

**REPSOL  
YPF**



***Repsol YPF***



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

*This document contains statements that Repsol YPF believes constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include statements regarding the intent, belief or current expectations of Repsol YPF and its management, including with respect to trends affecting Repsol YPF's financial condition, results of operations, business, strategy, production volume and reserves, as well as Repsol YPF's plans with respect to capital expenditures and investments. These statements are not guarantees of future performance and are subject to material risks, uncertainties, changes and other factors which may be beyond Repsol YPF's control or may be difficult to predict.*

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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.*



## Competitive Advantage / Higher Expected Returns

### FOCUS ON CORE BUSINESSES

- Production of crude oil and natural gas in Latin America, Caribbean, North Africa, with expansion to West Africa and Middle East.
- Marketing of natural gas and LNG, through integrated projects, in North and South America and Southern Europe.
- Refining, Marketing, LPG and Petrochemicals in Southern Europe and in South America.



**Operating Excellence**

**Financial Strength**

**Profitable Growth**

**Deconcentration**

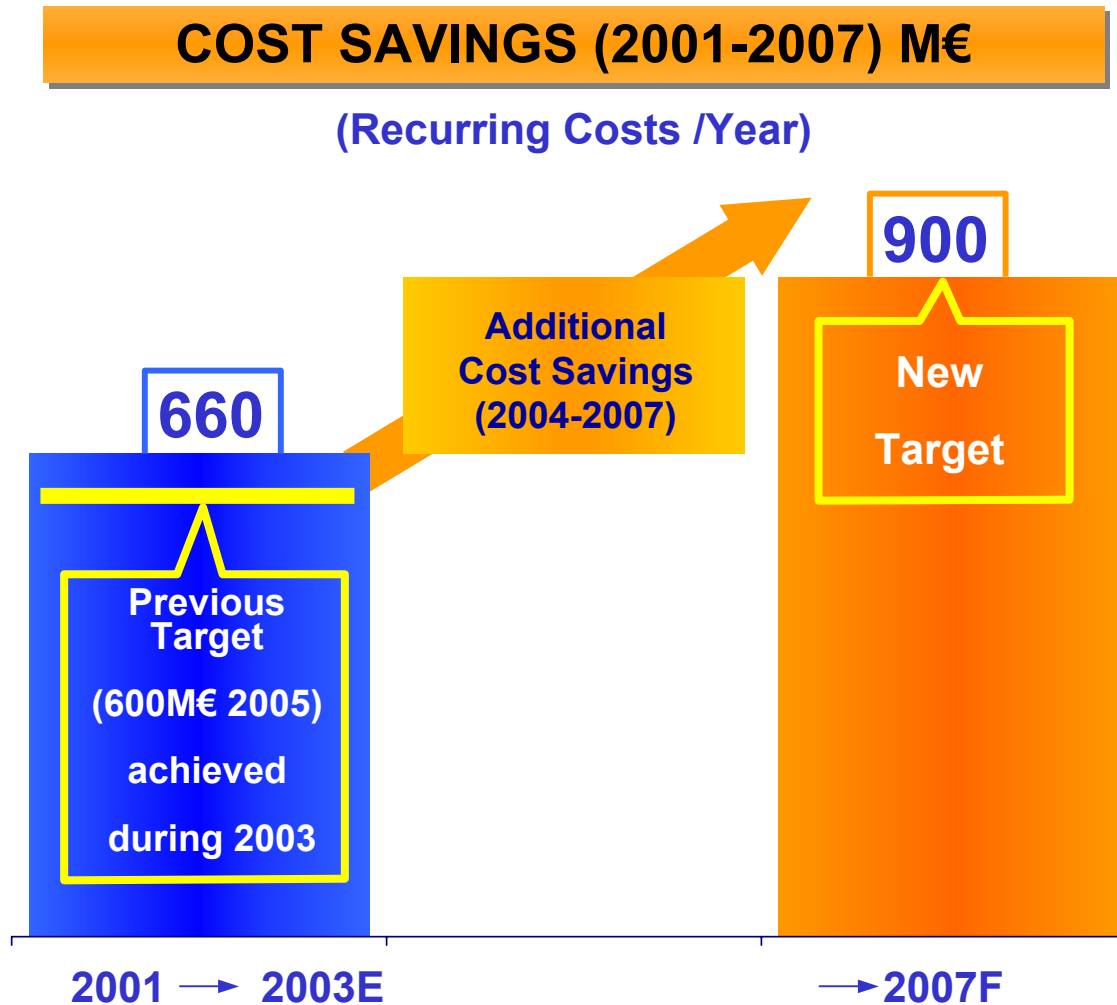
**VALUE CREATION**



## STRATEGIC PLAN BASIS

	2004	2005 – 2007
✓ BRENT (US\$/bbl)	22.0	18.0
✓ HENRY HUB (US\$/MBtu)	4.0	3.5
✓ US\$/€	1.0	1.0
✓ PESO/US\$	3.0	3.0
✓ TAX RATE (%)	38	38
✓ DOWNSTREAM MARGINS	- Mid cycle <sup>(*)</sup> –	
✓ ACCOUNTING CRITERIA	Current Spanish GAAP	

<sup>(\*)</sup> Mid cycle: R&M = Average of last 5 years; Chemicals = Last cycle average



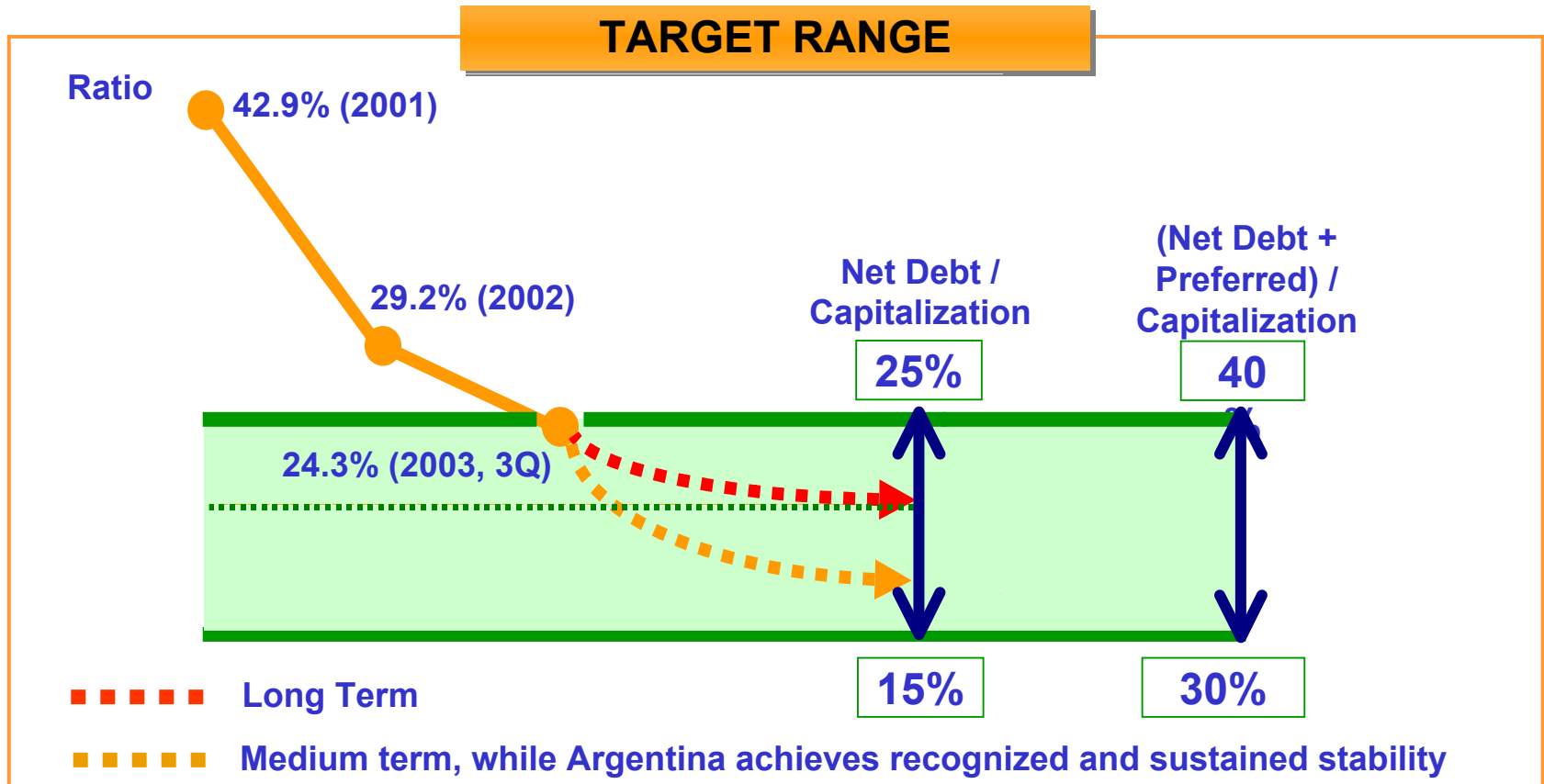
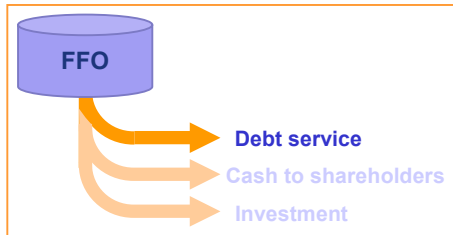


**FINANCIAL  
RATIOS**

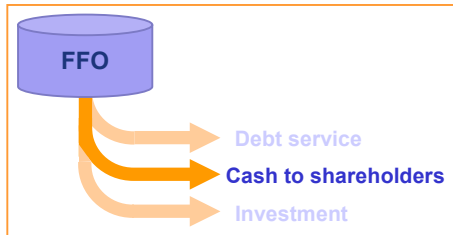


### **NEW TARGETS**

- **15–25%: Net Debt/Capitalization**
- **30-40%: (Net Debt+Prefs) / Capitalization**







## PRINCIPLES

- Dividend should be payable under “acid”/low-cycle scenarios
- Buy backs as a complementary investment option

## LONG TERM POLICY

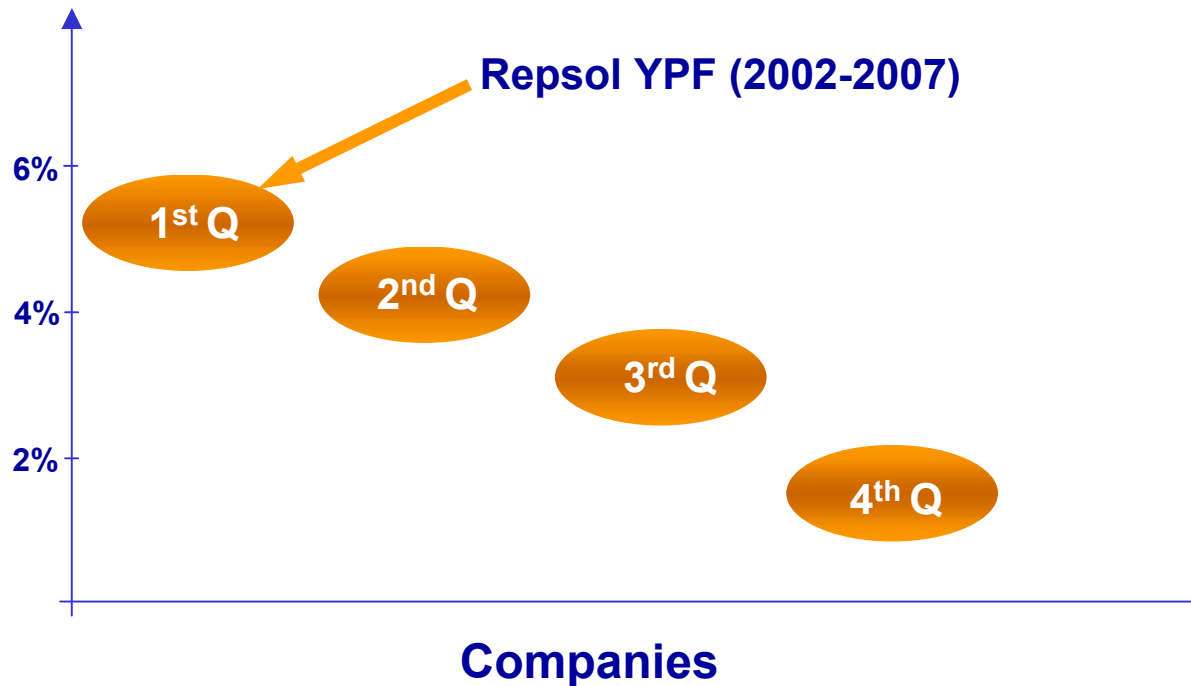
- Dividend Payout band around 40% of Net Income at mid-cycle

## NEXT STEP

- 2003: 0.40 €/share (+30%)



## ANNUAL PRODUCTION GROWTH<sup>(\*)</sup>



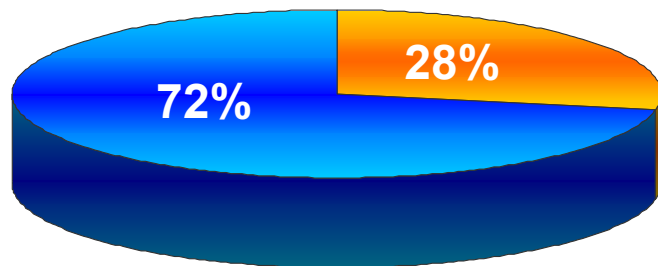
Q=Quartile

Source: Companies strategy presentations

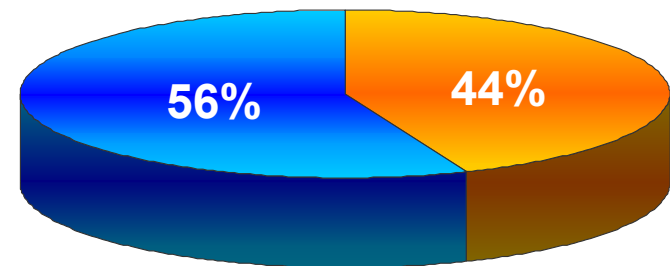
<sup>(\*)</sup> Repsol YPF, Total, Eni, STATOIL, Conoco Phillips, BP, Shell, Chevron Texaco, Occidental

## OIL & GAS PRODUCTION

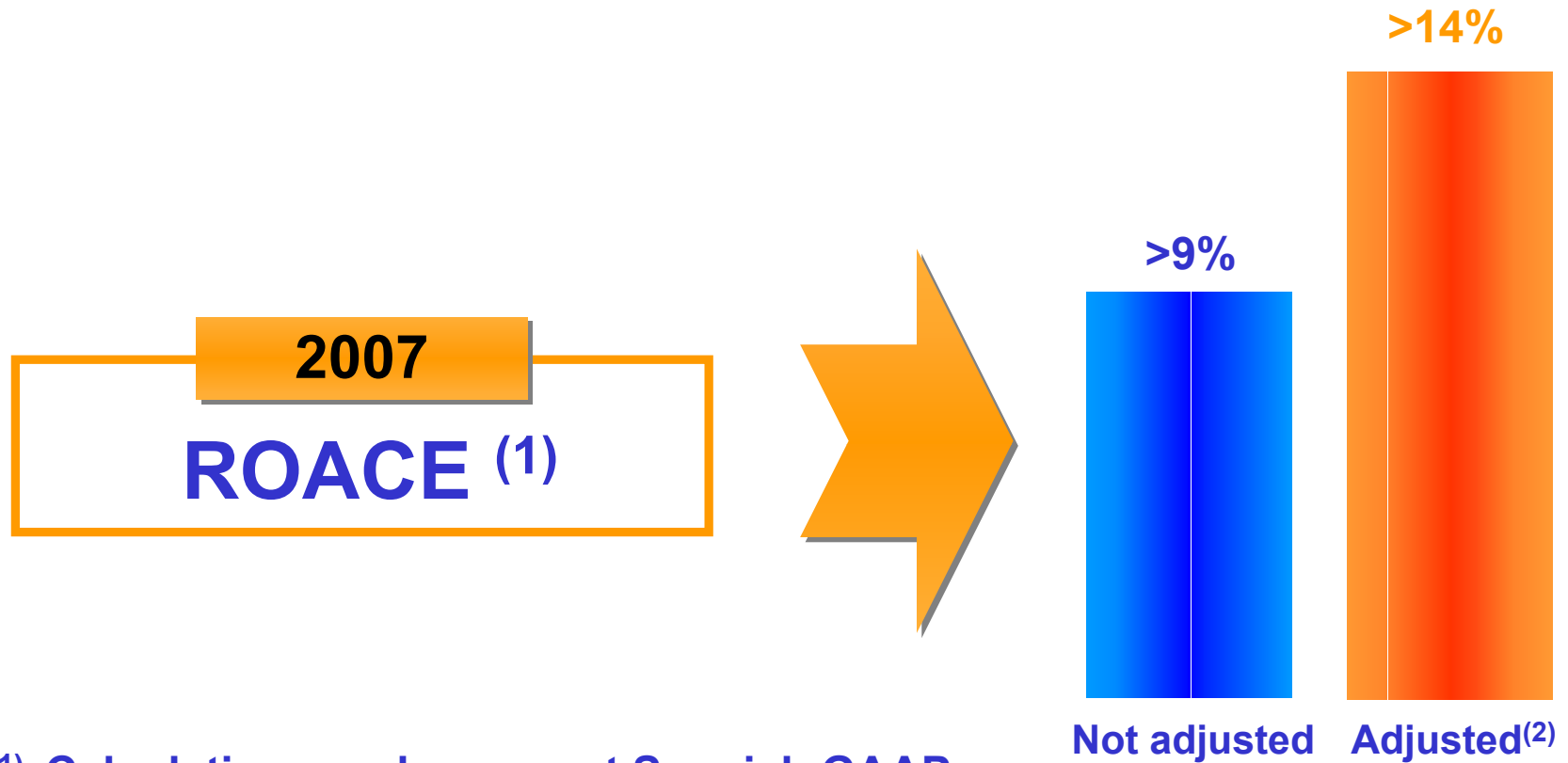
2002



2007



 Argentina  ROW



(1) Calculations under current Spanish GAAP

(2) Adjusted: Pre-all goodwill (in NOPAT and Capital Employed)



## E&P

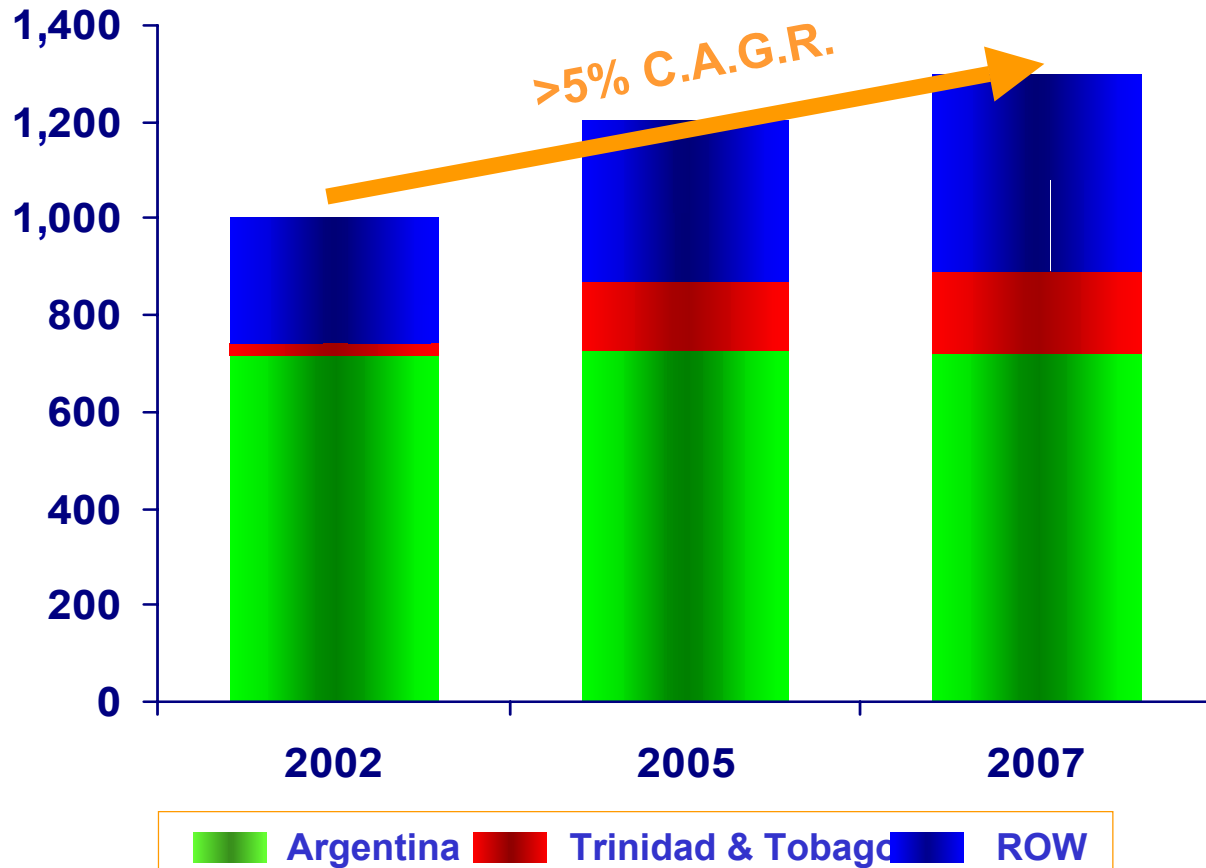
- Solid current asset base
- Efficient and low cost operator
- Attractive portfolio of projects

**TOP RANGE PRODUCTION GROWTH WITH  
IMPROVING MARGINS**

# Portfolio of projects that maintains production in Argentina and growth in other areas ...



## PRODUCTION GROWTH (Kboed)



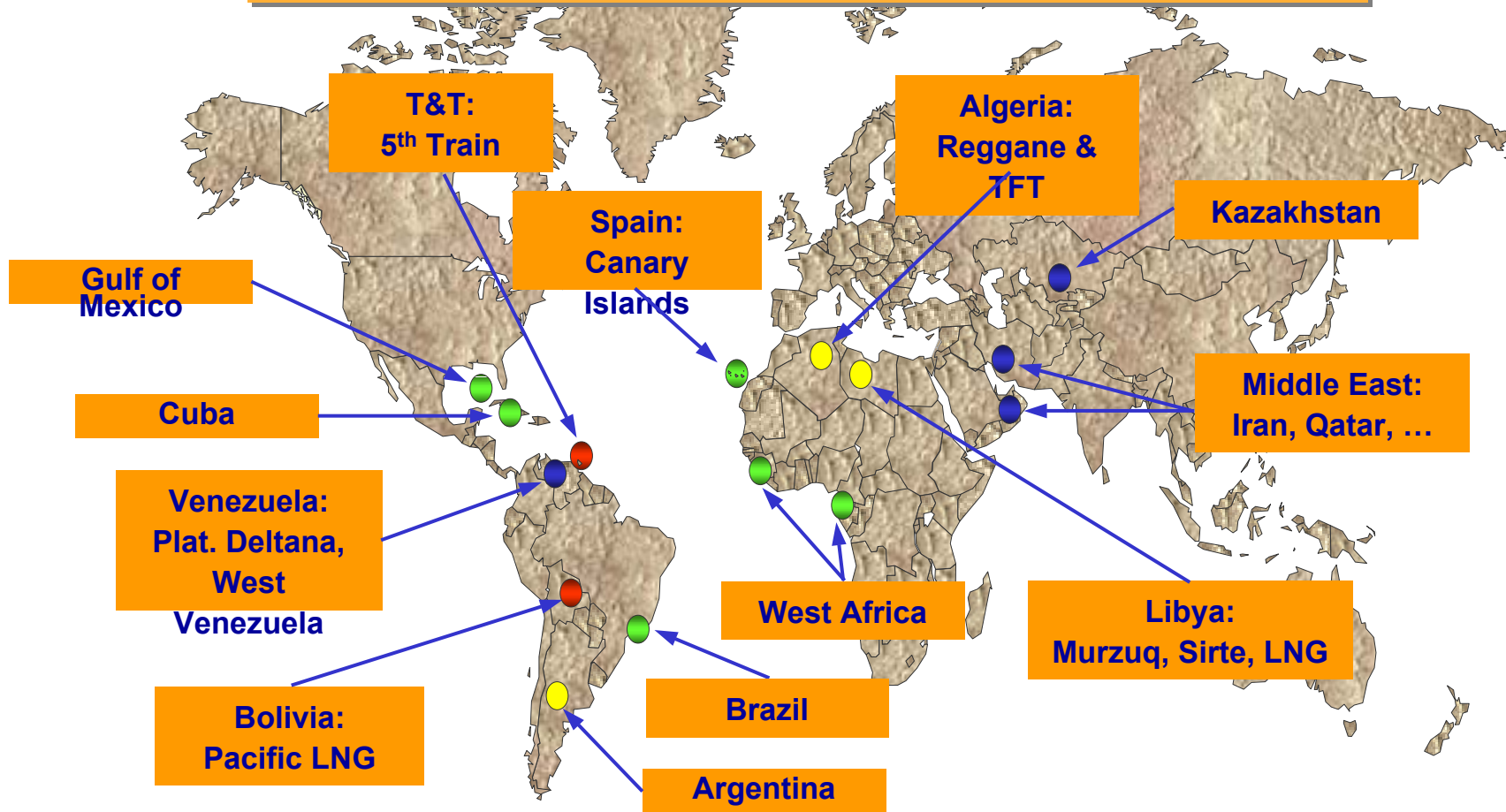


## NEW PRODUCTION PROJECTS 2003-2007





# GROWTH BEYOND 2007

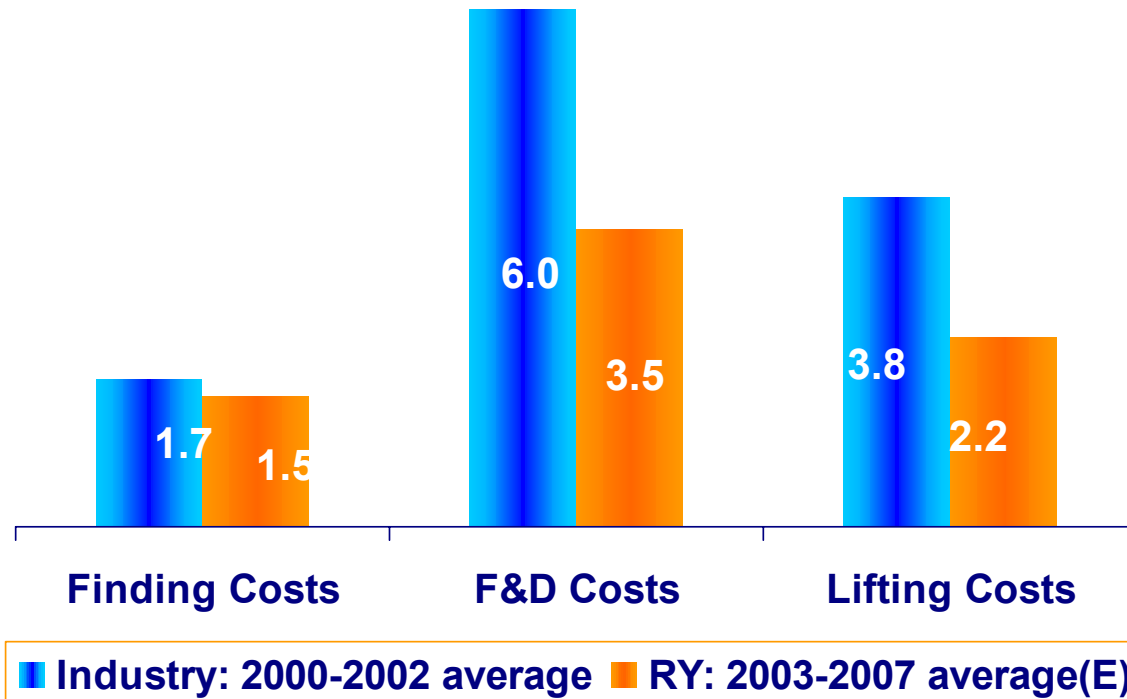


- Pending approval
- Low Risk Exploration
- Medium & High Risk Exploration
- Under Negotiation





**E&P COSTS (US\$/boe)**



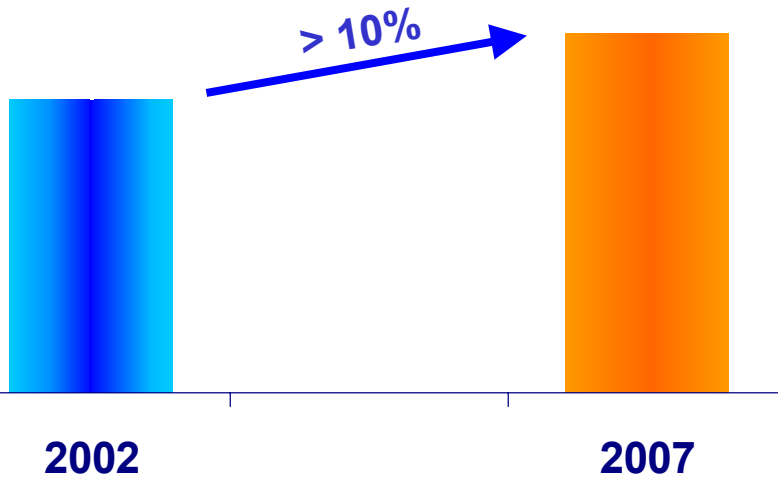
Source: PFC

Estimates based on SFAS 69 Activities



## E&P: MARGIN IMPROVEMENT (\*)

- Brent : 18 US\$ / bbl
- Base 2002 = 100 (without crisis)



(\*) Margin = revenues – production cost – royalties  
– tech. amortization

- Margin mix improvement:
  - ✓ T&T
  - ✓ Libya
  - ✓ Albacora Leste, ...
- Cost competitiveness from devaluation in argentina
- Cost savings



## GAS

- Strong position in gas reserves
- Experience in integrated LNG projects
- Leadership in markets with high growth



**PROFITABLE GROWTH BASED ON  
INTEGRATED CHAINS**

# Strong position in natural gas reserves

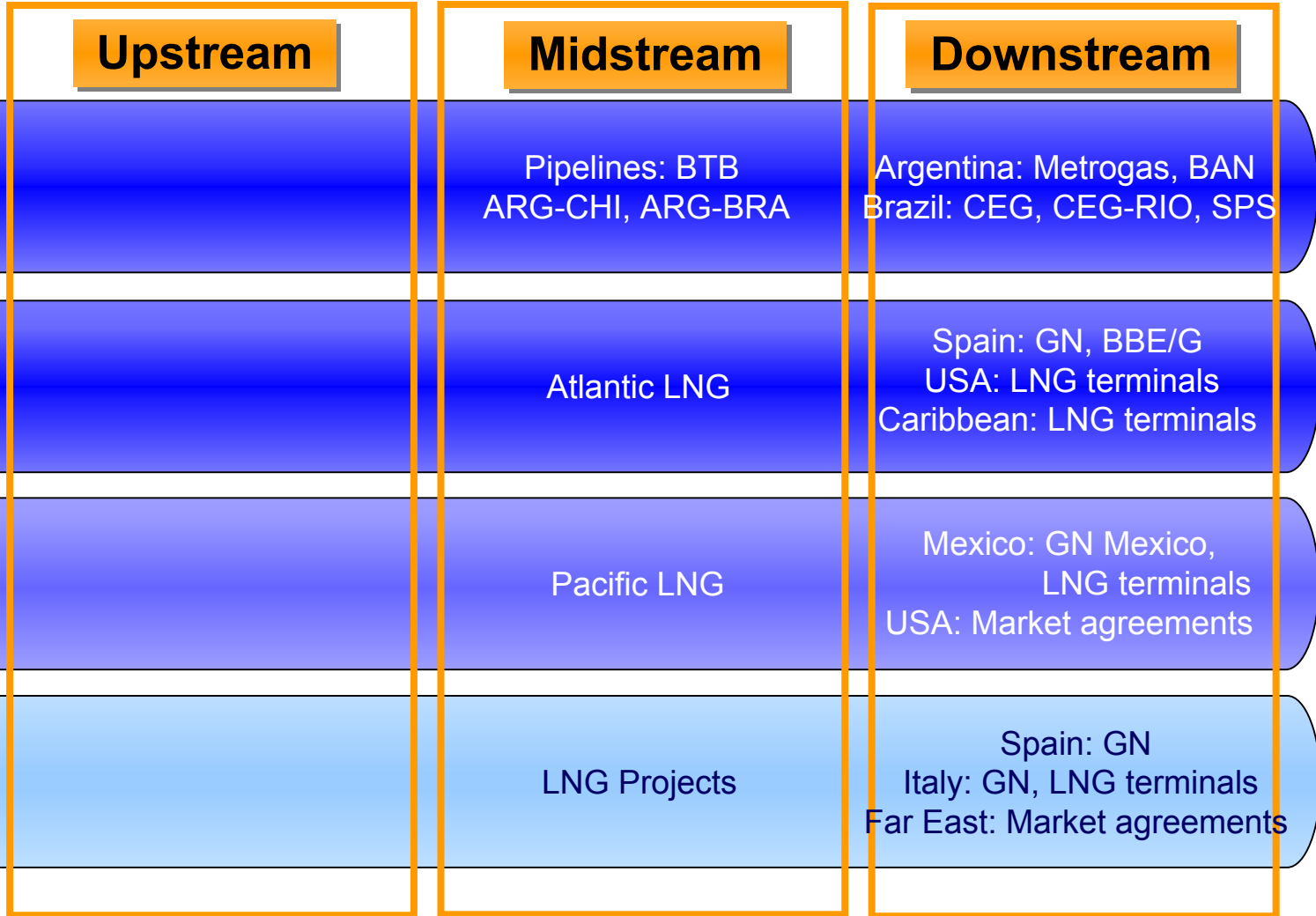


**Repsol YPF 3P NET RESERVES: 39 TCF (1,100 bcm)**



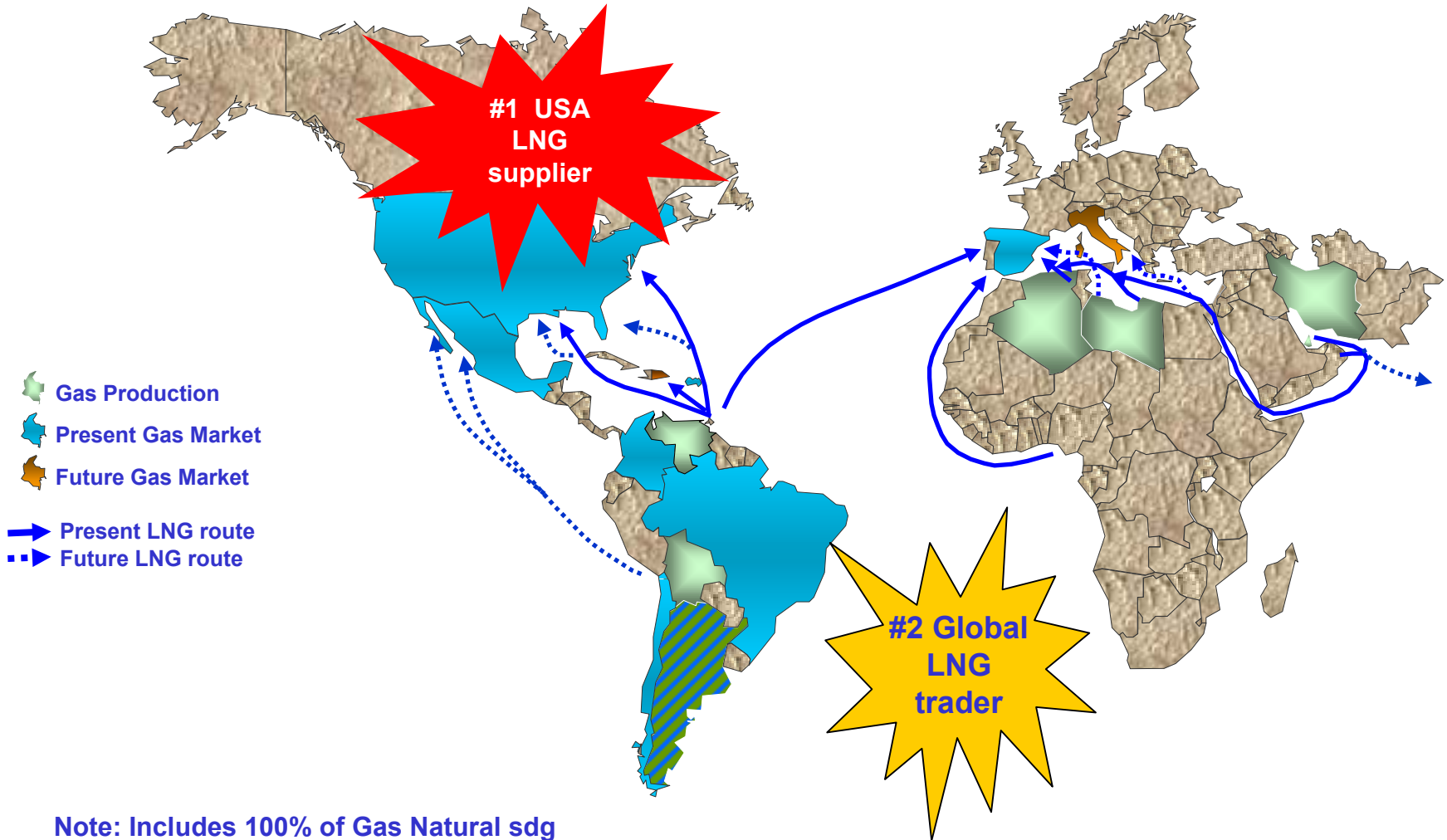
*Exploration potential not included*

**... which sustains a profitable growth strategy,  
based on integrated chains.**





## BRINGING RESERVES CLOSER TO MARKETS





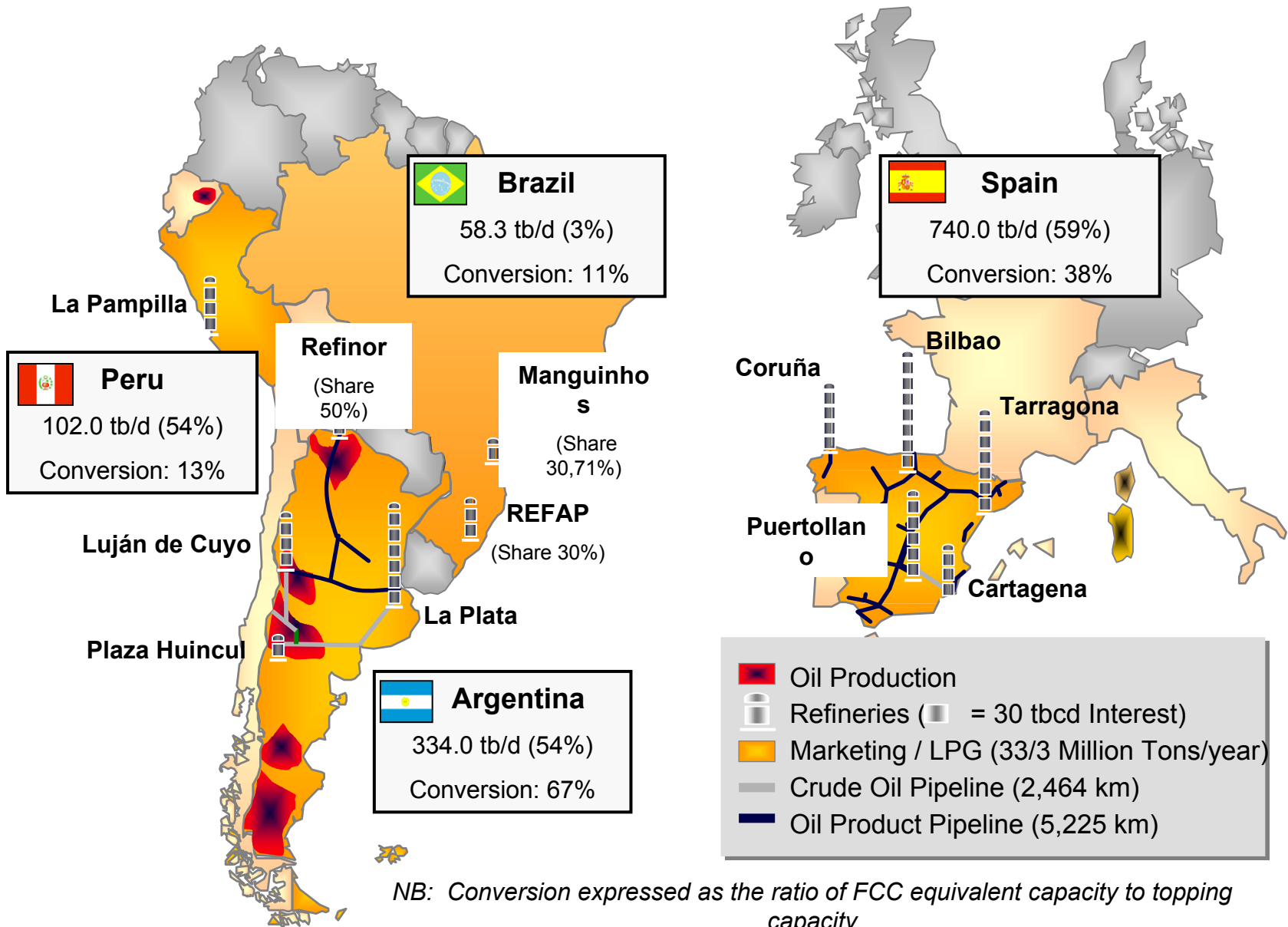
## R&M

- **Leading positions**
- **Growth markets**



**QUALITY EARNINGS**

# Flexible & Integrated Refining Systems

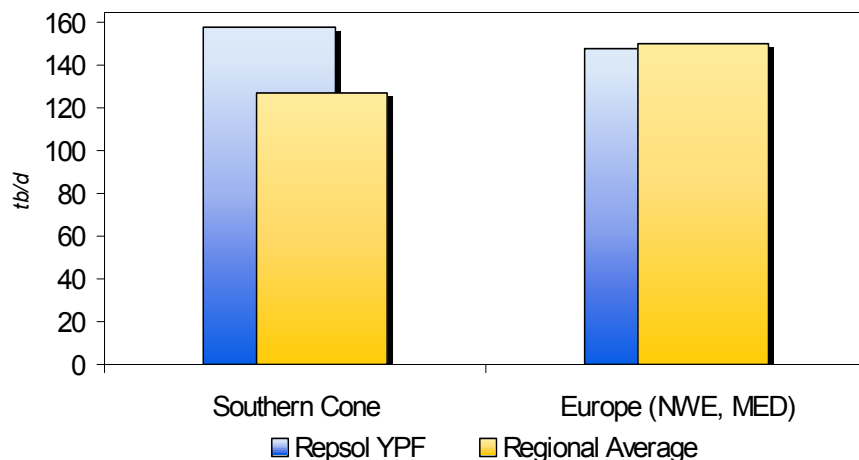


NB: Conversion expressed as the ratio of FCC equivalent capacity to topping capacity



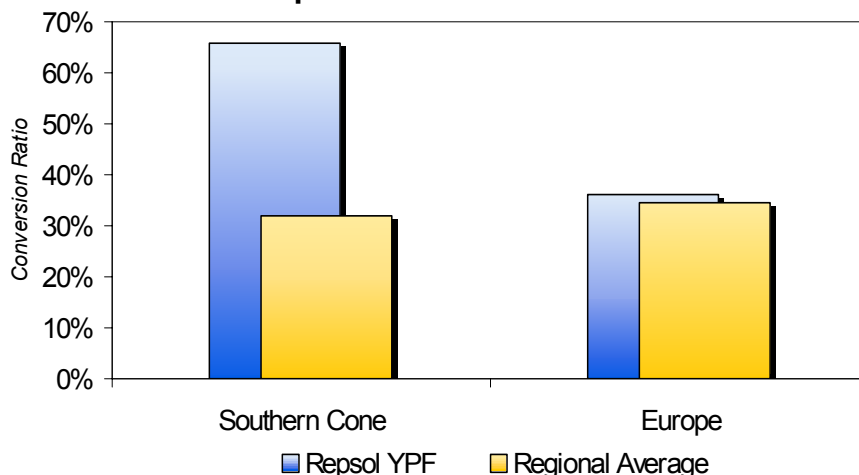


### Average Topping Capacity



- Overwhelming advantage in Southern Cone
- On par in Europe, even with significant presence of super-majors
- Advantage also in terms of relative profitability, and in terms of relative preparedness for future EU product specs

### FCC-Equivalent Conversion Ratio

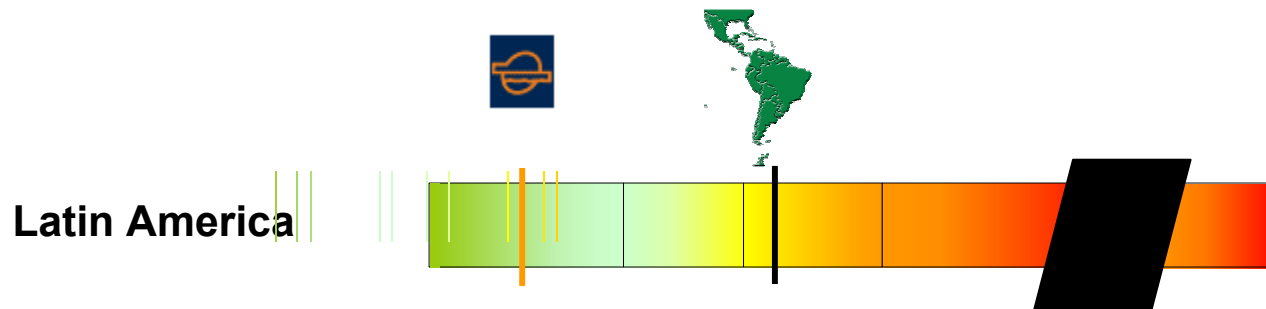
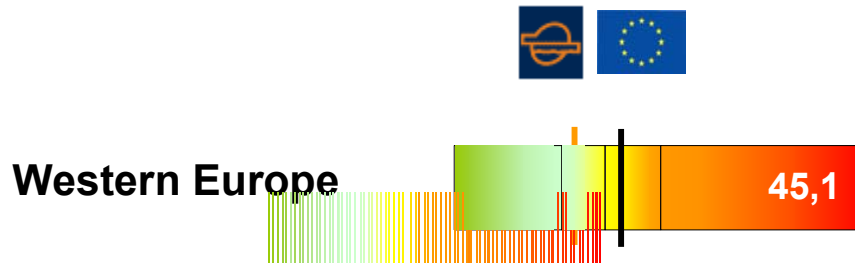


*Repsol YPF indices include all assets with more than 30 tb/cd of consolidated topping capacity*

*Source: WE and Latin America Average based on capacities from O&G Journal 2003*



## Cash Operating Cost (US ¢ / UEDC)



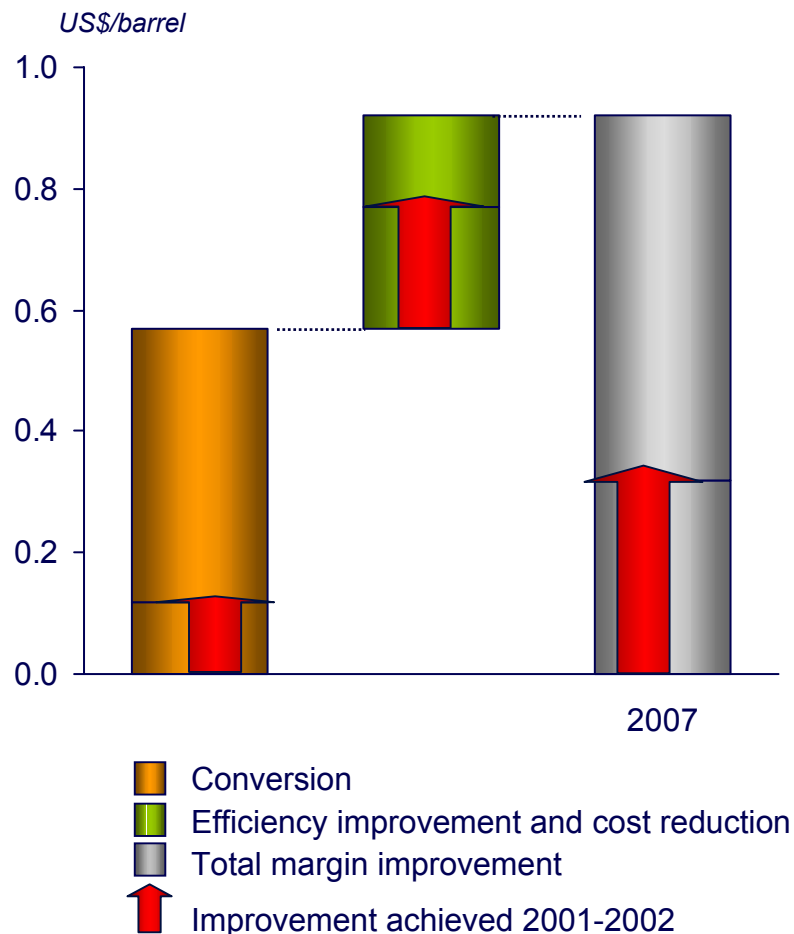
- Leverage refining and logistics positions and growth in marketing in neighbouring countries
- Increase refining complexity
- Focus on reducing costs
- Expand the retail offering in Spain and neighbouring countries

Source: Solomon Fuels Performance Analysis  
2002

- Above average performance in cash operating cost in Spain and Latin America
- Continue to focus on cost reduction programs

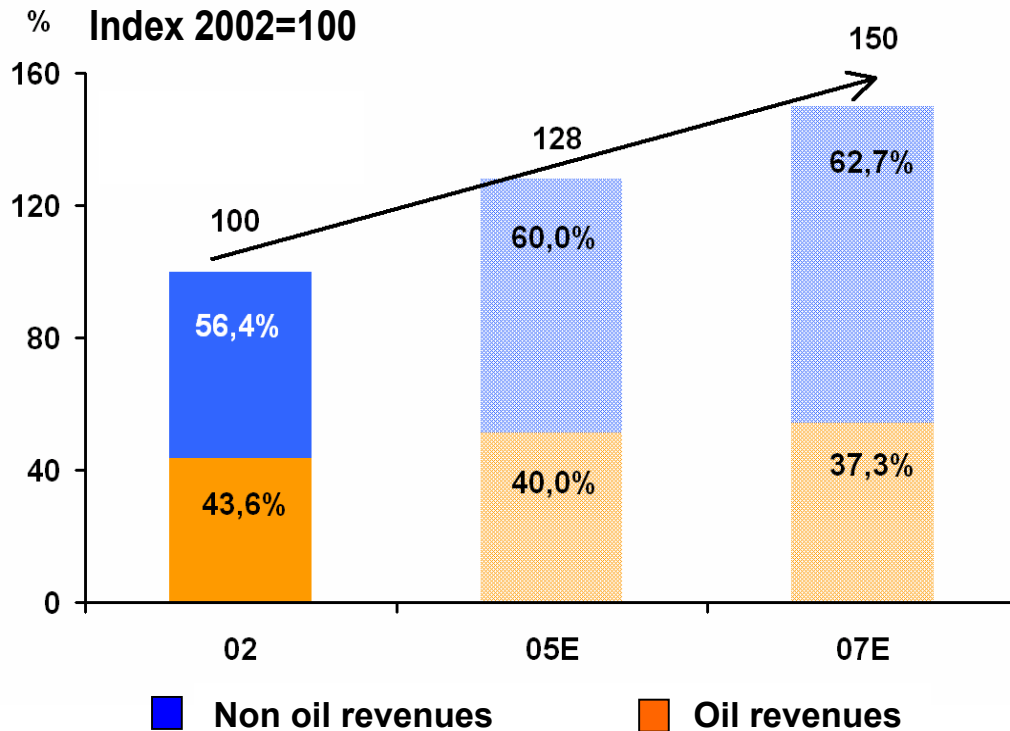


## Growth in Refining Margin



- 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 end 2004, respectively)
- Upgrading projects are also being developed in La Pampilla, REFAP and Cartagena refineries (start-up 2004, 2005 and 2007 respectively)

# ...to Increase Non-Oil revenues in Spain



Source: Repsol-YPF projections

- Leverage refining and logistics positions and growth in marketing in neighbouring countries
- Increase refining complexity
- Focus on reducing costs
- Expand the retail offering in Spain and neighbouring countries

## COCOs

- Growth supported by expanding product range...
- ...and introduction of new services
  - New & better c-stores
  - Do-it-yourself carwash

## CODOs & DODOs

- Development of franchised sites also supports high growth in non-oil income

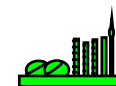


## CHEMICALS

- Integration
- Technology
- Operating excellence



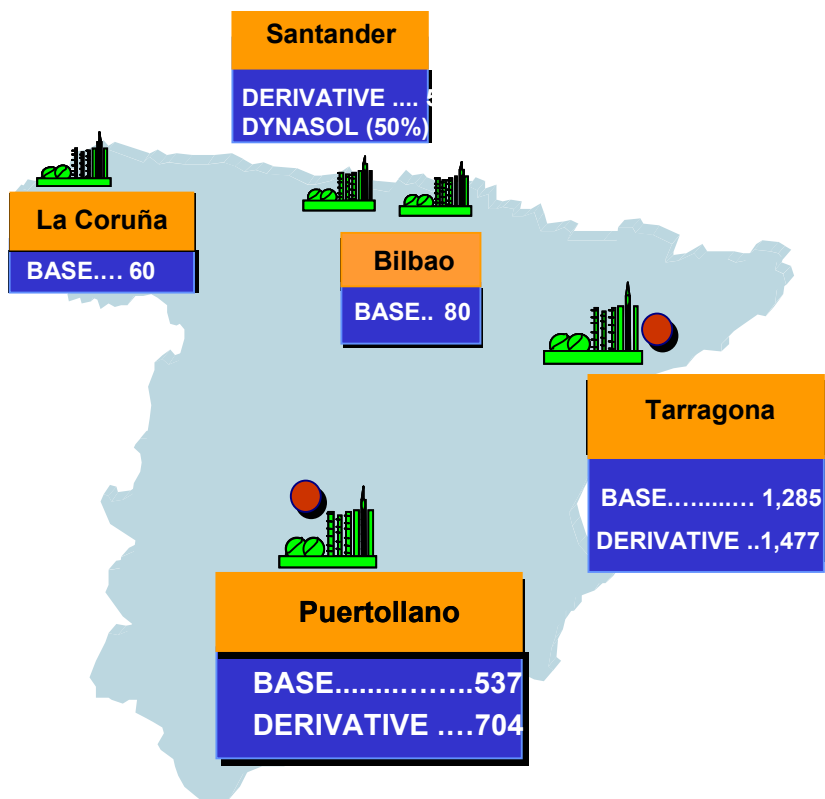
**PROFITABILITY**



Petrochemical Plant



Refinery



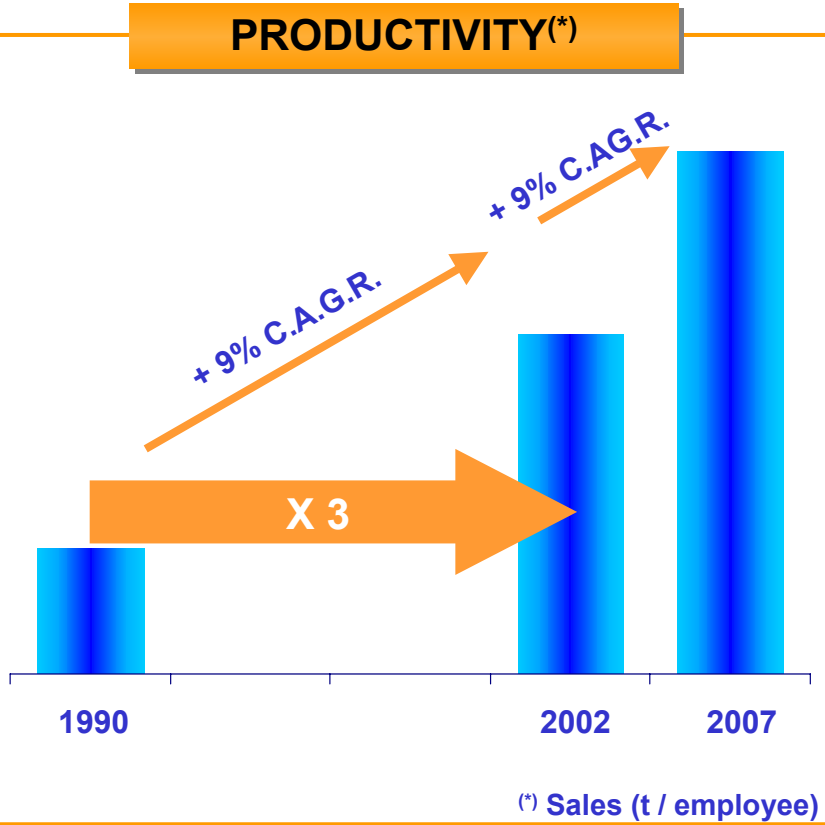
**2003 Sales in Spain: 1.161 Kt**



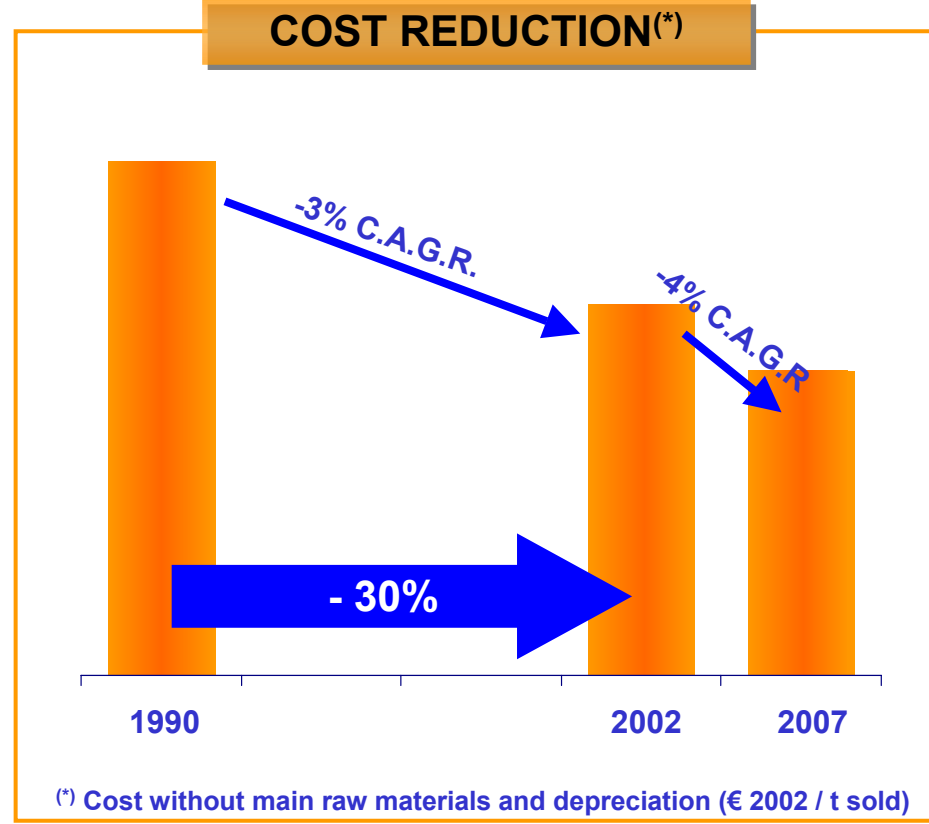
**2003 Sales in Argentina: 662 Kt**



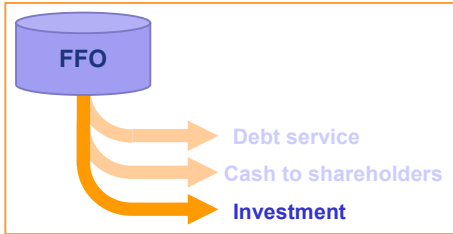
PRODUCTIVITY(\*)



COST REDUCTION(\*)

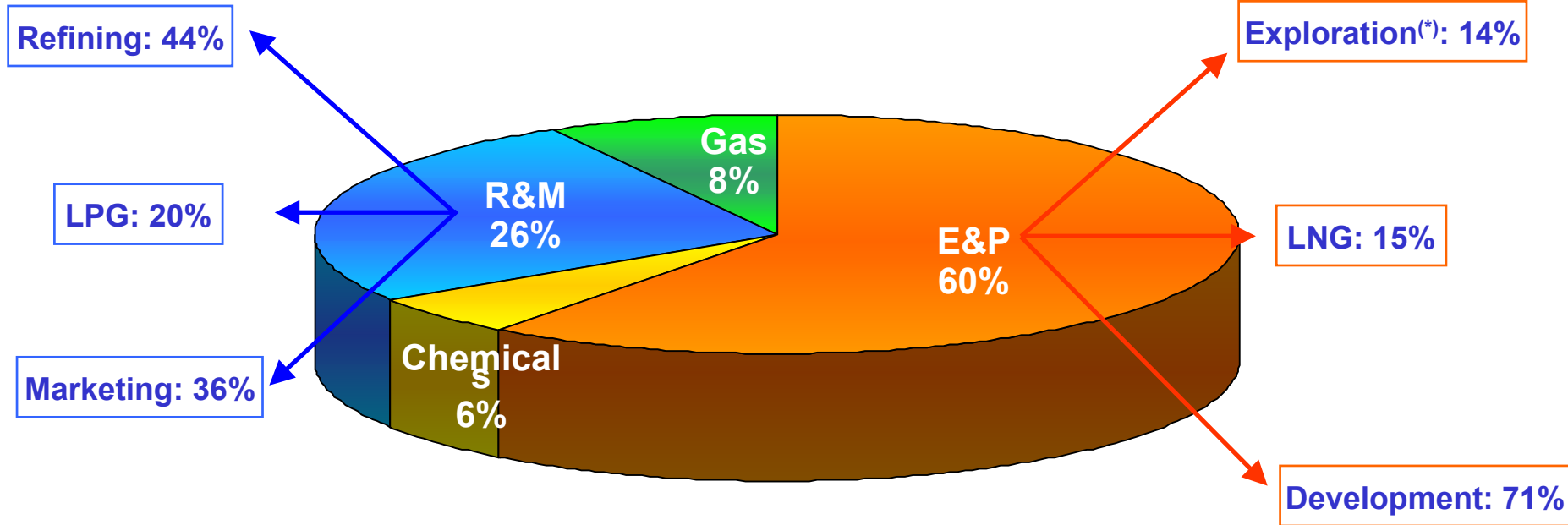


# Investment program summary (1)



## CAPEX 2003-2007

TOTAL = 18,800 M€

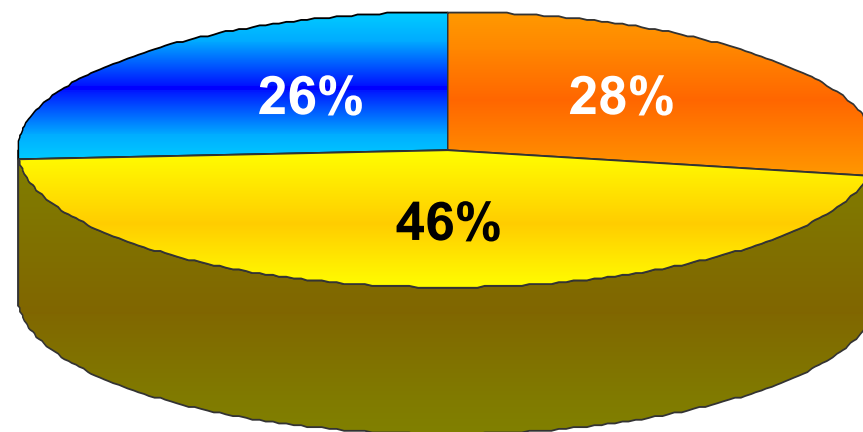


(\*) Includes all exploration expenses





CAPEX BY REGION 2003-2007



Argentina Spain ROW

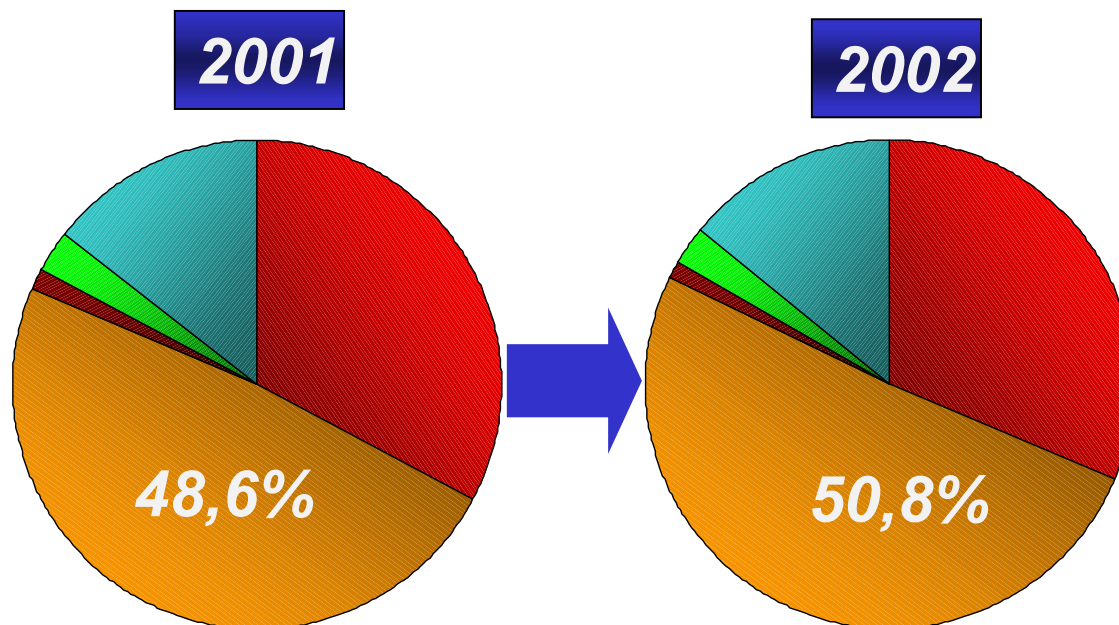


## MAIN TARGETS

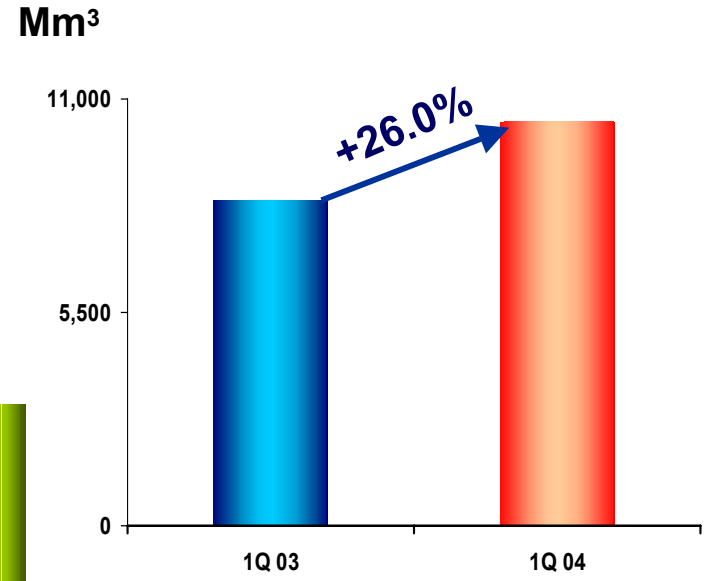
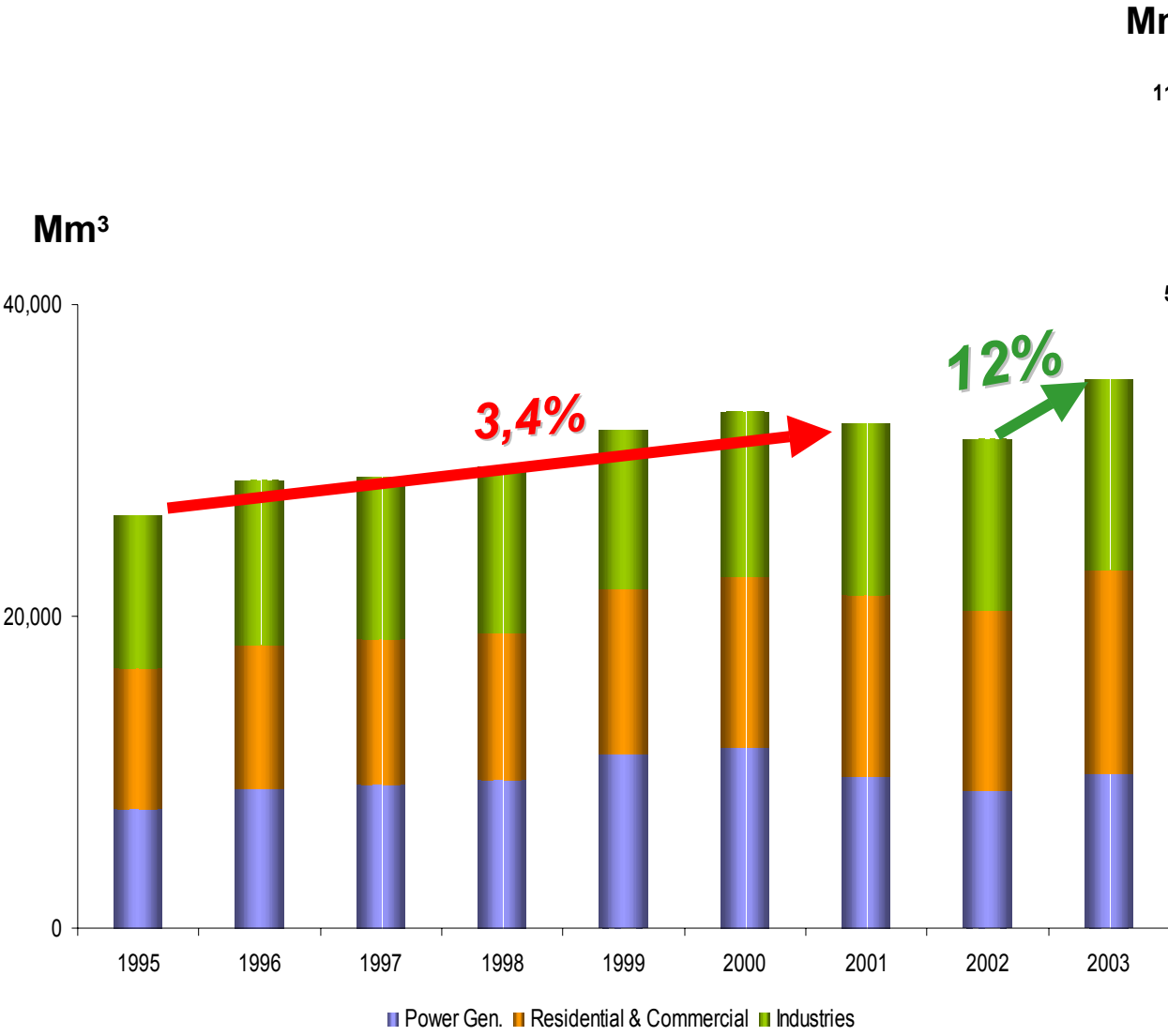
OIL & GAS PRODUCTION:	>5% C.A.G.R. (2002- 2007)
ROACE:	>14% (2007)
DEBT RATIO:	15 – 25%
COST SAVINGS:	900 M€ p.a. by 2007 vs 2001
DIVIDENDS:	Up to 40% Mid-Cycle Payout 2003: 0.40 €/share (+30%)



# **NATURAL GAS MARKET IN ARGENTINA**



Oil Gas Coal Nuclear Hydro





- *Higher conversion to gas in the industrial sector*
- *CNG conversion for vehicles*
- *Increase demand by utilities*

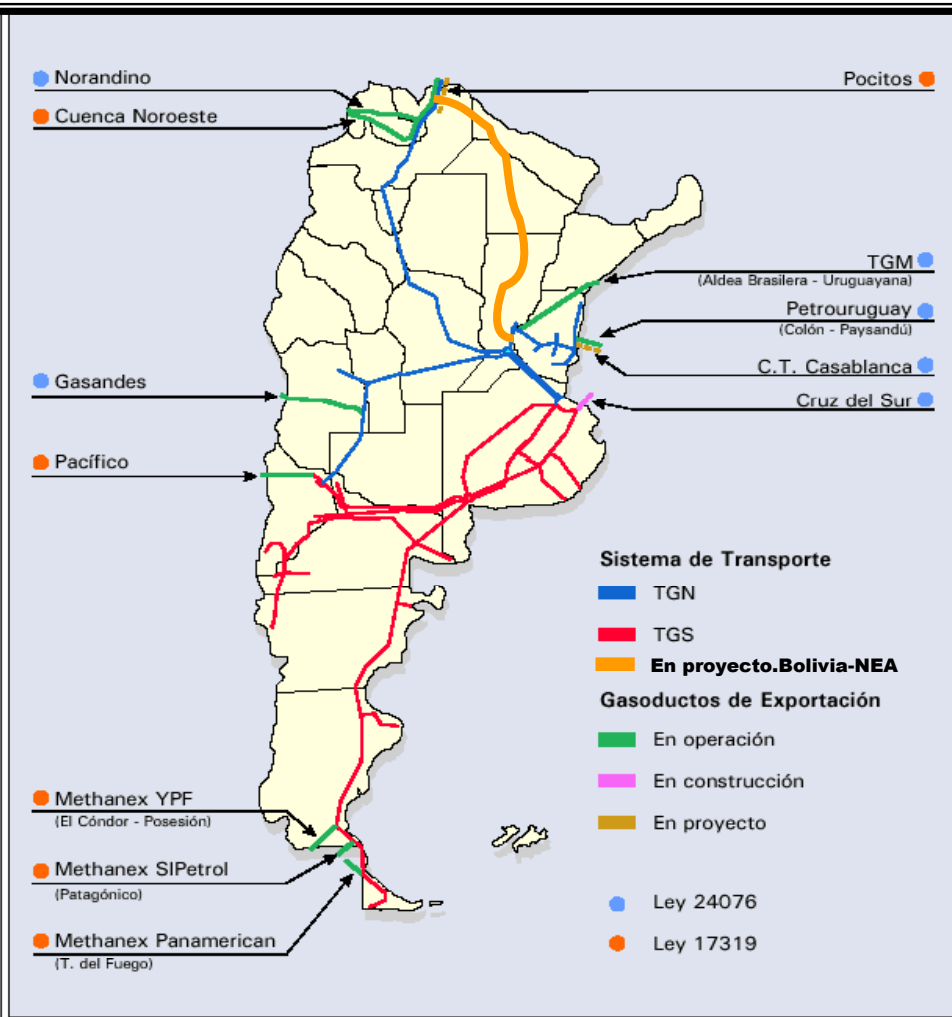
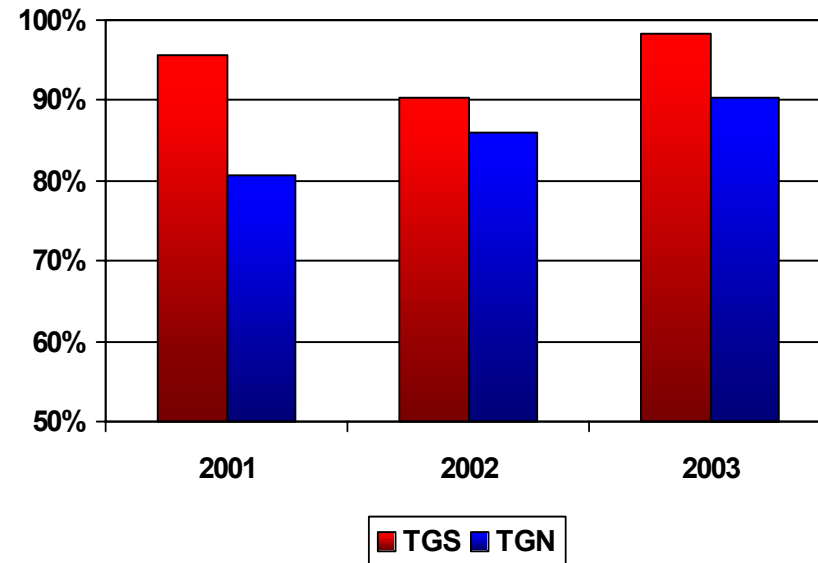
**Increase in gas consumption:  
0.8 Bscf/d**



## Supply evolution

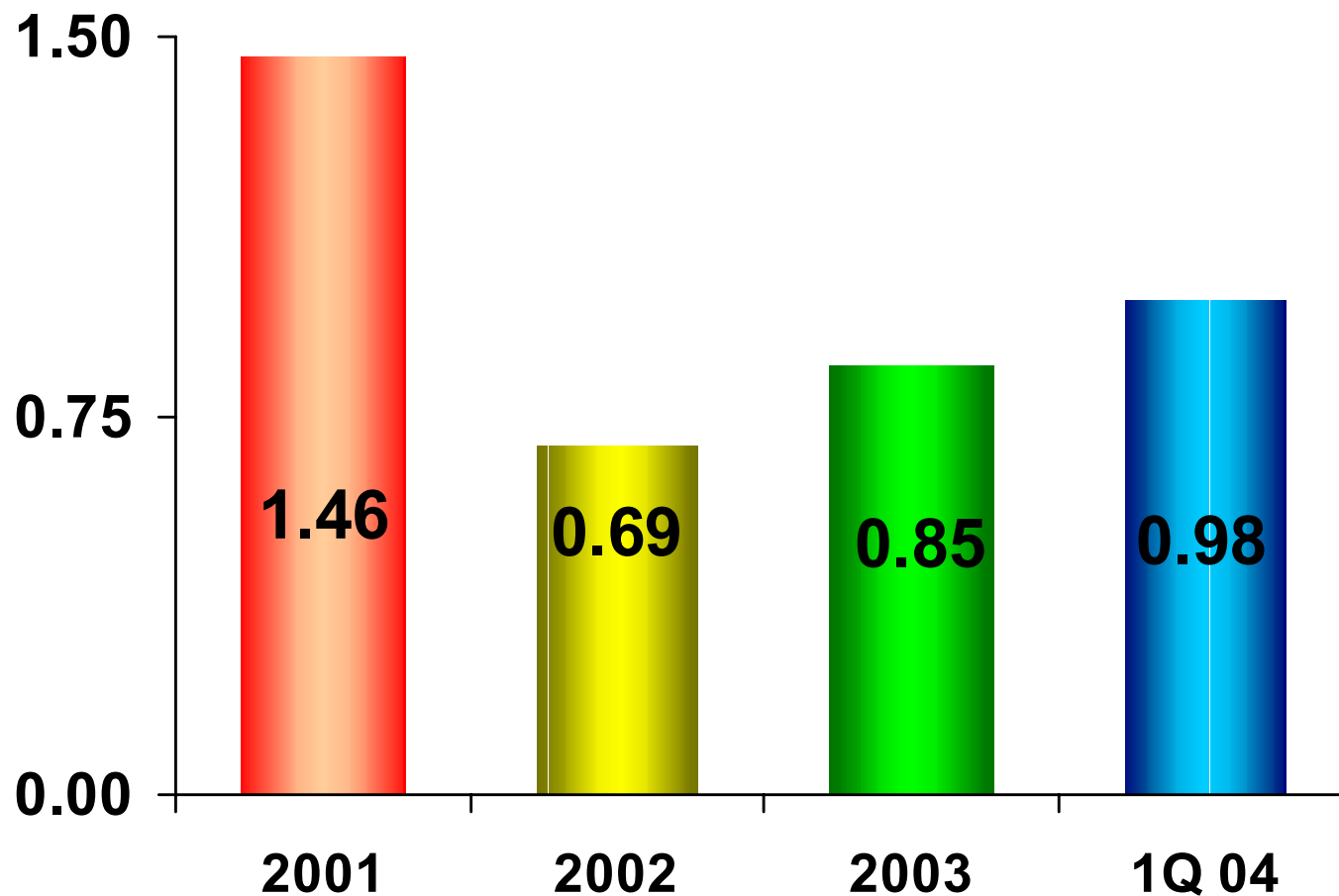
- One of the main existing problems, in the supply side, is the limited transmission capacity in certain areas. This makes unefficient any increase in the gas production.

Average load factor-Winter





US\$/mscf



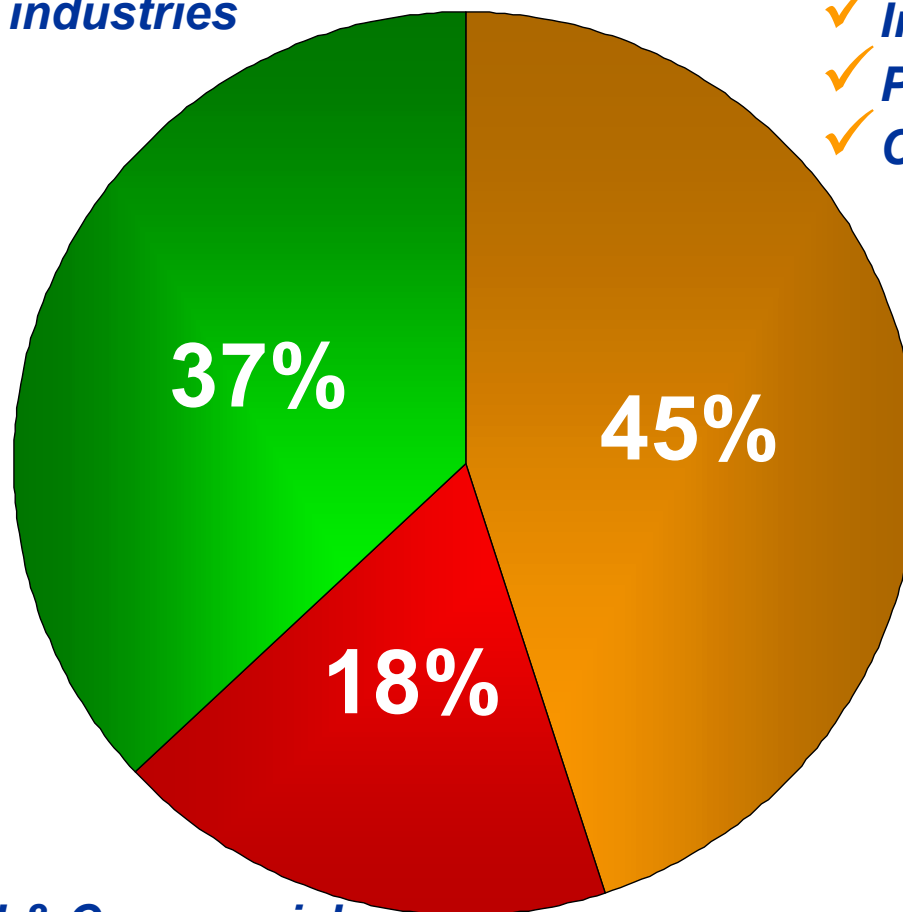


# Consumer breakdown by tariff type



- ✓ *Dollarised industries*
- ✓ *Exports*

- ✓ *Industries >9,000 M<sup>3</sup>/y*
- ✓ *Power generators*
- ✓ *Compressed natural gas*



*Residential & Commercial  
<9,000 M<sup>3</sup>/y*



- ***Progressive liberalization of the market for:***
  - ✓ ***Industries***
  - ✓ ***Power generators***
  - ✓ ***Compressed natural gas***
- ***Spot market for gas will be created***
- ***Obligation to release transportation capacity***
- ***Prices will be risen in 4 steps***



**Exports +  
Dolarised  
industries**

**Liberalized in 2002**

**>9,000 M<sup>3</sup>/y**

<b>May 04</b>	<b>Oct 04</b>	<b>May 05</b>	<b>Jul 05</b>
<b>+35%</b>	<b>16%</b>	<b>+16%</b>	<b>+16%</b>

**+110%**

**<9,000 M<sup>3</sup>/y**

**Liberalization by**

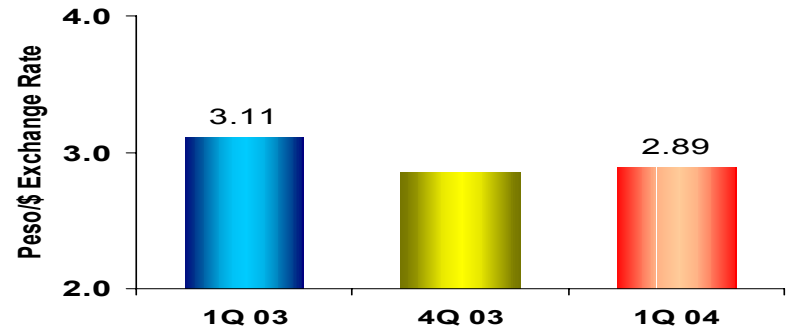
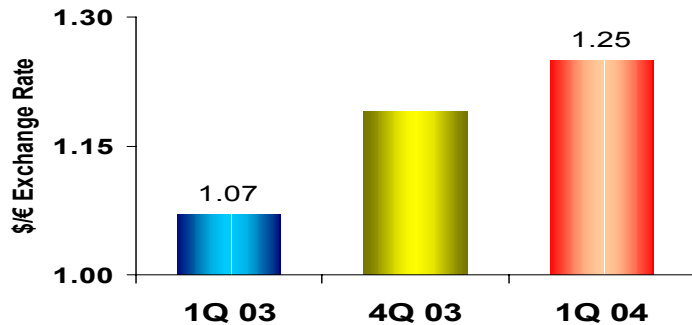
**Dec 06**



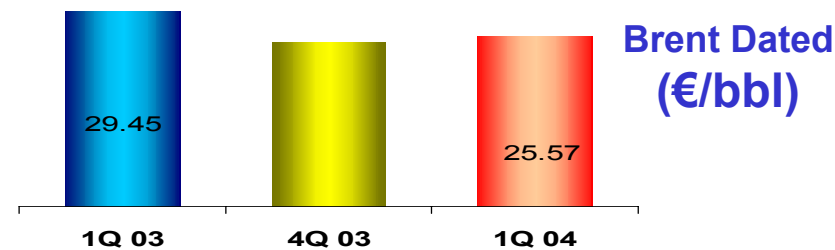
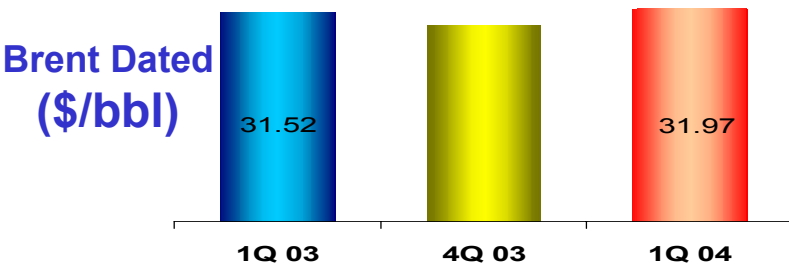
- *Moving in the right direction of gas liberalization*
- *Bolivia will accelerate its monetization of gas reserves*
- *Prices will be set according to market forces*
- *Argentina, Brazil and Bolivia will become interlinked markets*
- *Bolivia will be long run marginal supplier*



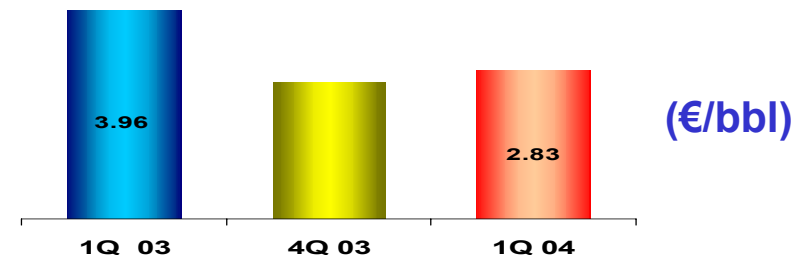
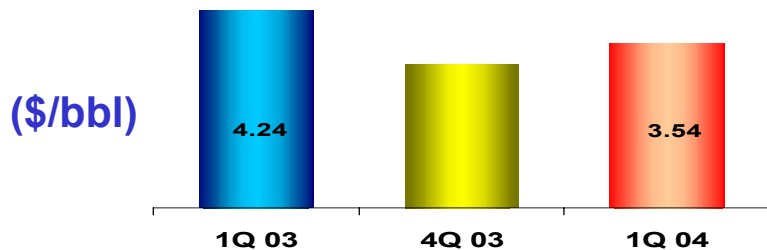
# RESULTS



*US dollar weakness and peso strength*



*Increasing oil prices in \$ , but decreasing in euros*

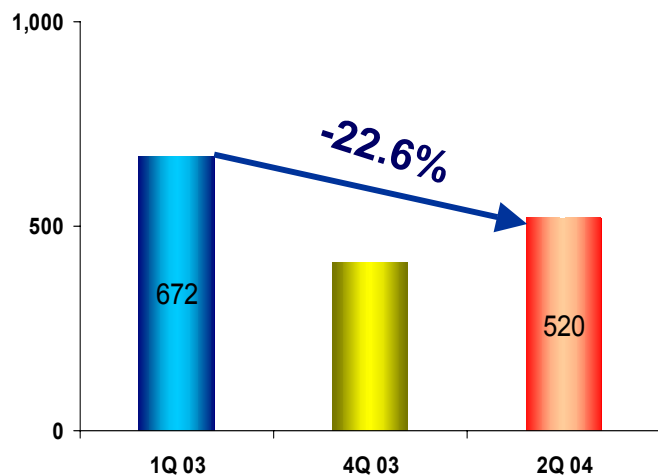


*Refining margins upward trend continues, but still below than 1Q 2003*

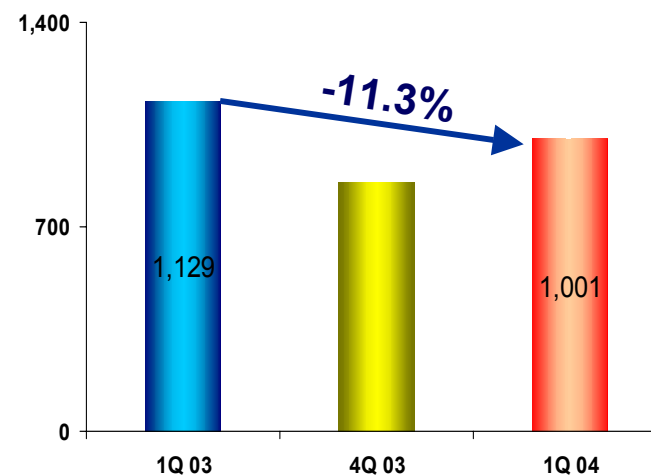


- *12 % production growth in oil&gas*
- *Similar refining capacity utilisation despite turnarounds*
- *Higher marketing sales*
- *Worldwide LNG sales quadrupled*
- *Close to 60% growth in Atlantic LNG operations*
- *Tax rate increase to 38%*
- *Reduction of financial expenses*
- *Strong free cash flow generation*

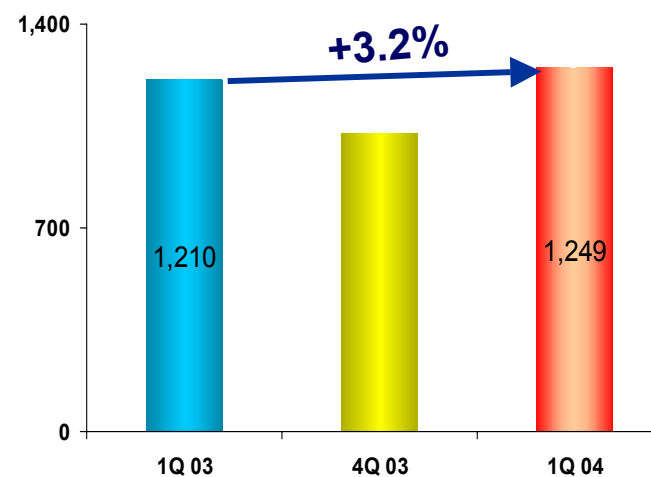
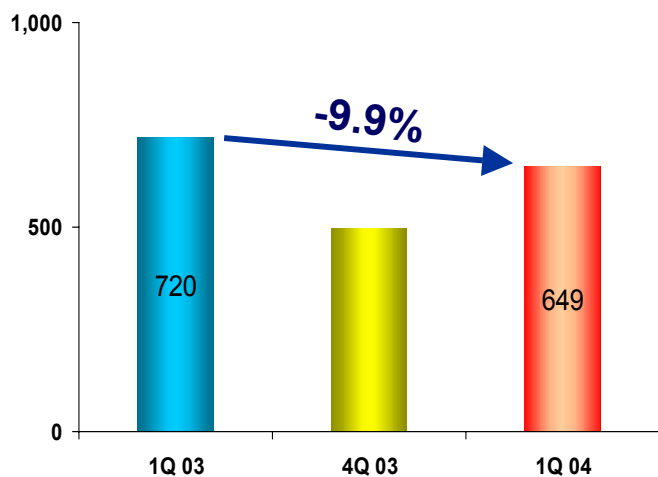
## Net Income



## Operating Income



Million €



Million \$

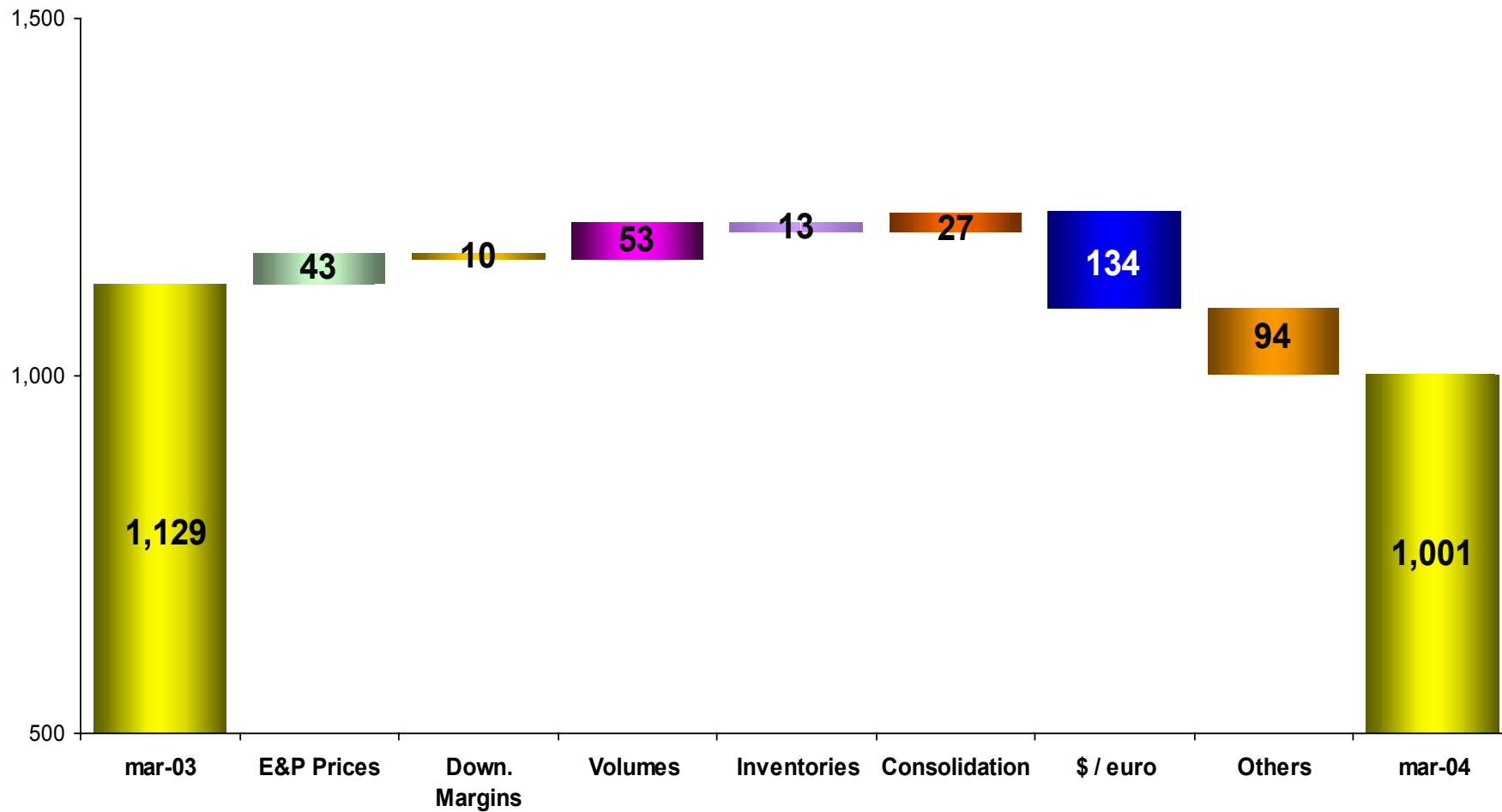


# Comparison 1Q 40 VS. 1Q 03

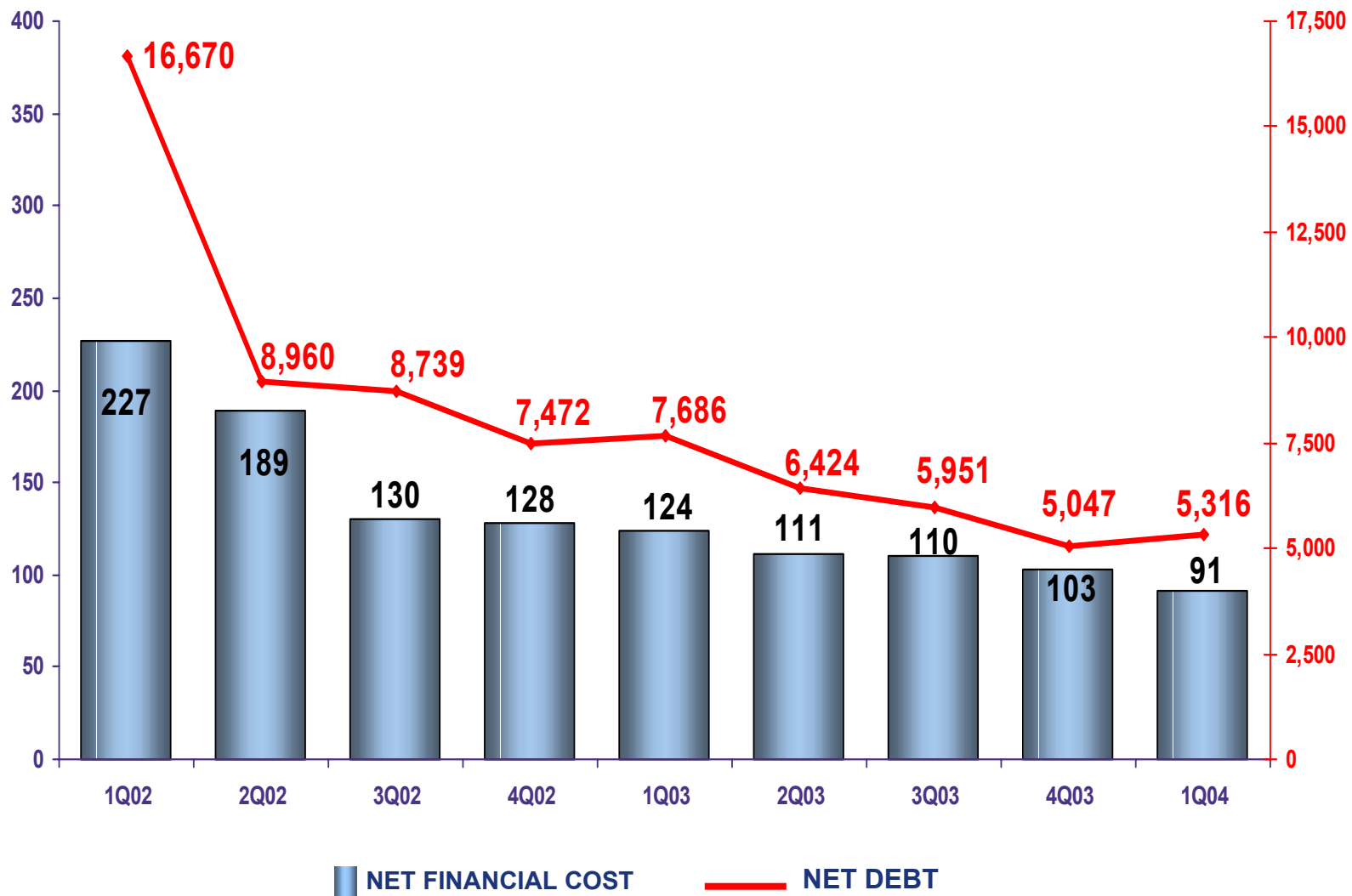
	<b>REPORTED</b>	+	<b>Adj. by €/\$ Exchange Rate</b>	+	<b>Adj. by Tax Rate</b>
<b>Operating Income</b>	<b>-11.3%</b>		<b>+3.2%</b>		<b>+3.2%</b>
<b>Net Income</b>	<b>-22.6%</b>		<b>-9.9%</b>		<b>-0.4%</b>
<b>Adj. Net income</b>	<b>-15.9%</b>		<b>-2.1%</b>		<b>+6.7%</b>
<b>After tax Cash Flow</b>	<b>-7.6%</b>		<b>+7.5%</b>		<b>+13.3%</b>

## Operating Income

Million euro



# Net Debt Evolution





	<u>MM Euro</u>
Cash and Cash equivalents	<b>2.361</b>
Other financial investments	<b>1.290</b>
<b>Total Financial Investments</b>	<b>3.651</b>
<b>Committed Credit lines</b>	<b>4.164</b>
<b>Of which used</b>	<b>(101)</b>
<b>LIQUIDITY AS OF MARCH 31<sup>ST</sup>, 20004</b>	<b>7.714</b>



- **Implementation of strategy on track:**
  - ✓ **Operating Excellence**
  - ✓ **Financial Strength**
  - ✓ **Profitable Growth**
  - ✓ **Deconcentration**
- **Argentina: Gas prices moving in the right direction**
- **Robust results and strong free cash flow generation**

**REPSOL  
YPF**



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