

**REPSOL  
YPF**



# ***Strategy 2000 - 2005***

***Mr. Alfonso Cortina***

***Chairman & CEO***



- **STRATEGY FOR GROWTH AND PROFITABILITY**
- **LIBERALISATION MEASURES**
- **FINANCIAL STRENGTH**
- **E-COMMERCE**
- **EXPLORATION & PRODUCTION**
- **REFINING & MARKETING**
- **CHEMICALS**
- **GAS & POWER**
- **TARGETS**



- **Leadership in core areas**
- **Maximize economies of scale**
- **Optimal vertical integration: Production to markets**
- **Strong growth:**
  - ➔ **Solid presence in growth areas**
  - ➔ **Growth businesses: natural gas and power**
- **Strict financial discipline**



## 1999 Operating Highlights

	Assets % of total (*)	Reserves (MM boe)	Production (Boe / d)	Sales	Refining capacity (Boe / d)	Nº S. Stations
<b>E &amp; P</b>	45.3	4,535	1,041,888			
<b>R &amp; M</b>	27.8				1,206,000	7,191
<b>CHEMICALS</b>	5.1			2,486 (kTm)		
<b>GAS &amp; POWER</b>	21.8			21.3(*) (bcm)		

(\*) Proforma with 100% consolidation of Gas Natural SDG

## Global Situation

- 1<sup>st</sup>** Fully private company in oil and gas production in Latin America
- 2<sup>nd</sup>** Company in the world for LPG sales
- 3<sup>rd</sup>** Integrated oil company in natural gas distribution

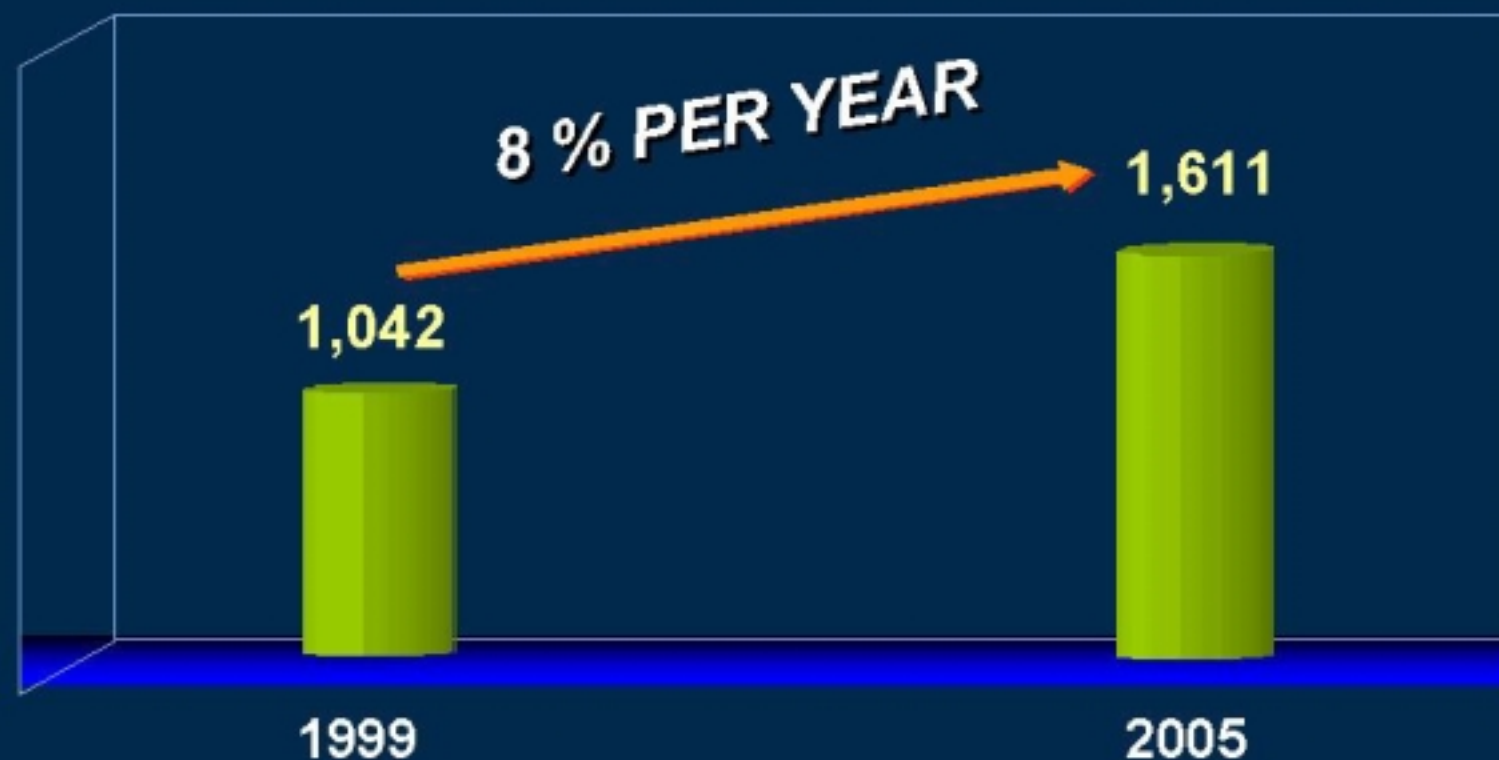


***Leadership in Spain and Latin America,  
high growth energy markets***

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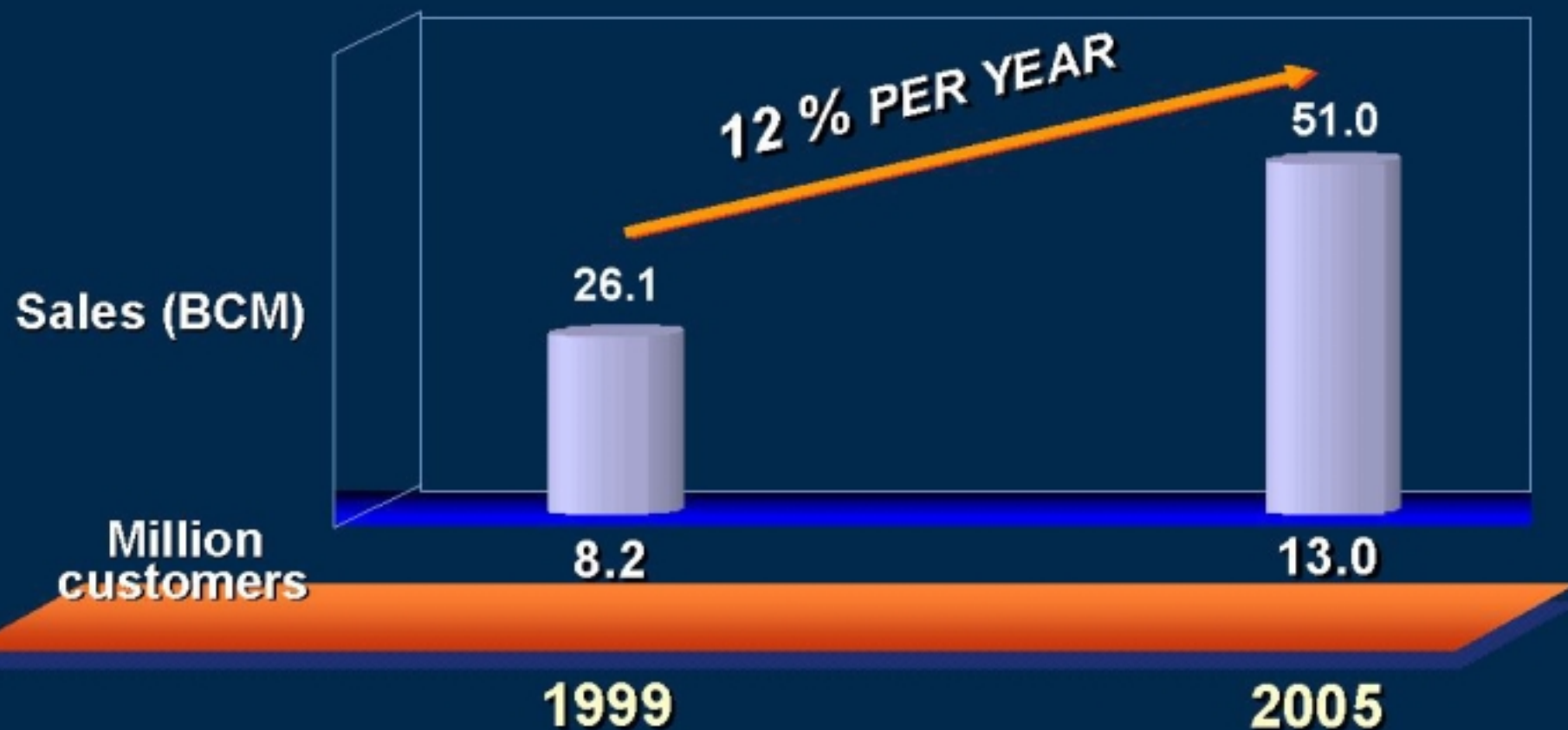


***Strategy for growth and profitability***



1999 proforma Repsol+YPF

Average annual production in thousand boe per day



*1999 proforma Repsol + YPF + Gas Natural SDG (aggregate sales)*





## III - Ongoing leadership in Downstream



Fuel sales  
(Million m<sup>3</sup>)



1999

14.8

2005

15.4

+4.2%



Fuel sales (\*)  
(Million m<sup>3</sup>)



1999

7.7

2005

8.5

+10.3%



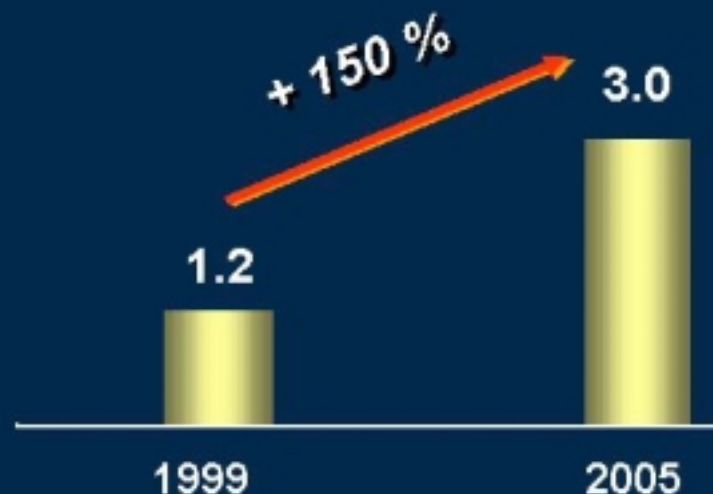
(\*) Excludes Eg3



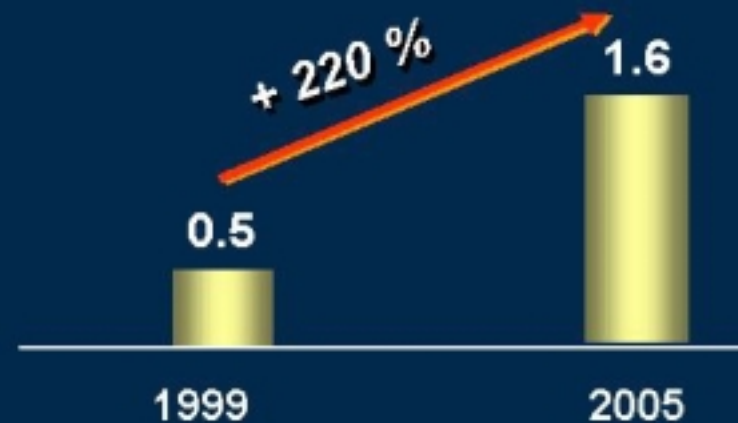
## IV - Growth in Downstream in Latin America (excluding Argentina)



### FUEL SALES (Million m<sup>3</sup>)



### LPG SALES (Million tons)





## V - Progress in vertical integration





## Our partners

*Downstream  
Latin America*

*Petropar*

*ENAP*

*Petrobras*

*ANCAP*

*Gas Integration*

*BP Amoco*

*Petrobras*

*Chemicals*

*Borealis*



*Important steps in the strategy*



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## ***Liberalisation measures***

- R.D. LAW 6/2000***
- R. D. LAW 3/2000***



- 1st measure
  - ➔ Inform the government of selling prices.
- 2nd measure
  - ➔ Deliver CLH contracts with operators to the National Energy Commission.

**Reasonable measures having no impact.**

# LIBERALISATION MEASURES

## Oil sector: number of service stations

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### 3rd measure

- ➔ Inability to raise current number of sales outlets in the Repsol YPF network over the next five years.

In line with Company strategy





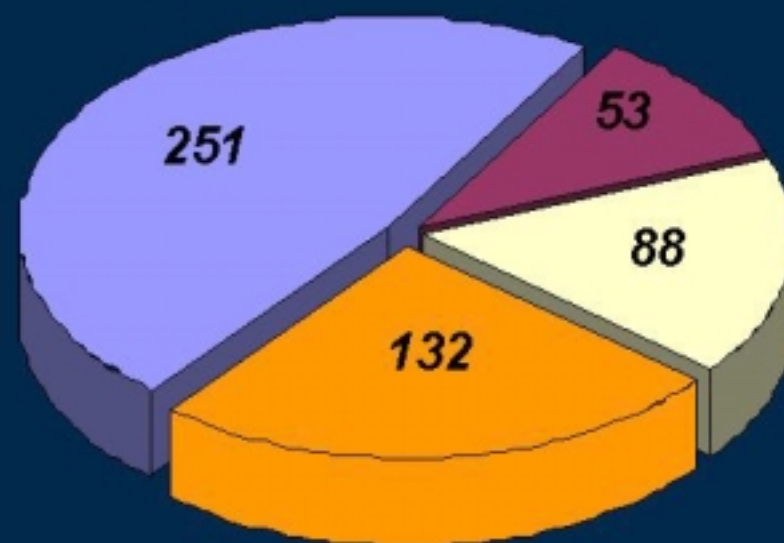


## Oil sector: installation of service stations at hypermarkets

- 4th measure
  - ➔ Facilitate the installation of service stations at large trading establishments.

Estimated maximum impact: 0.15 % of operating income

### HYPERMARKETS IN SPAIN (June 2000)



Number of hypermarkets



- 5th measure
  - ↳ Direct or indirect shareholding by the three refining companies will be limited to 45% and individual shareholding to 25%.
- Positive or nil impact on income statement.
- Leaves the way open for optimising the company's own logistics.

**No strategic effect whatsoever**

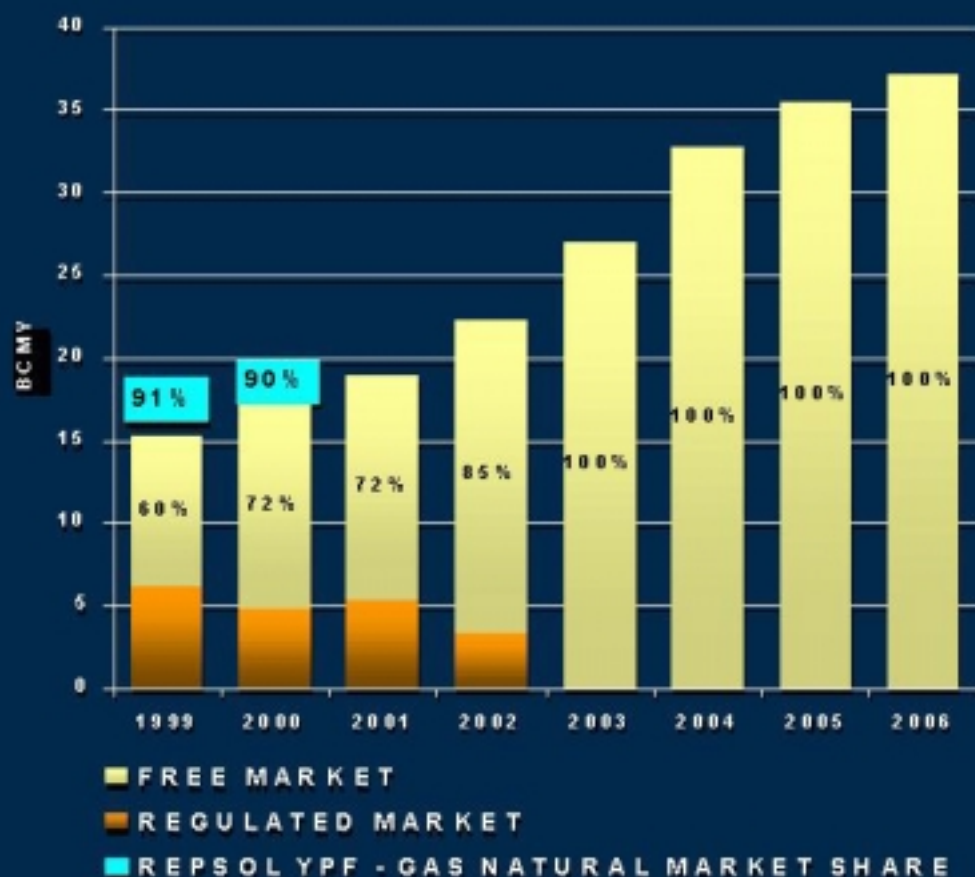
# LIBERALISATION MEASURES

## Gas sector: earlier market deregulation

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PROSPECTS FOR NATURAL GAS MARKET IN SPAIN



### DEREGULATION

MARKETING : 2003

DISTRIBUTION: 2005

### ANALYSIS

- Sufficient time to complete gasification
- In line with core objective of a free market
- Beneficial to Repsol YPF market strength.

**Indifferent: market works in a context of tolls and tariffs.**



## DESCRIPTION

### UP TO 1.1.2004:

- 75% allotted to Enagas for the tariff market
- 25% allotted to marketers

### FROM 1.1.2004 ONWARDS:

- Priority allotment to Enagas of gas required for the tariff market

## ANALYSIS

- The Group would have made a similar allotment anyway
- Gas Natural was already selling to other operators

Minimal impact on EBIT for three years



### ENAGAS

(Storage, transmission and regasification)

MAXIMUM GROUP STAKE

35 %

Gas Natural SDG &  
shareholders

65 %

Others / stock market

### ANALYSIS

- Tariffs better defended by the market and not just by one company.
- The Spanish structure may become fully homologous with the most advanced market structures.

Nil impact



### SPANISH SYSTEM

- At 70% from 2003 onwards

### ITALIAN SYSTEM

- At 75% in 2002
- Falls to 61% in 2009
- Aimed at creating stability
- The target of a 70% share within three years is acceptable:

*Programmes presented by other current operators (Gas de Euskadi, Cepsa, BP Amoco and Shell) account for some 20% of present supplies*

**It will not affect the development of our power business segment**

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# ***Financial strength and growth in cash generation***

***Mr. Miguel Angel Remón***

***Senior Vice-President Planning,  
Control & Strategic Development***



Segregation of ENAGAS:

Gas Natural SDG **20%**

Repsol-YPF **10%**

Reduce stake in CLH from **61.46%** to **25%**

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	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Brent crude price (\$/bbl)	23.0	16.0	16.0	16.0	16.0	16.0
\$/Euro exchange rate	0.94	1.0	1.0	1.0	1.0	1.0

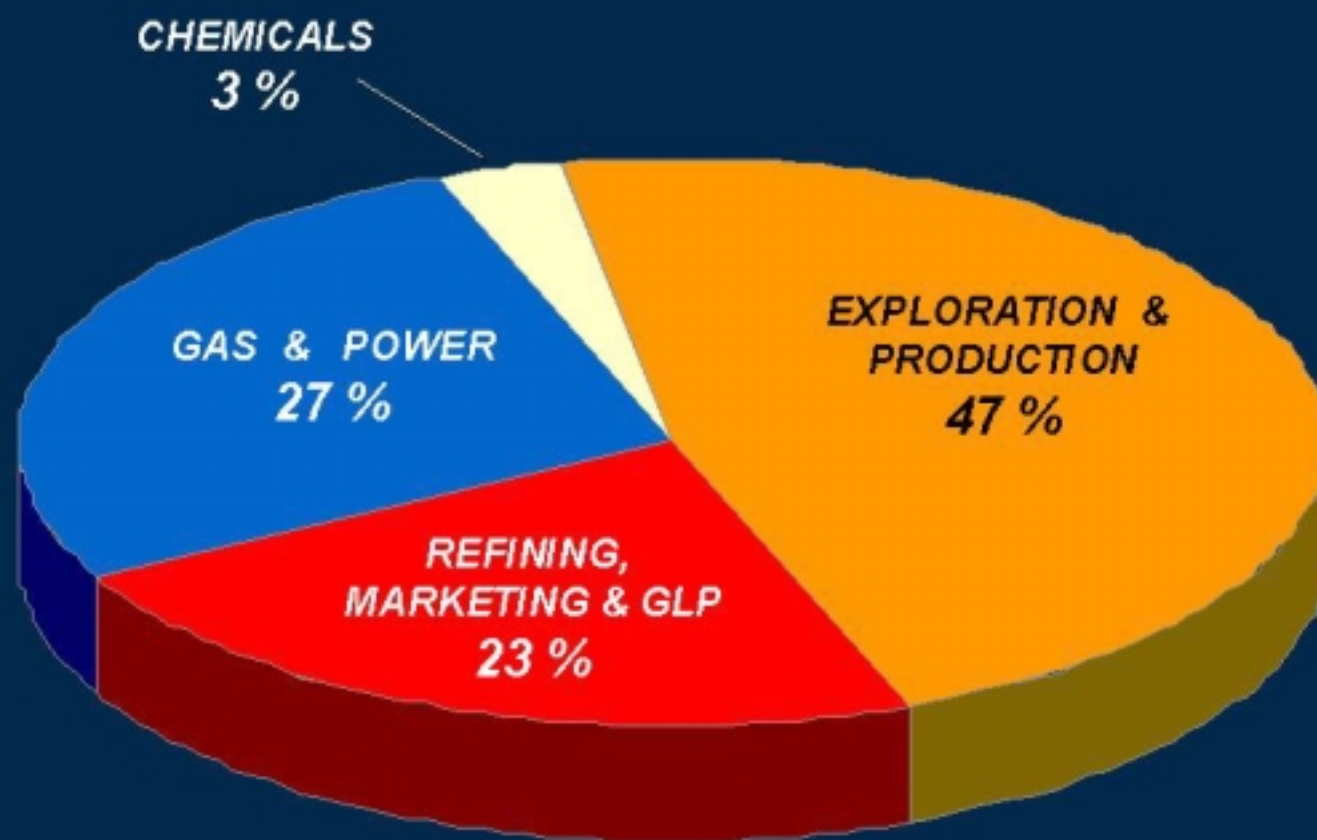
Refining margin: average of last 10 years in real terms

Global consolidation of Gas Natural SDG from 2000





### INVESTMENTS 2000-2005: 24,000 Million euros





Million Euros

*UP*

*DOWN*

*TOTAL*

LATIN AMERICA

7,400

5,000

12,400

SPAIN

-

7,750

7,750

OTHERS

3,800

50

3,850

TOTAL

11,200

12,800

24,000



	<u>MEuros</u>
● Exploration	1,200
● Development	8,200
● Acquisitions	1,300
● Others	500
<b>TOTAL E&amp;P</b>	<b>11,200</b>



	<u>MEuros</u>
● Refining	2,518
● Logistics	123
● Marketing	2,117
● LPG	742
<b>TOTAL R&amp;M</b>	<b>5,500</b>



	<u>MEuros</u>
● CAPACITY INCREASE	400
● UPGRADING OF PROCESSES	150
● SAFETY & ENVIRONMENT	50
● OTHERS	80
● BOREALIS	220
<b>TOTAL CHEMICALS</b>	<b>900</b>



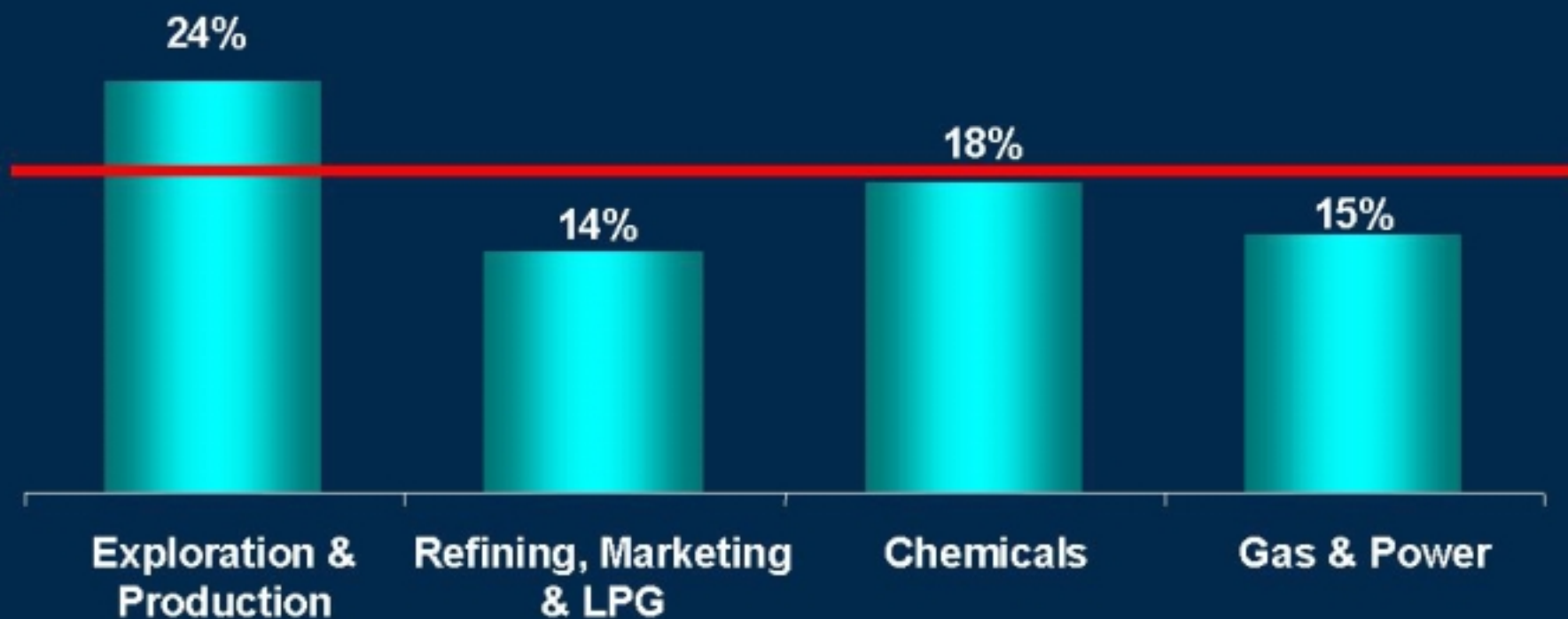
	<u>MEuros</u>
● Gas Spain	2,900
● Power Spain (*)	900
● Gas Latin America	2,000
● Power Latin America	600
<b>TOTAL GAS &amp; POWER</b>	<b>6,400</b>

*(\*) Excludes investment in IGCC*



IRR (%)

— Average return: 18%





\$ Billion

**COMMITTED**

**2.5**

**REALISED**

**1.3**

- North Sea
- Crescendo
- Others

0.6  
0.6  
0.1

**PENDING 2000 / 2001**

**3.0 - 3.5**

- Downstream Spain
- Edenor & Downstream U.K.
- Others Upstream
- Others Downstream

2.5 - 3.0  
0.3  
0.1  
0.1

**TOTAL DIVESTMENT**

**4.3 - 4.8**

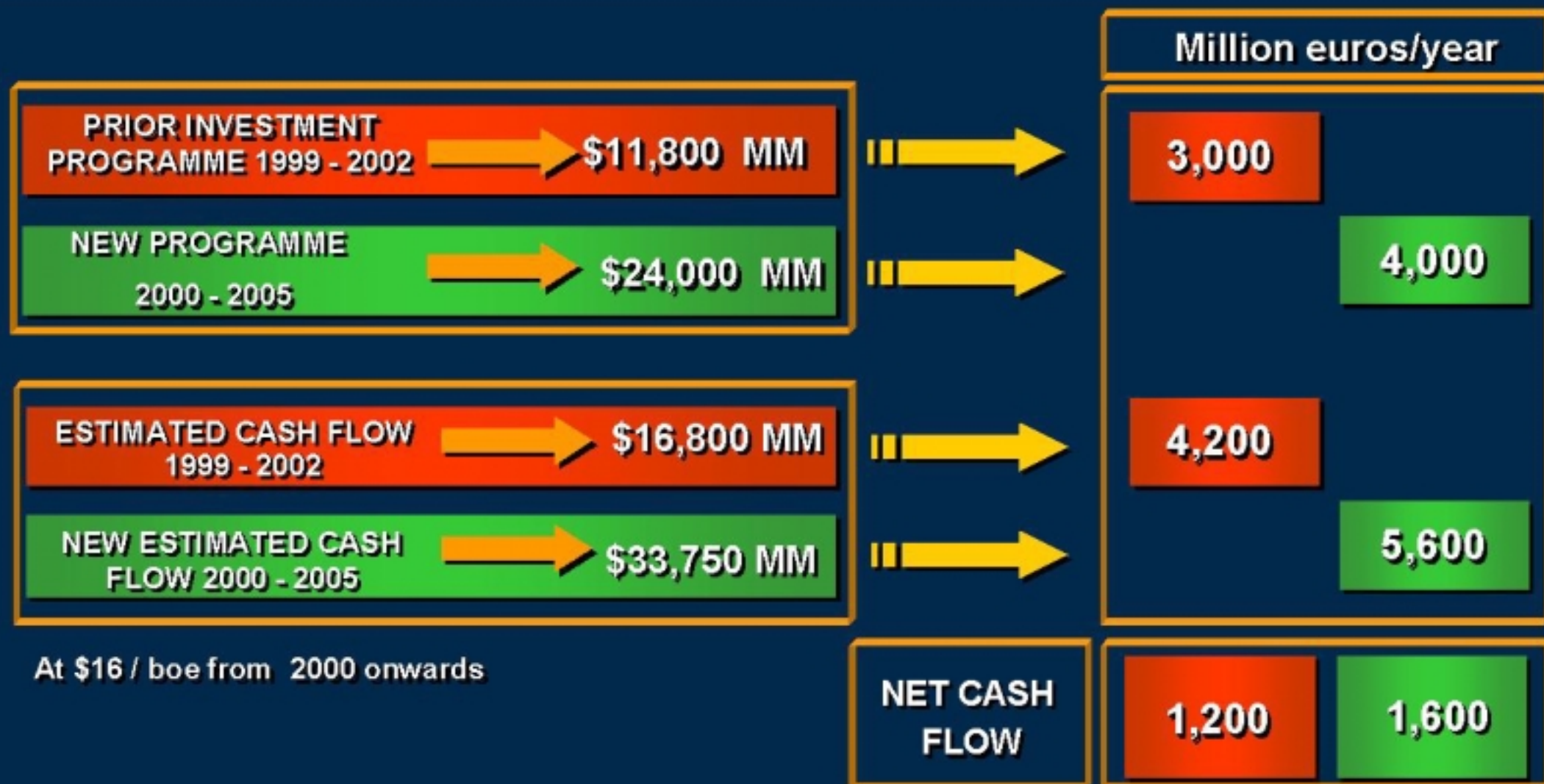


# FINANCIAL STRENGTH

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*New investment plan. Growth in net annual cash flow*





- **1989-1999: MAINTAIN PAY-OUT 40%-50%**
- **2000 ONWARDS:**
  - CHANGE OF BUSINESS MIX
  - HIGHER PROFIT VOLATILITY
  - DEMAND FOR CONTINUOUS INCREASE IN DIVIDEND
  - HIGHER DIVIDEND STABILITY



**PROPOSAL FOR DIVIDEND INCREASE AT DOUBLE DIGIT RATE**



## Rapid debt reduction

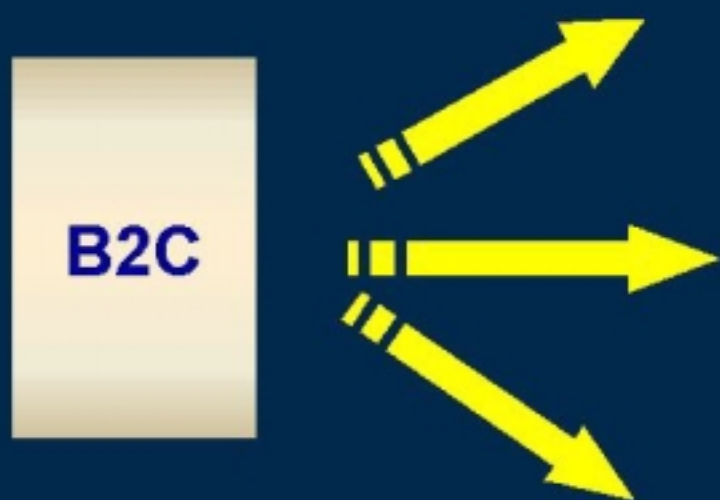


(1) Exchange rate taken at \$1/Euro

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***e-Commerce***



- CUSTOMERS
- RECOGNISED BRANDS
- NEW PORTAL [www.repsol-ypf.com](http://www.repsol-ypf.com)



20 million+ customers under contract





## INFRASTRUCTURES

- 10,000 Km of optical fibre with large expansion possibilities
- Logistics networks in support of marketing
  - ➔ 7,000 service stations
  - ➔ Retailers
  - ➔ LPG distribution network in Spain, with door-to-door delivery



## Activities under way

### B2B (e-Procurement)

**HORIZONTAL  
e-PROCUREMENT :**  
Spain & Latin America

**MAIN PARTNERS::**

- Telefónica
- BBVA
- Repsol YPF
- Iberia



**VERTICAL  
e-PROCUREMENT :**  
ENERGY EXCHANGE

**MAIN PARTNERS::**

- Shell
- BP
- Total-Fina-Elf
- Repsol YPF

**VERTICAL  
e-PROCUREMENT :**  
CHEMCONNECT



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# ***Exploration & Production***

***Mr. Roberto Monti***

***Executive Vice-President E&P***



- **Excellent portfolio of exploration assets**
- **High growth potential in reserves & production, through secondary and tertiary recoveries**
- **Increase in production capacity via the creation of gas markets**
- **Low exploration, development and lifting costs**



### Critical mass in core areas

- Total net proven reserves @ 31st Dec. 1999
  - ➔ Latin America 3,758 mill boe
  - ➔ North Africa 267 mill boe
  - ➔ Rest of the World 777 mill boe
  - ➔ Total reserves 4,535 mill boe

### Competitive Advantage

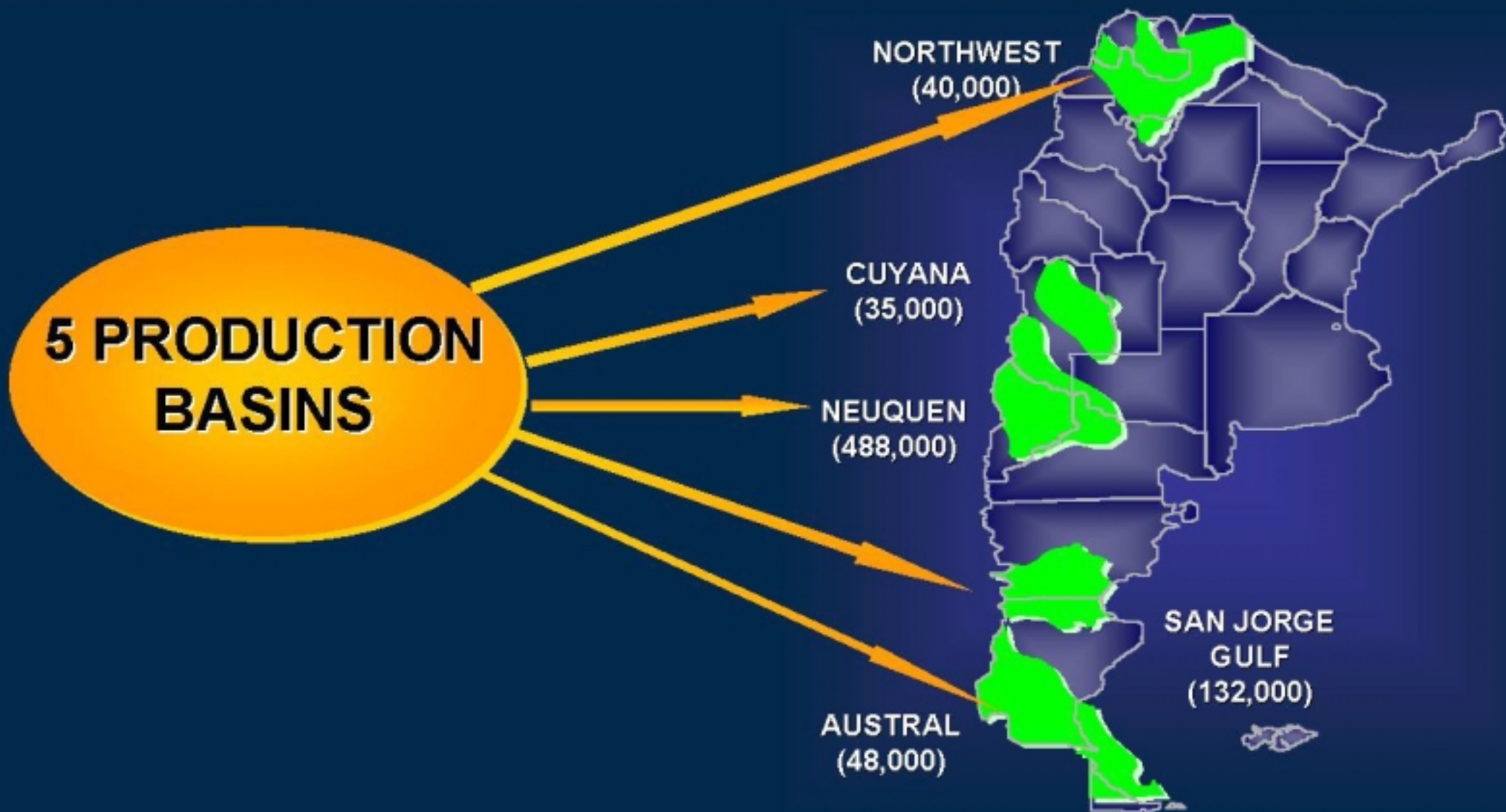
- Strong positioning in areas not dominated by Majors
  - ➔ Argentina
  - ➔ Libya
  - ➔ Algeria

# EXPLORATION & PRODUCTION

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Argentina: 1999 Net Production by Basin (boe per day)





■ EXPLORATION  
■ PRODUCTION

Block/Concession	% Repsol YPF	Operator
● YAC. NORTE-1 (Acambuco A)	100%	Repsol YPF
● YAC. NORTE-3/A:	50%	Pluspetrol
● RAMOS:	42%	Pluspetrol
● PALMAR LARGO:	30%	Pluspetrol
● AGUARAGÜE:	30%	Tecpetrol
● ACAMBUCO:	22.5%	Panamerican

**Net proven reserves @ 31.12.99 : 400 Million boe**

- Ramos Field: 47.0 M bbl (liq) + 38.1 BCM (gas)
- Aguaragüe Field: 17.7 Mbbl (liq) + 18.6 BCM (gas)
- Palmar Largo Field: 1.5 Mbbl (liq) + 0.1 BCM (gas)

**Net production (year 2000): 58,500 boe/d**

- Ramos Field: 5,300 bopd (liq) + 5.1 Mcm/d (gas)
- Aguaragüe Field: 4,900 bopd (liq) + 2.6 Mcm/d (gas)
- Palmar Largo Field: 2,600 bopd (liq) + 0.1 Mcm/d (gas)

### Characteristics

- Mainly a gas basin connected through a gas pipeline to the North of Chile, Bolivia and Buenos Aires. There is also a connection through oil pipeline with the Refinor refinery in the North of Argentina



- EXPLORATION
- PRODUCTION

Block/Concession	% Repsol YPF	Operator
● BLOQUE MENDOZA	100%	Repsol YPF
● LA VENTANA	60%	Repsol YPF
● VIZCACHERAS	100%	Repsol YPF
● RIO TUNUYAN	60%	Repsol YPF
● OTROS MENDOZA N.	100%	Repsol YPF

**Net proven reserves @ 31.12.99: 183 Million boe**

● Vizcacheras Field:	58.8 Mbbl (liq.) + 0.3 BCM (gas)
● Barrancas Field:	45.9 Mbbl (liq.) + 0.2 BCM (gas)
● La Ventana Field:	37.9 Mbbl (liq.) + 0.1 BCM (gas)
● Other Fields:	36.4Mbbl (liq.) + 0 BCM (gas)

**Net production (year 2000): 36,900 boe/d**

● Barrancas Field:	16,400 bopd (liq.) + 0 Mcm/d (gas)
● Vizcacheras Field:	10,400 bopd (liq.) + 0.1 Mcm/d (gas)
● La Ventana Field:	9,300 bopd (liq.) + 0 Mcm/d (gas)

### Characteristics

- This basin produces mainly crude. It feeds the Repsol YPF refining system. Connected through pipeline to the refinery in Luján de Cuyo.

# EXPLORATION & PRODUCTION

## Argentina: Neuquen Basin ( I : Production )

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Block/Concession	% Repsol YPF	Operator
● MENDOZA SUR	100%	Repsol YPF
● LOMA DE LA LATA	100%	Repsol YPF
● CATRIEL	100%	Repsol YPF
● RINCON DE LOS SAUCES	100%	Repsol YPF
● 1 - LINDERO ATRAVESADO	37,5%	Panamerican E.
● 2 - EL PORTON	100%	Repsol YPF
● 3 - PUESTO HERNANDEZ	61,5%	Pérez Companc
● 4 - AGUADA PICHANA	27,27%	Total Fina
● 5 - AGUADA S. ROQUE	34,11%	Total Fina

**Net proven reserves @ 31.12.99: 2,015 Million boe**

- Loma La Lata Area: 150.6 Mbbl (liq.) + 201.5 BCM (gas)
- Rincón de los S. A.: 410.9 Mbbl (liq.) + 6.7 BCM (gas)
- Mendoza Sur Area: 133.3 Mbbl (liq.) + 16.1 BCM (gas)

**Net production (year 2000): 508,500 boe/d**

- Loma La Lata Area: 47,700 bopd (liq.) + 35.7 Mcm/d (gas)
- Rincón de los S. A.: 183,800 bopd (liq.) + 2.0 Mcm/d (gas)
- Mendoza Sur Area: 53,700 bopd (liq.) + 0.2 Mcm/d (gas)

### Characteristics

- Main gas producer, not only in Argentina, but among all the production assets Repsol YPF has around the world. The supergiant Loma de la Lata Field, which supplies the gas market in Argentina and Chile, will also feed the MEGA project, currently under execution.

# EXPLORATION & PRODUCTION

## Argentina: Neuquen Basin (II : Exploration)

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### Block/Concession

%  
Repsol YPF

### Operator

● 1 - MESETA BUENA ESPERANZA:	25%	Pioneer
● 2 - GOB. AYALA.:	30%	Petrol. Sta. Fe
● 3 - GOB. AYALA.A:	50%	Unocal
● 4 - B-CO. HAMACA O.:	52.86%	Petrol. Sta. Fe
● 5 - CHINA MUERTA:	35.5%	Petrol. San Jorge
● 6 - EST. CERVANTES:	50%	Petrol. San Jorge
● 7 - RIO NEGRO NORTE:	35%	Petrol. San Jorge
● 8 - CAÑADON AMARILLO/ALTIP. DEL PAYUN:	49%	Repsol YPF
● 9 - EL MANZANO/ PUNTILLA DEL HUINCAN:	49%	Repsol YPF

■ EXPLORATION





### Neuquen Province will:

- Approve a 10 year extension to the Loma la Lata - Sierra Barrosa Concession (2018 to 2027)
- Arbitrate measures to solve the native community's requirements.

### Repsol YPF will:

- Invest \$3 billion in the Province from 2000 to 2005.
- Guarantee viability of services companies working for Repsol YPF
- Provide 3,000 educational grants in the period 2000-2005
- Stimulate industrial development (possible Repsol YPF CCGT power plant)
- Co-operate in the recovery of the Cultural Heritage



Block/Concession	% Repsol YPF	Operator
● CGSJM-1/CGSJM-2:	50%	Repsol YPF
● CHUBUT:	100%	Repsol YPF
● CAÑADON SECO:	100%	Repsol YPF
● LAS HERAS:	100%	Repsol YPF
● 1 - FLANCO NORTE:	50%	Repsol YPF
● 2 - KM20:	50%	Capsa
● 3 - EL TORDILLO:	12.19%	Tecpetrol

### Net proven reserves @ 31.12.99: 417 Million boe

- Las Heras Area: 200.5 Mbbl (liq.) + 6.1 BCM (gas)
- Chubut / C. Seco Area: 164.9 Mbbl (liq.) + 2.7 BCM (gas)

### Net production (year 2000): 145,800 boe/d

- Las Heras Area: 82,500 bopd (liq.) + 2.7 Mcm/d (gas)
- Chubut / C. Seco A.: 56,300 bopd (liq.) + 1.2 Mcm/d (gas)

### Characteristics

- Mature Basin, with large "in place" oil reserves and a current low recovery factor. Future optimisation and increase of mentioned factor are envisaged.

■ EXPLORATION  
■ PRODUCTION

# EXPLORATION & PRODUCTION

Argentina: Austral Basin (I : Onshore + Offshore production)

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■ EXPLORATION  
■ PRODUCTION

Block/Concession	% Repsol YPF	Operator
● 1 - ANGOSTURA:	25%	Petrol. San Jorge
● 2 - SANTA CRUZ II:	62.2%	Perez Companc
● 3 - SANTA CRUZ I:	30%	Quintana
● 4 - MAGALLANES:	50%	Sipetrol
● 5 - SANTA CRUZ I OESTE:	66.6%	Total
● 6 - RÍO TURBIO:	58%	Perez Companc
● 7 - SANTA CRUZ II OESTE:	52.2%	Perez Companc

**Net proven reserves @ 31.12.99: 154 M illion boe**

- Santa Cruz II Area: 17.2 Mbbl (liq.) + 8.2 BCM (gas)
- T. Del F. / Magallanes: 13.0 Mbbl (liq.) + 8.7 BCM (gas)
- Santa Cruz I Area: 4.6 Mbbl (liq.) + 3.4 BCM (gas)

**Net production (year 2000): 57,400 boe/d**

- Santa Cruz II Area: 18,900 bbl/d (liq.) + 2.0 Mm3/d (gas)
- T. del F. / Magallanes: 8,400 bbl/d (liq.) + 2.5 Mm3/d (gas)
- Santa Cruz I Area: 7,100 bbl/d (liq.) + 0.8 Mm3/d (gas)

## Characteristics

- Mainly a gas basin, connected to Buenos Aires through a gas pipeline with limited transport capacity. Gas production is restricted due to transport limitations.



## Argentina: Austral Basin (II : Offshore exploration )



■ EXPLORATION

### Block/Concession

%  
Repsol YPF

### Operator

● 1 a 5 CAM-1 - RIO CHICO:

18%

Total

● 6 - CAM-3:

50%

Sipetrol

● 7 - CAM-2A SUR:

50%

Sipetrol

### OFFSHORE ARGENTINA

● 8 - CAA-35:

30%

Total

● 9 - CAA-39:

80%

Repsol YPF

● 10 - CAA-40:

80%

Repsol YPF

● 11 - CAA-46:

80%

Repsol YPF

### Net proven reserves @ 31.12.99: 0

● Crude reserves:

0

● Gas reserves:

0

### Net production (year 2000): 0

● (No REPSOL YPF fields have been yet discovered or exploited)

### Characteristics

● Mainly an offshore gas basin, located far from the consumption centers. It has an important exploratory potential.



■ EXPLORATION

Block/Concession	% Repsol YPF	Operator
● BLOCK 5b:	30%	BP Amoco
● BLOCK S11b:	20%	ELF

### Net Proven reserves @ 31.12.99: 0

- |                   |   |
|-------------------|---|
| ● Crude reserves: | 0 |
| ● Gas reserves:   | 0 |

### Net production (year 2000): 21,600 boe/d

- |   |
|---|
| ● 10% AECTT (BP Amoco): 5,300 bopd (liq.) + 2.8 Mcm/d (gas) |
|---|

### Characteristics

- |  |
|--|
| ● Envisaged soon acquisition from BP Amoco of 10% of its E&P assets in T&T plus 20% in 2003. Mainly a gas area, which feeds the plant of ATLANTIC LNG in Trinidad (Repsol YPF: 20%). Recent significant discovery in Block 5b. |
|--|



- EXPLORATION
- PRODUCTION

Block/Area	% Repsol YPF	Operator
● GUARAPICHE:	25%	BP Amoco
● MENE GRANDE:	100%	Repsol YPF
● QUIAMARE LA CEIBA:	25%	Repsol YPF
● GUARICO OCCIDENTAL:	50%	UPR
● QUIRIQUIRE:	55%	Repsol YPF

**Net proven reserves @ 31.12.99: 133 Million boe**

- Mene Grande Field: 84.2 Mbbl (liq.) + 0 BCM (gas)
- Quiriquire Area: 36.9 Mbbl (liq.) + 0 BCM (gas)
- Other Fields: 10.7 Mbbl (liq.) + 0.1 BCM (gas)

**Net production (year 2000): 27,600 boe/d**

- Mene Grande Field: 15,300 bopd (liq.) + 0 Mcm/d (gas)
- Quiriquire Area: 8,500 bopd (liq.) + 0 Mcm/d (gas)
- Other Fields: 3,700 bopd (liq.) + 0.1 Mcm/d (gas)

### Characteristics

- Currently production of crude oil (mainly in Mene Grande and Quiamare La Ceiba) under a Service Agreement, and additionally gas in the future also (Quiriquire and Quiamara La Ceiba). Great expectations of growth in the 2000/2005 Strategic Planning.