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Notes from the Board of Directors



As set forth in Article 35 of the Company Bylaws, the Annual General Meeting of Shareholders of June 27, 2008 ratified the appointments of the Directors Saeed Al Mehairbi and Humbert de Wendel, both of whom were co-opted onto the Board at the meeting of this body held on September 27, 2007.

The same Annual Meeting also resolved to re-elect the incumbent Directors, Bernadette Spinoy and Dominique de Riberolles, for another five-year term of office, pursuant to the provisions of Article 34 of the Company Bylaws.

The Board of Directors, at its meeting held after the Annual Meeting, resolved to accept the resignation tendered by Carlos Pérez de Bricio Olariaga as a Director, and consequently, as Chairman of the Board, Executive Committee and Nomination and Compensation Committee, at the same time acknowledging his outstanding contributions throughout his years of exceptional service and dedication to the Company.

Carlos Perez de Bricio has had a long and distinguished professional career in the industrial sector and occupied high-ranking public offices, having been appointed Minister of Industry from 1975 to 1977. He was elected to CEPESA's Board of Directors in May 1978 and in 1996 he became Chairman of CEPESA's Board, Executive Committee and Nomination and Compensation Committee as well as Chief Executive Officer. During his tenure and under his leadership and guidance, the Company undertook a series of large-scale investments that led to the culmination of major projects both in

Spain and around the world, helping CEPESA to emerge as a recognized industry leader.

At this same meeting of June 27, 2008, the Board of Directors resolved to amend the wording of paragraph 7 of Article 16 of the Rules and Regulations of the Board, the original text of which was initially approved by the Board of Directors at its meeting of March 25, 2004 and presented for information purposes to the Annual General Meeting of Shareholders on May 28, 2004, with the following wording: "The Chairperson of the Board of Directors shall likewise be the Chairperson of the Executive Committee and secretarial duties shall be performed by the Secretary of the Board, who may be assisted by the Vice-Secretary." Following the aforementioned amendment approved on the aforesaid date, paragraph 7 of Article 16 of the Rules and Regulations of the Board of Directors, thereafter had the following wording: "The Chairperson of the Executive Committee shall be appointed by the Board and the secretarial duties of the Executive Committee shall be performed by the Secretary of the Board, who may be assisted by the Vice-Secretary."

Likewise at this meeting, and as proposed by the Nomination and Compensation Committee, it was resolved to provisionally co-opt the shareholder Santiago Bergareche Busquet onto the Board as an Independent Director, to replace the outgoing Director Mr. Perez de Bricio, pursuant to Article 35 of the Company Bylaws. Mr. Bergareche's appointment will be submitted for ratification, where applicable, at CEPESA's next Annual Meeting.

The Board, at this same meeting of June 27, 2008, also unanimously resolved, as proposed by the Nomination and Compensation Committee, to appoint the Director, Santiago Bergareche, as non-executive Chairman of the Board, in fulfillment of the provisions of Article 39 of the Company Bylaws, and as Chairman of the Nomination and Compensation Committee, under the terms set forth in Article 46 of the Bylaws and Article 18 of the Board Rules.

Following the re-election of Dominique de Riberolles as a Director by the AGM, the Board resolved, as proposed by the Nomination and Compensation Committee, to confirm him as Chief Executive Officer of the Company, pursuant to what is stated in Article 39 of the Company Bylaws, likewise confirming the powers assigned to him to perform his duties.

At its meeting of September 25, 2008, the Board of Directors accepted the resignations, due to their retirement, of Jacques Porez and Jean Privey, thanking them both for their tireless contributions and service to CEP SA during their tenures. To fill the vacancies on the Board of Directors and as proposed by the Nomination and Compensation Committee, the shareholders Joël Vigneras and Jean-Luc Guiziou were provisionally co-opted onto the Board, according to the provisions of Article 35 of the Company Bylaws, as non-executive shareholder-representative directors. Their appointments will be submitted for ratification, where applicable, at the next Annual Meeting.

The Board of Directors meeting on March 24, 2009 formulated and approved the 2008 Financial

Statements and the Management Discussion & Analysis, for CEP SA 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 2008 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 CEP SA's 2008 Corporate Governance Report.

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



CEPSA Group

Statement of Income for the years ended December 31

2008 2007 2006 2005 2004

(Millions of euros)

Sales of products and services	22,831	18,888	18,474	16,188	11,945
Excise tax on oil and gas charged to sales	2,285	2,342	2,233	2,182	2,168
Net sales	25,116	21,230	20,707	18,370	14,113
Other operating income	323	196	275	278	97
Total sales and operating revenues	25,439	21,426	20,982	18,648	14,210
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) (*)					
Exploration & Production	581	499	499	461	399
Refining & Marketing	666	732	822	938	730
Petrochemicals	186	138	126	211	182
Gas & Power	87	60	83	99	42
Adjusted earnings before interest, taxes, depreciation and amortization	1,520	1,429	1,530	1,709	1,353
Adjusted operating income (*)					
Exploration & Production	330	377	396	357	301
Refining & Marketing	395	495	591	707	543
Petrochemicals	78	51	53	136	91
Gas & Power	66	33	49	76	23
Total adjusted operating income	869	956	1,089	1,276	957
Inventory gains/(losses)	(350)	160	67	250	85
Other non-recurring items	(7)	4	(3)	2	5
Total operating income IFRS	512	1,120	1,153	1,528	1,048
Income before taxes	535	1,170	1,190	1,518	1,058
Corporate income taxes	(244)	(405)	(385)	(496)	(364)
Income from continuing operations	291	765	805	1,022	694
Net income/(loss) from discontinued operations	-	-	21	(1)	(3)
Net income (before minority interests)	291	765	826	1,021	691
Minority interests	(16)	(17)	(14)	(11)	(8)
Net income IFRS	275	748	812	1,010	684
Net losses/(gains) from non-recurring items in the period	249	(110)	(62)	(163)	56
Recurring net income	524	638	750	847	628

(*) Adjusted at Replacement Cost method to eliminate inventory price variations

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

	2008	2007	2006	2005	2004
	(Millions of euros)				
Exploration & Production	742	98	91	76	58
Refining & Marketing	680	413	340	368	442
Petrochemicals	27	65	121	77	29
Technology, Gas & Cogeneration	125	55	21	24	40
Corporate Area	5	4	8	6	10
Total	1,579	635	581	551	579

Statements of Cash Flows for the years ended December 31

	2008	2007	2006	2005	2004
	(Millions of euros)				
Cash flows used in investing activities					
Cash flows from operating activities (before changes in working capital)	1,365	1,154	1,180	1,480	1,056
Changes in operating working capital	(498)	(229)	(159)	(459)	(110)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	867	925	1.021	1.021	946
Cash flows used in investing activities					
Capital expenditures	(1,357)	(650)	(550)	(414)	(553)
Capital grants received	1	7	2	-	2
Proceeds from asset sales	48	52	54	54	66
Investments due to changes in Group				-	-
TOTAL CASH FLOWS USED IN INVESTING ACTIVITIES	(1.308)	(591)	(494)	(360)	(485)
Cash flows (used in)/from financing activities					
Changes in short or long-term loans	1,048	(116)	(224)	(96)	(182)
Cash dividend paid	(309)	(342)	(346)	(309)	(260)
TOTAL CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	739	(458)	(570)	(405)	(442)
TOTAL NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	298	(124)	(43)	256	19

Balance Sheet (before profit distribution) at December 31

Assets 2008 2007 2006 2005 2004

(Millions of euros)

Fixed assets:	5,492	4,521	4,427	4,226	4,040
Intangible assets	261	152	184	182	124
Tangible fixed assets	4,864	3,988	3,836	3,705	3,573
Long-term financial investments	367	381	407	339	343
Goodwill in consolidation	53	41	38	38	30
NON-CURRENT ASSETS	5,545	4,562	4,465	4,264	4,070
Current assets:					
Inventories	1,337	1,739	1,591	1,439	1,059
Accounts receivable	2,095	2,808	2,251	2,225	1,810
Other short-term investments	184	110	67	139	95
Cash and cash equivalents	481	208	326	371	112
Other current assets	9	14	13	31	29
CURRENT ASSETS	4,106	4,879	4,248	4,205	3,105

Non-current assets held for sale and from discontinued operations	-	-	11	6	6
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TOTAL ASSETS	9,651	9,441	8,724	8,475	7,181
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Shareholders' Equity and Liabilities

2008 2007 2006 2005 2004

(Millions of euros)

Shareholders' Equity:	5,139	5,212	4,779	4,310	3,598
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	4,194	3,781	3,303	2,627	2,211
Fair value reserve	25	98	86	81	122
Translation differences	54	34	27	41	(2)
Income attributable to the parent company	275	748	812	1,010	684
Interim dividend paid in the year	(107)	(147)	(147)	(147)	(112)
Minority interests	66	71	59	64	42
TOTAL SHAREHOLDERS' EQUITY	5,205	5,283	4,838	4,374	3,641
Non-current liabilities					
Capital grants	70	70	62	67	73
Provisions	165	202	252	252	227
Long-term debt:					
Payable to credit entities	917	287	442	667	727
Other interest-bearing loans	200	146	141	130	71
Other non-current liabilities	378	478	459	450	309
NON-CURRENT LIABILITIES	1,730	1,183	1,356	1,566	1,407
Current liabilities					
Short-term debt:					
Payable to credit entities	738	257	284	313	305
Other interest-bearing loans	18	66	26	31	67
Other current liabilities	1,960	2,652	2,220	2,191	1,762
CURRENT LIABILITIES	2,716	2,975	2,530	2,535	2,134
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	9,651	9,441	8,724	8,475	7,181

Intangible and Tangible Fixed Assets at December 31

2008 2007 2006 2005 2004

(Millions of euros)

Gross intangible assets:	513	397	552	431	353
Research & Development costs	-	-	-	1	4
Operating licenses, concessions, patents, etc.	70	80	71	69	60
Goodwill	21	5	5	5	5
EDP computer software	136	128	118	111	100
Other intangible assets	286	184	358	245	184
Amortization and provisions of intangible assets:	252	245	368	249	229
Research & Development costs	-	-	-	1	1
Operating licenses, concessions, patents, etc.	35	41	37	35	33
Goodwill	-	5	4	4	4
EDP computer software	107	102	92	83	75
Other intangible assets	110	97	235	126	116
Net intangible assets:	261	152	184	182	124
Research & Development costs	-	-	-	-	3
Operating licenses, concessions, patents, etc.	35	39	34	34	27
Goodwill	21	-	1	1	1
EDP computer software	29	26	26	28	25
Other intangible assets	176	87	123	120	68
Gross tangible fixed assets:	9,500	8,090	7,591	7,144	6,710
Land and structures	373	341	313	309	300
Technical installations and machinery	5,539	5,349	5,041	4,801	4,547
Investments in oil and gas producing assets	1,892	1,216	1,121	1,045	1,056
Other installations, tools and furniture	121	110	100	96	91
Advances and construction in progress	877	428	392	317	209
Other fixed assets	698	646	624	576	507
Depreciation and provisions of tangible fixed assets:	4,636	4,102	3,755	3,439	3,137
Land and structures	101	83	73	65	58
Technical installations and machinery	3,302	3,073	2,889	2,708	2,463
Investments in oil and gas producing assets	933	691	571	478	462
Other installations, tools and furniture	91	82	69	61	52
Other fixed assets	209	173	153	127	102
Net tangible fixed assets:	4,864	3,988	3,836	3,705	3,573
Land and structures	272	258	240	244	242
Technical installations and machinery	2,237	2,276	2,152	2,093	2,084
Investments in oil and gas producing assets	959	525	550	567	594
Other installations, tools and furniture	30	28	31	35	39
Other fixed assets	489	473	471	449	405
Advances and construction in progress	877	428	392	317	209

Statement of Capital Employed (before profit distribution) at December 31

2008 2007 2006 2005 2004

(Millions of euros)

	2008	2007	2006	2005	2004
CAPITAL EMPLOYED					
1. Net fixed assets	5,472	4,546	4,433	4,264	4,041
2. Working capital	1,672	1,970	1,672	1,588	1,148
NET ASSETS	7,144	6,516	6,105	5,852	5,189
3. Long-term operating liabilities	(614)	(751)	(774)	(811)	(576)
CAPITAL EMPLOYED	6,530	5,765	5,331	5,041	4,613
CAPITAL USED					
4. Permanent resources:	6,322	5,716	5,421	5,171	4,416
4.1. Shareholders' equity	5,139	5,212	4,779	4,310	3,598
4.2. Minority interests	66	71	59	64	42
4.3. Long-term interest-bearing loans	1,117	433	583	797	776
5. Net short-term financing:	208	49	(90)	(130)	197
5.1. Short-term financing	756	323	308	341	369
5.2. Short-term interest-bearing loans	(67)	(66)	(72)	(100)	(60)
5.3. Cash and cash equivalents	(481)	(208)	(326)	(371)	(112)
CAPITAL USED	6,530	5,765	5,331	5,041	4,613

Breakdown of Adjusted Capital Employed by Business Segments at December 31

	2008	2007	2006	2005	2004
	(Millions of euros)				
Adjusted Capital Employed					
Exploration and Production	1,052	493	509	538	567
Refining and Marketing	3,847	3,476	3,213	2,925	2,716
Petrochemicals	1,029	1,044	1,010	1,013	909
Gas and Power	345	251	224	247	266
Adjusted Capital Employed	6,273	5,264	4,956	4,723	4,458
Inventory gains / (losses), after taxes	257	501	375	318	155
Total Capital Employed	6,530	5,765	5,331	5,041	4,613

Structure of Statement of Capital Employed (before profit distribution) at December 31

	2008	2007	2006	2005	2004
1. Net fixed assets	83.80 %	78.86 %	82.97 %	84.37 %	87.16 %
2. Working capital	25.60 %	34.17 %	31.29 %	31.43 %	24.75 %
3. Long-term operating liabilities	(9.40)%	(13.03)%	(14.26)%	(15.80)%	(11.91)%
Capital Employed	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
4. Permanent resources	96.81 %	99.15 %	101.68 %	102.56 %	95.76 %
5. Net short-term financing	3.19 %	0.85 %	(1.68) %	(2.56) %	4.24 %

Profitability and Equity Ratios at December 31

	2008	2007	2006	2005	2004
Return on Average Capital Employed (ROACE) (1)	9.7%	12.7%	16.4%	18.8%	14.8%
Return on Average Equity (ROAE) (2)	5.5%	15.0%	17.9%	25.6%	20.2%
Return on Average Equity using Replacement Cost (ROAE) (3)	11.2%	13.9%	19.0%	22.4%	19.5%
Net income attributable to the parent company / Average number of shares	1.0	2.8	3.0	3.8	2.6
Net Income attributable to the parent company (Replacement Cost) / Average number of shares	1.9	2.4	2.9	3.2	2.3
Net Income attributable to the parent company / Net sales revenues (4)	1.20%	3.96%	4.40%	6.24%	5.73%
Net Income attributable to the parent company (excluding non-recurring items) / Net sales revenues (5)	2.30%	3.38%	4.06%	5.23%	5.26%
Average financial debt / Cash flow from operating activities (before changes in working capital)	0.7	0.4	0.5	0.6	0.9
Net interest-bearing debt (includes Internal Allowances) / Shareholders' equity (GEARING)	25.5%	9.1%	10.2%	15.2%	26.7%

(1) Net Income before interest, deducting operating taxes / Average Capital employed (Replacement Cost)

(2) Net income attributable to the parent company / Average shareholders' equity

(3) Net income attributable to the parent company / Average shareholders' equity (Replacement Cost)

(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 excluding non-recurring items / Net sales revenues excluding excise tax on oil and gas charged to sales

Operating Environment Indicators

	2008	2007	2006	2005	2004
Brent crude (\$/barrel)	96.99	72.52	65.14	54.38	38.21
Exchange rate (\$/€)	1.471	1.370	1.255	1.245	1.243

Major Centers and Companies

CEPSA Group



Center	Address	Telephone	Fax
Head offices	Avda. del Partenón, 12 28042 Madrid	91 337 60 00	91 337 62 25
Tenerife Refinery	Avda. Manuel Hermoso Rojas, 3 38005 Santa Cruz de Tenerife Tenerife (Canary Islands)	922 60 26 00	922 21 88 03
Gibraltar-San Roque Refinery	Polígono Industrial Nuevo Puerto 21810 Palos de la Frontera (Huelva)	959 37 94 00	959 37 94 23
La Rábida Refinery	Puente Mayorga, s/n 11360 San Roque (Cádiz)	956 02 30 00	902 10 22 06

Subsidiaries	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. del Partenón, 10 28042 Madrid	91 337 69 52	91 337 60 27

Subsidiaries	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 Panama City	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	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 MONTREAL	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.	Avda. del Partenón, 12 28042 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	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





