



Oil Refining and Marketing

Morgan Stanley Conference

5th April 2005

Safe harbor statement under the Private Securities Litigation Reform Act of 1995:

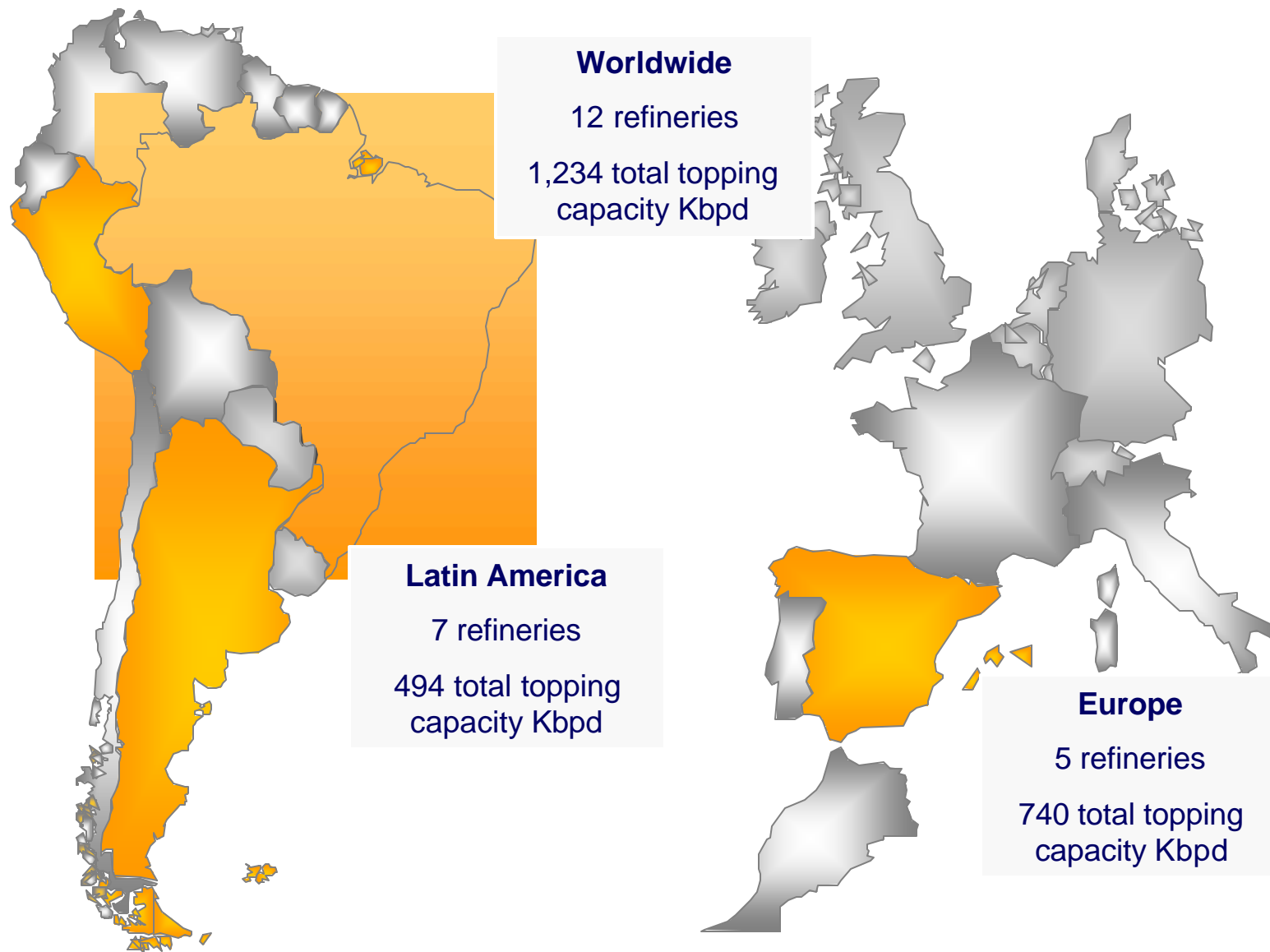
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Repsol YPF does not undertake to publicly update or revise these forward looking statements even if experience or future changes make it clear that the projected results or condition expressed or implied therein will not be realized.

- **Repsol YPF Refining Portfolio**
- **Refining margins evolution**
- **Drivers**
 - ✓ **Crude oil supply**
 - ✓ **Product demand /specifications**
 - ✓ **Capacity utilisation**
 - ✓ **Investment**
- **Repsol YPF situation**
 - ✓ **Location advantage**
 - ✓ **Flexible and integrated Refining system**
 - ✓ **Solomon Indices**
 - ✓ **Investment in clean fuel/conversion**
 - ✓ **Disciplined Investment Approach**
 - ✓ **Position of Repsol YPF**
 - ✓ **Refining margins evolution**
- **Prospects**

Repsol YPF Refining Portfolio



Worldwide

12 refineries
1,234 total topping
capacity Kbpd

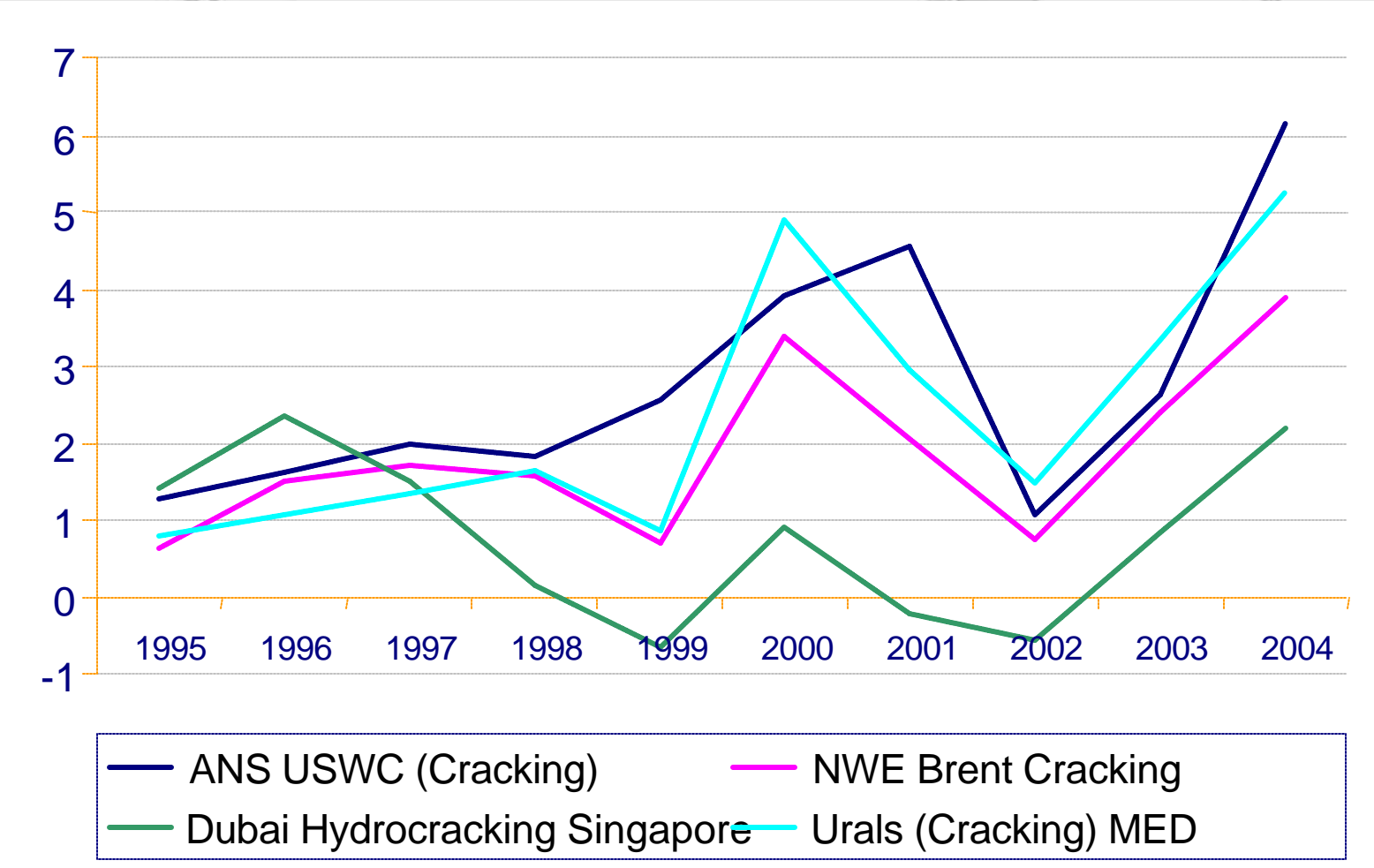
Latin America

7 refineries
494 total topping
capacity Kbpd

Europe

5 refineries
740 total topping
capacity Kbpd

Refining margins evolution



Source: Oil Market Report

CAPACITY UTILIZATION

**CRUDE OIL
SUPPLY**



PRODUCTS DEMAND

INVESTMENT

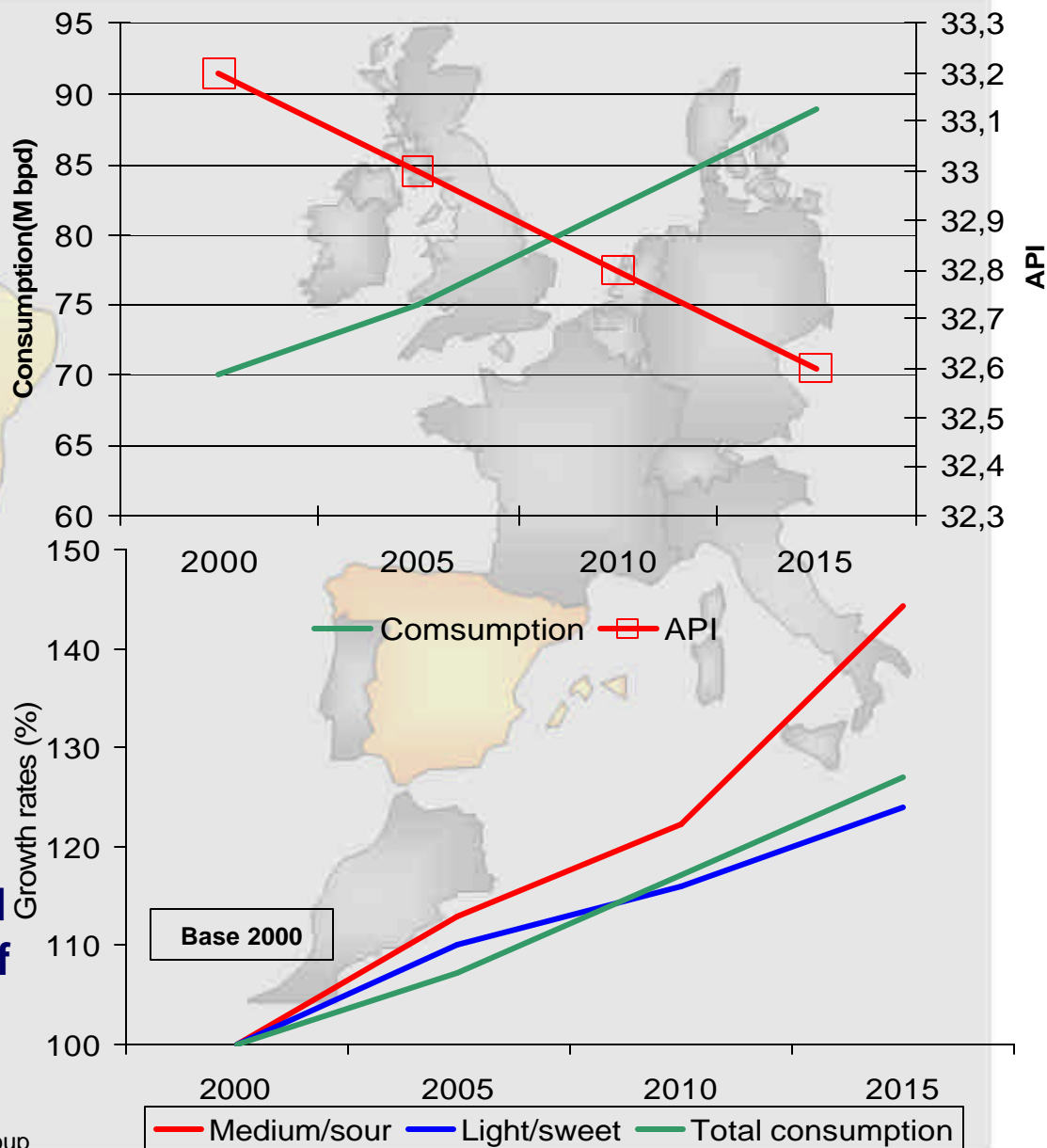
Margin drivers: crude oil SUPPLY

Oil demand growth

- Highest level of European oil demand growth in years, as well as the carry-over influence of high demand rates in Asia and US.
- Strong upside potential on higher demand

Quality of crude available

- 80% of the rise in oil produced in next years will consist of medium/heavy-sour crude.

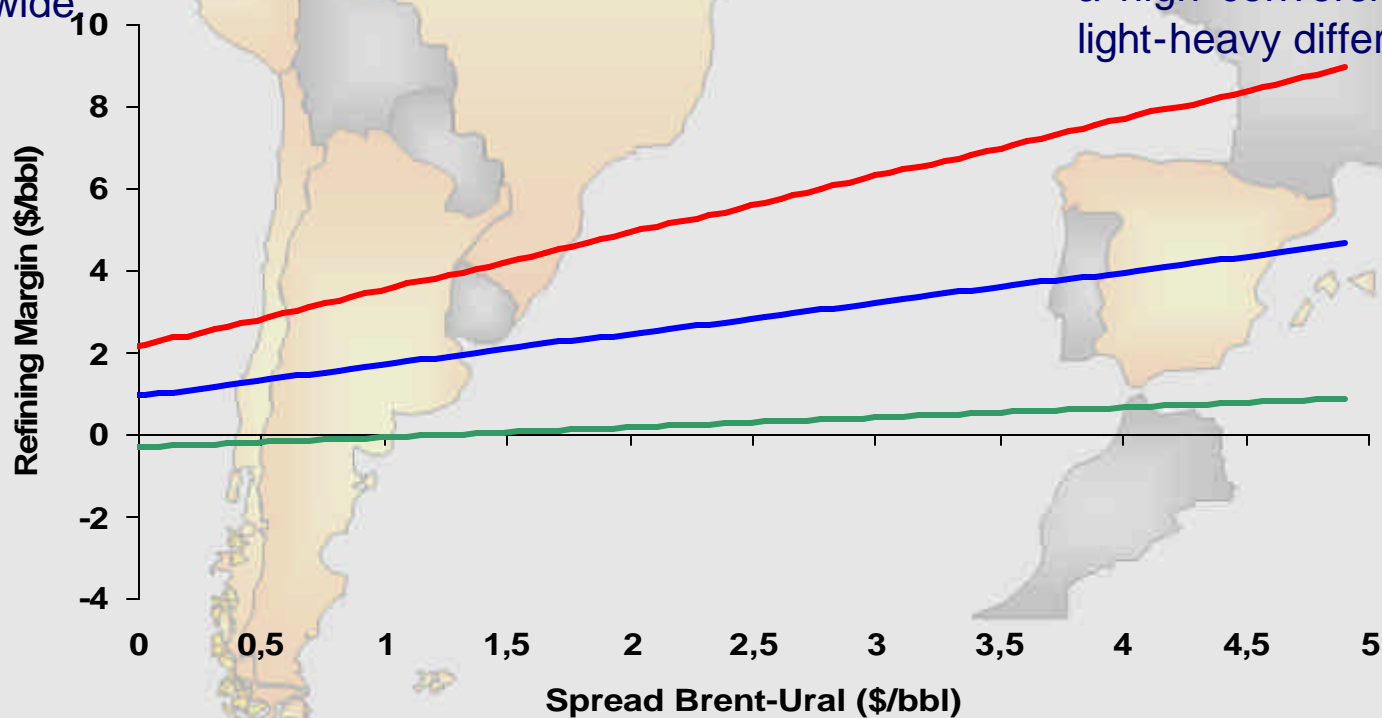


Source: Pira Energy Group

Spread sweet-sour differentials

- With the global trend towards more environmental transport fuels, demand for lighter, sweeter crudes is set to increase unless and until refiners invest in de-sulphurisation capacity. This will keep sweet supplies tight and sweet-sour differentials wide.

- The widening spread will create enormous profit opportunities for the refiners with the capacity required to process sour crudes
- Refining margin, in refineries with a high conversion ratio, grows as light-heavy differentials widen.

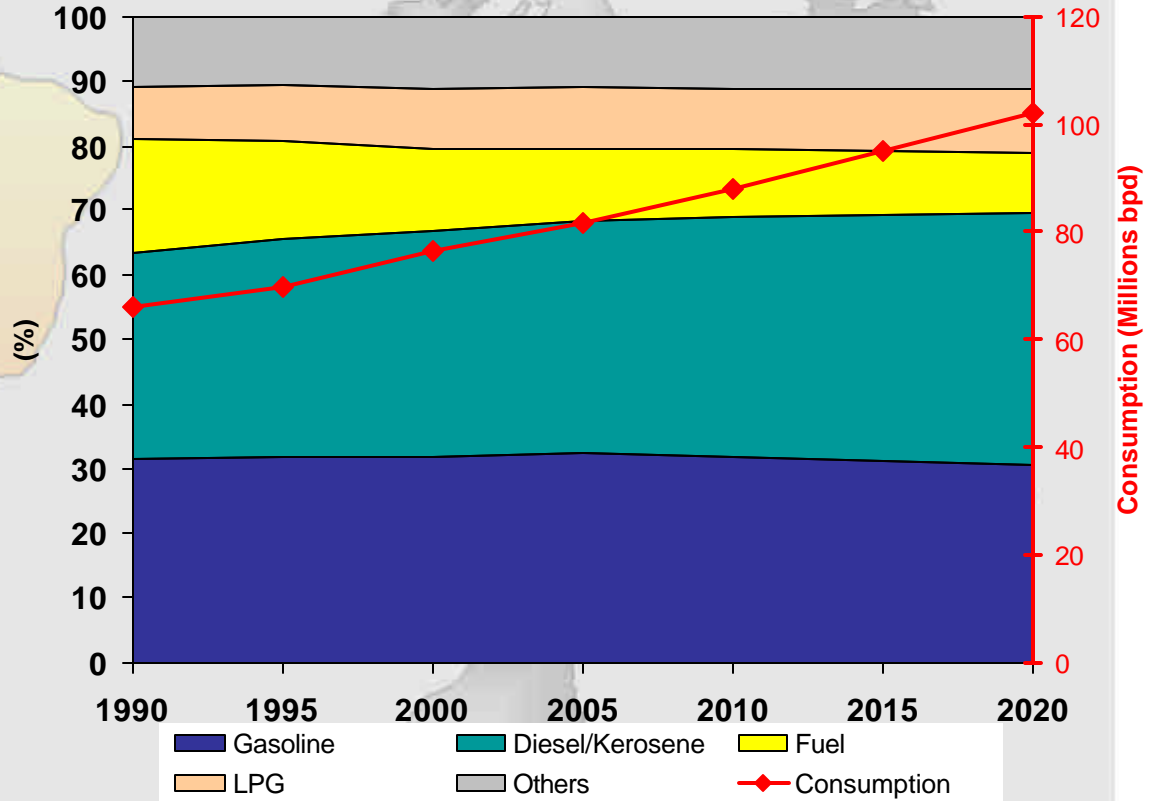


◆ Maya (Coking) USGC ■ Brent (Cracking) NWE ▲ Brent (Hydroskimming) NWE

Margin drivers: demand

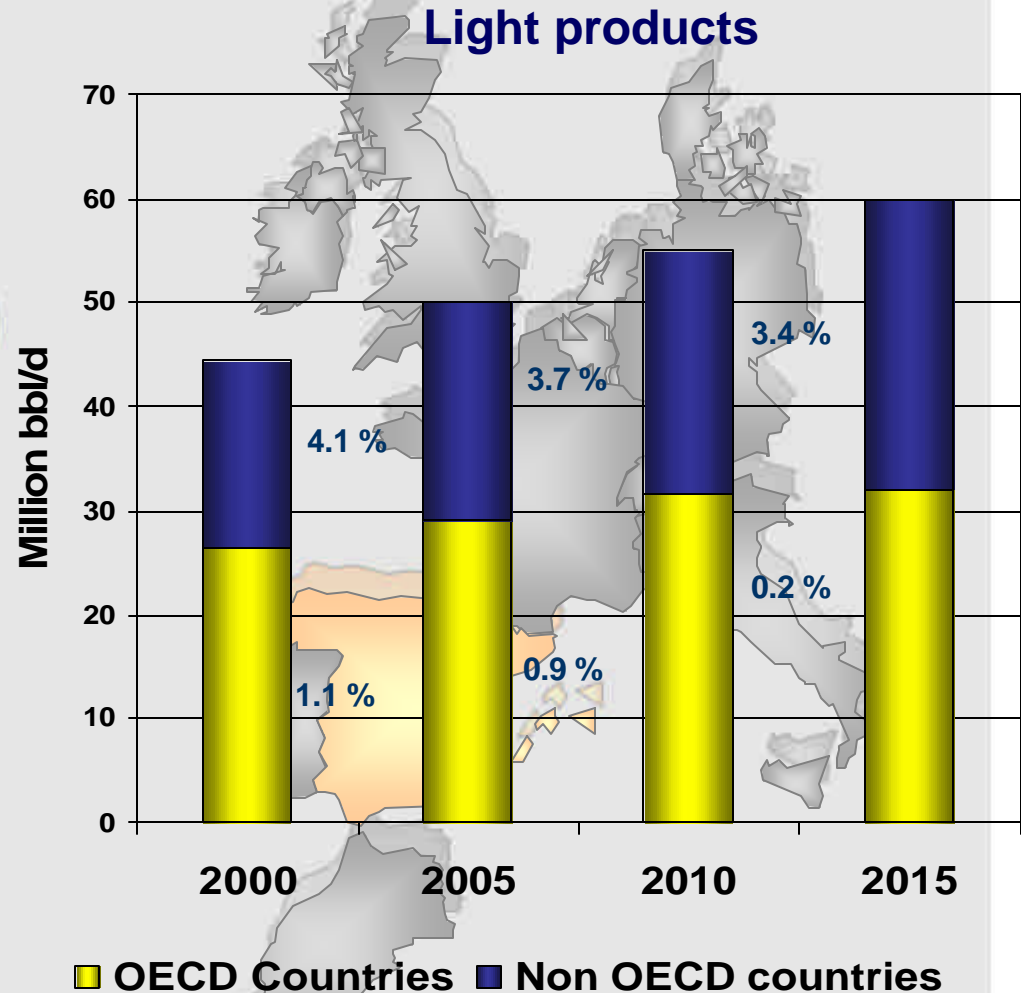
Product demand

- Diesel very important in European demand growth.
- Declining demand for gasoline and fuel oil.
- With the US market remaining gasoline-short strong gasoline arbitrage opportunities are expected in the short-term, to act as a driver for European refining margins.
- Introduction of bio-fuels.



Product demand

- Light products, mainly used for transport, will grow in coming years.
- Emerging countries, specially China, will be responsible for main demand growth



Source: Pira Energy Group

Tighter product specifications

- The key factor is demand for high-spec transport fuels in both US and Europe.
- The Auto Oil II requirements will influence yield patterns.
- Investments are required to meet tighter EU specs.
- Tighter specs could restrict imports from countries traditionally exporting middle distillates to Europe.

Gasoline

- Sulphur content** <50 ppm in 2005
<some quantities of 10 ppm sulphur content gasoline must be available
<10 ppm in 2009
- Aromatics** < 35 % vol in 2005

Diesel

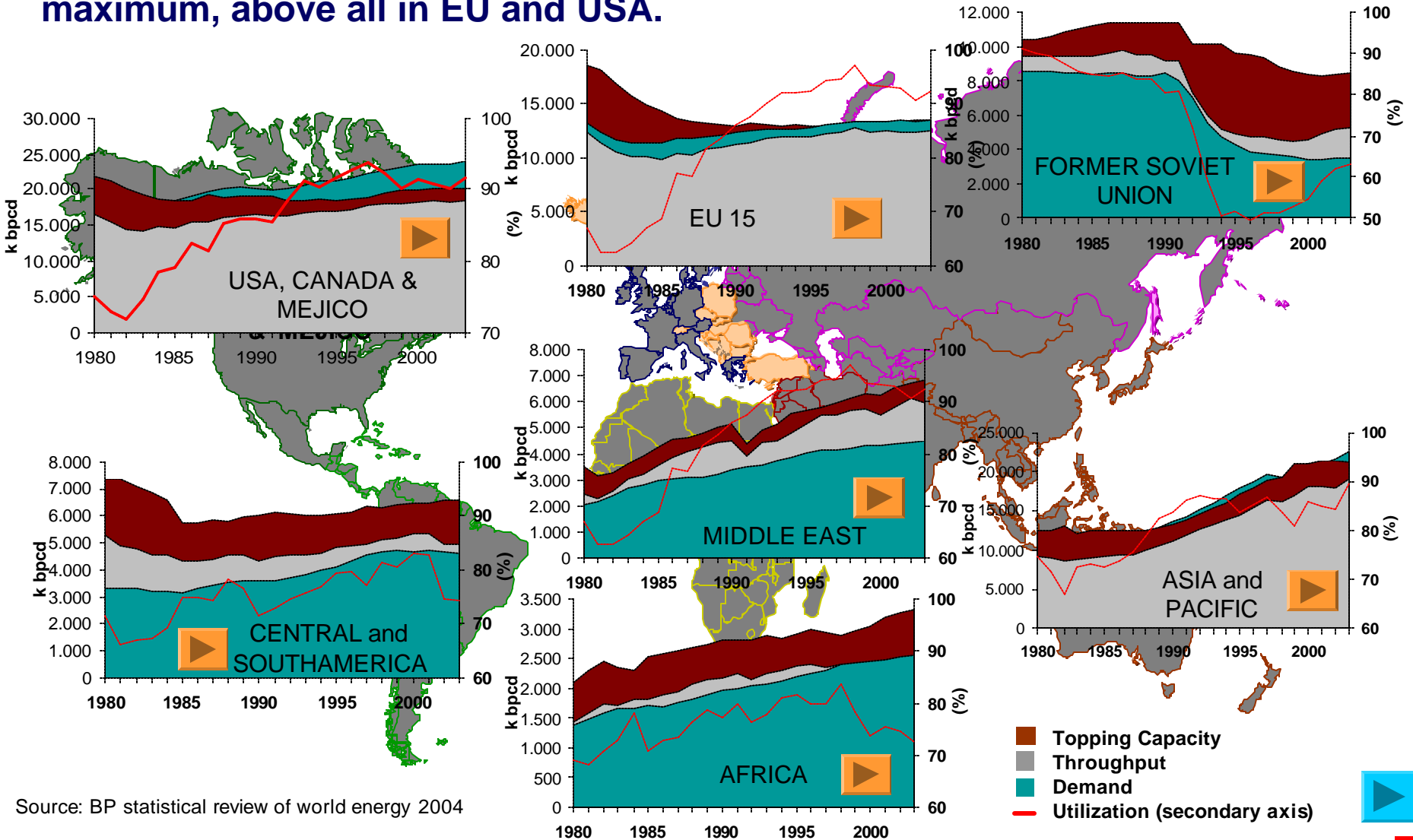
- Sulphur content** <50 ppm in 2005
<some quantities of 10 ppm sulphur content diesel must be available
<10 ppm in 2009 (expected)
- Polyaromatics** Uncertainties about the possibility of a lowering

Fuel Oil

- Bunker Sulphur content** < 1,5 % in 2007/08
(SOxECA's and passengers boat)

Margin drivers: capacity utilization

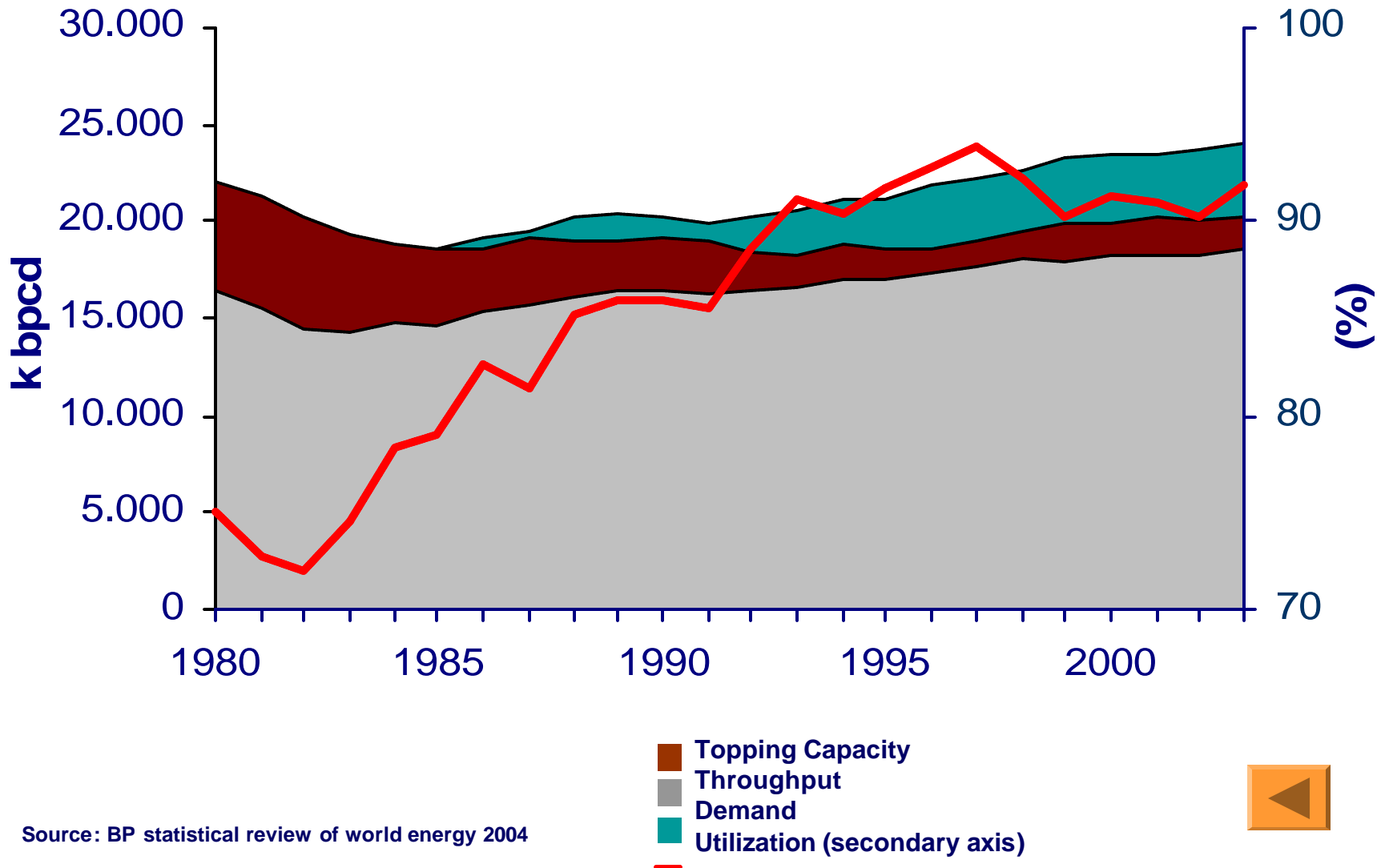
Existing production capacity saturation. Utilization rates close to technical maximum, above all in EU and USA.



Source: BP statistical review of world energy 2004

Margin drivers: capacity utilization

USA, CANADA & MEXICO

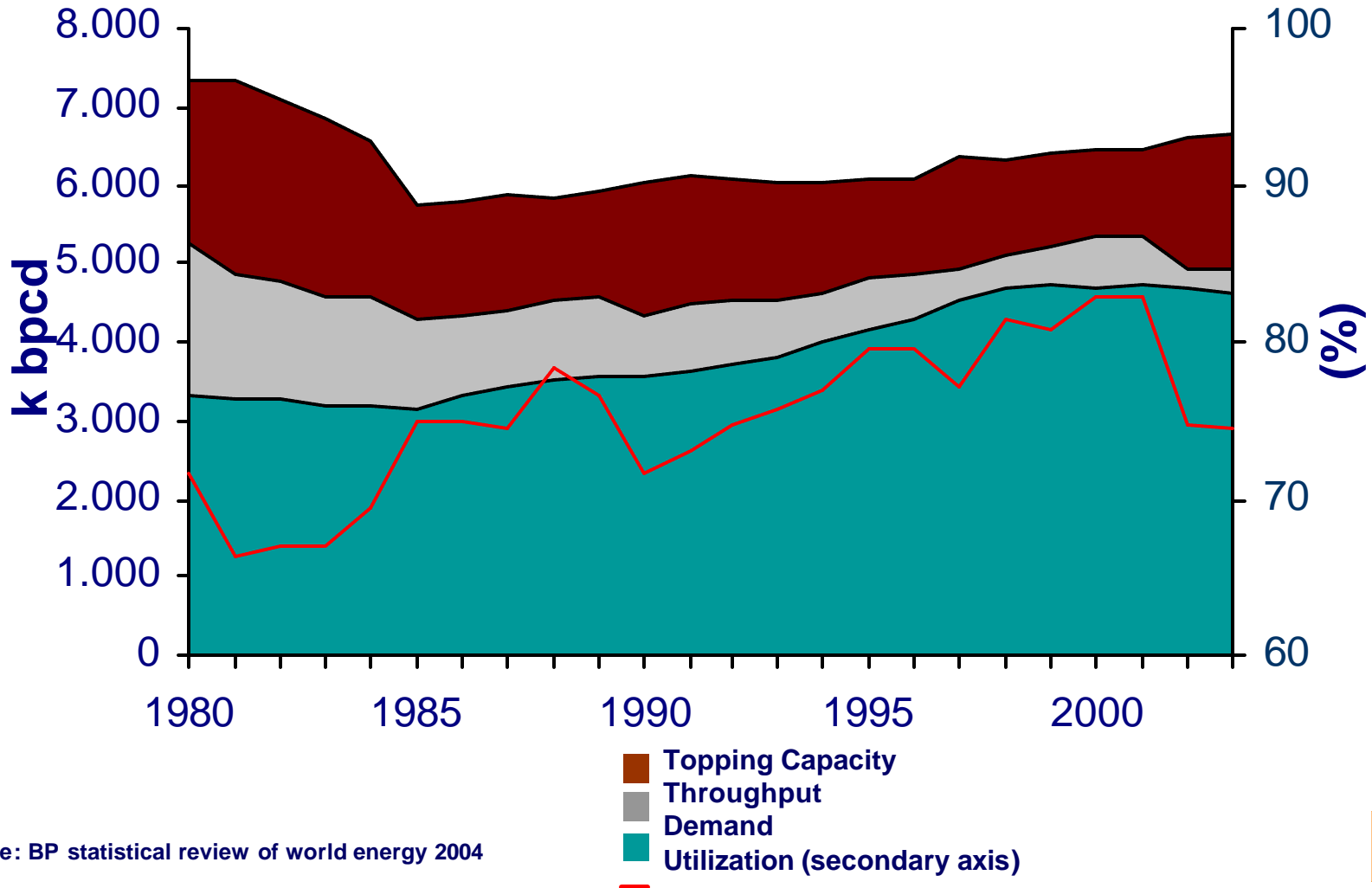


Source: BP statistical review of world energy 2004



Margin drivers: capacity utilization

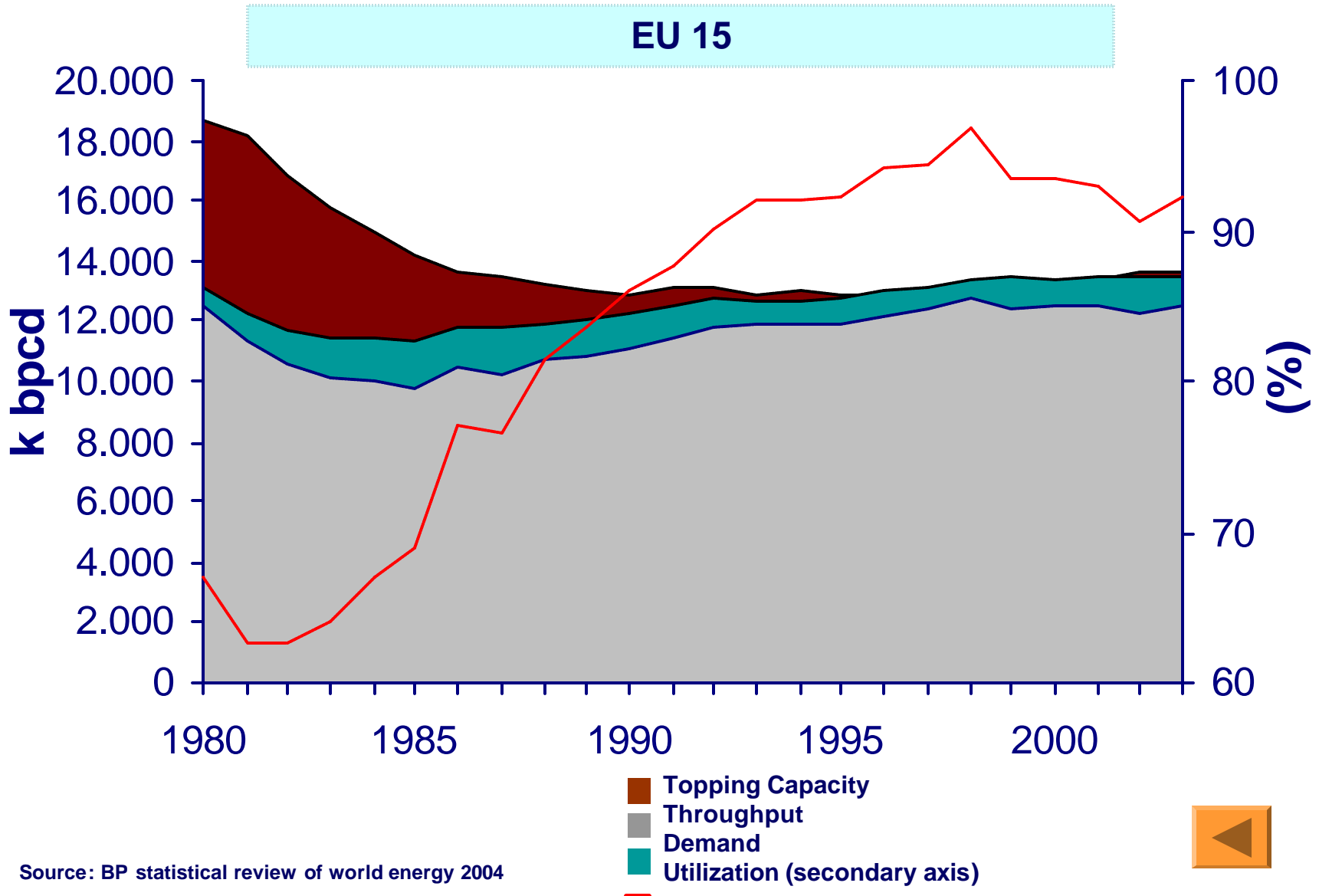
CENTRAL & SOUTH AMERICA



Source: BP statistical review of world energy 2004



Margin drivers: capacity utilization

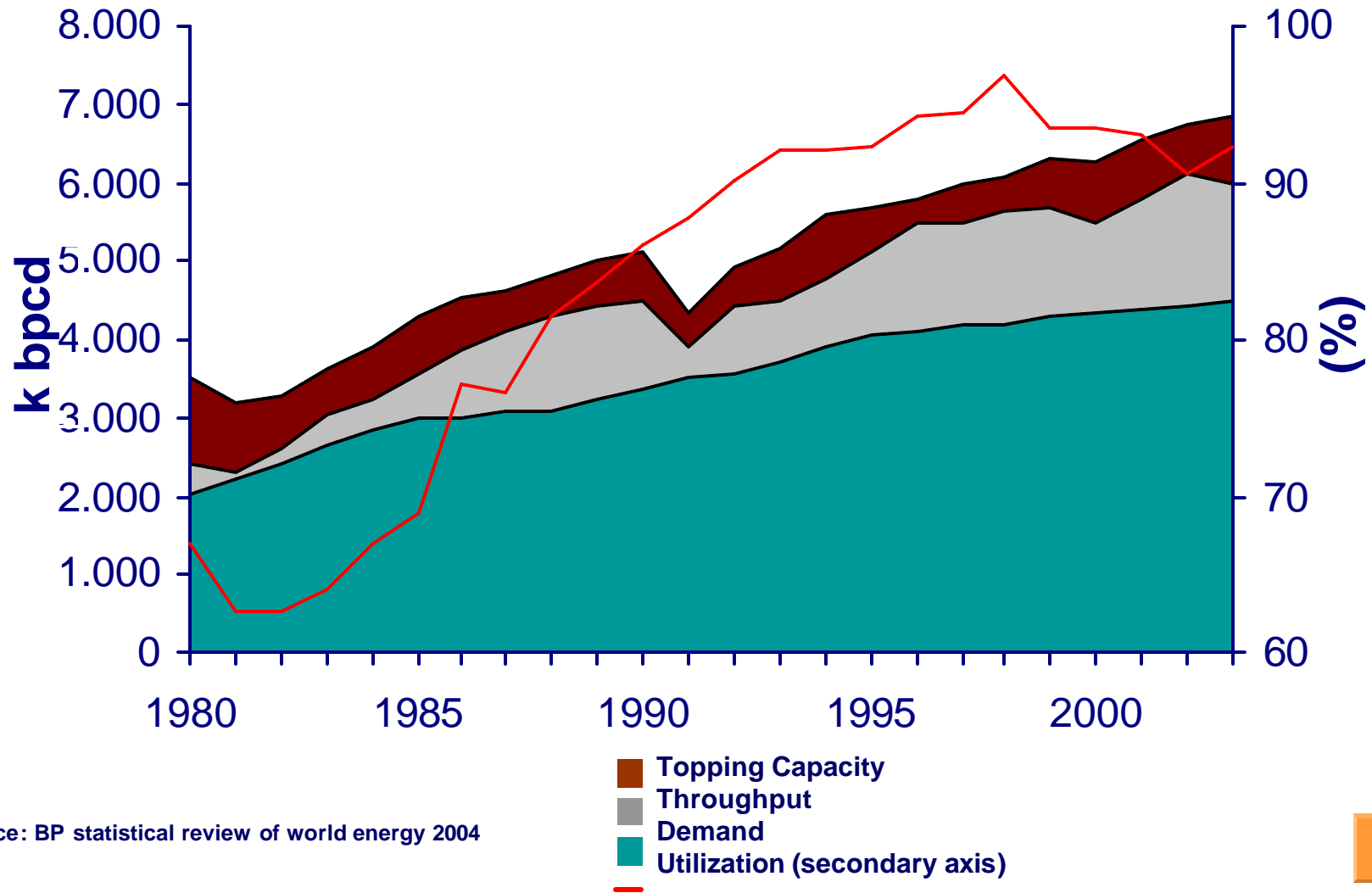


Source: BP statistical review of world energy 2004



Margin drivers: capacity utilization

MIDDLE EAST

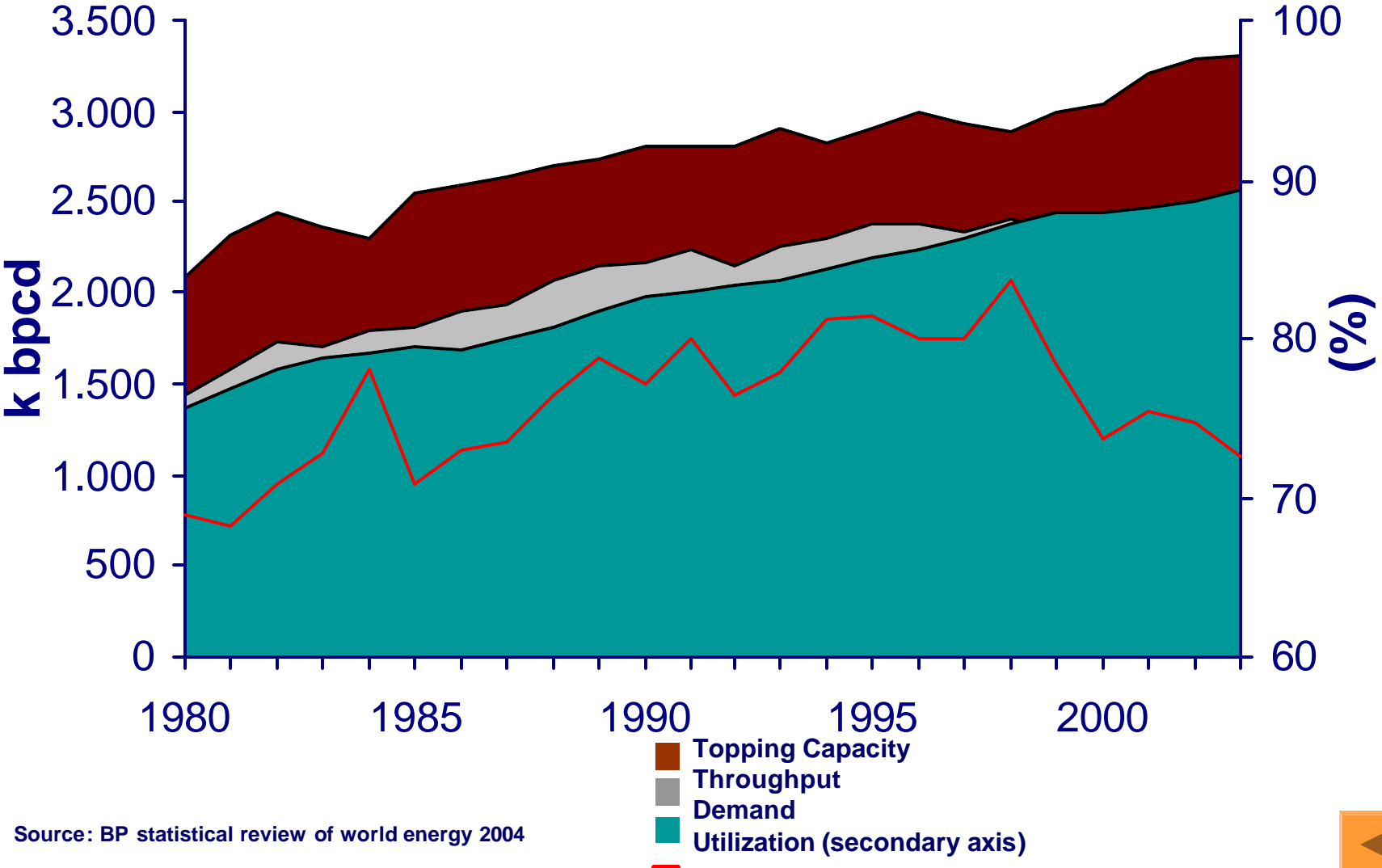


Source: BP statistical review of world energy 2004



Margin drivers: capacity utilization

AFRICA

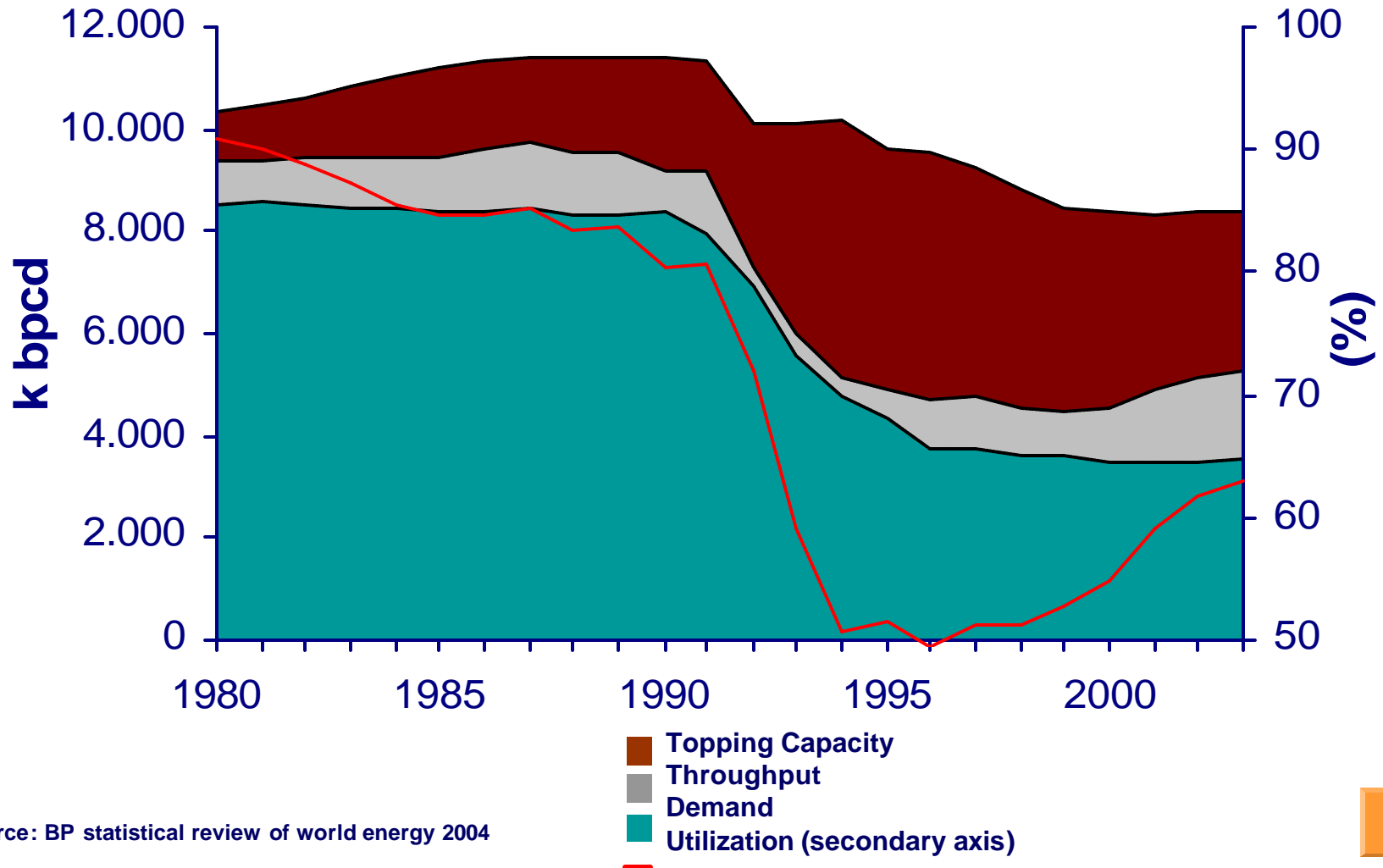


Source: BP statistical review of world energy 2004



Margin drivers: capacity utilization

FORMER SOVIET UNION

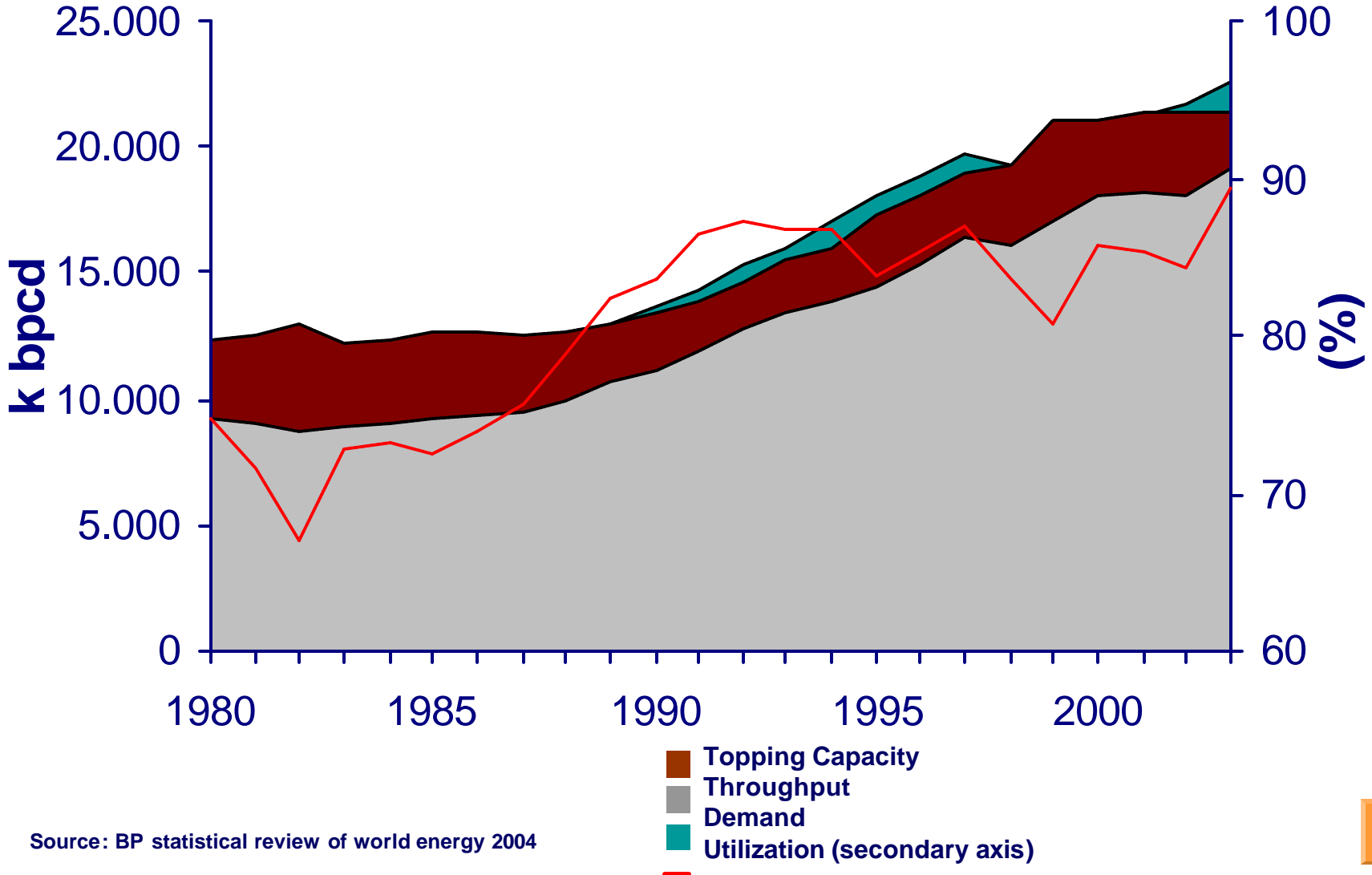


Source: BP statistical review of world energy 2004



Margin drivers: capacity utilization

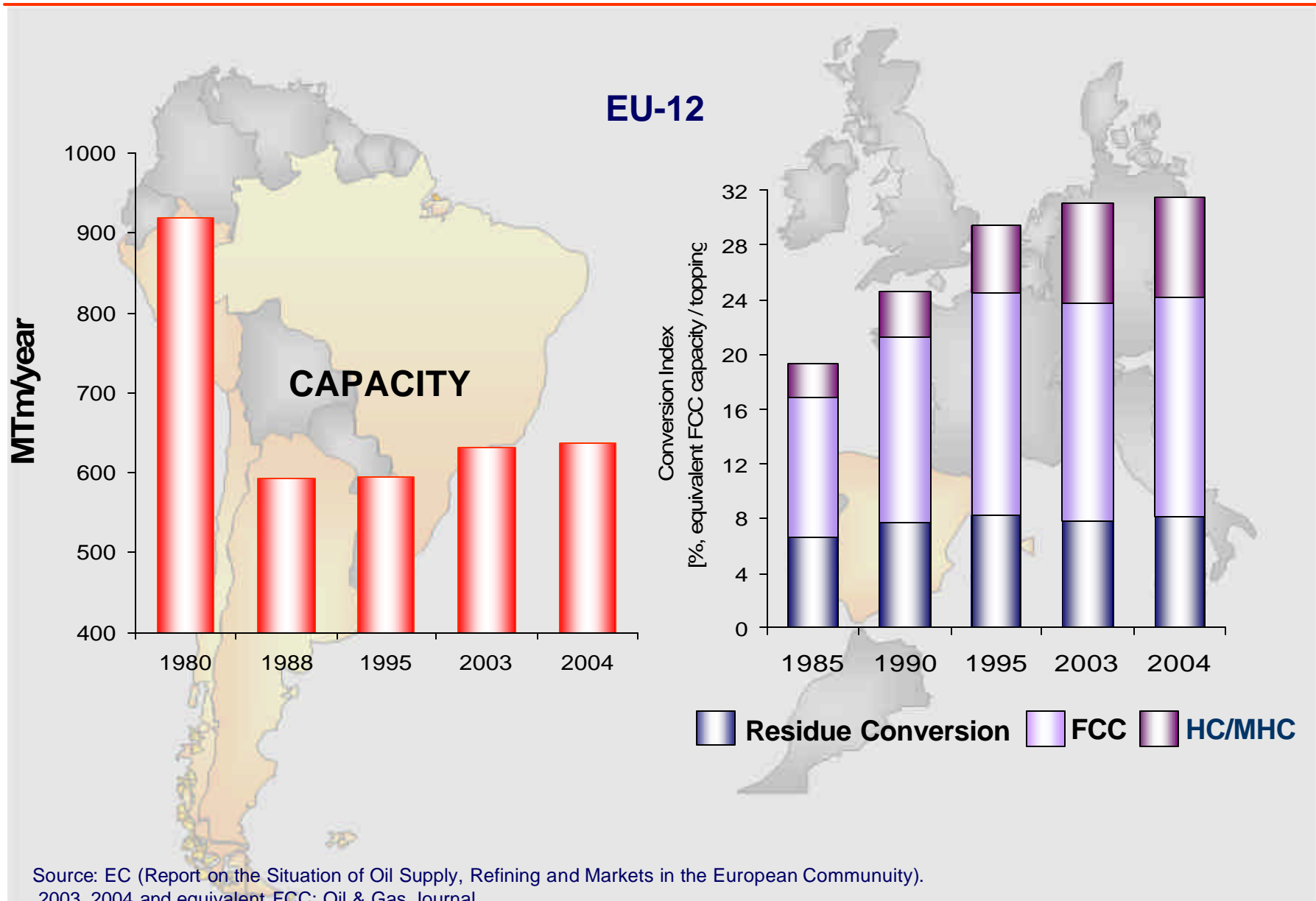
ASIA & PACIFIC



Source: BP statistical review of world energy 2004



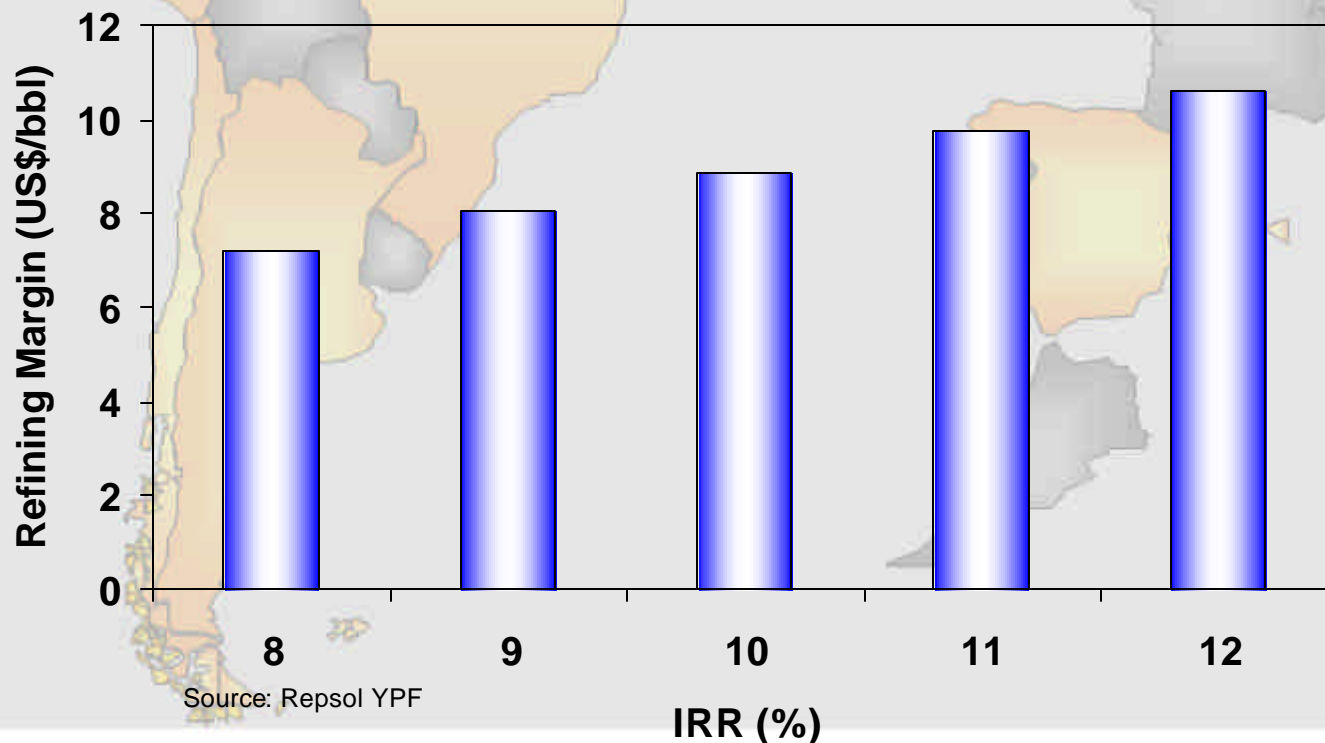
Margin drivers: refineries Europe



Source: EC (Report on the Situation of Oil Supply, Refining and Markets in the European Community).
 2003, 2004 and equivalent FCC: Oil & Gas Journal

New Refineries

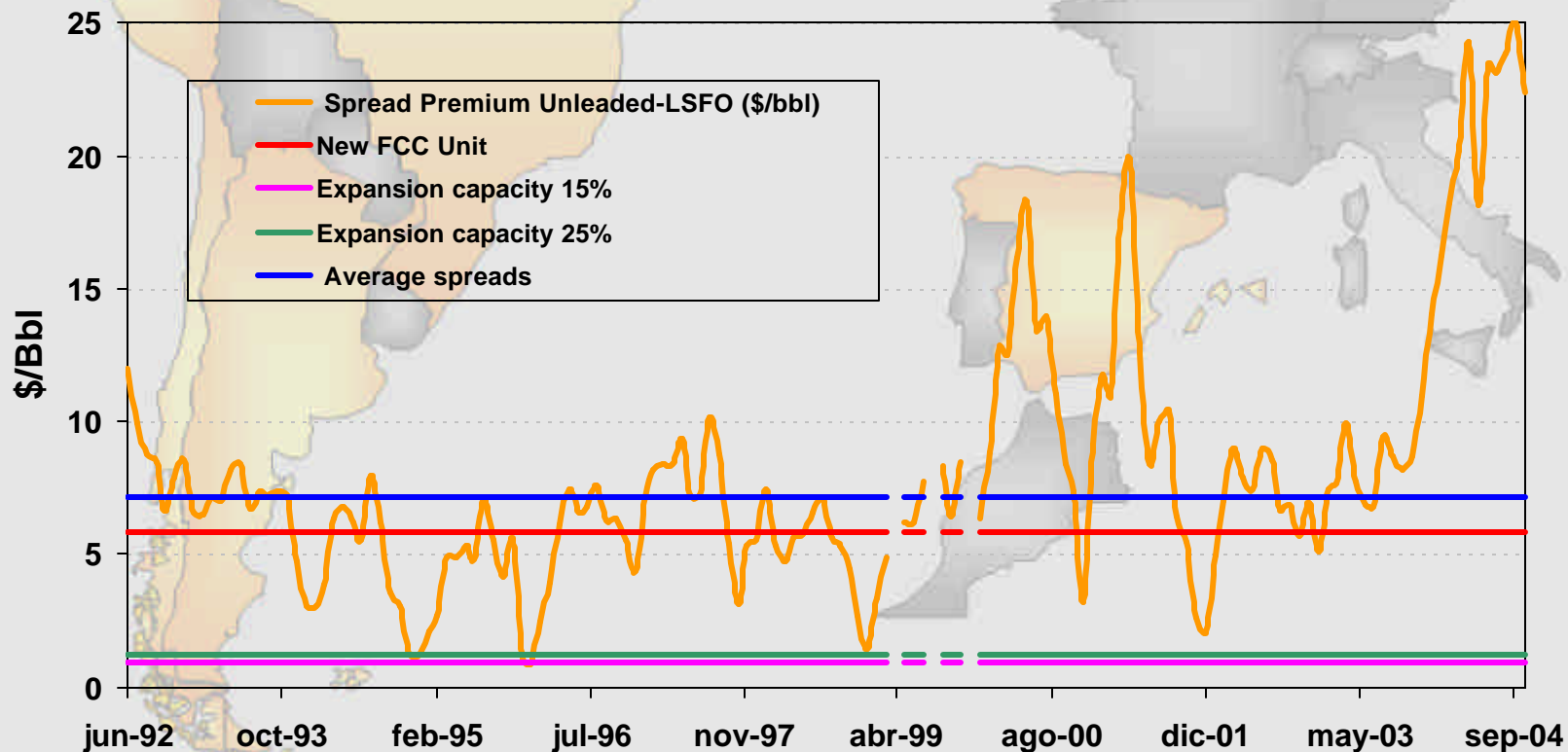
- High capital intensive industry that requires long-term investments.
- New conversion refineries are only feasible with high refining margins, higher than historical margins, to get a profitable return on capital



Upgrades

- Forecast margins drive upgrading capacity investments. Upgrading of existing units can be undertaken with lower spreads.

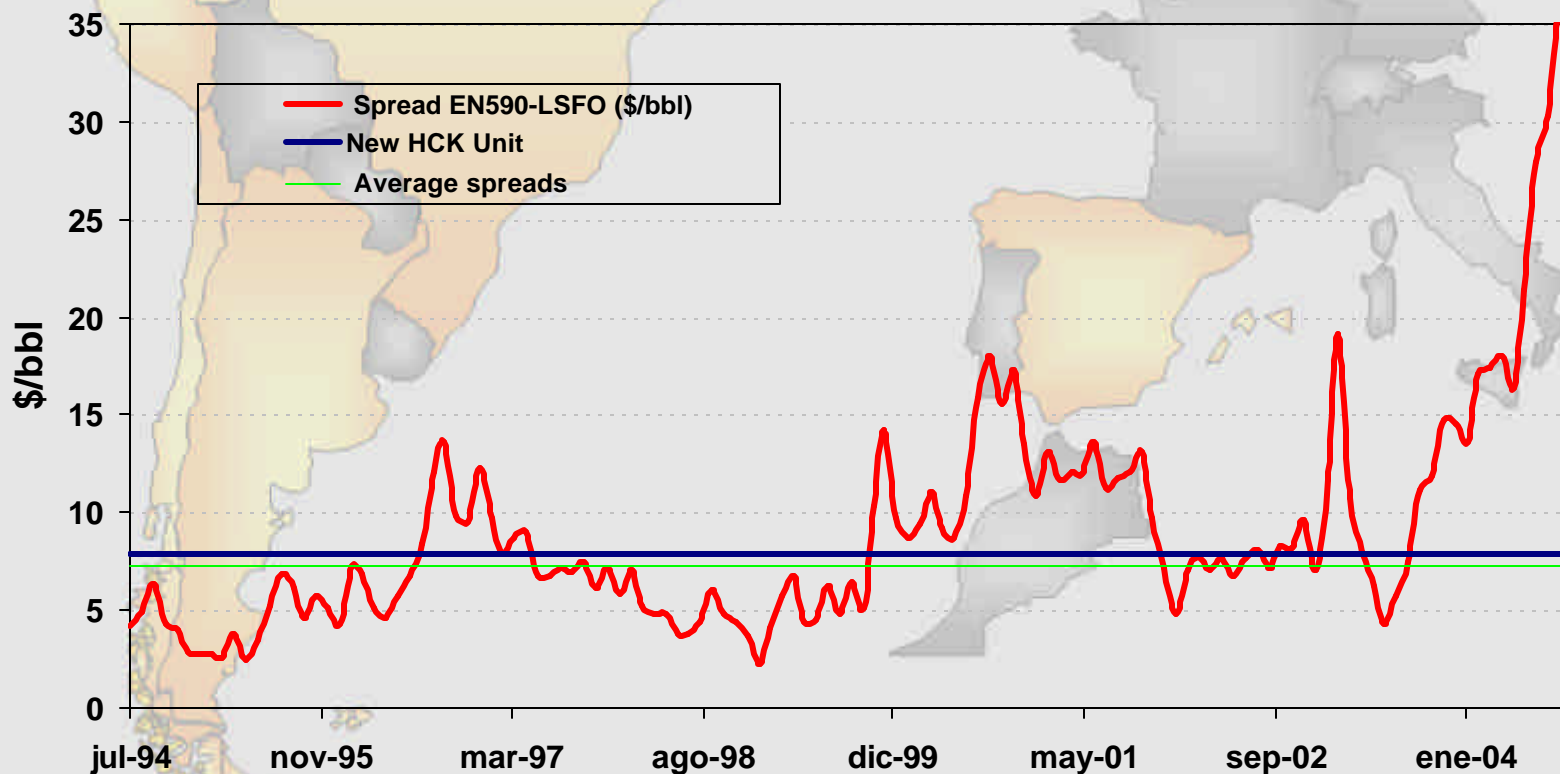
FCC Unit (new or revamping)



Upgrades

- Forecast margins drive upgrading capacity investments. Upgrading of existing units can be undertaken with lower spreads.

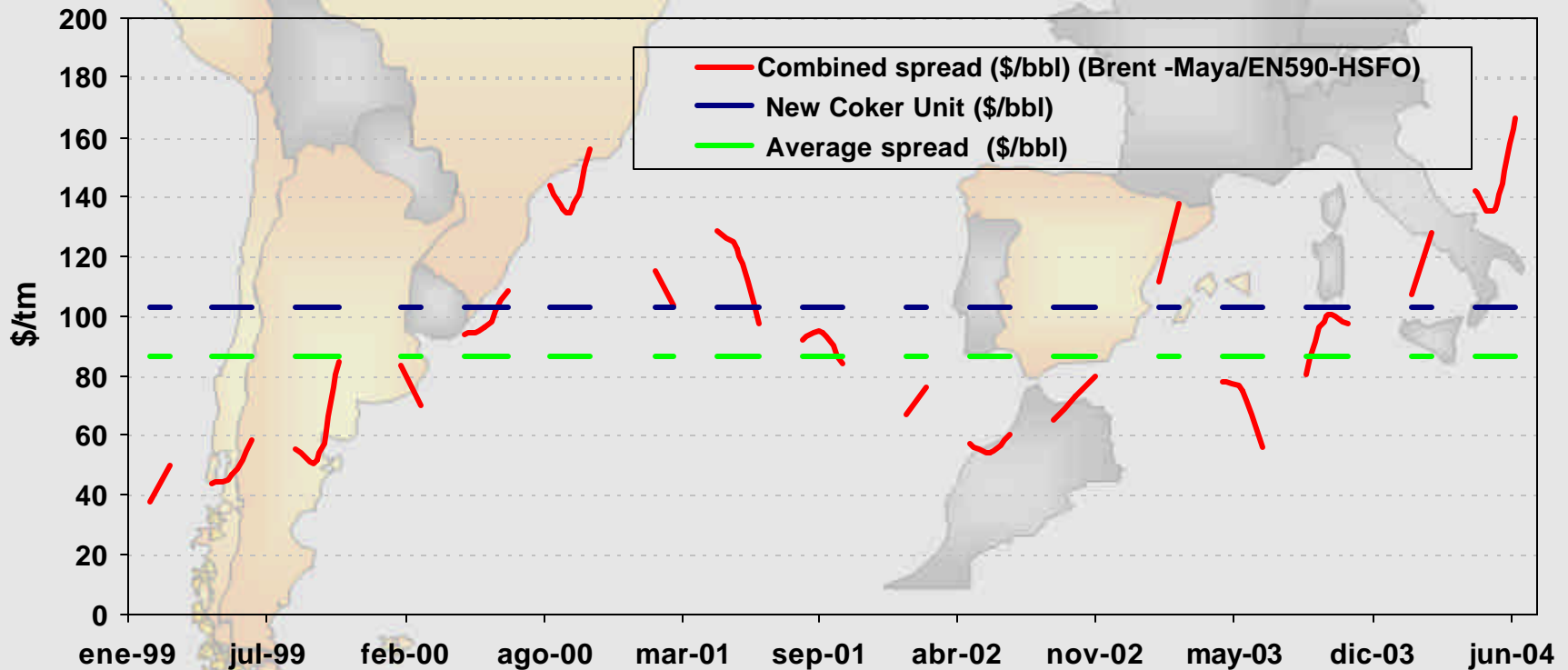
New Hydrocracking Unit



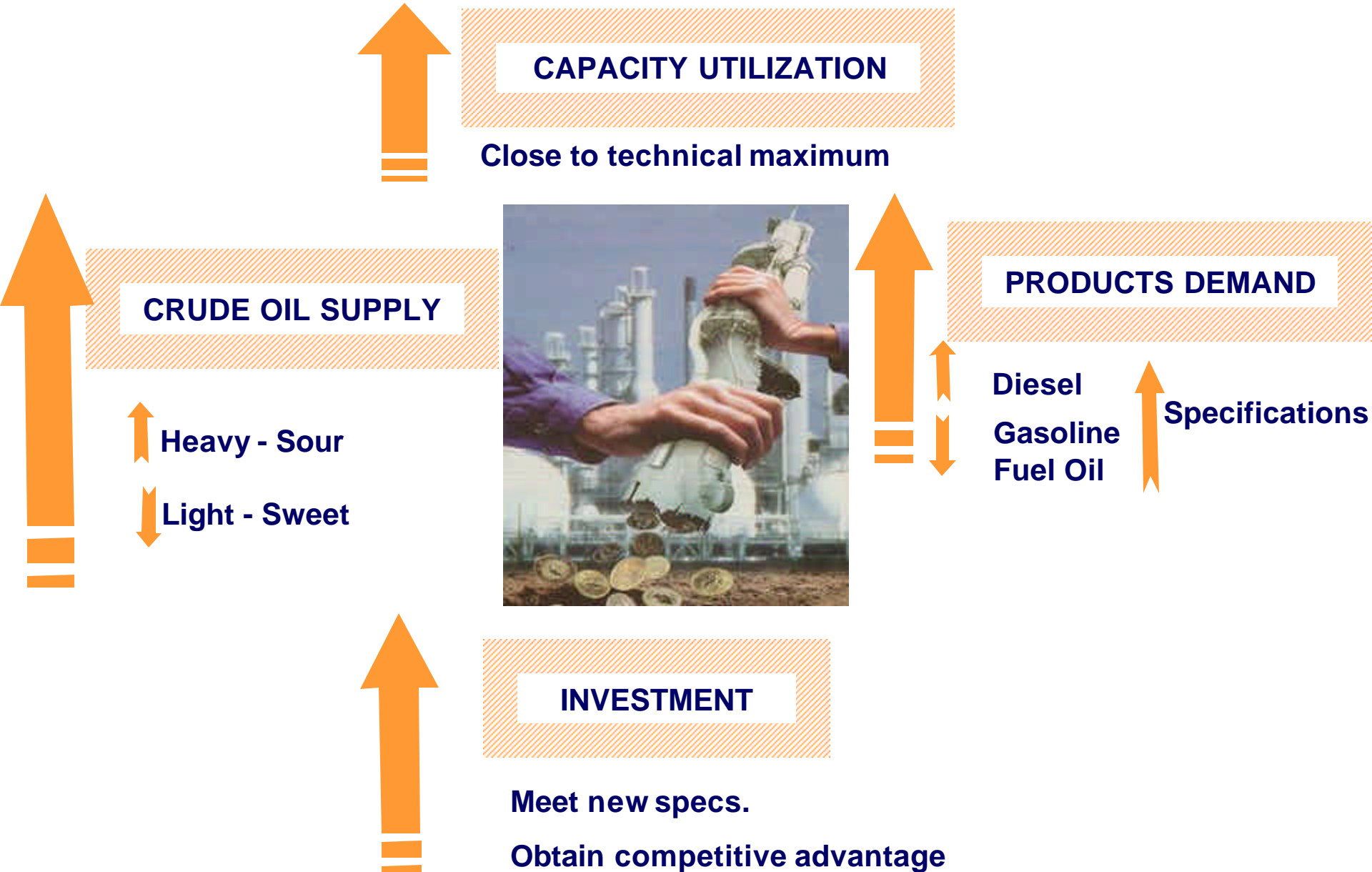
Upgrades

- Forecasted margins drive upgrading capacity investments. Upgrading of existing units can be undertaken with lower spreads.

New Coker Unit



Margin drivers



Location advantages

Well-positioned to serve Spanish and Latin American markets

Extensive inland logistics with coastal refineries

Flexible & integrated Refining Systems

Above average conversion indices

Support flexible crude slate

Integrated with Petrochemicals and lubricants



Medium distillates growth superior to the European Union average

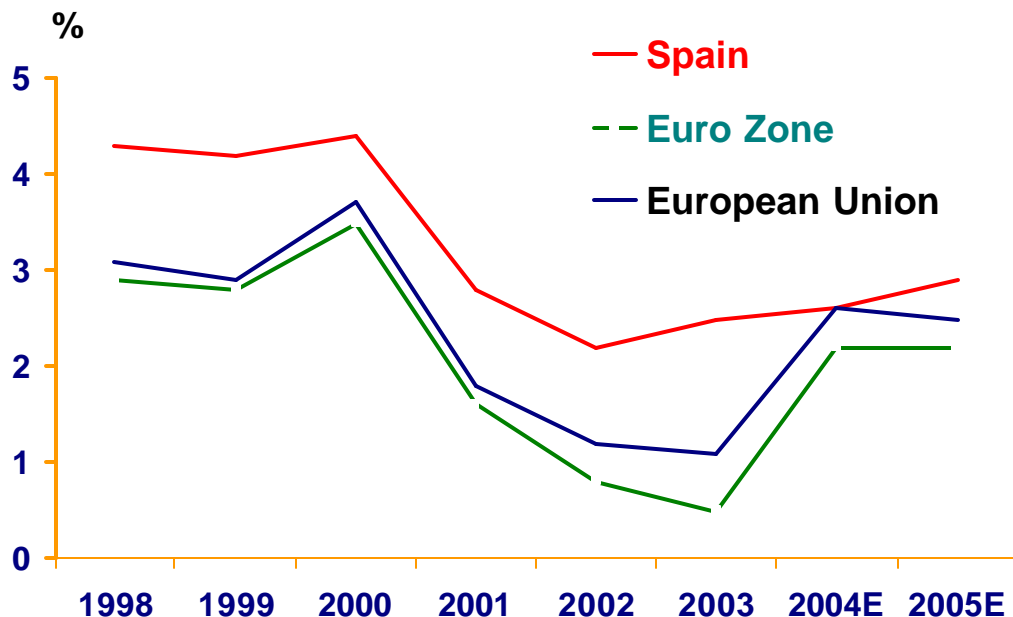
Severe diesel deficit

Surplus of gasoline and HFO



Favorable Spanish Macroeconomics

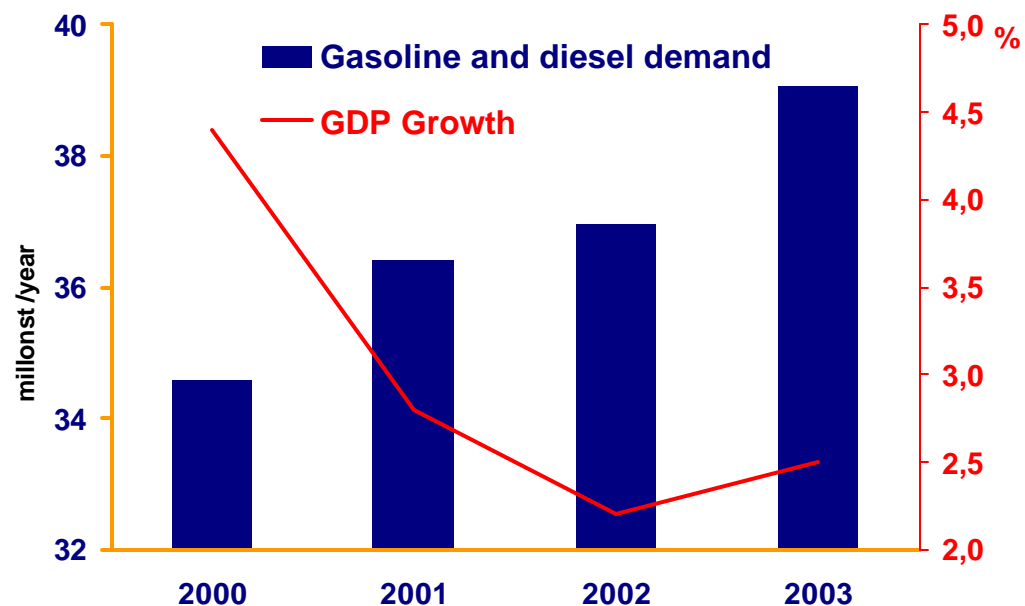
GDP growth rate



- **Dynamic economy with solid macroeconomic fundamentals**
- **Spanish GDP growth is stronger than in the European Union**
- **Future expansion expected to continue outstripping more mature markets**

Source: International Monetary Fund. WEO September 2004

Light products growth superior to the European Union average



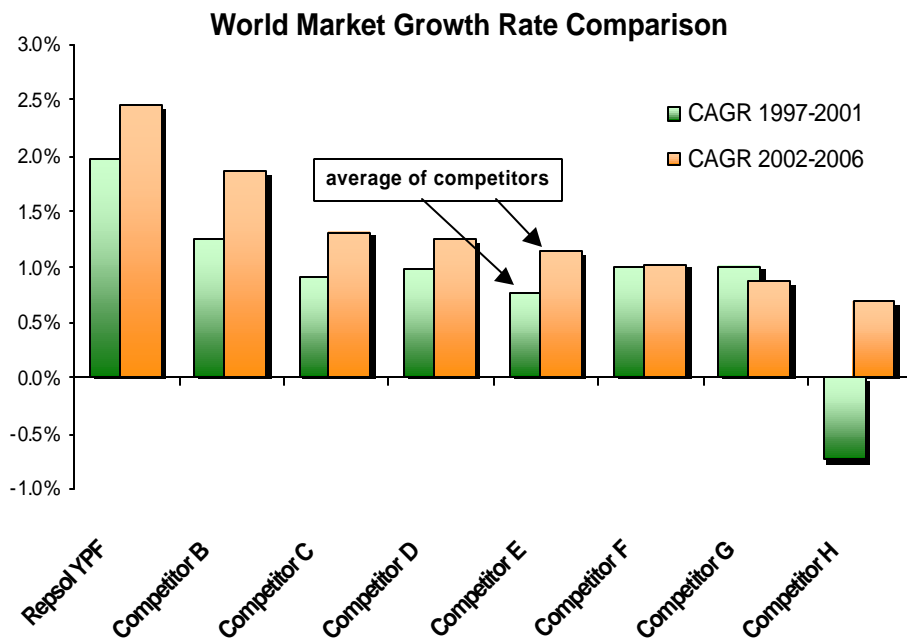
➤ Demand for light and petrochemical products has shown strong growth of more than 3.5 % yearly in line with strong economic expansion

➤ Strong growth middle distillate offsets gasoline decline

➤ Demand from rest of EU-15 only growing at a rate of ~1.0%

Source: Cores, IMF

Greater Growth Potential than Competitors

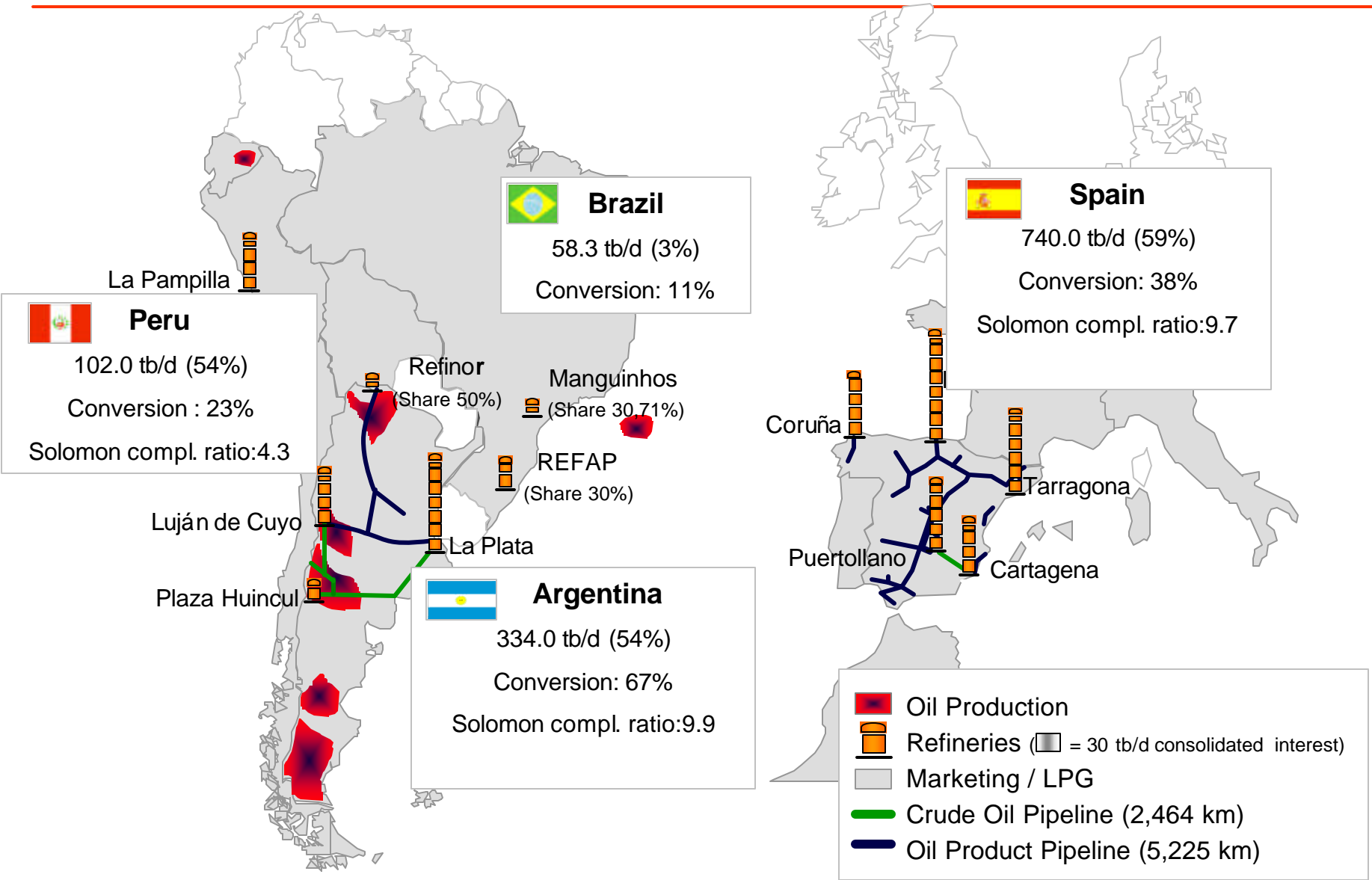


- The markets in which Repsol-YPF has a retail position have shown strong combined growth of 2.0% in recent years
- Key competitors' market portfolios experienced less than half this growth rate

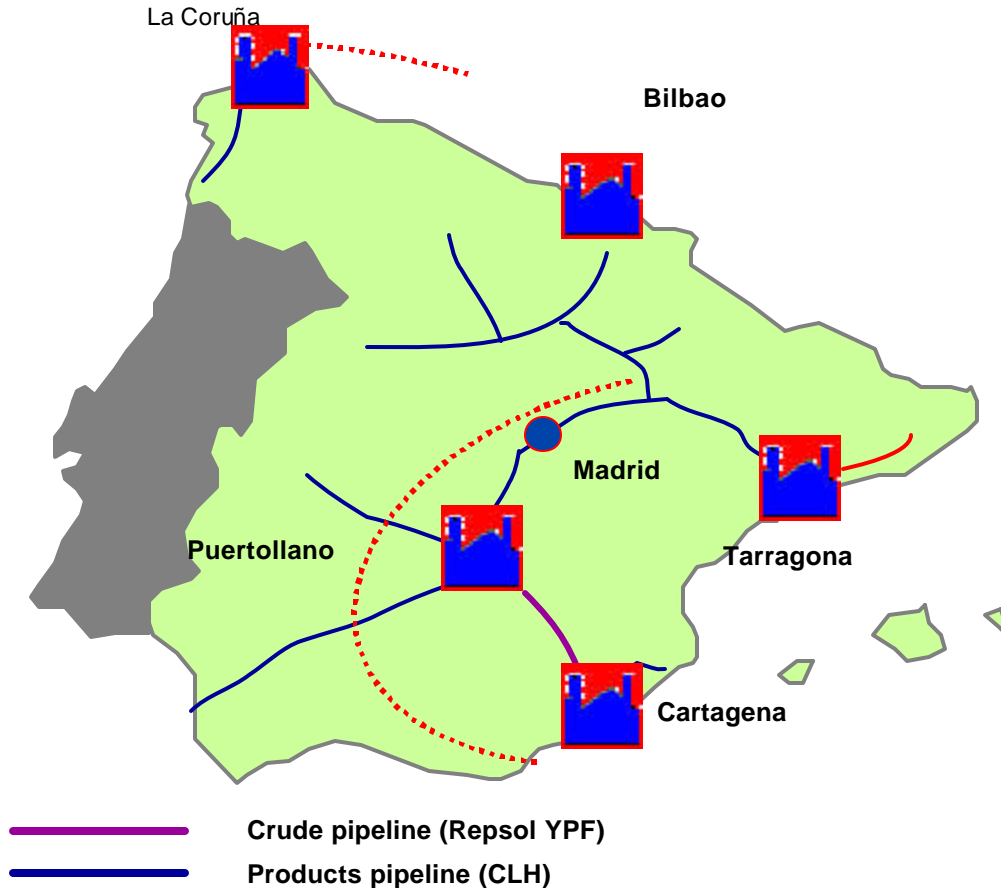
Growth in demand for gasoline and gasoil, based only on those markets in which the mentioned companies are present. Companies in sample are: ENI, Total, Shell, ExxonMobil, ChevronTexaco, ConocoPhillips, BP

Source: PFC Energy

Flexible & Integrated Refining Systems



NB: Conversion expressed as the ratio of FCC equivalent capacity to topping capacity



- Well-positioned to serve favorable Spanish market
- Extensive inland logistics with coastal refineries
 - allow for optimization of refining portfolio
 - provide access to export markets
 - support flexible crude slate

Strong Structural Position in Argentina

Benefit from position to develop activities in neighboring countries



- Superior refining assets
- High degree of integration with crude sources
- Well-positioned logistically
 - major demand centers
 - western regions
 - export markets

Legend:

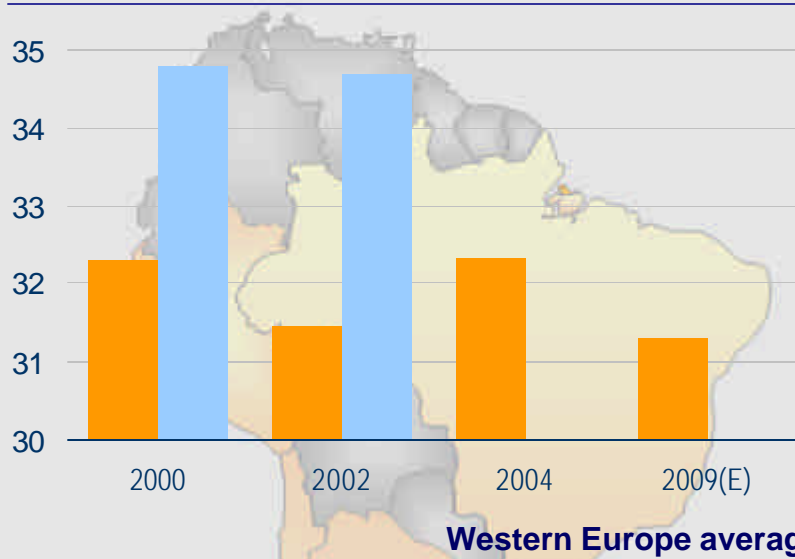
- Refinery
- Marketing / LPG
- Oil pipeline
- Product pipeline

Repsol YPF Refining – Spain

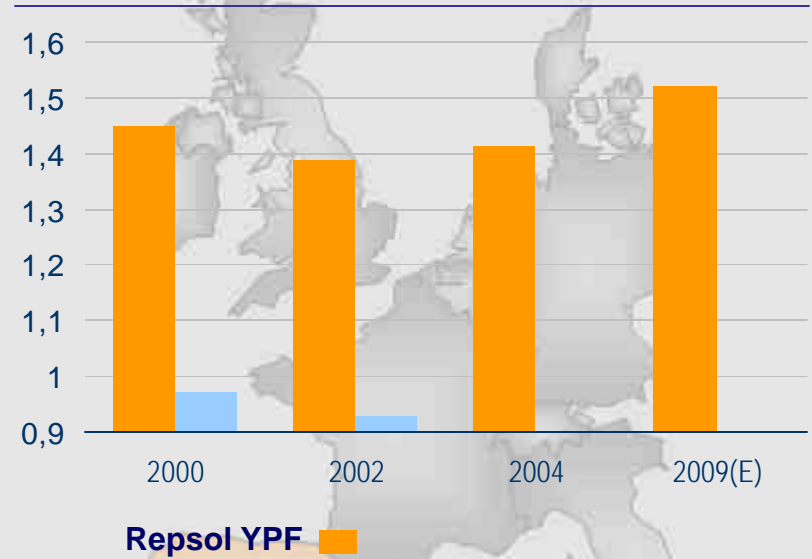
Crude Oil Processed



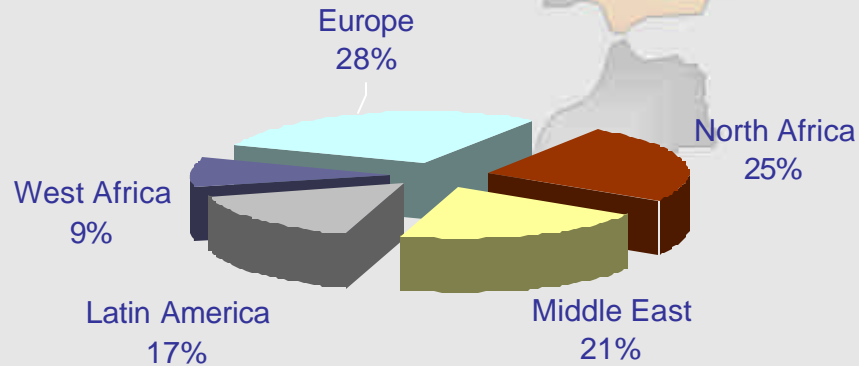
Density [°API]



Sulphur [%]



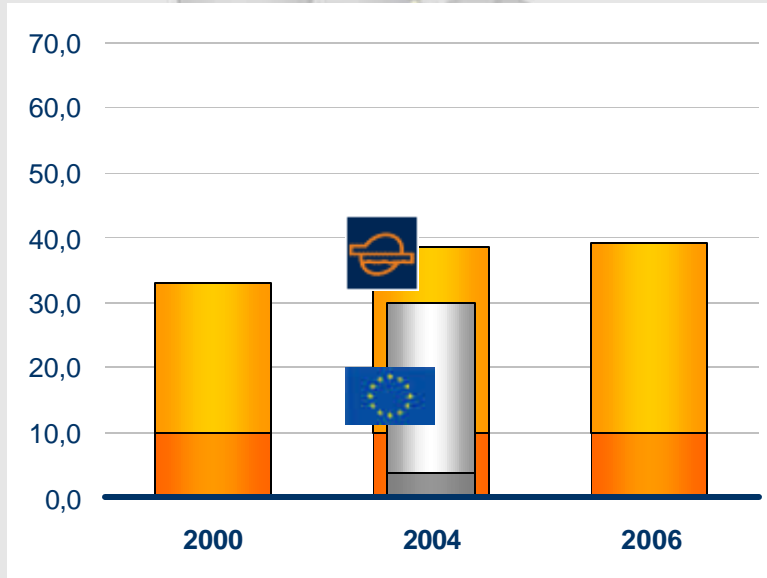
2004 Crude Oil Origin



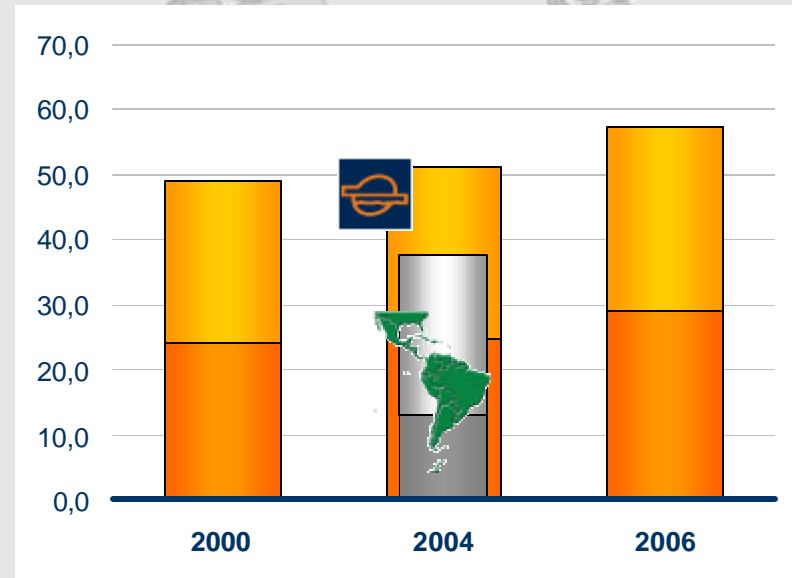
NB: Europe includes CIS

Conversion Index

(%, equivalent FCC capacity / topping)



Western Europe



Latin America

Deep conversion Total conversion

Repsol YPF Indices include all assets with more than 25,000 bpcd of consolidated topping capacity
 Source: WE and Latin America Average based on capacities from O&G Journal 2004.

Integration Across Downstream



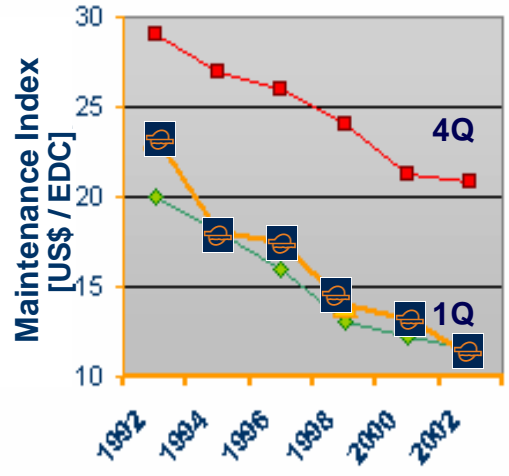
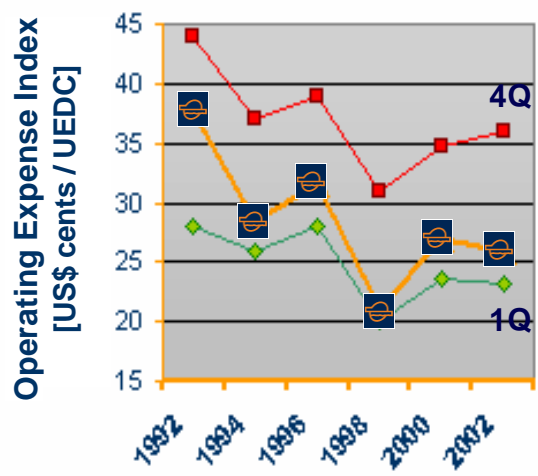
Refining Integration

	Marketing	Chemicals	Lube Oils	Asphalt
SPAIN				
Cartagena	●		●	●
La Coruña	●			●
Puertollano	●	●	●	●
Tarragona	●	●		●
Bilbao	●			●
ARGENTINA				
La Plata	●	●	●	●
Luján de Cuyo	●			●
Plaza Huincul	●	●		●
Refinor	●			●
BRAZIL				
REFAP	●			●
Manguinhos	●			●
PERU				
La Pampilla	●			●

Repsol YPF Performance: Solomon Indices

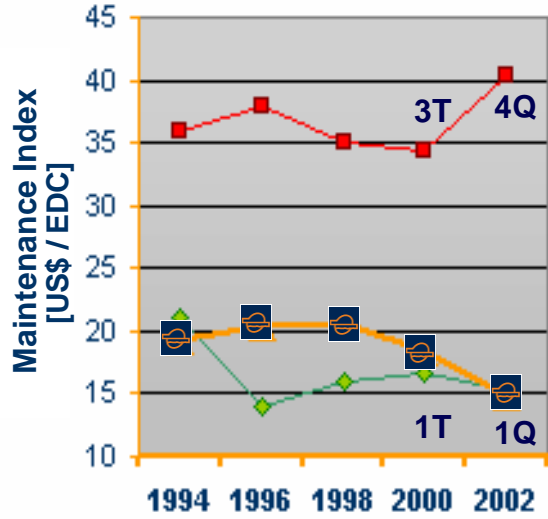
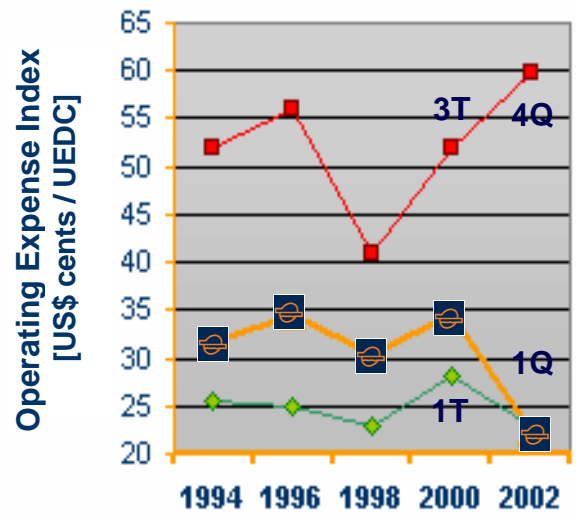


EUROPE

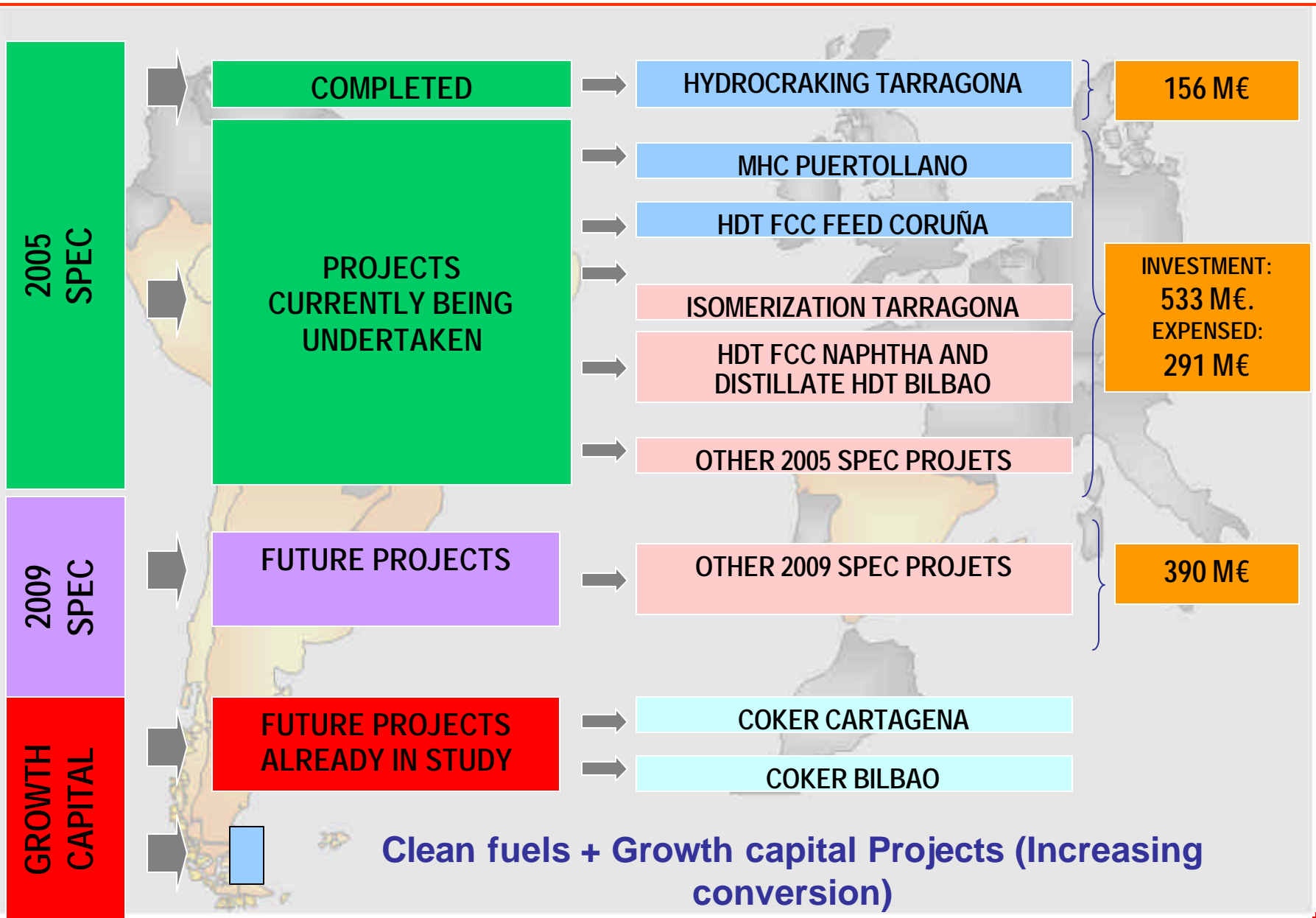


1Q = First quartile
 4Q = Fourth quartile
 1T = First tercile
 3T = Third tercile

LATIN AMERICA

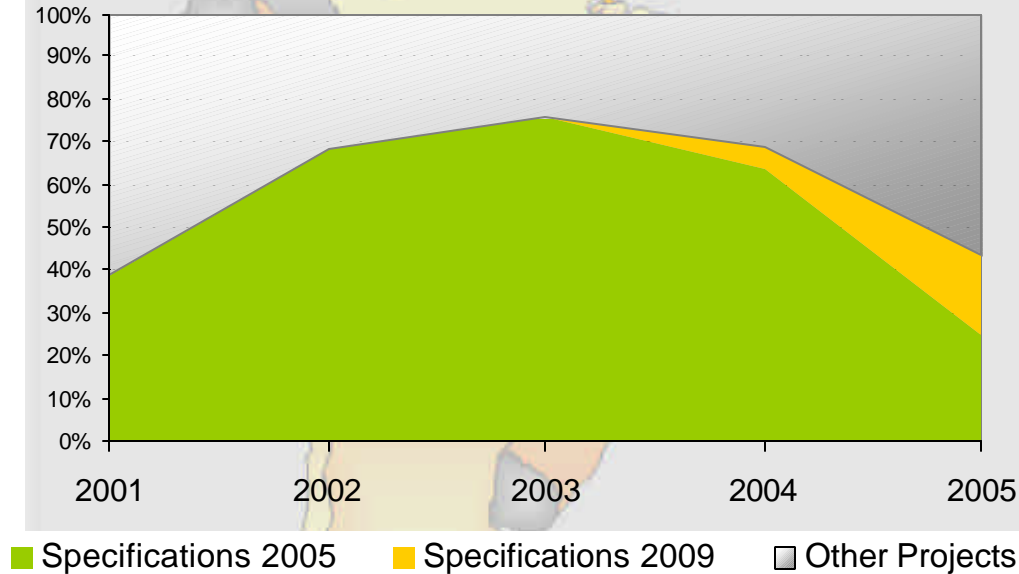


Investment in Clean Fuels/Conversion



Clean fuels + Growth capital Projects (Increasing conversion)

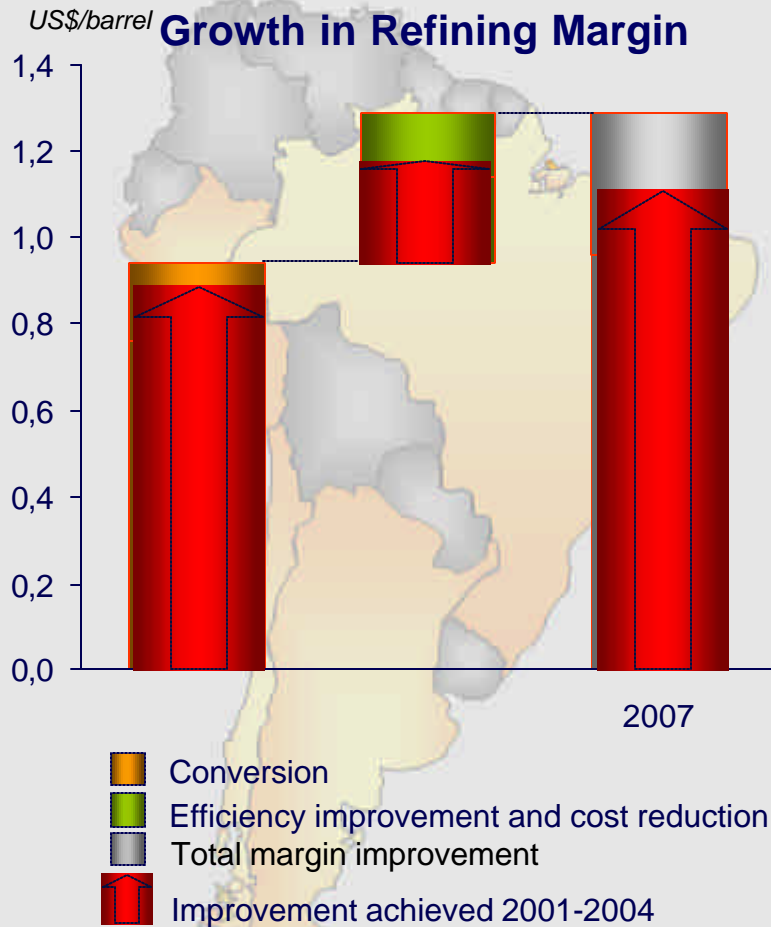
Spanish Annual Capex



Repsol YPF will continue to closely manage refining investments.

Repsol YPF will not only invest on time for EU 2005 specs, but will be ready in advance for 2009 specifications.

The investment program to meet EU product specifications includes high-return projects that increase conversion capacity.



The most important investments are designed to improve efficiency and safety, and upgrade capacity to meet the new EU fuel specifications

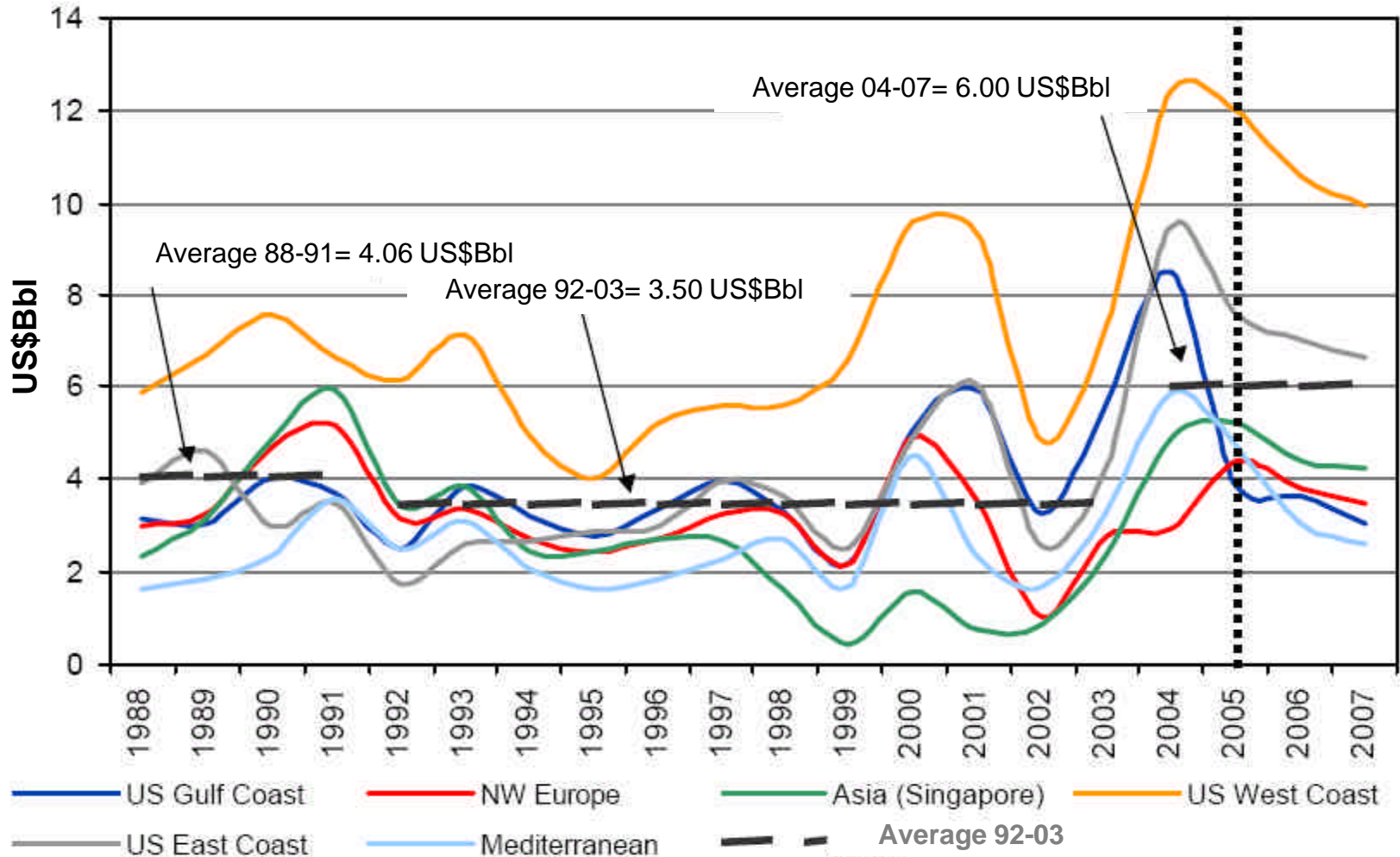
The investment program to meet the 2005 specs includes


- **Hydrocracker at Tarragona (start-up 2002)**
- **Mild hydrocrackers in Puertollano and Coruña (start-up mid 2004 and mid 2005, respectively)**

Upgrading projects are also being developed in La Pampilla, Cartagena, La Plata, Lujan de Cuyo and Bilbao refineries

Refining margins evolution

✓ Refining margins are expected to be higher than average for last eight years.



- 
- A faint, light-colored map of Latin America and Europe is visible in the background. The map highlights the geographical regions of Latin America (including Mexico, Central America, and South America) and Europe (including the British Isles, Scandinavia, and the rest of the continent).
- **We believe refining margins will remain strong provided that:**
 - ✓ Oil demand keeps on growing as forecasted.
 - ✓ No relevant change take place in the political situation.
 - ✓ Investment undertaken, both to meet new specifications and to improve refinery scheme, surplus demand.
 - **Repsol YPF has significant strengths since:**
 - ✓ Has already undertaken the investments required to meet new specifications, improving conversion ratio.
 - ✓ Disciplined investment approach.
 - ✓ Conversion ratio better than regional average (European, Latin America).
 - ✓ Refine cost leadership.

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