

Letter from the Chairman and CEO



We want to meet that challenge and we have the capacity and know-how to do so. That is our objective when we improve the efficiency of our products and processes, minimize their environmental impact and position ourselves at the forefront of our industry's technological developments.

We are also facing our stakeholders' expectations through specific policies aimed at attracting and retaining talent, gaining the trust of local communities, preserving biodiversity and applying transparency criteria to relations with authorities in the countries where we operate.

Let us not forget that Repsol YPF engages in activities in over thirty countries and in highly diverse economic, cultural and social environments. We therefore try to apply global practices, policies and standards, at the same time respecting local sensitivities, in order to understand and respond to the specific needs of the communities with which we interact at the different stages of our business.

Regard for local particularities helps us come closer to society's concerns and reduce the inherent ethical, environmental and social risks of our activity. It also enables us to protect and strengthen our reputation, identify business opportunities and encourage social trust in our company.

In 2007 we set in motion a number of actions established in the 2007-2009 Corporate Responsibility Master Plan in order to take on these challenges. I am pleased to note that, at the end of the year, over thirty initiatives from the aforementioned Plan were underway, almost 50% of the total planned for its three-year duration.

No company can prosper if it is not attentive to the expectations of contemporary society. At Repsol YPF we know that our responsibility is to offer products and services that efficiently satisfy the growing energy demand driven by social and economic development, in a safe and sustainable manner.

Repsol YPF's endeavours toward transparency, sustainability and corporate responsibility continue to achieve society's recognition. Our company is included, among others, on the Dow Jones Sustainability Index and Climate Leadership Index, which represent external acknowledgement, validated by the markets, of the company's efforts on such issues as reporting transparency and climate change.

These recognitions undoubtedly motivate us working at Repsol YPF with the aim of fulfilling our company's role in society and, therefore, contribute to the shared objective of building a better world for all. Repsol YPF adheres to the United Nations Global Compact, and views its ten principles as the threshold for companies that are responsible and conscious of the global challenges on which the business community must act.

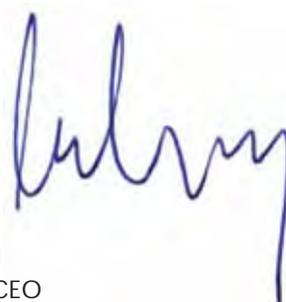
In 2007 significant steps were taken in good governance and corporate responsibility. The Board of Directors of Repsol YPF agreed to change its Regulations to ratify the company's commitment to corporate responsibility. The functions of the Strategy, Investments and Corporate Social Responsibility Commission, which supervises the company's policies, objectives and guidelines in this respect, were approved. The Board also approved the constitution of the Ethics Commission, responsible for overseeing diffusion, comprehension of and compliance with the Ethics and Conduct Regulation within the company.

Our aim is for this report to provide a balanced view of our social and environmental performance. It has been prepared following the Global Reporting Initiative's sustainability reporting guidelines. We also continue to advance in the scope, depth and transparency of the information reported.

We are convinced that transparency and responsibility are the only way forward for a leading company like Repsol YPF

We have therefore asked the Independent Experts Committee to analyse the contents of our Corporate Responsibility Report. Once again, their conclusions help us identify the most important issues for our stakeholders and improve the information we provide.

The following pages will give you an in-depth insight into the initiatives we have developed to improve not only our corporate responsibility practices, but also the quality of our information. We hope both objectives have been met and that this Report will be useful to those who wish to know better our commitment to society.



Antonio Brufau
Chairman and CEO