Peru Field Trip September 2010

Downstream Peru

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PERU FIELD TRIP 2010

REPSOL

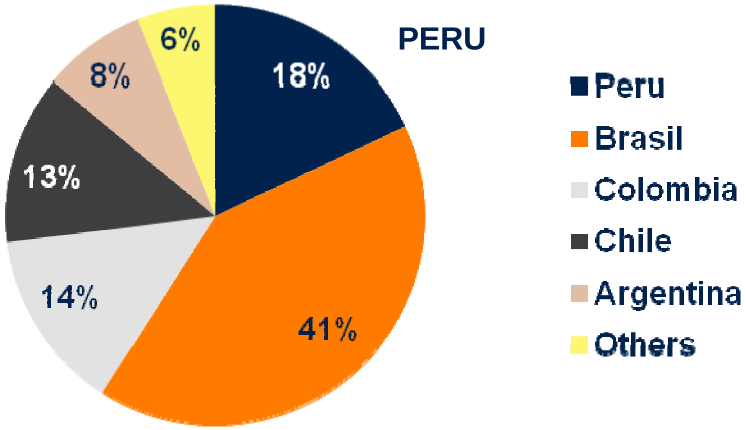
Agenda

Country outlook

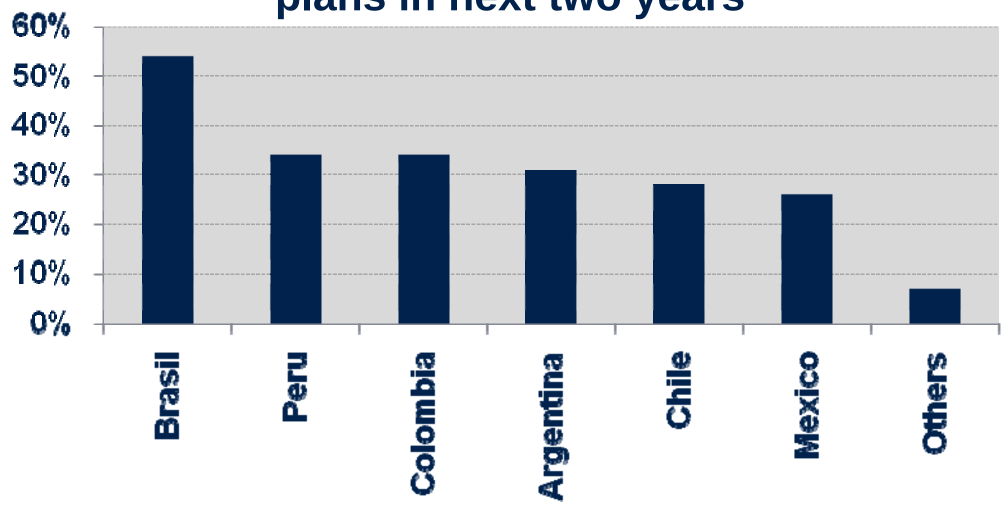
- Sustained economic growth.
- Geographical location and territorial advantages: strategic location in the South American Pacific. Mega- diverse country featuring vast natural resources and a diversity of climates.
- Growing share of the global market.
- Investment Grade from the top three rating agencies.
- Sector opportunities with a high growth potential.

Attractive countries to invest in Latam Economical Environment Survey 2010 - PWC

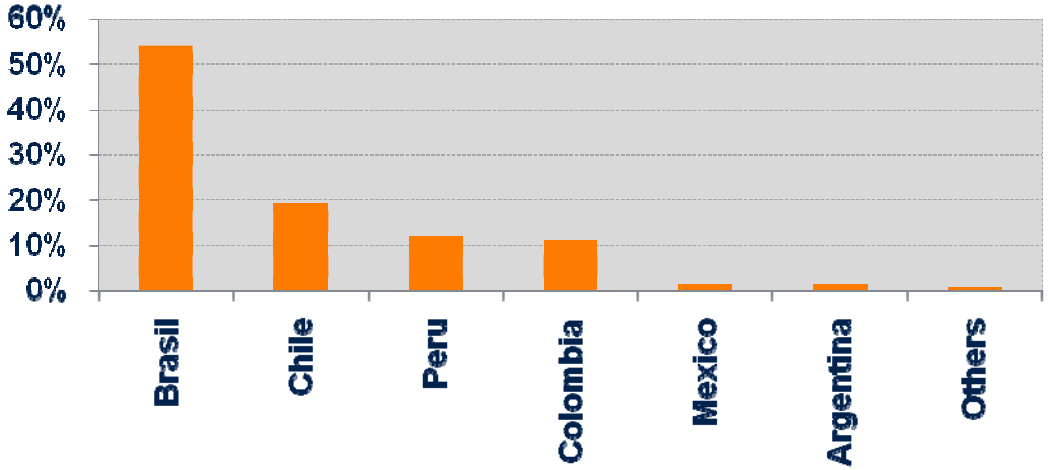
Most attractive country to invest in Latam



Countries where companies have investment plans in next two years

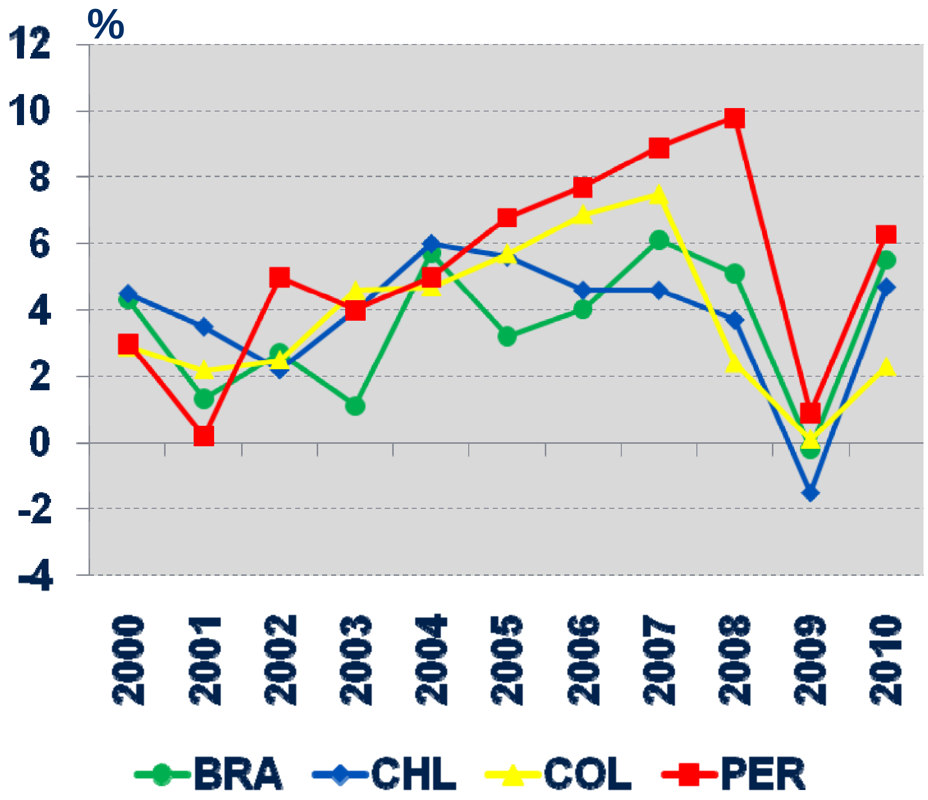


Countries with better future economic projections

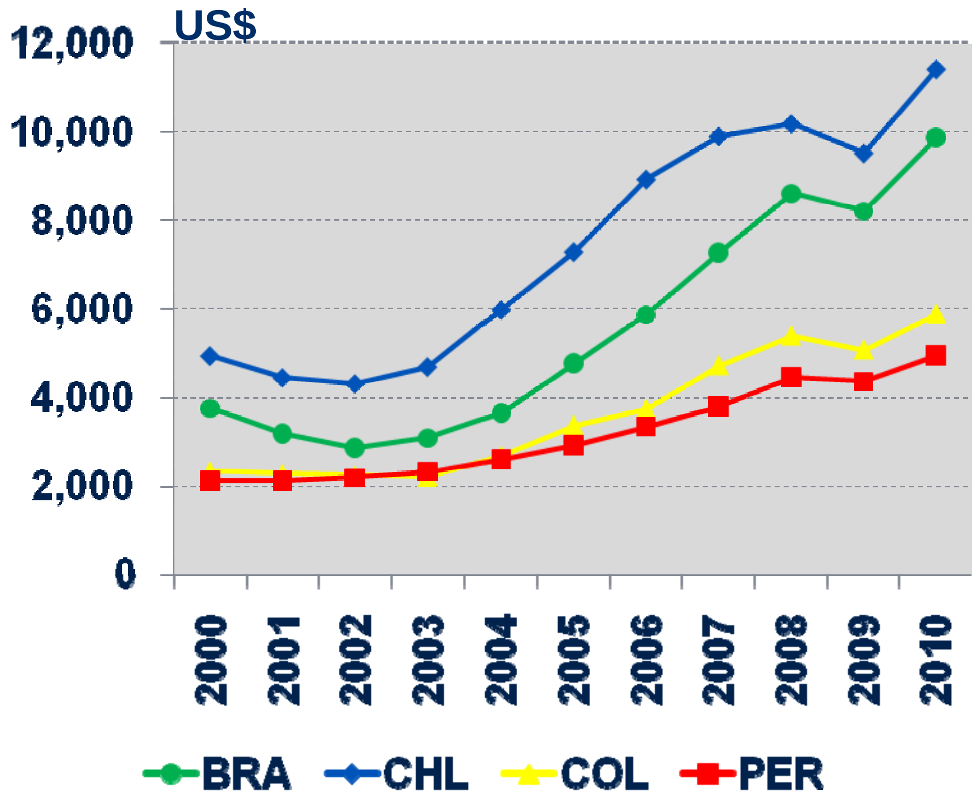


Regional outlook

Regional GDP



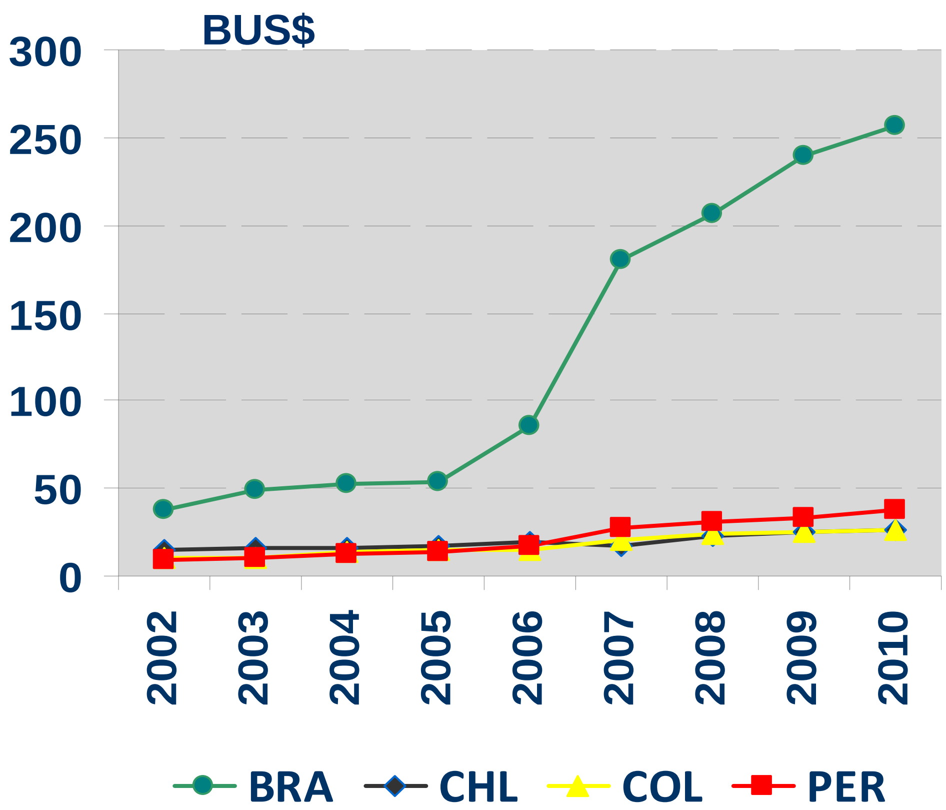
Per capita GDP



Source: International Monetary Fund 2010 Projection

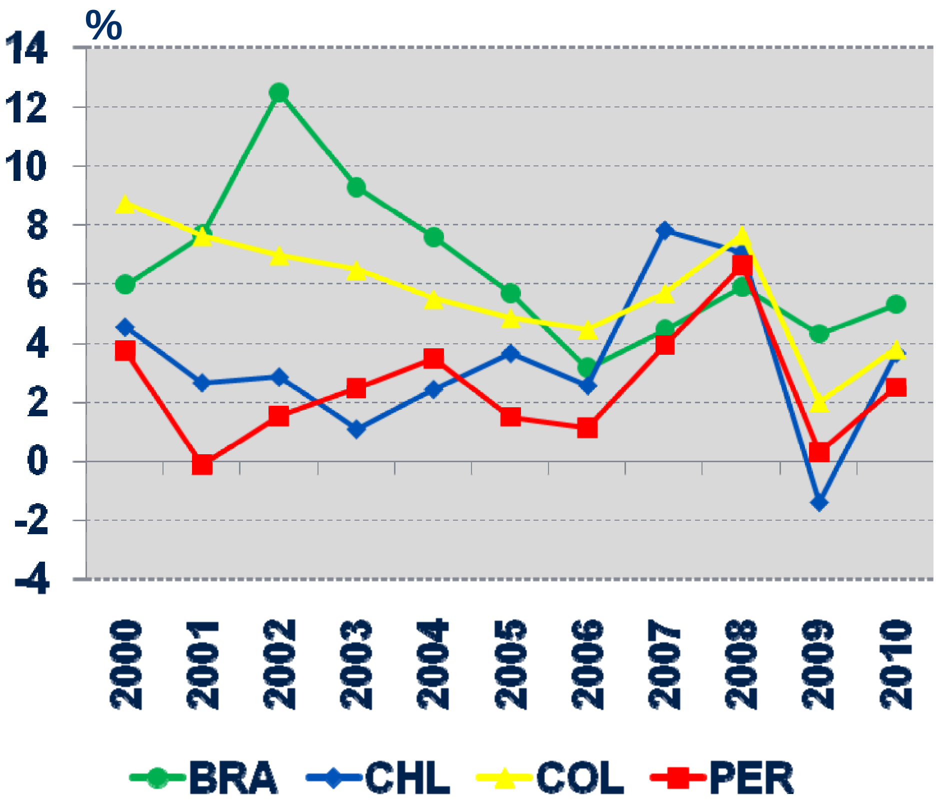
Regional outlook

Net International Reserves



Source: Instituto Nacional de Estadística e Informática of each country - 2010 Projection

Inflation Rate



Source: International Monetary Fund 2010 Projection

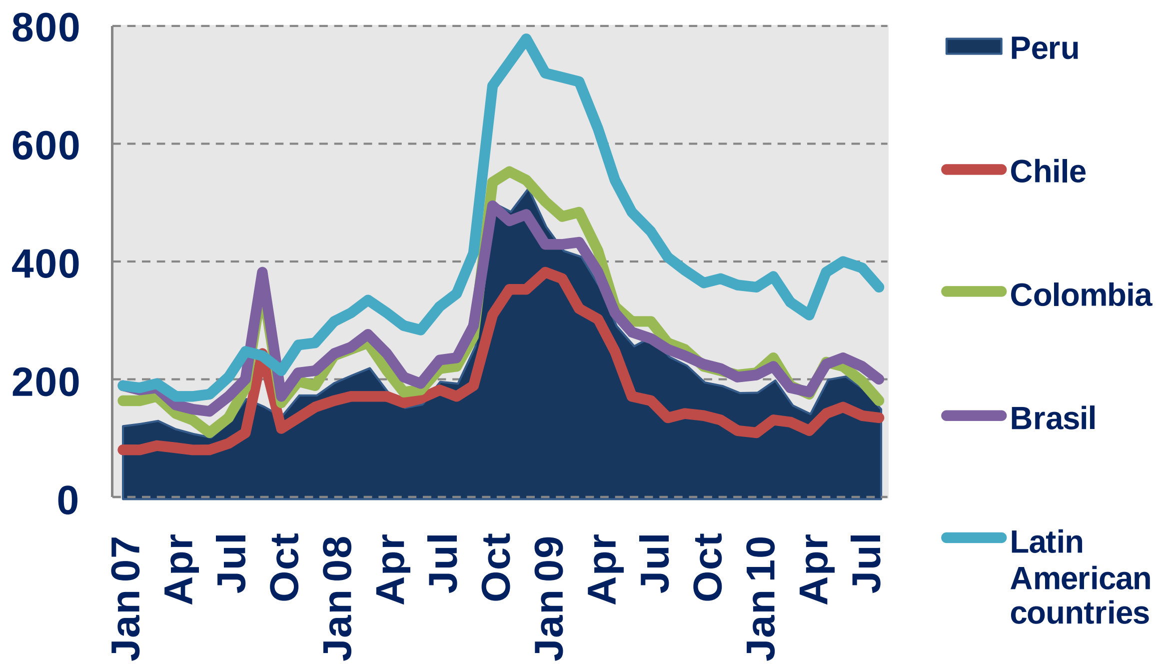
Regional outlook

Investment Grade

Latin American Comparison			
Country	**S&P**	**Fitch**	**Moody's**
Chile	**A+**	**A**	**A1**
México	**BBB**	**BBB**	**Baa1**
Perú	**BBB-**	**BBB-**	**Baa3**
Brasil	**BBB-**	**BBB-**	**Baa3**
Colombia	BB+	BB+	Ba1
Venezuela	BB-	BB+	B2
Argentina	B-	RD	B3
Bolivia	B-	B	B2
Ecuador	CCC+	CCC	Caa3

Source: Proinversión 2010

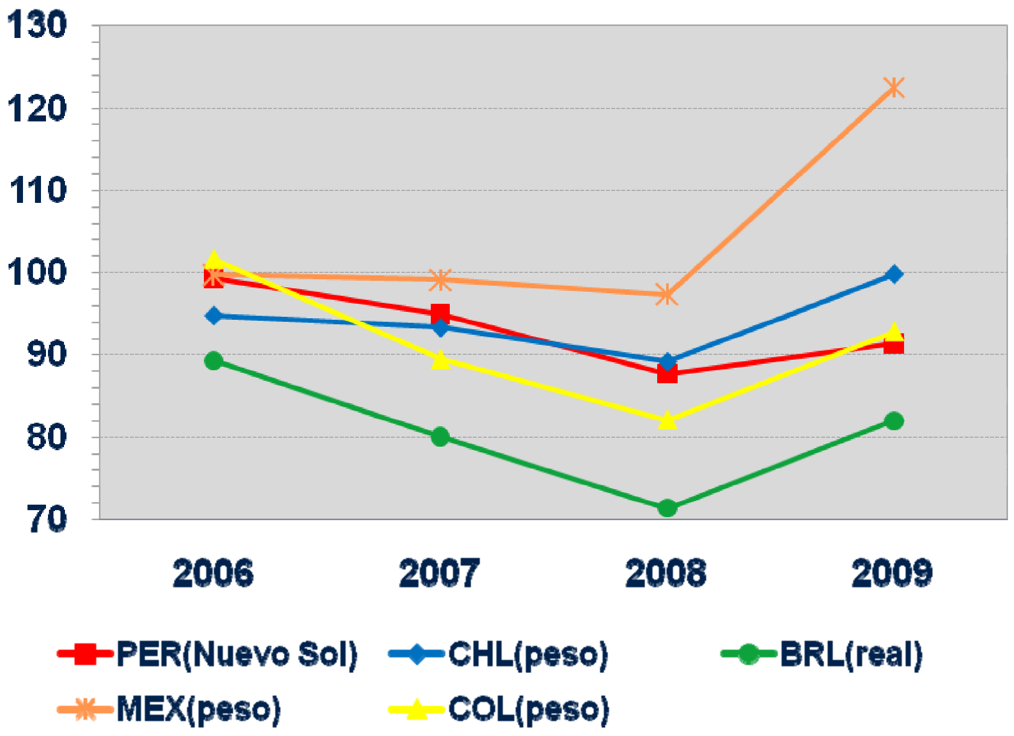
Country Risk: EMBI+ Yield Differential (in basic points)



Source: Banco Central de Reserva del Perú, 2010

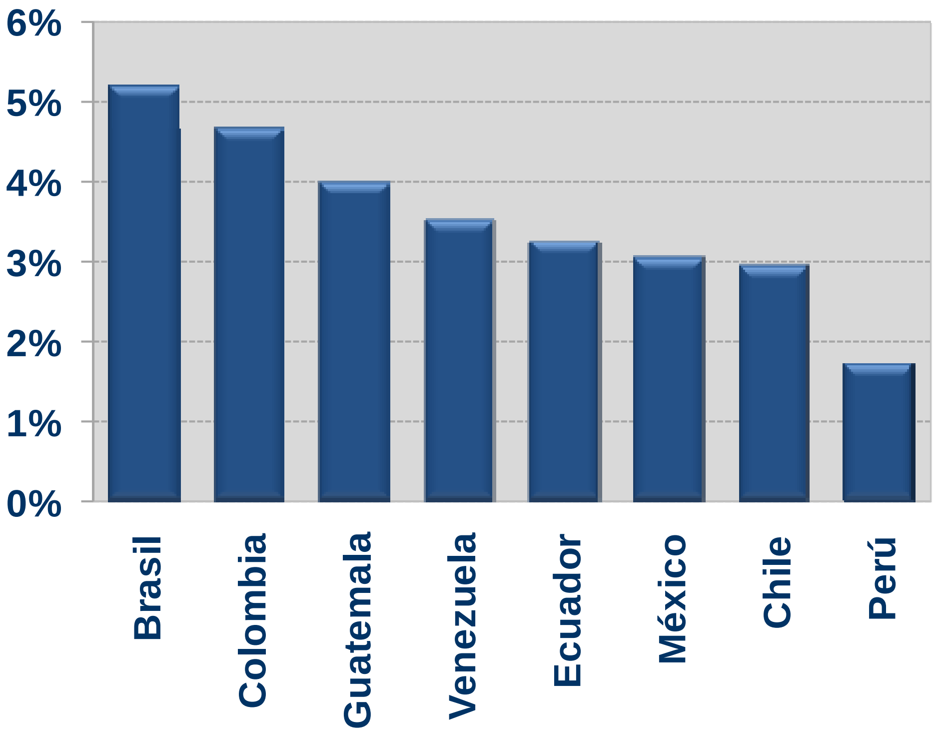
Regional outlook

Exchange Rate (Base 100= 2005)



Source: International Monetary Fund

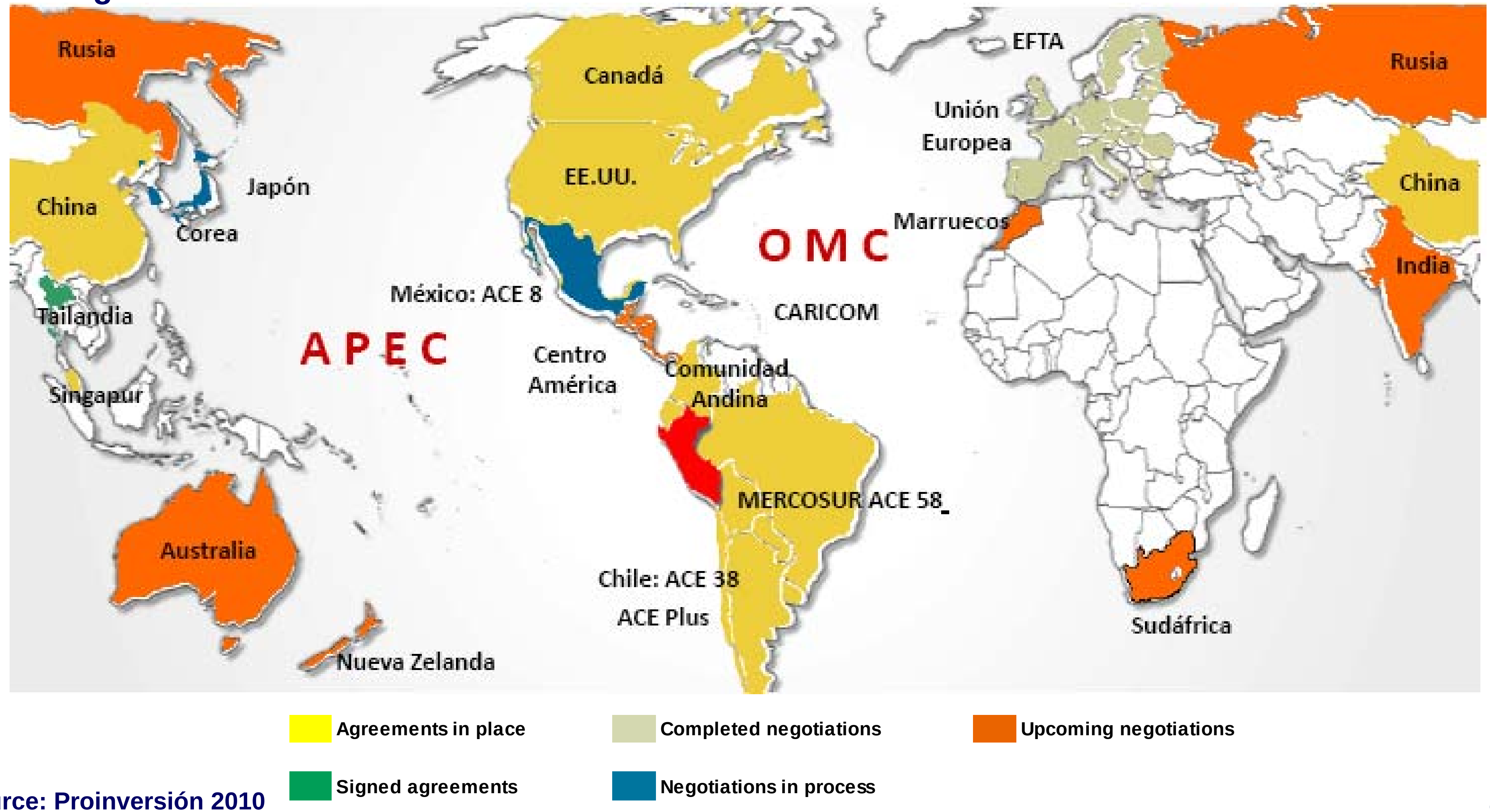
2009 Banking Loans Default Rate



Source: Asociación de Bancos del Perú

Regional outlook

Economies working within the globalization process, with access to the largest markets and to regional trade blocks.

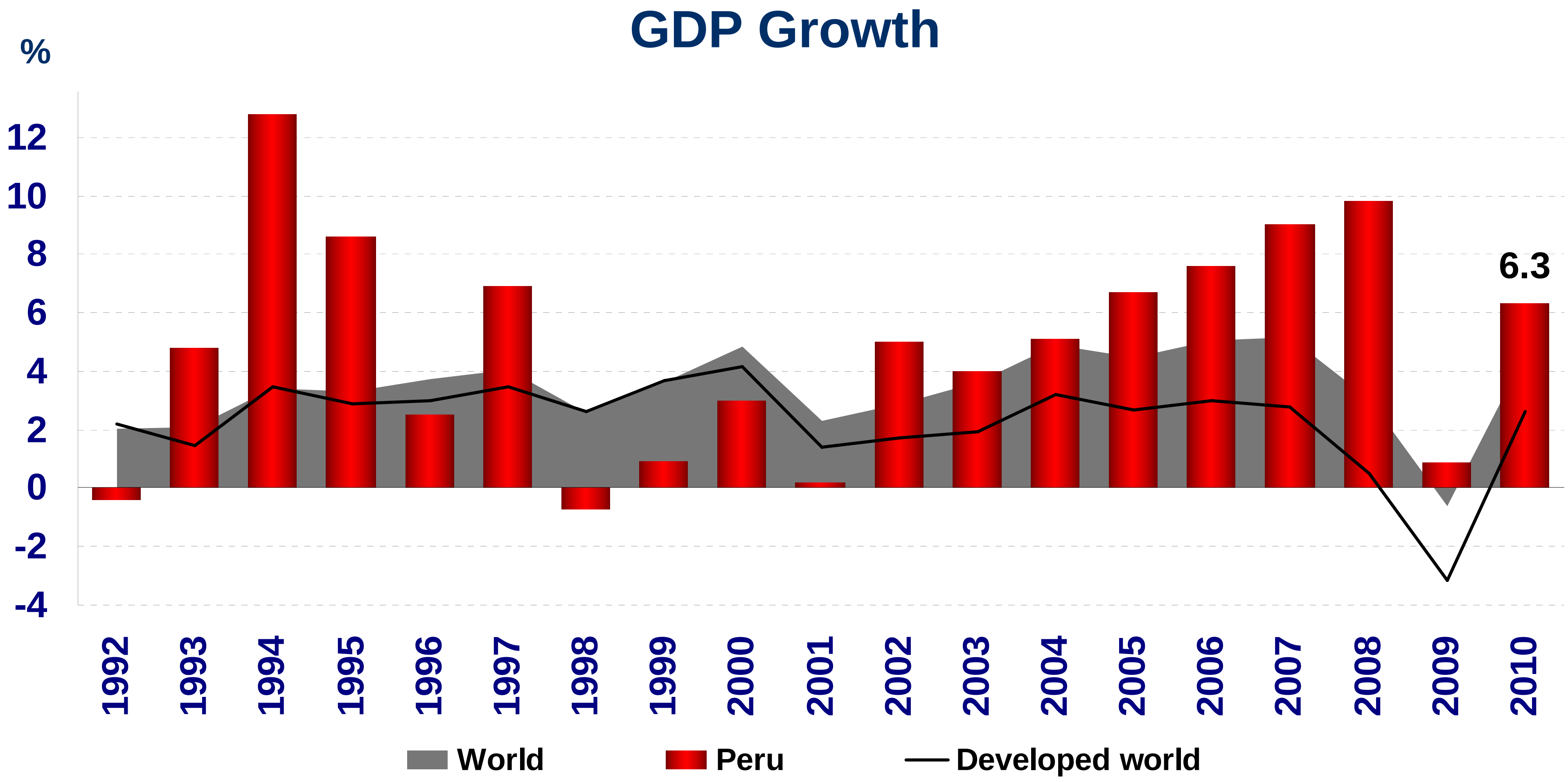


Source: Proinversión 2010

Agenda

- *Regional's general outlook*
- **Peruvian economic environment**
- *Political and social environment*
- *Overview of Repsol's business in Peru*
- Refining & Marketing
- Liquified Petroleum Gas
- *Social Responsibility*

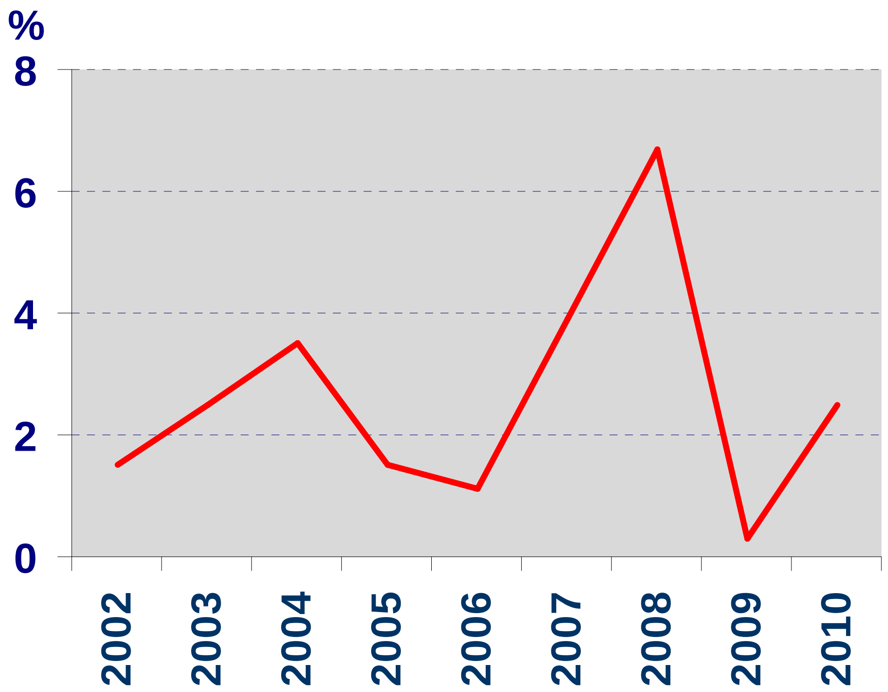
Peruvian economic environment
Gross Domestic Product



Source: Ministerio de Economía y Finanzas / International Monetary Fund 2010 Projection.

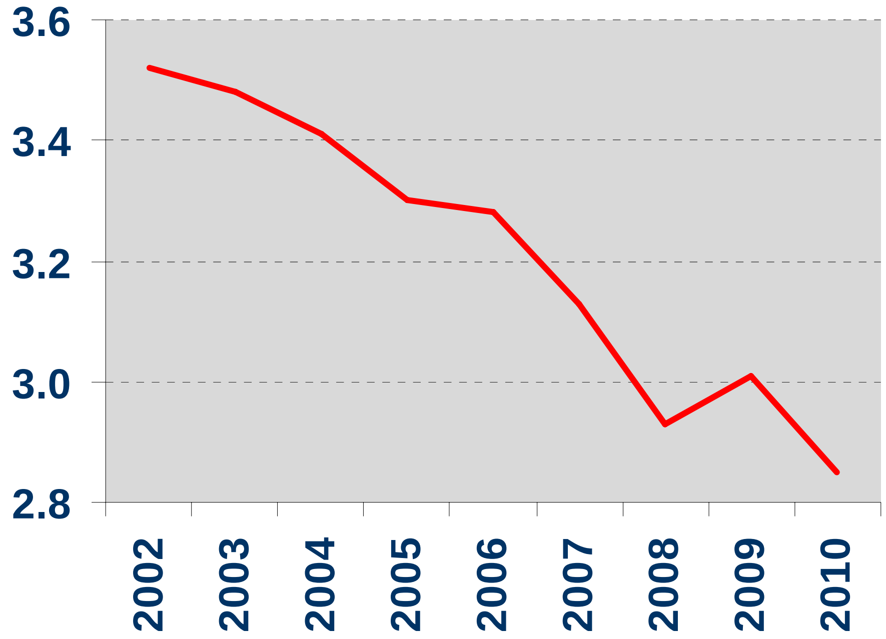
Peruvian economic environment
Inflation and Exchange Rate

Inflation



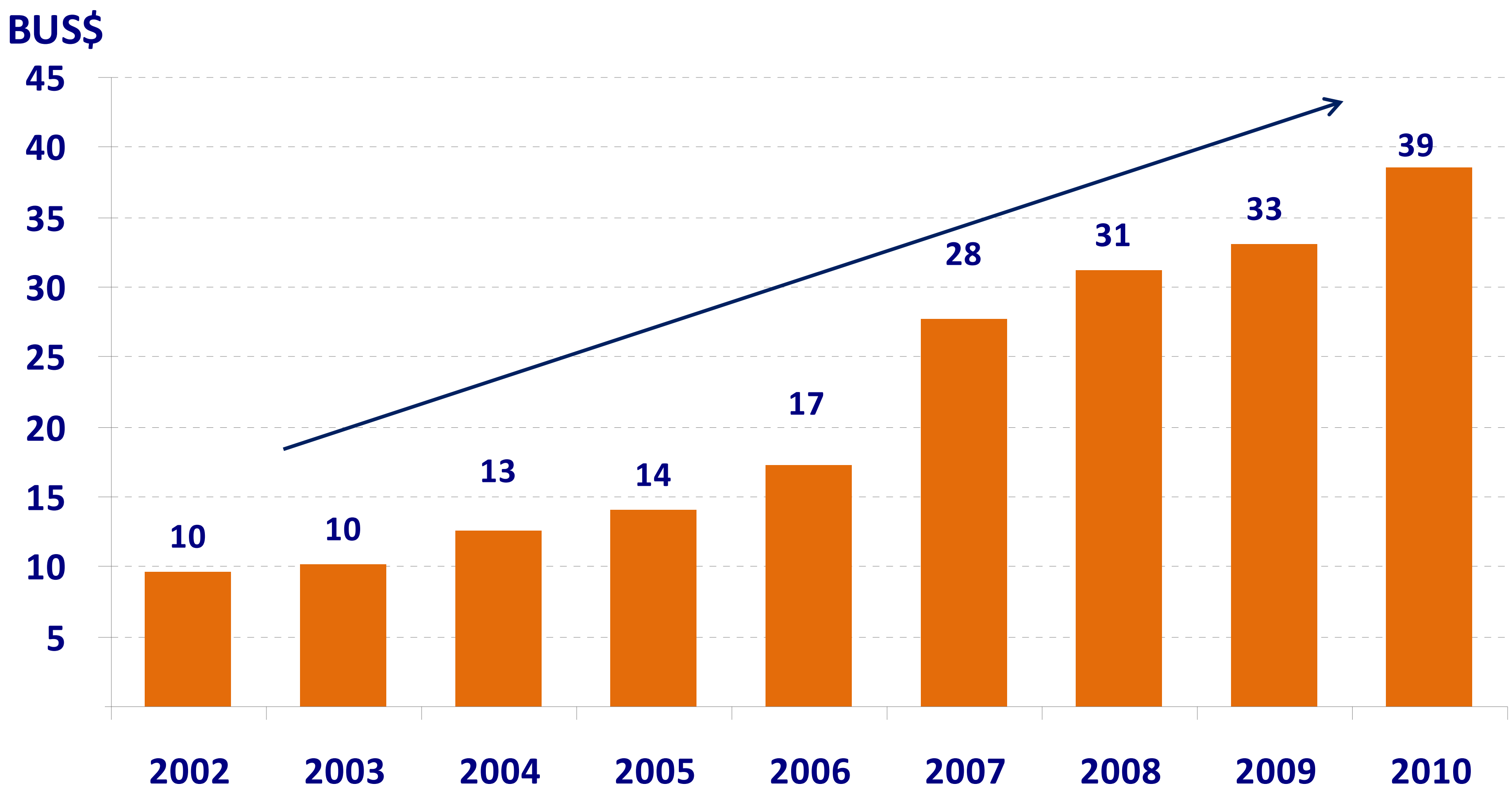
Exchange Rate

(Nuevos Soles per US$)



Source: Ministerio de Economía y Finanzas 2010 Projection

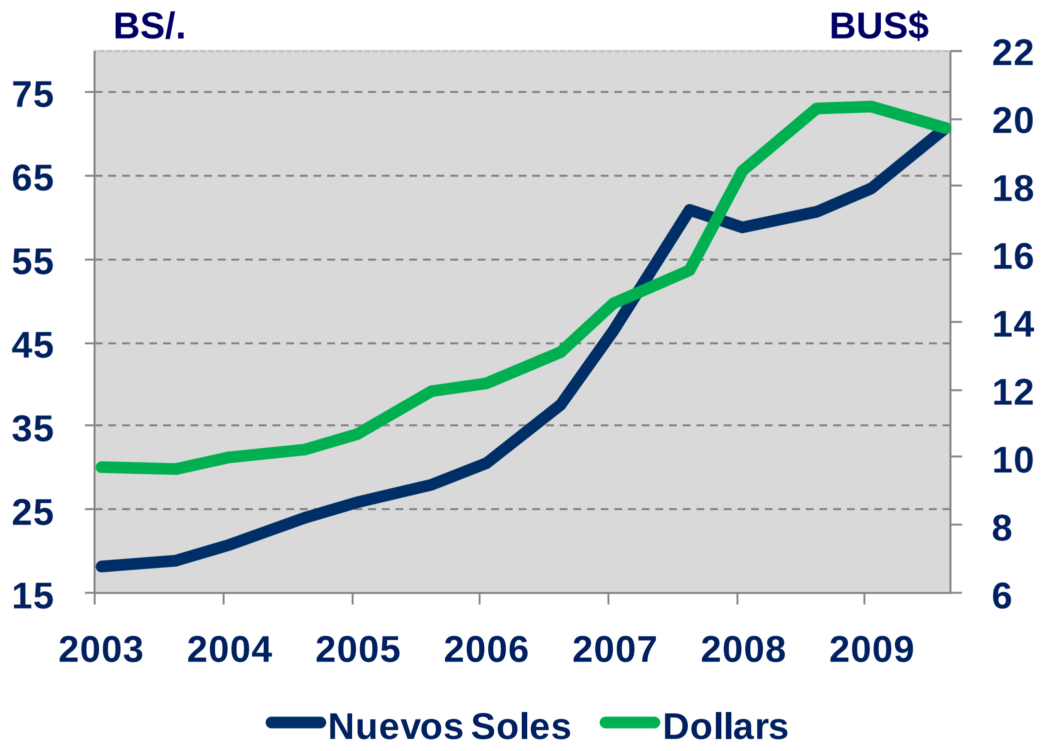
Peruvian economic environment
Net International Reserves



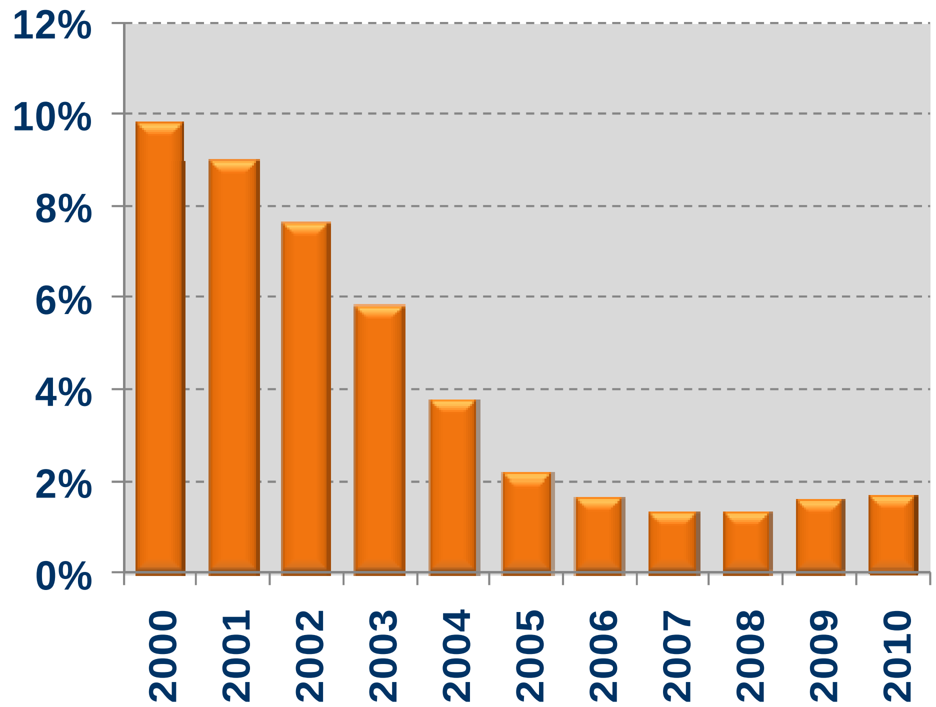
Source: Ministerio de Economía y Finanzas – Data as of July 2010

Peruvian economic environment
Deposits and Loans Default

Deposits of the Financial System by Currency



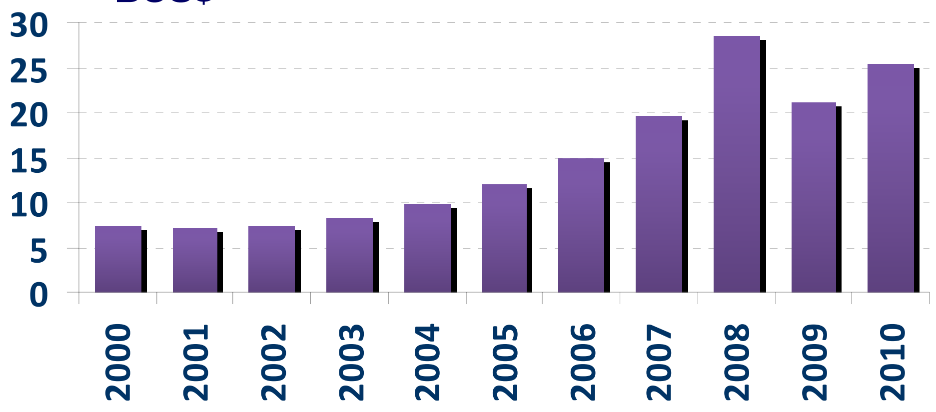
Banking Loans Default Rate



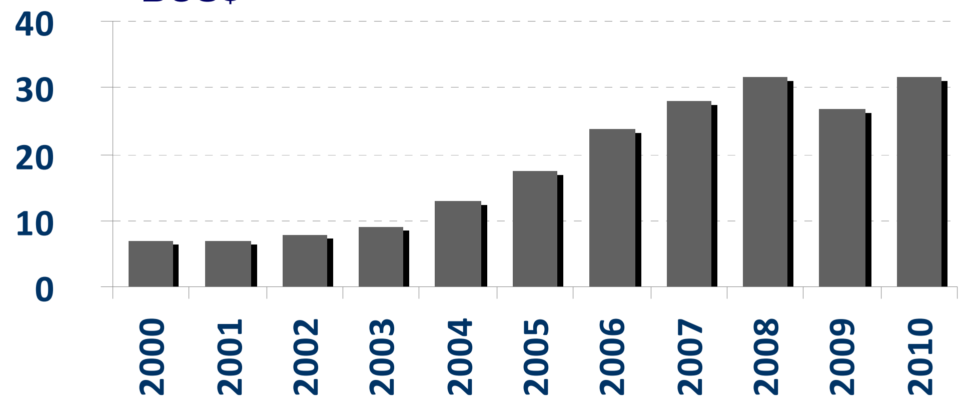
Source: Superintendencia de Banca, Seguros
Data as of May 2010

Peruvian economic environment
Trade Balance

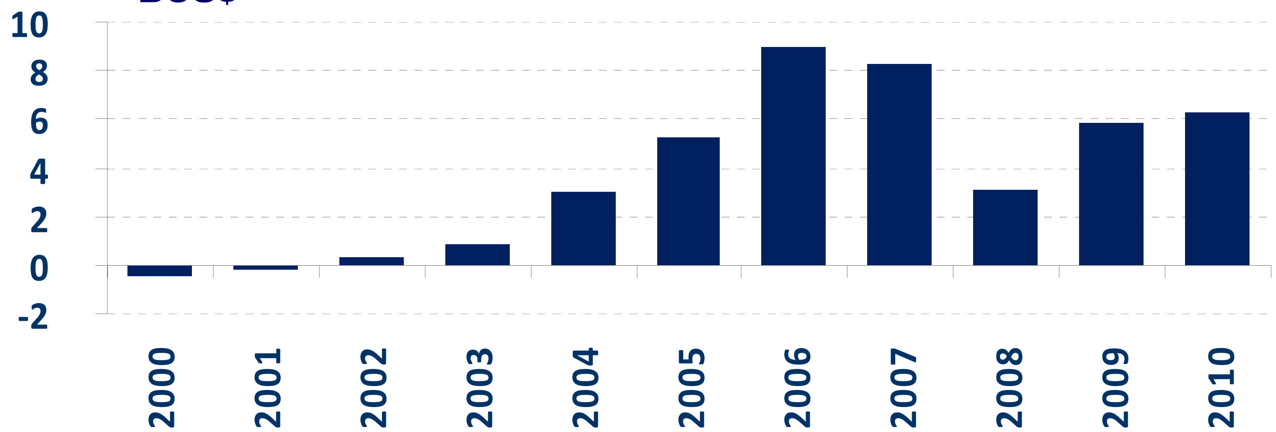
Imports



Exports



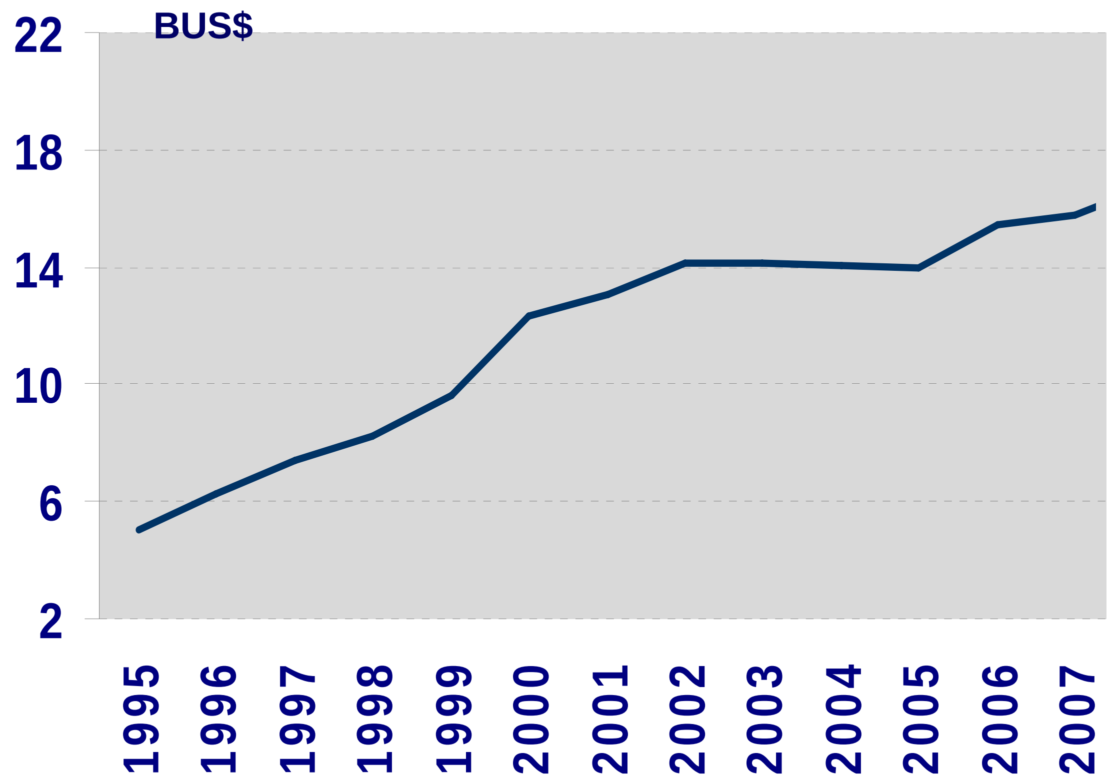
Trade Balance



Source: Ministerio de Economía y Finanzas 2010 Projection

Peruvian economic environment
Foreign Investment

Foreign Investment Stock



Source: Proinversión

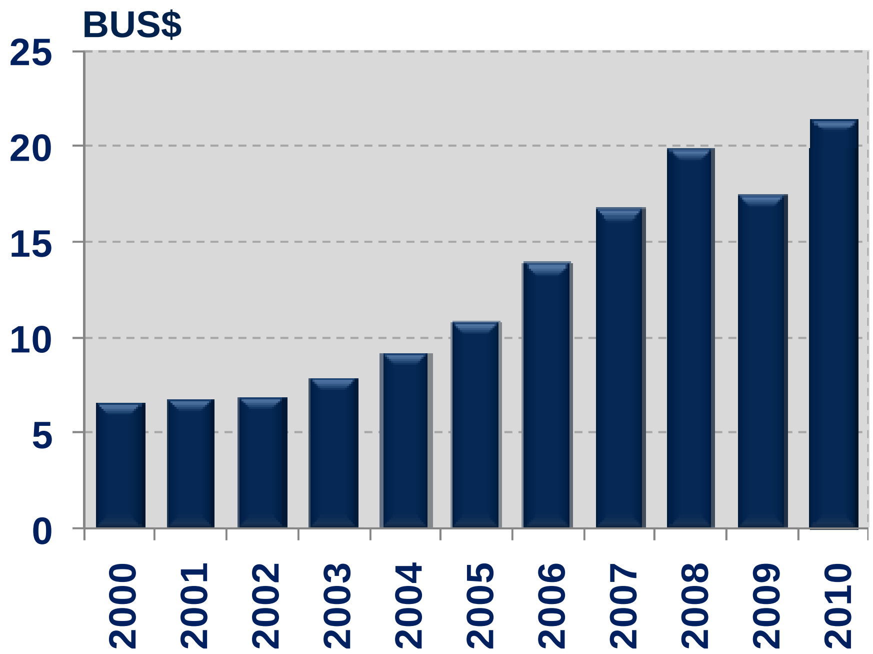
2009 Foreign Investment Stock in MUS$ by Country of Origin

PAÍS	2009	%
Spain	4,291.80	22.78%
United Kingdom	3,782.70	20.08%
United States	2,760.20	14.65%
Netherlands	1,403.70	7.45%
Chile	1,290.10	6.85%
Panamá	929.00	4.93%
Colombia	751.10	3.99%
Brazil	487.20	2.59%
Mexico	454.80	2.41%
Singapore	399.40	2.12%
Canada	323.30	1.72%
Switzerland	312.60	1.66%
Uruguay	224.40	1.19%
France	205.00	1.09%
Others	1,225.00	6.50%
Total	18,840.30	100%

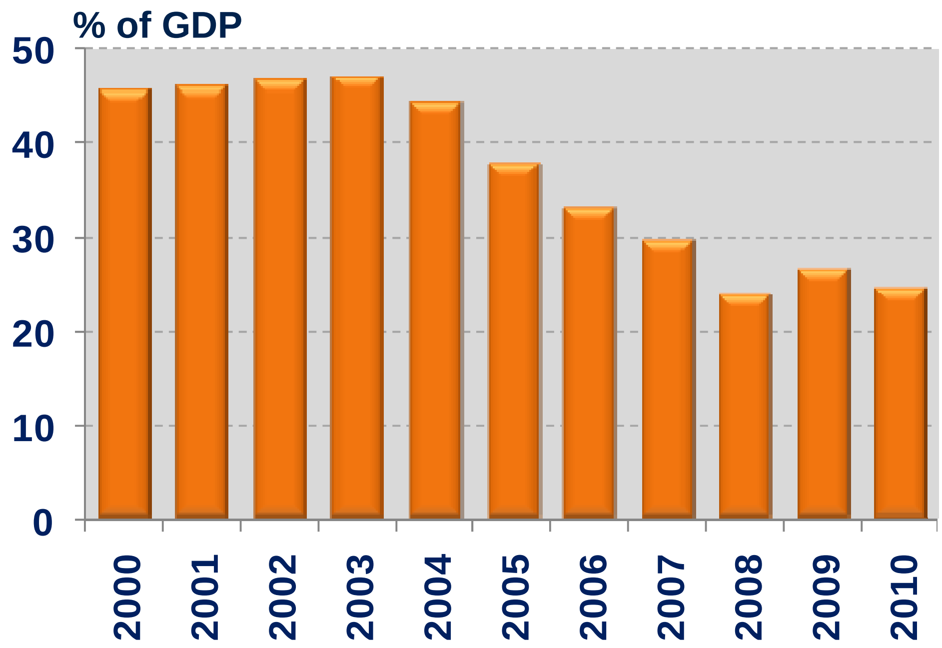
Data as of December 2009

Peruvian economic environment
Fiscal discipline

Tax Revenues



Public Debt



Source: Ministerio de Economía y Finanzas 2010 Projection

Peruvian economic environment
Population

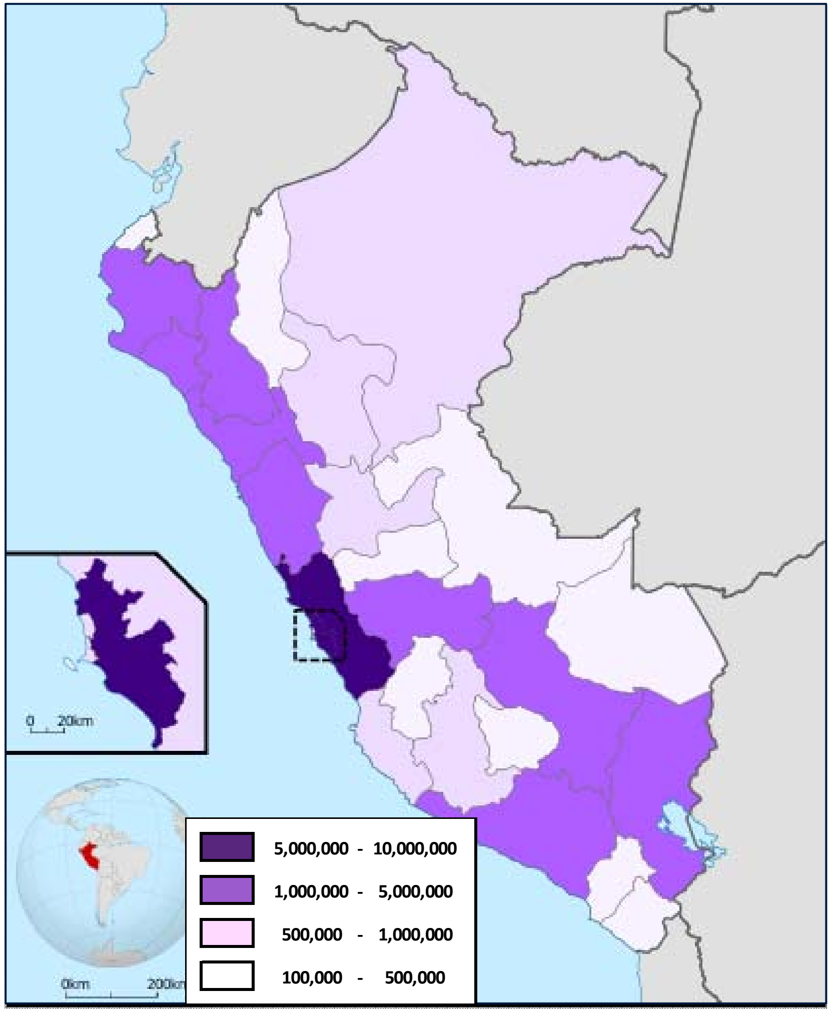
Population Density
21.3 Inhab/km^2

Population Density in Main Departments, in Inhab/km^2

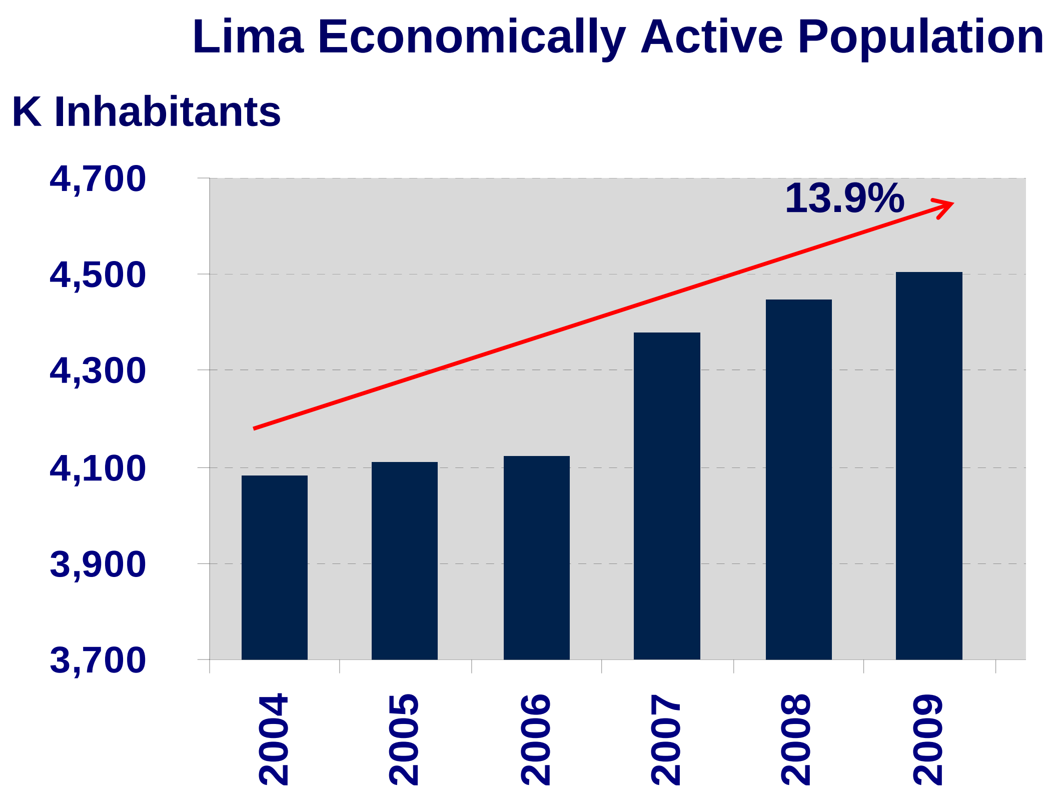
Lima and Callao	262.3
Lambayeque	83.1
La Libertad	67.4
Piura	49.6
Tumbes	45.6
Cajamarca	44.3
Ica	35.5
Ancash	31.5
Junín	29.6
Huánuco	22.0
Huancavelica	21.8

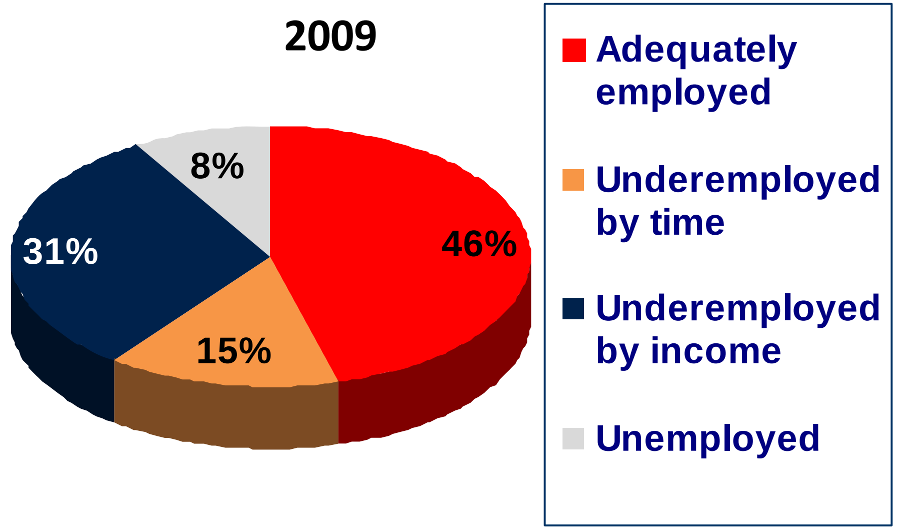
Source: Instituto Nacional de Estadística e Informática

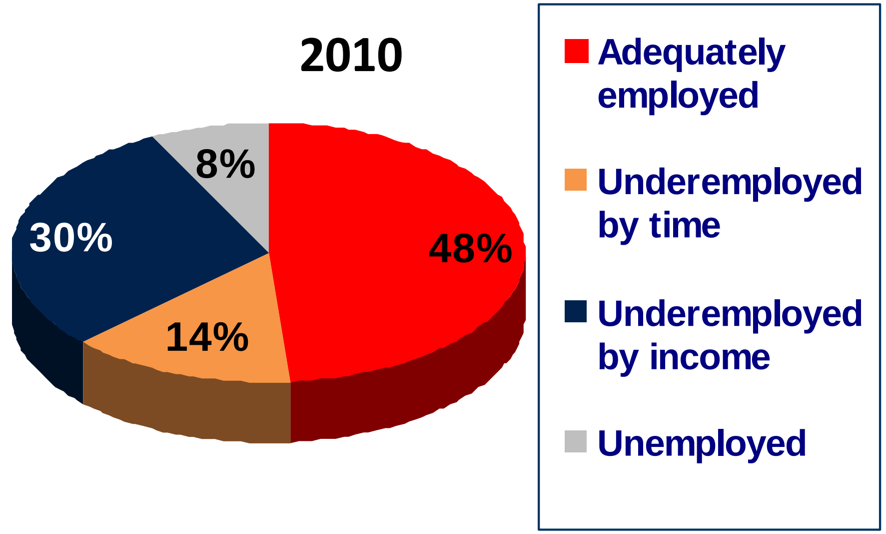
Population: 29.1 M inhabitants



Peruvian economic environment
Employment and underemployment







Source: Instituto Nacional de Estadística e Informática
Data as of April 2010

PERU FIELD TRIP 2010

Agenda

REPSOL

Regional's general outlook

Peruvian economic environment

Political and social environment

Overview of Repsol's business in Peru

Refining & Marketing

Liquified Petroleum Gas

Social Responsibility

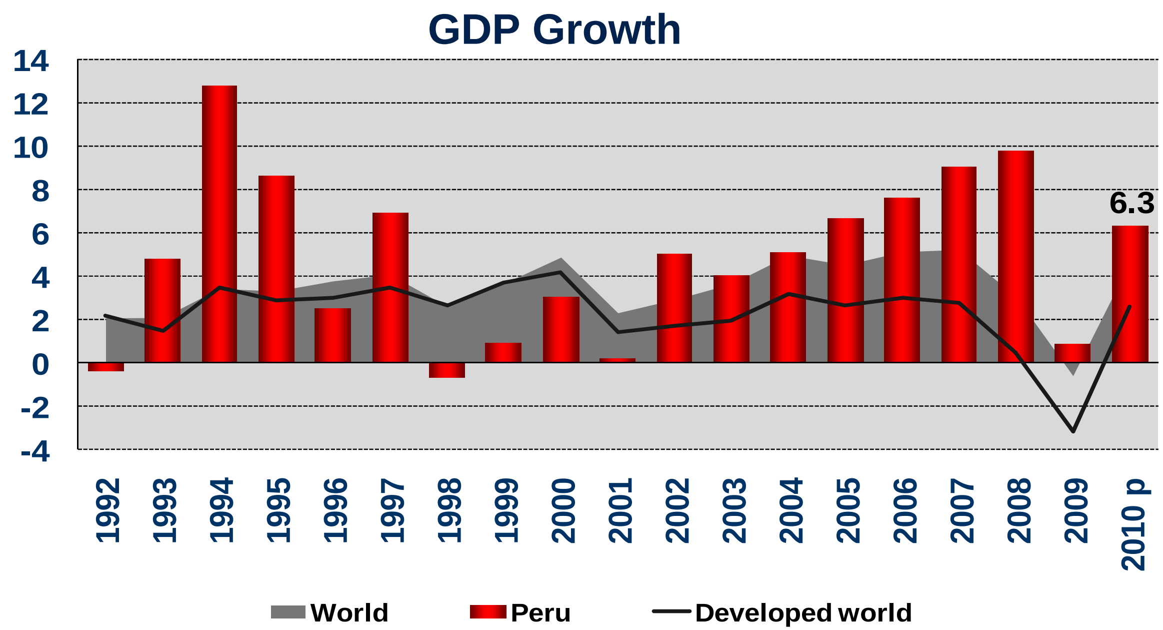
PERU FIELD TRIP 2010

Political outlook

REPSOL

Background

- Alan García's Second Term (1985-1990) (2006-2011).
- Open economy model encouraging private investment and public works.
- Up to when the global crisis was declared, Peru had experienced sustained growth for over 90 months in a row (between 7% and 11%), because of the prices and demand for certain exports (copper, silver, gold, zinc, metal concentrate, textiles and cotton garments, agro-exports, etc.). Main vectors: Free Trade Agreements: U.S.A., Canada, Chile, China and EU (under negotiation with the EU and others).



Political outlook

Socio- economic situation

- Poverty Levels.- Approximately 45%. Although improvements have alleviated the situation, there is a significant level of critical poverty (around 35%). There are still problems experienced with regard to integration, social connection and geographical connection.
- Higher Expectations.- Certain levels of dissatisfaction. Some radical social organizations have rather unsuccessfully tried to channel them, and certain social protest events have been held, especially in the southern Highlands; and to a much harsher extent in the native communities of the Amazon.

The basic political agenda is framed in two fronts:

External front

- Apprehensive diplomatic ties with neighboring countries, basically deriving from the controversy over the sea border with Chile (The Hague International Court) and keeping a distance from Bolivia because of personal differences between the two presidents, as well as a result of the Bolivian aspiration to engage in negotiations with Chile.
- Venezuela influenced social populism.
- Reinforcement of bonds with Brazil, Colombia and Argentina, and possibility of closer ties with the new Chilean government.

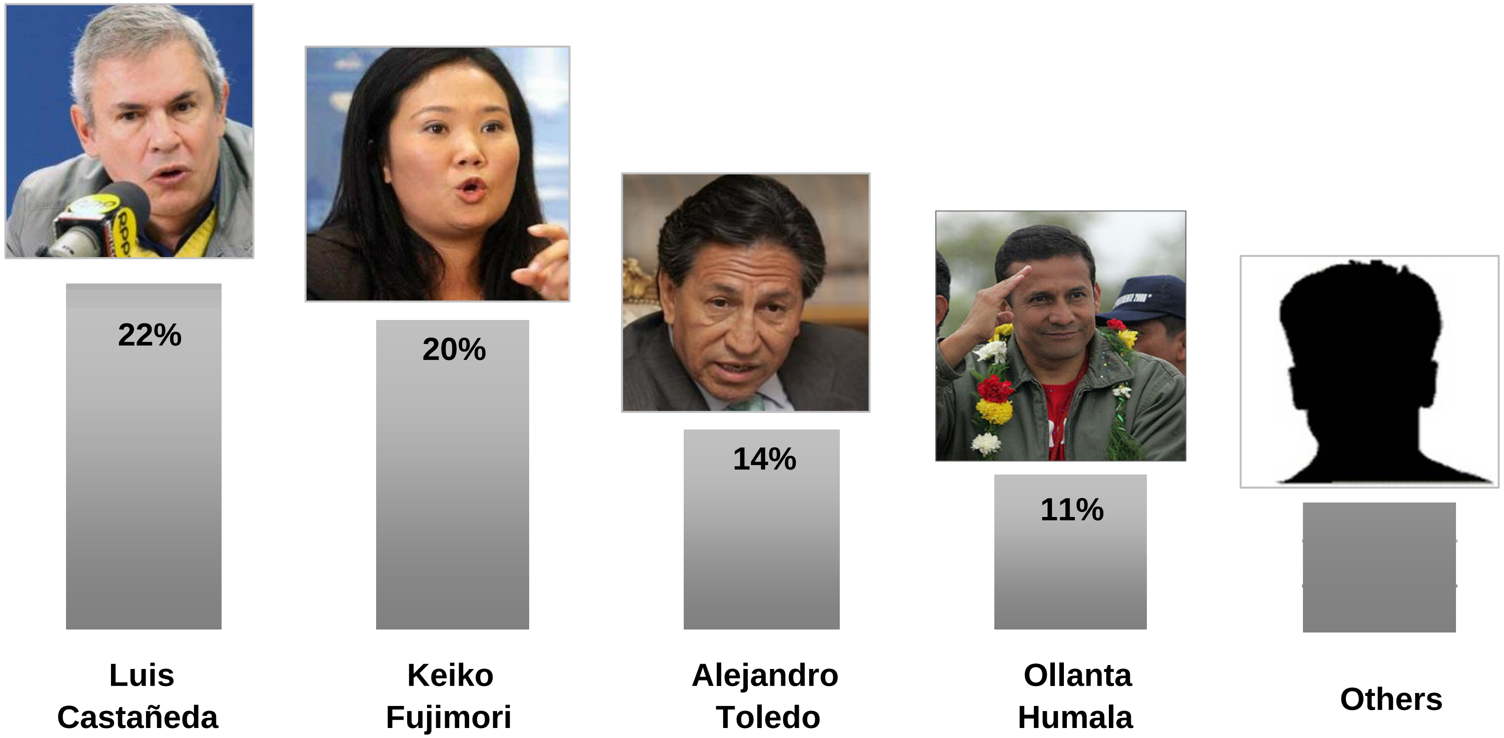
Political outlook

Internal front

- Preparation for election campaign. Emergence of possible alliances.
- Former President Alberto Fujimori's sentences (25 years sentence). Polarization of different political stakeholders, since the ruling has been deemed to have been more on the ideological side than judicial, helping its group to gain ground in the surveys.
- Fight against the remains of Shining Path, who have divorced from the old historical leaders in coca-growing valleys of an Andean-Jungle region (VRAE and Huallaga), who have established ties with drug traffickers and who may have possibly penetrated ranks in the popular protests taking place in southern Peru.
- Possibility for economic growth and settling of a development model. Prices of metals and other exports are on the rise.
- Regional and municipal elections in October 2010.- Possibility of success of radical movements in the southern Andean regions.

Political outlook
Presidential Election 2011

Voting Intentions



**Source: Compañía Peruana de Estudios de Mercados y Opinión Pública - CPI.
August 2010.
National Survey**

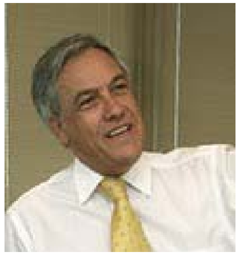
Political outlook

Most relevant scenarios in 2010

- Possibility of political movements in southern Peru.
- Camisea and the domestic supply of natural gas.- Improve promotion of exploration works (need to increase reserves). Energy Imbalance.
- Pre-election scenario, possibility of a vast number of populist promises.
- Continue enforcement of juridical security.

Political outlook

Regional trends

Free market — **Market social economy** — **Left- Intervening Governments**

POLITICAL TRENDS

	Country Risk EMBI+ (bps)	Doing Business 2010 LA	DB 2010 LA Investment Protection
Chile	169	2	3
Mexico	222	3	4
Peru	254	4	2
Colombia	260	1	1
Brasil	285	13	6
Ecuador	723	14	13
Venezuela	798	17	17
Argentina	806	10	10
Bolivia	--	16	14

Source: EMBI+ Country Risk JP Morgan 1 year @ 21/09/2009.
Doing Business 2010 Latin America (17 countries).
World Bank / IFC.

Agenda

- *Regional's general outlook*
- *Peruvian economic environment*
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- **Overview of Repsol's business in Peru**
- **Refining & Marketing**
- **Liquified Petroleum Gas**
- *Social Responsibility*

PERU FIELD TRIP 2010

Repsol's business in Peru

Exploration & Production

- We operate in 3 oil exploration blocks (Blocks 39, 57 y 109).
- We operate in one exploration natural gas block (Block 57 Kinteroni Sur).
- We participate in 2 production natural gas blocks (Blocks 56 y 88) and in 2 oil exploration blocks (Blocks 76 y 103).

Liquefied Natural Gas (LNG)

- We participate in Peru LNG which is the owner of the first natural gas liquefaction plant in Latin America.

Refining & Marketing

- We have the country's largest and most modern refinery.
- We are strategically positioned in the largest market (Lima).
- We have our own network of service stations, to guarantee the sale of our products.
- Our market share is 44% for Refining and 27% for Marketing

Liquified Petroleum Gas (LPG)

- We are leaders in LPG. Our market share is 34%.
- Our infrastructure network includes one onshore terminal, 10 bottling plants and 500 distribution points.

Repsol's Downstream value chain in Peru

DOMESTIC MARKET & EXPORTS

Supply

- RYTTSA (Repsol group company) supports the crude oil supply and transportation operations.
- Crude oil main countries suppliers: Nigeria, Ecuador, Colombia, Brazil and Perú.

Refining

- Repsol is the main owner of La Pampilla Refinery (51.03% of the ownership), Peruvian Labor Pension Funds (34%) and almost 2,000 minorities shareholders (15%).
- Refining Capacity 102 KBD.
- La Pampilla Refinery is listed in the Lima Stock Exchange.

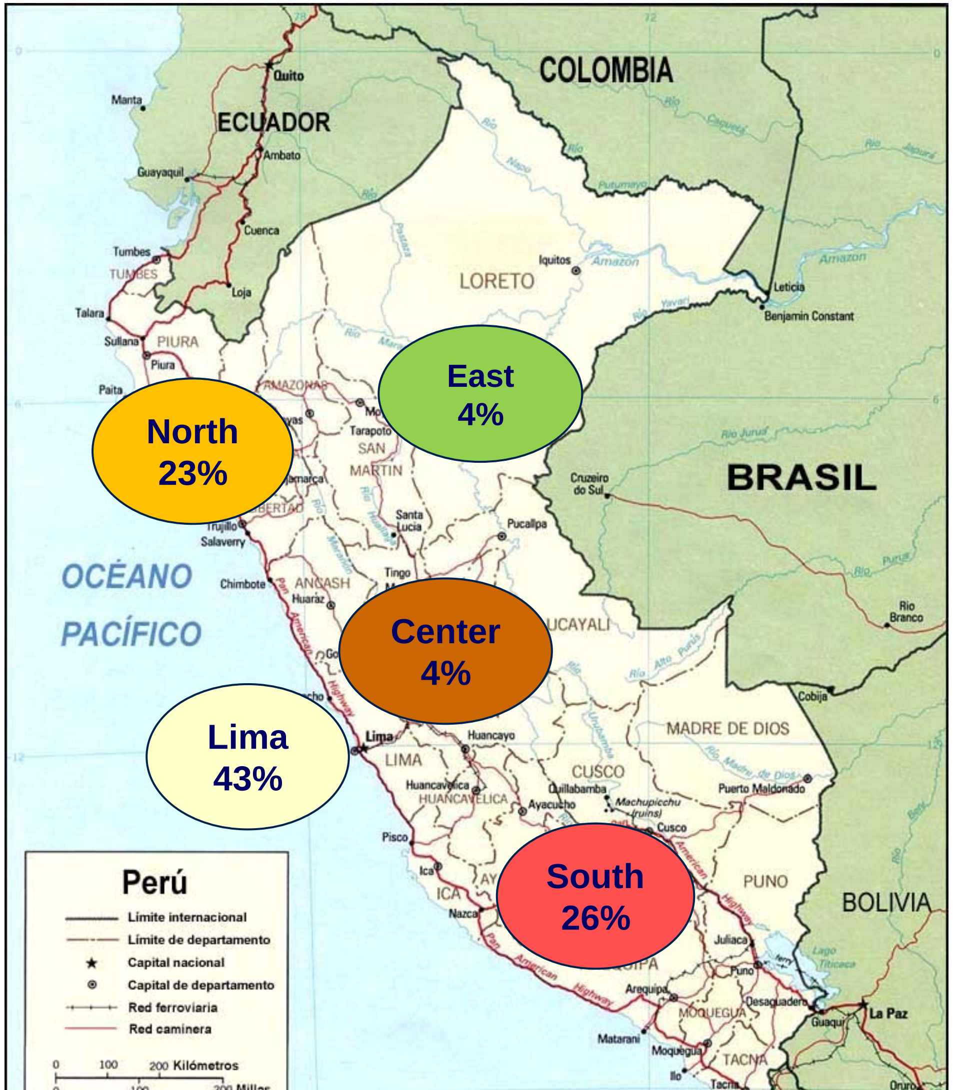
Service Stations, Industries and LPG

- La Pampilla Refinery owns 100% of the Repsol Service Stations net (Recosac).
- Service stations: 256 .
- Repsol is the main shareholder (99.86%) of the LPG Company (Rycopesa) and the owner of the leading market brand "Solgas".

Wholeseller and Export

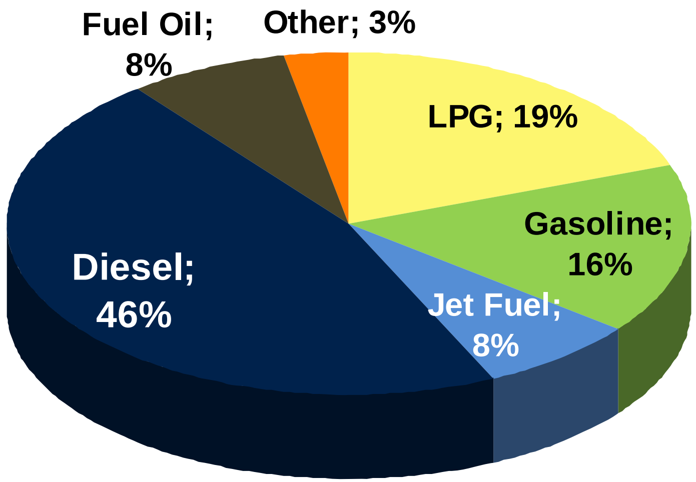
- Exports of liquid fuels are managed directly by La Pampilla Refinery with the support of RYTTSA.
- Main destinations countries are United States and Panama.

Downstream Peruvian market
Domestic liquid fuel demand



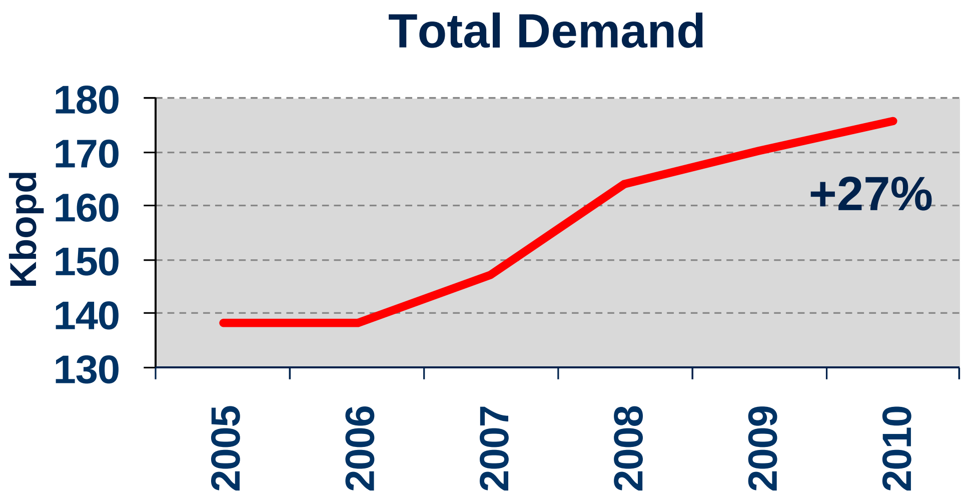
Source: Osinergmin

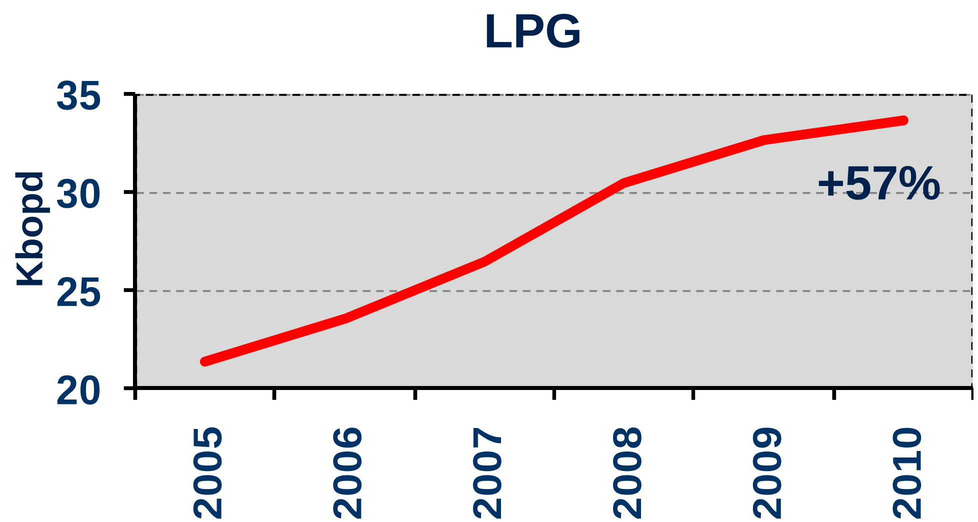
2010 demand: 176 KBbld

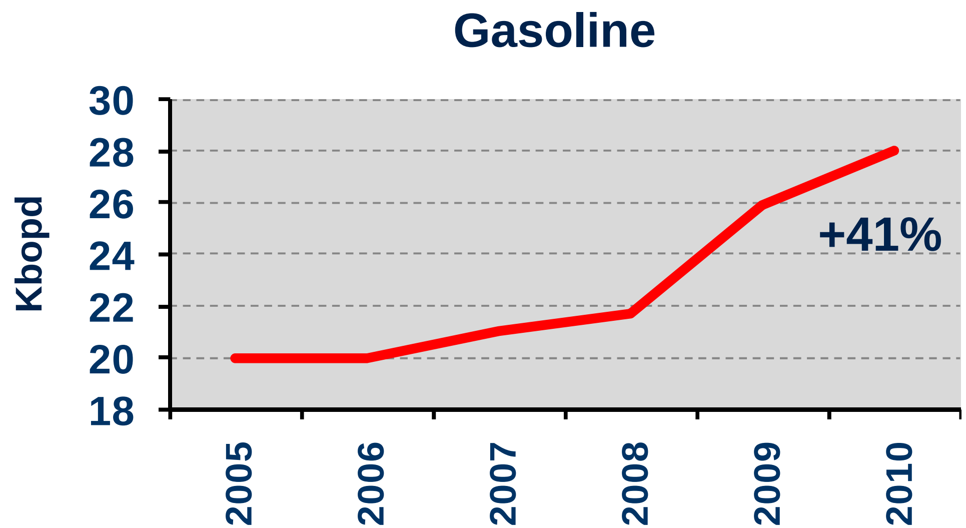


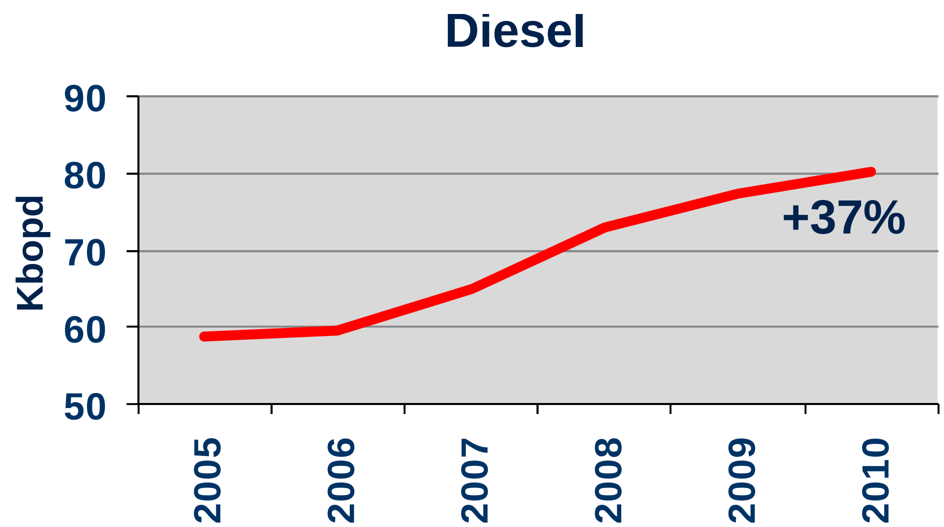
Source: Dirección General de Hidrocarburos
Data as of June 2010

Downstream Peruvian market
Domestic liquid fuel demand evolution









Source: Dirección General de Hidrocarburos 2010

Downstream Peruvian market
Oil refining capacity

Primary Distillation	Kbopd
La Pampilla	102.0
Talara	62.0
Conchan	15.5
Iquitos	10.5
Pucallpa	3.3
El Milagro	1.7
Total	**195.0**

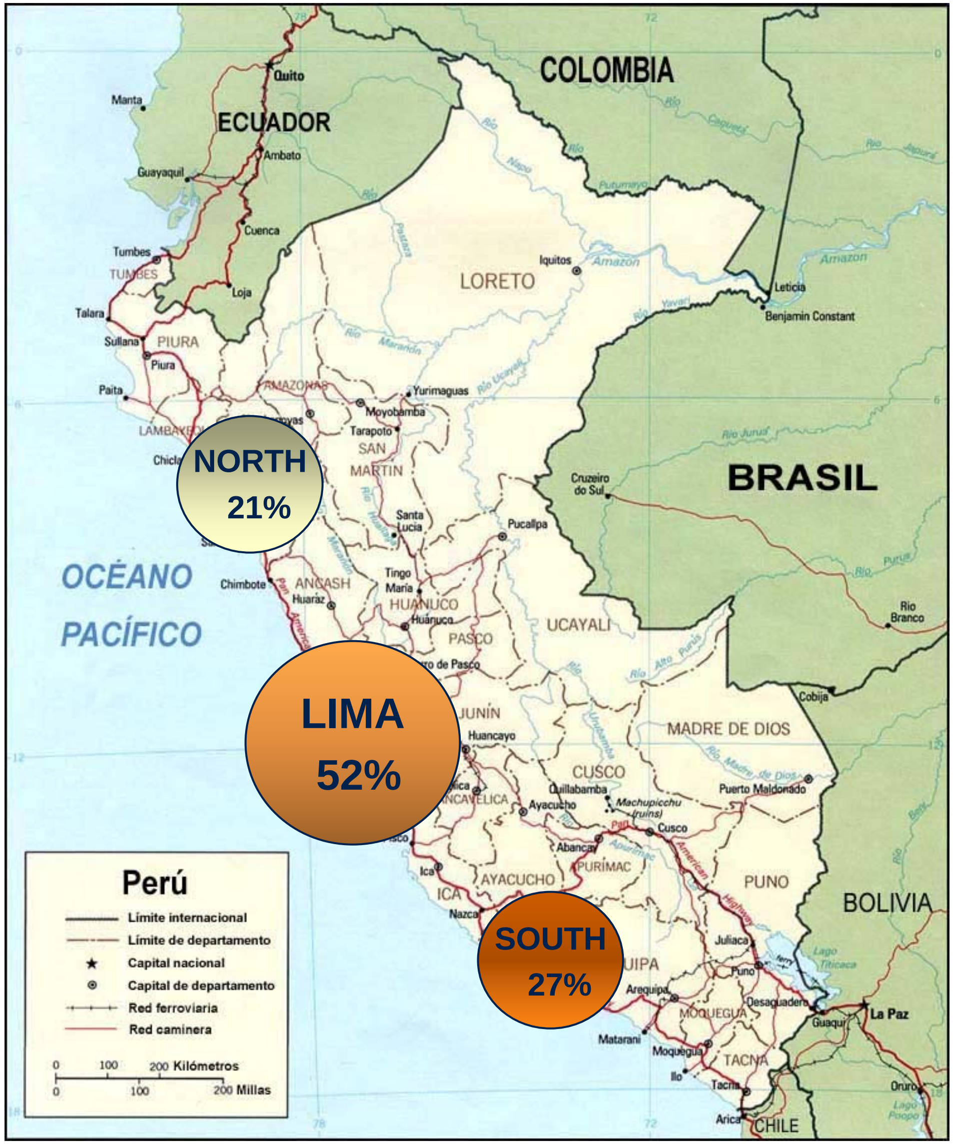
Vacuum Distillation	Kbopd
La Pampilla	60.0
Talara	27.0
Conchan	10.0
Total	**97.0**

Fluid Catalytic Cracking	KBbld
La Pampilla	13.5
Talara	19.0
Total	**32.5**

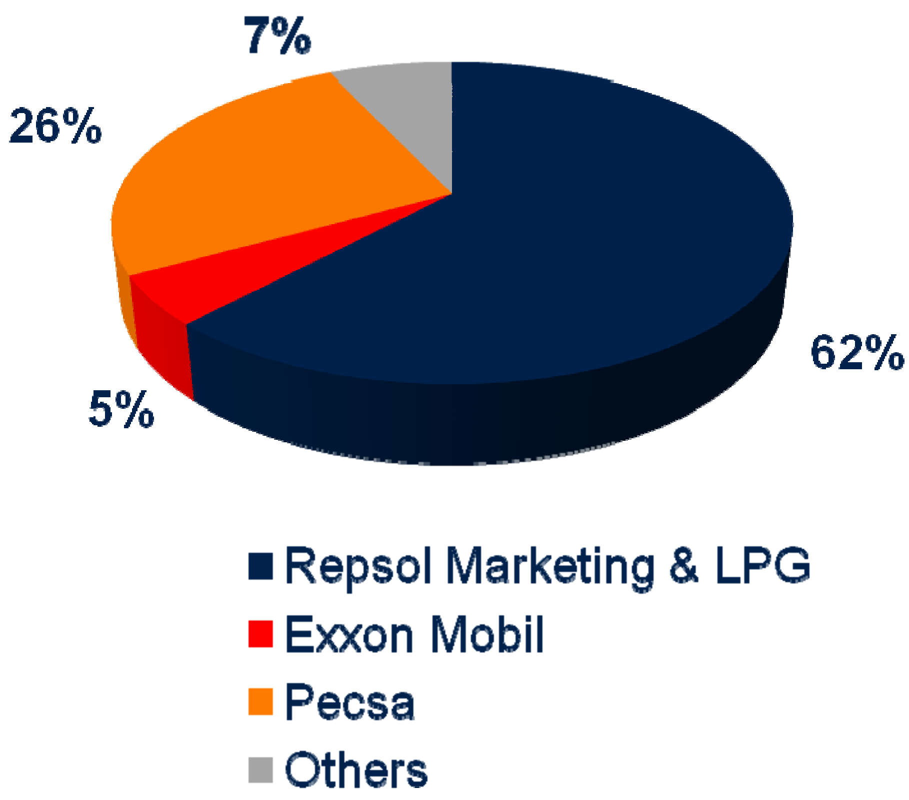
Source: Dirección General de Hidrocarburos
Data as of June 2010

Refining

La Pampilla refined products domestic distribution



2010 Wholesaler sales



Marketing
Comercial scheme

Others wholesalers

La Pampilla Refinery

Repsol Marketing

COCO (87)

DODO (140)

CODO (29)

Service Stations Network (256)

Non branded Service Stations

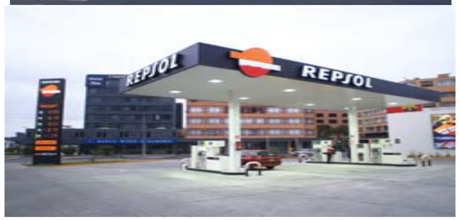
Industry

Mining

Direct Clients

Aviation

Lubricants & Asphalts



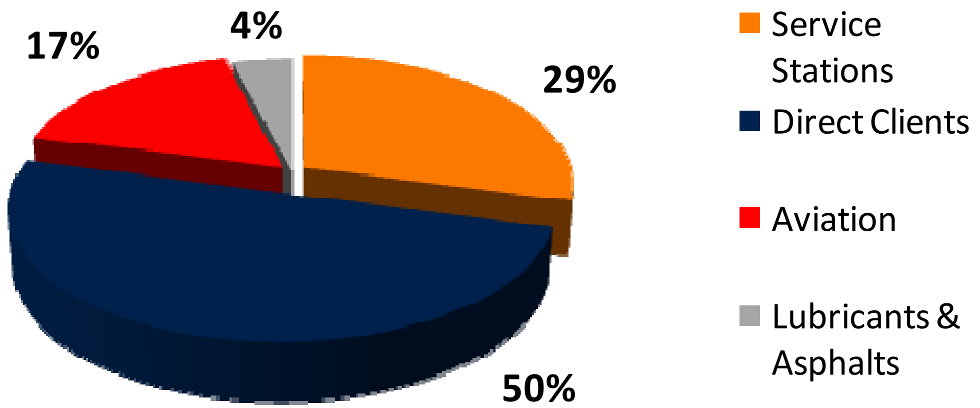
COCO: Company Owned Company Operated
DODO: Dealer Owned Dealer Operated
CODO: Company Owned Dealer Operated

Marketing

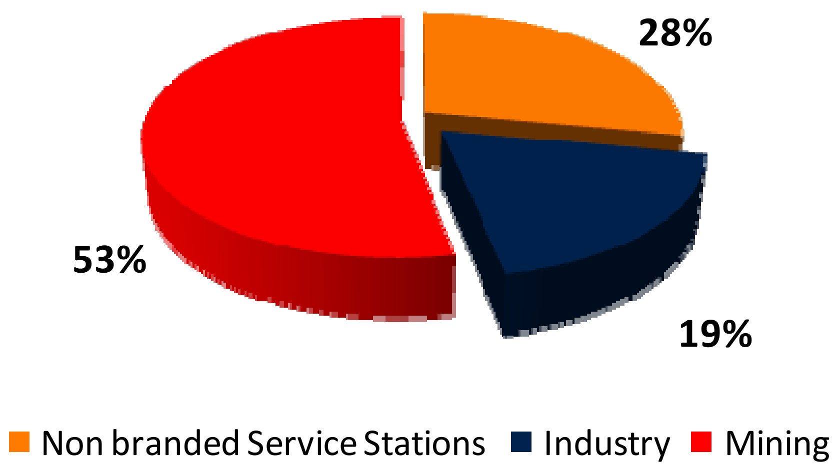
Product sales breakdown

REPSOL

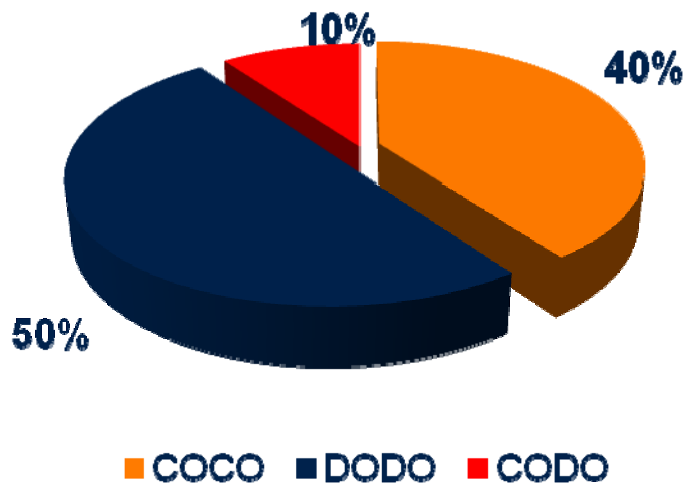
Sales by Channel



Sales to Direct Clients

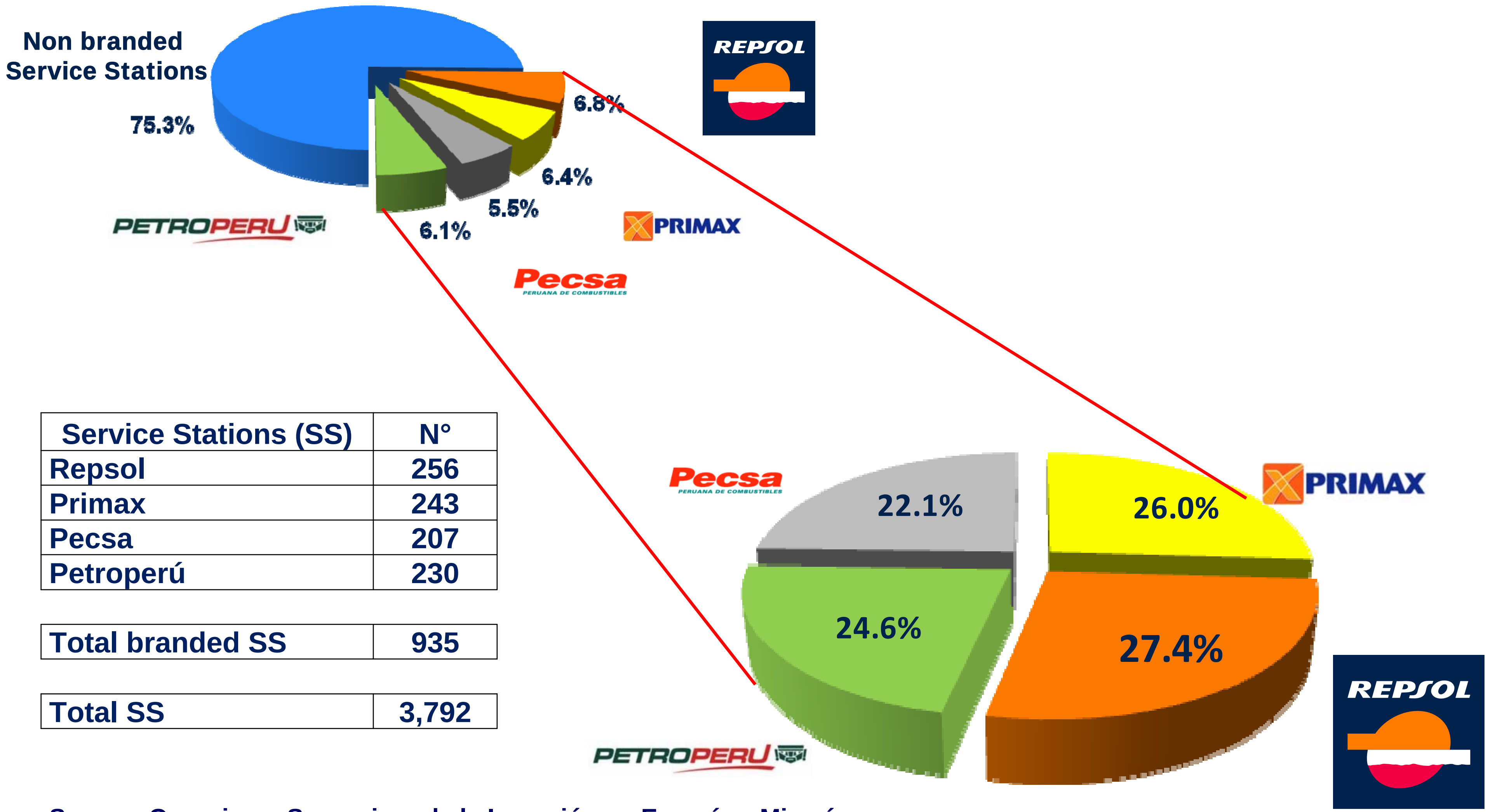


Sales to Service Stations



Marketing
Service Stations

EESS



Service Stations (SS)	N°
Repsol	256
Primax	243
Pecsa	207
Petroperú	230
Total branded SS	935
Total SS	3,792

Source: Organismo Supervisor de la Inversión en Energía y Minería

Liquefied Petroleum Gas
Overview

- **Repsol is market leader with 34% of market share.**
- **Our main assets are one on-shore terminal, 10 bottling plants, 500 distribution points and 110 Autogas centers.**
- **The Peruvian market size is 1.1 MTPY with a per capita of 37 Kilos below regional average of 42 Kilos showing room to grow.**
- **Repsol supplies its GLP products through two commercial channels: bottled gas and bulk gas.**
- **Has the highest technical standard of the market and has promoted a strong technological transfer in agroindustrial and mining.**

Liquefied Petroleum Gas
Bottled Gas

Wholesale distribution

- **75% of our bottled LPG sales through third parties**
- **Mostly residential applications**
- Strong orientation to the brand “Solgas”, high top of mind**.**
- **Two formats: 10 and 45 kilos cylinders**
- **The competition of natural gas is very low in this line.**

Direct retailing

- 25% of our bottled LPG sales
- **Oriented to segment with higher income**
- Strong orientation to customers and differentiated service, higher perception of added-value and better margins.
- **The whole networks is outsourced**

PERU FIELD TRIP 2010

Liquefied Petroleum Gas
Bulk Gas lines

REPSOL

Industry

- Vessels up to 30,000 gallons.
- Applications in mining camps heating, metallurgy, drying, power generation and chemistry
- Our only brand is “Repsolgas”

Autogas

- Vessels up to 5,000 gallons
- Partnership with Repsol Marketing Peru.
- More than a 100 stations nationwide

Residential/Commercial

- Vessels up to 5,000 gallons
- Niche for buildings and Malls.
- Growth in large cities outside of Lima

Wholesale

- Exports to neighbor countries
- Sales to other LPG companies using our large scale

Content

Actions Model

Stakeholders :

- Shareholders and investors
- Partners
- Collaborators
- Clients
- Suppliers
- Community

Pillars:

- Education
- The Environment
- Health
- Community Development
- Social Inclusion

Relevant issues put forth by the stakeholders

- Creation of value
- Transparent and ethical performance
- Safety of our employees
- Professional development of our people
- Best products
- Safety in supplies
- Dialogue and cooperation with the community
- Reduction of environmental impacts
- Protection of biodiversity

Answers

Aspects taken into account in the company's action plans

Measurement

Indices (GRI)

Independent Corporate Audit

Ethical Values

- Integrity
- Transparency
- Responsibility
- Safety

Professional Values

- Leadership
- Orientation to Results
- Innovation
- Orientation to the client

Action Commitments

Education Objective

Improve educational levels

SITUATION IN MARGINAL AREAS DOWNSTREAM
• Scarce educational infrastructure (30% of schools in Ventanilla).
• Low reading and math comprehension indices.
• Violent social environment

MAIN DOWNSTREAM PROJECTS
• Pachacutec Labor University
• LPG Installers course (3 groups, 90 graduates)
• Values and Alcohol and Drug Prevention Program (30 schools per year)
• Technical Scholarship Program (Tecsup)

Education Objective
Improve educational levels

NATIVE COMMUNITIES UPSTREAM
• Single-teacher and multi-grade education.
• Scarce infrastructure and resources.
• Difficult access to teachers training and supervision.

MAIN UPSTREAM PROJECTS
• Improvement and construction of educational infrastructure
• Teacher training and updating
• Donation of school supplies to all CCNN




Community Development Objective

Raise Self-Esteem and Develop Responsible Citizens

SITUATION IN MARGINAL AREAS DOWNSTREAM
• Low Per capita income (1.15 Euros/day)
• High underemployment rate (over 55%).
• Malnutrition problems (70% anemia)
• Scarce basic infrastructure
• High level of community association (over 1,000)

MAIN DOWNSTREAM PROJECTS
• Assistance to social, community and religious organization.
• Voluntaries Programs: More than 100 basic homes until now.
• Microenterprise promotion (18,600 trained youngsters and 111 funded projects).

Community Development Objective

Raise Self-Esteem and Develop Responsible Citizens

NATIVE COMMUNITIES UPSTREAM
• Absence of basic services
• Deficient communications system.
• Scarce job possibilities.

MAIN UPSTREAM PROJECTS
• Radio equipment and equipment maintenance campaigns.
• Training in new trades and jobs generation
• Donation of tools and field work training.

Environmental Objective

Creation of environmental awareness

SITUATION IN MARGINAL AREAS DOWNSTREAM
• Lack of environmental awareness.
• Wetlands in danger.
• Deficient basic water, sewerage and solid waste treatment services.

MAIN DOWNSTREAM PROJECTS
• Drip irrigation system in the Wetlands (Award)
• Cleaning of coastal areas and shorelines
• Forestation (5000 trees)
• Radio Local

Environmental Objective

Creation of environmental awareness

NATIVE COMMUNITIES UPSTREAM
• Development in areas with high value in Biodiversity.
• Subsistence activities with low environmental impact.

MAIN UPSTREAM PROJECTS
• Technical biodiversity studies (Smithsonian Institution). Block 39 and Block 57
• Ecological sustainability plans.
• Reforestation plans




Health and Social Inclusion Objective
Prevention Actions

SITUATION IN MARGINAL AREAS DOWNSTREAM
• Deficient health services and infrastructure.
• Scarce awareness and resources for prevention purposes.
• Priority needs in emergency situations.

MAIN DOWNSTREAM PROJECTS
• Early cancer detection campaigns.
• World Food Program, malnutrition prevention program for pregnant women and children
• Inclusion of youngsters at high risk, through dance and acrobatics.


Health and Social Inclusion Objective
Prevention Actions

NATIVE COMMUNITIES - UPSTREAM
• Communities where it is not easy to have access to health services.
• Basic water and sewerage services non-existing.

MAIN UPSTREAM PROJECTS
• Malnutrition program.
• Improvement to medical posts, first aid kits and basic sanitation.
• Medical and dental campaigns, training to health promoters and midwives.

PERU FIELD TRIP 2010

Beneficiaries

1996-2009 Social Responsibility Programs

REPSOL

Program	Beneficiaries
Education	140,000
Community Development	135,000
The Environment	49,000
Health and Social Inclusion	85,000

Over 400,000 beneficiaries

Peru Field Trip September 2010

Downstream Peru

José Manuel Gallego / José Luis Ibarra

Country Manager / External Relations Manager