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Madrid, July 31st 2008  
Number of pages: 8

### First-Half 2008 Earnings

## FIRST-HALF NET INCOME IS 2.117 BILLION EUROS

### REPSOL'S NET INCOME RISES 24%

- **Income from operations rises 23% to 3.502 billion euros.**
- **Profit from Repsol's three core businesses (upstream, downstream and LNG) advances 20% to 2.502 billion euros.**
- **YPF's profit rises 3,2%, to 644 million euros.**
- **Production begins at the I/R field in Libya, Repsol's largest discovery in that country.**
- **Repsol makes a second oil and gas find in Brazil. The discovery of light crude in Guar adds to that of Carioca.**
- **Dividend payments rise 39% to one euro per share.**

Repsol YPF posted net income of 2.117 billion euros in the first half of 2008, a 24.1% rise on the year-earlier period. These earnings are reported in an environment marked by high oil prices, a fall in international refining margins and the weakness of the dollar against the euro.



Operating profit at Repsol YPF was 3.502 billion euros, a rise of 23% year-on-year. The performance of the core business is especially significant as earnings there rose 20.2%, to 2.502 billion euros.

Operating profit at the exploration and production unit, which rose 49.6%, helped offset a 2% decline in refining and marketing of oil products. YPF y Gas Natural, in which Repsol owns a significant share, raised profit by 3.2% and 7.1% respectively.

In July, Repsol paid a complimentary dividend of 0.5 euros a share, taking the total dividend paid from 2007 earnings to 1 euro a share, 39% higher than the previous year.

The 13% average depreciation of the dollar against the euro represented a 415 million euro reduction in the company's operating income.

As announced on February 28 and reported in the first quarter earnings, Repsol is made up of a core business which includes upstream, downstream and LNG, and two companies in which Repsol holds a significant stake: YPF and Gas Natural SDG.

## **REPSOL'S CORE BUSINESS GREW 20,2%**

The company's core business, made up of the upstream, downstream and LNG units, posted income from operations of 2.502 billion euros, 20,2% higher than in the first half of 2007.

**Upstream profit** rose 49.6% year-on-year to 1.327 billion euros, due mostly to a significant 81.8% increase in the price of liquids. This result is in line with the objectives outlined in the 2008-2012 strategic plan.

The improvement in the realisation price of liquids made up for the decline in hydrocarbons production during the semester. The depreciation of the dollar against the euro diminished earnings by 200 million euros.

**Profit from operations at the liquefied natural gas (LNG) unit** was 50 million euros, a rise of 8.7% from the previous year. The improvement in earnings was largely the result of optimisation of the Repsol's tankers, increased gas sales and greater electricity production.



**Profit from operations at the downstream unit** was 1.125 billion euros compared with 1.148 billion in the same period of 2007, a 2% fall. The decline is due to lower international refining margins, especially in petrochemicals, and, to a lesser degree, a fall in sales and the weakness of the dollar.

Investment in the downstream business was 630 million euros compared with 368 million euros in the same period of 2007, mostly on ongoing projects and improvements in plant operation. As part of the 2008-2012 strategic plan, Repsol is expanding the refineries in Cartagena and Bilbao in Spain, and Sines in Portugal.

## **EARNINGS AT YPF ROSE 3.2%**

Operating income at YPF rose 3.2% from the year-earlier period to 644 million euros.

The increase was mostly the result of an improvement in margins of oil products sales and the average price of gas, a consequence of a better sales mix.

## **GAS NATURAL SDG GAINED 7.1%**

Gas Natural SDG in the first half posted operating income of 287 million euros a rise of 7.1% from the 268 million euros reported a year earlier.

The company's Spanish power production and retail business unit made a noteworthy contribution to the raise, almost tripling its year-earlier profit because of higher wholesale power prices.



**REPSOL YPF SUMMARISED INCOME STATEMENT**

(Million Euro)

(Unaudited figures)

Compiled in accordance with International Financial Reporting Standards

	January - June		Variation
	2007	2008	%
<b>EBITDA</b>	<b>4.274</b>	<b>4.916</b>	15,0
Income from continuous operations before financial expenses	2.847	3.502	23,0
Financial expenses	(45)	(59)	31,1
Income before income tax and income of associates	2.802	3.443	22,9
Income tax	(1.065)	(1.253)	17,7
Share in income from companies carried by the equity method	55	58	5,5
Income for the period	1.792	2.248	25,4
Income attributable to minority interests	86	131	52,3
<b>NET INCOME</b>	<b>1.706</b>	<b>2.117</b>	24,1

**BREAKDOWN OF REPSOL YPF  
OPERATING PROFIT, BY BUSINESSES**

(Million Euro)

(Unaudited figures)

Compiled in accordance with International Financial Reporting Standards

	January - June		Variation
	2007	2008	%
Upstream	887	1.327	49,6
LNG	46	50	8,7
Downstream	1.148	1.125	(2,0)
YPF	624	644	3,2
Gas Natural SDG	268	287	7,1
Corporate & others	(126)	69	154,8
<b>TOTAL</b>	<b>2.847</b>	<b>3.502</b>	<b>23,0</b>



**“CORE BUSINESS” OPERATING HIGHLIGHTS**

	January – June		Change %
	2007	2008	
Oil and gas production (Thousand boepd)	417	335	(19,7)
Crude processed (Thousand tons)	20,7	20,1	(2,8)
Sales of oil products (Thousand tons)	22.986	21.937	(4,6)
Sales of petrochemical products (Thousand tons)	1.556	1.494	(4,0)
LPG sales (Thousand tons)	1.773	1.673	(5,7)

**YPF OPERATING HIGHLIGHTS**

	January – June		Change %
	2007	2008	
Oil and gas production (Thousand boepd)	658	612	(6,9)
Crude processed (Thousand tons)	8,5	8,4	(0,5)
Sales of oil products (Thousand tons)	7.217	7.488	3,8
Sales of petrochemical products (Thousand tons)	796	783	(1,6)
LPG sales (Thousand tons)	188	192	2,0



**REPSOL YPF COMPARATIVE BALANCE SHEET**

**(Million Euros)**

(Unaudited figures)

Compiled in accordance with International Financial Reporting Standards

	<b>DECEMBER 2007</b>	<b>JUNE 2008</b>
<b>NON-CURRENT ASSETS</b>		
Goodwill	3,308	2,868
Other intangible assets	1,018	1,260
Property, plant & equipment	23,676	23,171
Real-Estate Investments	34	33
Equity-accounted financial investments	537	504
Non-current financial assets	1,948	2,391
Deferred tax assets	1,020	1,130
<b>CURRENT ASSETS</b>		
Non-current assets classified as held for sale	80	96
Inventories	4,675	6,090
Trade and other receivables	8,017	8,335
Other current financial assets	266	302
Cash and cash equivalents	2,585	2,675
<b>TOTAL ASSETS</b>	<b>47,164</b>	<b>48,855</b>
Total equity	19,162	20,315
<b>NON-CURRENT LIABILITIES</b>		
Subsidies	109	108
Non-current provisions	2,565	2,749
Non-current financial debt	10,065	9,534
Deferred tax liabilities	2,473	2,219
Other non-current liabilities	1,435	1,461
<b>CURRENT LIABILITIES</b>		
Current provisions	286	186
Current financial debt	1,501	2,027
Trade and other payables	9,568	10,256
<b>TOTAL LIABILITIES</b>	<b>47,164</b>	<b>48,855</b>



## FIRST-HALF HIGHLIGHTS

### **Strategic Plan 2008-2012**

Repsol YPF Chairman Antonio Brufau in February presented the 2008-2012, Strategic Plan which sets out the main growth vectors of the company for the next few years based on ten key growth projects which account for 60% of the investment in the core business through 2012 (12.3 billion euros).

The new plan, described by Brufau as “ambitious and realistic” calls for a total investment of 32.8 billion euros to increase net income by 2.8 times by 2012, EBITDA by 1.8 times and operating income by 2.1 times.

### **Guará: New deepwater discovery in Brazil**

Repsol in June announced a second deepwater oil discovery in the Santos Basin, off the coast of Brazil. The new discovery, called Guará, is in block BM-S-9 adjacent to the Carioca oil field discovered at the end of 2007 and which contains high grade oil according to initial estimates.

The presence of light 28° API crude oil has been detected in the new field, discovered by a consortium made up of Petrobras (45% and operator), BG (30%) and Repsol YPF (25%), 310 km from the coast of the state of Sao Paulo at a depth of 5,000 meters.

Guará is considered one of the main growth areas for the company worldwide. A second well is being drilled to search for oil at greater depths. The development of the deepwater Santos Basin is one of the 10 key projects outlined in the 2008-2012 strategic plan.

### **Start of Production at the I/R field in Libya**

In the second quarter Repsol began production at the I/R field in Libya, one of the 10 key projects outlined in the 2008-2012 strategic plan. Initial output is 6.300 boe/day and a plateau production of 90.000 boe/day is expected.

### **14.9% of YPF sold to the Petersen Group**

Repsol on February 21 agreed to sell 14.9% of YPF to Grupo Petersen for 2.235 billion dollars. The deal, which values YPF at 15 billion dollars, is part of Repsol’s strategy to improve the geographic distribution of its assets, managing them globally while retaining a local focus.



The agreement also includes an option on an additional 10.1% of YPF, allowing Grupo Petersen to reach a 25% stake.

### **A 39% raise in dividends**

Repsol agreed to pay a gross dividend of 1 euro per share from 2007 earnings, a raise of 39% from the previous year. This increase is in line with the current management's policy of increasing payments to shareholders.

### **Sale of de service stations in Ecuador**

Repsol agreed to sell to the Peruvian-Chilean PRIMAX group the Ecuadorian companies, RECESA and Oiltrader, for 47 million dollars. This agreement includes the sale of Repsol's 123 service stations, including those owned directly as well as the franchises, distributed throughout Ecuador. Likewise, this includes the sale of the Repsol industrial sales business in that country, as well as the commercial and logistic infrastructure, and the lubricant and aviation businesses. In the lubricants business Repsol will maintain with PRIMAX a commercialization and distribution contract, and a technical assistance contract for the aviation business.

The sale of RECESA and Oiltrader is part of the non-strategic asset divestment policy contemplated in the 2008-2012 Strategic Plan.

### **Investment of 3.2 billion euros for Cartagena refinery**

On 8 January, an investment of more than 3.2 billion euros was approved for the expansion of the Cartagena refinery, converting this industrial complex into one of the most modern in the world and doubling its production capacity to 11 million tons per year (220.000 b/d).

This project will help reduce the increasing shortfall of medium distilled products in Spain. The Cartagena project is part of Repsol's program to adapt its installations to the production of clean fuels for transport, encourage the use of biofuels (bio diesel) and improve energy efficiency, security and environmental impact.