed down by the Administrative Appeals and Litigation Section of the Supreme Court on November 13, 2008, case numbers 2578/2004 and 3991/2004, can be regulated in the aforesaid articles.

On July 30, 2009,the transaction wearby international petroleum investement company (IPIC) adquired the stakes held by Banco Santader and Unión Fenosa, S.A. was completed. As a result of this deal, the United Arab Emirates-based company now owns 47.062% of CEPSA's share capital, with TOTAL, S.A.'s stake at 48.834% and the free float at 4.104%.

Banco Santander has been a core shareholder of the Company from 1933 until the aforesaid date of July 30, 2009. Under the name Banco Internacional de Industria y Comercio, later on becoming Banco Central, it took part in CEPSA's development practically from the very beginning. Subsequently, Banco Central merged with Banco Hispanoamericano and the resulting bank then merged with Banco Santander.

Unión Fenosa joined CEPSA's shareholding body in 1995, with a 5% stake which it held until the time of its divestment. Throughout the years, the Spanish utility company has been a steady and active shareholder, helping CEPSA reach its many ambitious targets and providing its expertise in the gas and power sectors where it has emerged as an industry leader in recent years.

At its meeting of October 1, 2009, the Board accepted the resignations tendered by the shareholder-representative directors Alfredo Saénz Abad, Fernando de Asúa Álvarez, Juan Rodríguez Inciarte and Ernesto Mata López, thanking them all for their tireless contributions and service to CEPSA during their tenures. At this same meeting and as proposed by the Nomination and Compensation Committee, the

shareholders Khadem Al Qubaisi and David Forbes were provisionally co-opted onto the Board, according to the provisions of Article 35 of the Company Bylaws and as proposed by International Petroleum Investment Company, as shareholder-representative directors and their appointments will be submitted for ratification, where applicable, at the next Annual Meeting. Additionally, Mr. Al Qubaisi was appointed Vice Chairman of the Board and was also elected to serve on the Nomination and Compensation Committee, in replacement of the outgoing director, Mr. Saénz.

Likewise at this meeting, the Board of Directors accepted the resignation, as a result of changes in the shareholding structure, handed in by the independent director, José Luis Leal Maldonado, expressing their gratitude for Mr. Leal's invaluable contributions to the Company during his years of service.

The Board also accepted the resignations tendered by the directors Joël Vigneras and Jean-Luc Guiziou, on account of the decrease in the number of Board members representing TOTAL due to the reduction in the Board's size. The Board of Directors thanked them both for their steadfast support and commitment to the development of the Group throughout their tenures.

Accordingly, the number of seats on the Board of Directors was fixed at thirteen, with nine non-executive shareholder representative directors, three independent directors and one executive director.

The Board of Directors meeting on February 25, 2010, formulated and approved the 2009 Financial Statements and the Management Discussion & Analysis, for CEPSA and its Consolidated Group, all documents signed, as proof of consent, by each of the Board members, having likewise approved in the same meeting, the Proposed 2009 Profit Distribution for Compañía Española de Petróleos, S.A., pursuant to what is set forth in Article 171-2 of the Companies Act in force and other applicable laws. The Board of Directors also formulated, approved and resolved to submit the Explanatory Report on the MD&A to the next Annual Meeting held by the Company.

The Board, at this same meeting, also approved CEPSA's 2009 Corporate Governance Report, which is included in the Management Discussion & Analysis of Compañía Española de Petróleos, S.A.

Lastly, and likewise at this meeting, the Board approved the proposal to pay out a final dividend of €0.40 per share, placing the total dividend at €0.80 per share, 20% less than the dividend distribution for 2008. This proposal will be submitted to the 2010 Annual Meeting for approval.

The Board of Directors would like to extend their sincerest gratitude and appreciation to all of the employees of the CEPSA Group, in each and every one of its centers, for their commitment, hard work and loyal service throughout the year.

CEPSA Group Financial Information

Statement of Income

for the years ended December 31

(Millions of euros)

	2009	2008	2007	2006	2005
Sales of products and services	16,084	22,831	18,888	18,474	16,188
Excise tax on oil and gas charged to sales	2,281	2,285	2,342	2,233	2,182
Net sales	**18,365**	**25,116**	**21,230**	**20,707**	**18,370**
Adjusted gross operating income (*)					
Exploration & Production	472	581	499	499	461
Refining & Marketing	380	642	691	772	924
Petrochemicals	143	183	133	122	211
Gas & Power	63	87	60	83	99
Total adjusted gross operating income	**1,058**	**1,493**	**1,383**	**1,476**	**1,695**
Adjusted operating income (*)					
Exploration & Production	236	332	380	394	354
Refining & Marketing	113	394	440	585	689
Petrochemicals	62	88	63	53	143
Gas & Power	57	66	34	49	77
Total adjusted operating income	**468**	**880**	**917**	**1,081**	**1,263**
Inventory gains / (losses)	159	(350)	160	67	250
Other non-recurring items	(53)	(7)	4	(3)	2
Total operating income IFRS	**574**	**523**	**1,081**	**1,145**	**1,515**
Income before taxes IFRS	**663**	**535**	**1,170**	**1,190**	**1,518**
Corporate income taxes	(272)	(244)	(405)	(385)	(496)
Net income/(loss) from discontinued operations	-	-	-	21	(1)
Net income (before minority interests) IFRS	**391**	**291**	**765**	**826**	**1.021**
Minority interests	(16)	(16)	(17)	(14)	(11)
Net income IFRS	**375**	**275**	**748**	**812**	**1.010**
Net losses / (gains) from non-recurring items in the period	(110)	249	(110)	(62)	(163)
Adjustment to minority interests due to net losses / (gains) from non-recurring items in the period	5	-	-	-	-
Adjusted net income	**270**	**524**	**638**	**750**	**847**

(*) Adjusted using the Replacement Cost method to eliminate inventory price variations and other non-recurring items in the period

Tangible Fixed Assets, Intangible Assets and Long-Term Financial Investments in Associated Companies (Breakdown by Business Segments)

(Millions of euros)

	2009	2008	2007	2006	2005
Exploration & Production	214	742	98	91	76
Refining & Marketing	594	680	413	340	368
Petrochemicals	34	27	65	121	77
Technology, Gas & Cogeneration	101	125	55	21	24
Corporate Area	8	5	4	8	6
Total Investments	**951**	**1,579**	**635**	**581**	**551**

Statements of Cash Flows

for the years ended December 31

(Millions of euros)

	2009	2008	2007	2006	2005
Cash flows from operating activities					
Cash flows from operating activities (before changes in working capital)	428	1,365	1,154	1,180	1,480
Changes in operating working capital	647	(498)	(229)	(159)	(459)
Total cash flows from operating activities	**1,075**	**867**	**925**	**1,021**	**1,021**
Cash flows used in investing activities					
Capital expenditures	(985)	(1,357)	(650)	(550)	(414)
Capital grants received	7	1	7	2	-
Proceeds from asset sales	63	48	52	54	54
Investments due to changes in Group	-	-	-	-	-
Total cash flows used in investing activities	**(915)**	**(1,308)**	**(591)**	**(494)**	**(360)**
Cash flows (used in)/from financing activities					
Changes in short or long term loans	213	1,048	(116)	(224)	(96)
Cash dividend paid	(292)	(309)	(342)	(346)	(309)
Total cash flows (used in)/from financing activities	**(79)**	**739**	**(458)**	**(570)**	**(405)**
Total net increase/(decrease) in cash and cash equivalents	**81**	**298**	**(124)**	**(43)**	**256**

Balance Sheet (before profit distribution)

at December 31

(Millions of euros)

ASSETS	2009	2008	2007	2006	2005
Fixed assets:	**5,646**	**5,492**	**4,521**	**4,427**	**4,226**
Intangible assets	247	261	152	184	182
Tangible fixed assets	5,112	4,864	3,988	3,836	3,705
Long-term financial investments	287	367	381	407	339
Goodwill in consolidation	**61**	**53**	**41**	**38**	**38**
Non-current assets	**5,707**	**5,545**	**4,562**	**4,465**	**4,264**
Current assets					
Inventories	1,449	1,337	1,739	1,591	1,439
Accounts receivable	2,318	2,095	2,808	2,251	2,225
Other short-term investments	266	184	110	67	139
Other current assets	9	9	14	13	31
Cash and cash equivalents	598	481	208	326	371
Current assets	**4,640**	**4,106**	**4,879**	**4,248**	**4,205**
Non-current assets held for sale and from discontinued operations	-	-	-	11	6
Total Assets	10,347	9,651	9,441	8,724	8,475

(Millions of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES	2009	2008	2007	2006	2005
Equity attributable to shareholders of the parent company	**5,288**	**5,139**	**5,212**	**4,779**	**4,310**
Equity	**5,168**	**5,060**	**5,080**	**4,666**	**4,188**
Subscribed capital stock	268	268	268	268	268
Paid-in surplus	339	339	339	339	339
Revaluation reserve	91	91	91	91	91
Retained earnings	4,202	4,194	3,781	3,303	2,627
Income attributable to the parent company	375	275	748	812	1,010
Interim dividend paid in the year	(107)	(107)	(147)	(147)	(147)
Adjustments for changes in value	**120**	**79**	**132**	**113**	**122**
Translation differences	66	54	34	27	41
Other adjustments for changes in value	54	25	98	86	81
Minority interests	**65**	**66**	**71**	**59**	**64**
Total Shareholders' Equity	**5,353**	**5,205**	**5,283**	**4,838**	**4,374**
Non-current liabilities					
Payable to credit entities	1,110	917	287	442	667
Other interest-bearing loans	151	200	146	141	130
Capital grants	81	70	70	62	67
Provisions	130	165	202	252	252
Other non-current liabilities	261	378	478	459	450
Non-current liabilities	**1,733**	**1,730**	**1,183**	**1,356**	**1,566**
Current liabilities					
Payable to credit entities	741	738	257	284	313
Other interest-bearing loans	70	18	66	26	31
Other current liabilities	2,450	1,960	2,652	2,220	2,191
Current Liabilities	**3,261**	**2,716**	**2,975**	**2,530**	**2,535**
Total Shareholders' Equity and Liabilities	**10,347**	**9,651**	**9,441**	**8,724**	**8,475**

Intangible and Tangible Fixed Assets

at December 31

(Millions of euros)

	2009	2008	2007	2006	2005
Gross intangible assets:	**481**	**513**	**397**	**552**	**431**
Research & Development costs	-	-	-	-	1
Operating licenses, concessions, patents, etc.	74	70	80	71	69
Goodwill	20	21	5	5	5
EDP computer software	147	136	128	118	111
Other intangible assets	240	286	184	358	245
Amortization and provisions of intangible assets:	**234**	**252**	**245**	**368**	**249**
Research & Development costs	-	-	-	-	1
Operating licenses, concessions, patents, etc.	39	35	41	37	35
Goodwill	-	-	5	4	4
EDP computer software	116	107	102	92	83
Other intangible assets	79	110	97	235	126
Net intangible assets:	**247**	**261**	**152**	**184**	**182**
Research & Development costs	-	-	-	-	-
Operating licenses, concessions, patents, etc.	35	35	39	34	34
Goodwill	20	21	-	1	1
EDP computer software	31	29	26	26	28
Other intangible assets	161	176	87	123	120
Gross tangible fixed assets:	**10,340**	**9,500**	**8,090**	**7,591**	**7,144**
Land and structures	384	373	341	313	309
Technical installations and machinery	5,901	5,539	5,349	5,041	4,801
Investments in oil and gas producing assets	1,975	1,892	1,216	1,121	1,045
Other installations, tools and furniture	128	121	110	100	96
Advances and construction in progress	1,248	877	428	392	317
Other fixed assets	704	698	646	624	576
Depreciation and provisions of tangible fixed assets:	**5,228**	**4,636**	**4,102**	**3,755**	**3,439**
Land and structures	100	101	83	73	65
Technical installations and machinery	3,576	3,302	3,073	2,889	2,708
Investments in oil and gas producing assets	1,155	933	691	571	478
Other installations, tools and furniture	96	91	82	69	61
Other fixed assets	301	209	173	153	127
Net tangible fixed assets:	**5,112**	**4,864**	**3,988**	**3,836**	**3,705**
Land and structures	284	272	258	240	244
Technical installations and machinery	2,325	2,237	2,276	2,152	2,093
Investments in oil and gas producing assets	820	959	525	550	567
Other installations, tools and furniture	32	30	28	31	35
Other fixed assets	403	489	473	471	449
Advances and construction in progress	1,248	877	428	392	317

Statement of Capital Employed (before profit distribution)

at December 31

(Millions of euros)

	2009	2008	2007	2006	2005
Capital Employed					
1. Net fixed assets	**5,671**	**5,472**	**4,546**	**4,433**	**4,264**
2. Working capital	**1,542**	**1,672**	**1,970**	**1,672**	**1,588**
Net Assets	**7,213**	**7,144**	**6,516**	**6,105**	**5,852**
3. Long-term operating liabilities	**(472)**	**(614)**	**(751)**	**(774)**	**(811)**
Capital Employed	**6,741**	**6,530**	**5,765**	**5,331**	**5,041**
Capital Used					
4. Permanent resources:	**6,614**	**6,322**	**5,716**	**5,421**	**5,171**
4.1. Shareholders' equity	5,288	5,139	5,212	4,779	4,310
4.2. Minority interests	65	66	71	59	64
4.3. Long-term interest-bearing loans	1,261	1,117	433	583	797
5. Net short-term financing:	**127**	**208**	**49**	**(90)**	**(130)**
5.1. Short-term financing	811	756	323	308	341
5.2. Short-term interest-bearing loans	(86)	(67)	(66)	(72)	(100)
5.3. Cash and cash equivalents	(598)	(481)	(208)	(326)	(371)
Capital Used	**6,741**	**6,530**	**5,765**	**5,331**	**5,041**

Breakdown of Adjusted Capital Employed by Business Segments

at December 31

(Millions of euros)

	2009	2008	2007	2006	2005
Adjusted Capital Employed					
Exploration & Production	949	1.052	493	509	538
Refining & Marketing	3,936	3,847	3,476	3,213	2,925
Petrochemicals	996	1,029	1,044	1,010	1,013
Gas & Power	492	345	251	224	247
Adjusted Capital Employed	**6,373**	**6,273**	**5,264**	**4,956**	**4,723**
Inventory gains / (losses) after taxes	368	257	501	375	318
Total Capital Employed	**6,741**	**6,530**	**5,765**	**5,331**	**5,041**

Structure of Statement of Capital Employed (before profit distribution)

at December 31

(%)

	2009	2008	2007	2006	2005
1. Net fixed assets	84.13%	83.80%	78.86%	82.97%	84.37%
2. Working capital	22.87%	25.60%	34.17%	31.29%	31.43%
3. Long-term operating liabilities	(7.00)%	(9.40)%	(13.03)%	(14.26)%	(15.80)%
Capital employed	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
4. Permanent resources	98.12%	96.81%	99.15%	101.68%	102.56%
5. Net short-term financing	1.88%	3.19%	0.85%	(1.68)%	(2.56)%

Profitability and Equity Ratios

at December 31

(%)

	2009	2008	2007	2006	2005
Return on Average Capital Employed (ROACE) (1)	4.6%	9.8%	12.6%	16.0%	18.8%
Return on Average Equity (ROAE) (2)	7.2%	5.3%	15.0%	17.9%	25.6%
Ajusted Return on Average Equity (ROAE) (3)	5.5%	10.9%	14.0%	17.9%	22.8%
Net income attributable to the parent company / Average number of shares	1.4	1.0	2.8	3.0	3.8
Adjusted net income attributable to the parent company / Average number of shares	1.0	2.0	2.4	2.8	3.2
Net Income attributable to the parent company / Net sales revenues (4)	2.3%	1.2%	4.0%	4.4%	6.2%
Adjusted net income attributable to the parent company / Net sales revenues (5)	1.7%	2.3%	3.4%	4.1%	5.2%
Average financial debt / Cash flows from operating activities	1.3	1.0	0.5	0.6	0.8
Net interest-bearing debt (includes internal allowances) / Shareholders' equity (GEARING)	25.9%	25.5%	9.1%	10.2%	15.2%

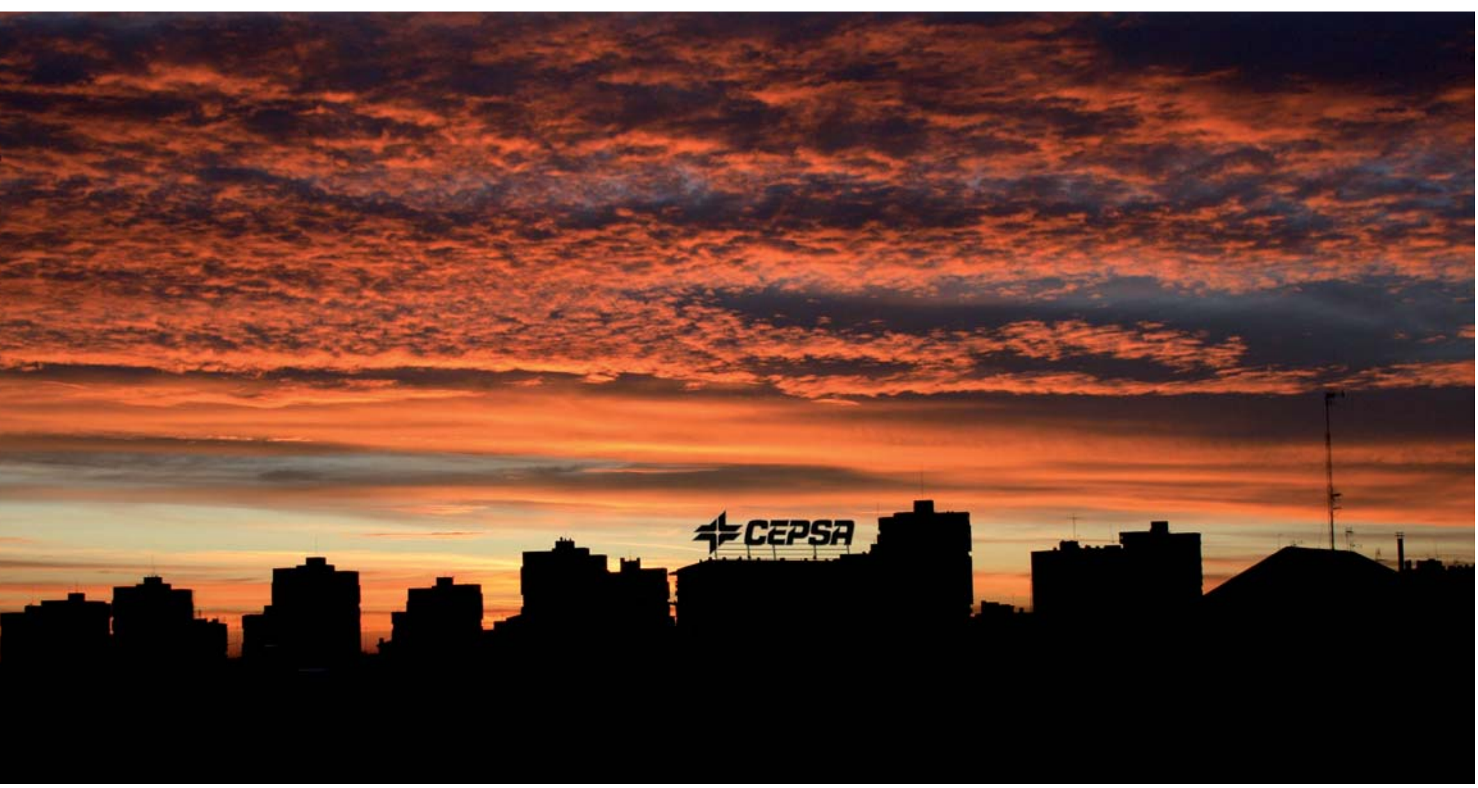
(1) Net Income before interest, deducting operating taxes / Adjusted average capital employed
(2) Net income attributable to the parent company / Average shareholders' equity
(3) Adjusted net income attributable to the parent company / Adjusted average shareholders' equity
(4) Net Income attributable to the parent company / Net sales revenues excluding excise tax on oil and gas charged to sales
(5) Net Income attributable to the parent company / Net sales revenues excluding excise tax on oil and gas charged to sales

Operating Environment Indicators

	2009	2008	2007	2006	2005
Brent crude ($/barrel)	61.51	96.99	72.52	65.14	54.38
Exchange rate ($/ €)	1.395	1.471	1.370	1.255	1.245

CEPSA Group
Key Addresses

Center	Address	Telephone	Fax
Head offices	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 725 41 16
Tenerife Refinery	Alvaro Rodríguez López, s/n 38005 Sta. Cruz de Tenerife (Tenerife)	922 60 26 00	922 21 88 03
Gibraltar-San Roque Refinery	Puente Mayorga, s/n 11360 San Roque (Cádiz)	956 69 80 60	956 10 34 77
La Rábida Refinery	Polígono Nuevo Puerto Apdo. 289 21080 Palos de la Frontera (Huelva)	959 53 00 35	959 35 01 19



Subsidiaries

Company	Address	Telephone	Fax
ASFALTOS ESPAÑOLES, S.A. (ASESA)	Orense, 34 28020 Madrid	91 597 04 65	977 54 06 06
CEPSA AVIACIÓN, S.A.	Camino de San Lázaro, s/n 38206 La Laguna (Tenerife)	922 31 44 64	922 25 09 40
CEPSA CARD, S.A.	Avda. del Partenón, 12 28042 Madrid	902 322 110	91 337 76 66
CEPSA COLOMBIA, S.A.	Avda. Ribera del Loira, nº 50 28042 Madrid	91 337 72 10	91 337 72 15
CEPSA E. P., S.A.	Avda. Ribera del Loira, nº 50 28042 Madrid	91 337 72 10	91 337 72 15
CEPSA EGYPT, S.A., B.V.	10, Road 261 New Maadi - Cairo (Egypt)	00 202 2522 9500	00 202 2522 9501
CEPSA ESTACIONES DE SERVICIO, S.A.	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 75 58
CEPSA GAS LICUADO, S.A.	Avda. Ribera del Loira, nº 50 28042 Madrid	902 416 416	91 337 96 48
CEPSA LUBRICANTES, S.A.	Avda. Ribera del Loira, nº 50 28042 Madrid	91 337 75 55	91 337 95 86
CEPSA MARINE FUELS (CMF)	Avda. Ribera del Loira, nº 50 28042 Madrid	91 337 69 52	91 337 60 27

Subsidiaries

Company	Address	Telephone	Fax
CEPSA OPERACIONES MARINA-AVIACIÓN, S.A.	Avda. Francisco Larrache, 21 38001 Santa Cruz de Tenerife	922 28 30 02	922 27 30 09
CEPSA PANAMÁ, S.A.	50, Edificio Banco Alemán, 6º Ciudad de Panamá	00 507 214 77 09	00 507 214 83 00
CEPSA PERÚ, S.A.	Avda. del Partenón, 12 28042 Madrid	91 337 72 10	91 337 72 15
CEPSA PORTUGUESA PETRÓLEOS, S.A.	Rua General Firmino Miguel, nº 3 Torre 2 - 2º andar 1600-100 Lisbon (Portugal)	00 351 21 721 76	00 351 21 727 52 69
CEPSA QUÍMICA, S.A.	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 725 41 16
CEPSA QUÍMICA BÉCANCOUR	5250 Boulevard Bécancour Bécancour - Québec - G9H 3X3 Canada	00 1 819 294 14 14	00 1 819 294 26 26
CEPSA QUÍMICA MONTRÉAL	10200 Sherbrooke St. East H1B 1 B4 - Montreal - Québec Canada	00 1 614 645 78 87	00 1 514 645 91 15
CIA. ESPAÑOLA DISTRIBUIDORA DE PETRÓLEOS, S.A.	C/ Hernández de Tejada S/N (esquina C/ Agastia). 28027. Madrid.	91 301 87 32	91 368 26 16
CMD AEROPUERTOS CANARIOS, S.A.	Polígono Industrial Valle de Güimar Manzana XIV parcelas 17 y 18 38008 Güimar (Santa Cruz de Tenerife)	922 50 53 44	922 50 53 80

Subsidiaries

Company	Address	Telephone	Fax
DERIVADOS ENERGÉTICOS PARA EL TRANSPORTE Y LA INDUSTRIA, S.A (DETISA)	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 95 33
DETÉN QUÍMICA	Rua Hidrogênio, 1744 Complejo Petroquímico de Camaçari 42810-000 Salvador de Bahía (Brazil)	00 55 13 63 43 200	00 55 71 36 34 51 56
GENERACIÓN ELÉCTRICA PENINSULAR S.A.	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 95 33
LUBRICANTES DEL SUR	Avda. Ribera del Loira, 50 28042 Madrid	91 337 75 80	91 337 75 89
NUEVA GENERADORA DEL SUR, S.A.	Avda. de San Luis, 77 28033 Madrid	91 210 78 77	91 567 60 88
PRODUCTOS ASFÁLTICOS, S.A.	Avda. Ribera del Loira, 50 28042 Madrid	91 337 71 27	91 337 71 33
SEGEPER	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 68 19
PROMIMER	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 62 25
PETROPESCA	Avda. del Partenón, 12 28042 Madrid	91 337 6220	91 337 9729

For any inquiries about the 2009 Financial Statements and Management Discussion & Analysis, or any other document mentioned in this Annual Report, please contact our Corporate Communications & Institutional Relations Division at the Company headquarters located at:

Avenida del Partenon 12, Campo de las Naciones, 28042 Madrid, Spain.

Or the Shareholder Service Office at the toll-free number **900 10 12 82**
and e-mail adress:**oficina.accionista@cepsa.com**

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www.cepsa.com

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