# Peru Field Trip September 2010

## *Downstream Peru*

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*Country Manager / External Relations Manager*

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# Agenda

REPSOL

**Regional's general outlook**

***Peruvian economic environment***

***Overview of Repsol's business in Peru***

**Refining & Marketing**

**Liquified Petroleum Gas**

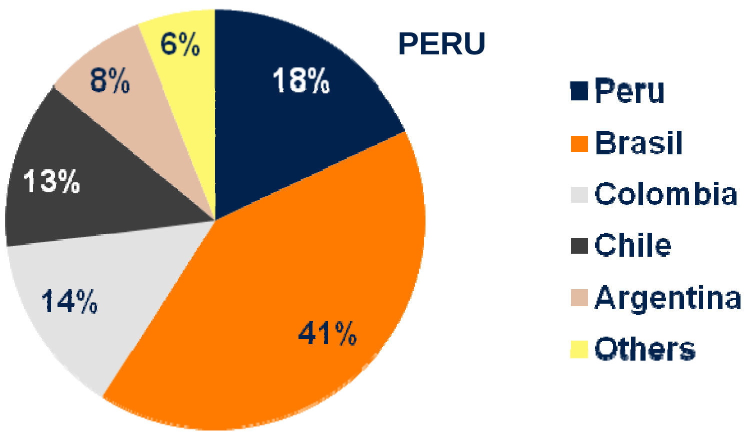
***Social Responsibility***

# Country outlook

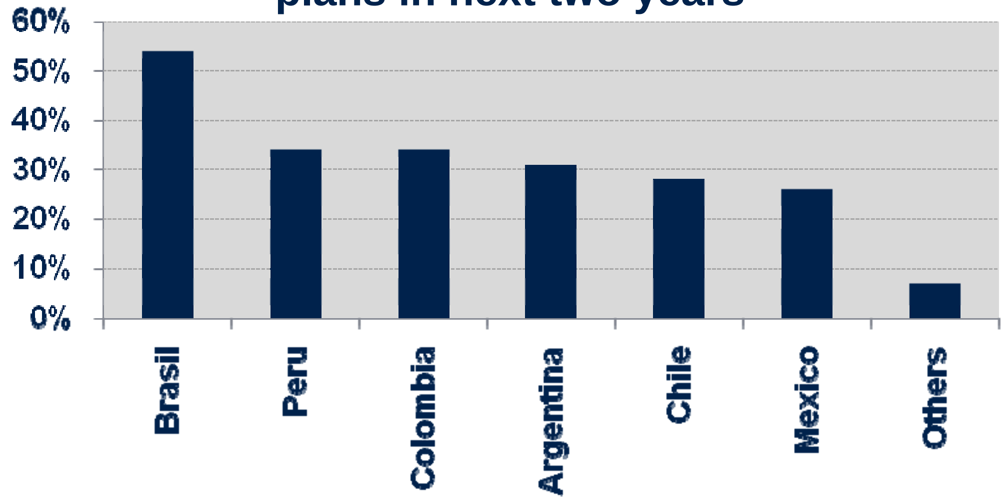
- Sustained economic growth.
- Geographical location and territorial advantages: strategic location in the South American Pacific. Mega- diverse country featuring vast natural resources and a diversity of climates.
- Growing share of the global market.
- Investment Grade from the top three rating agencies.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

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

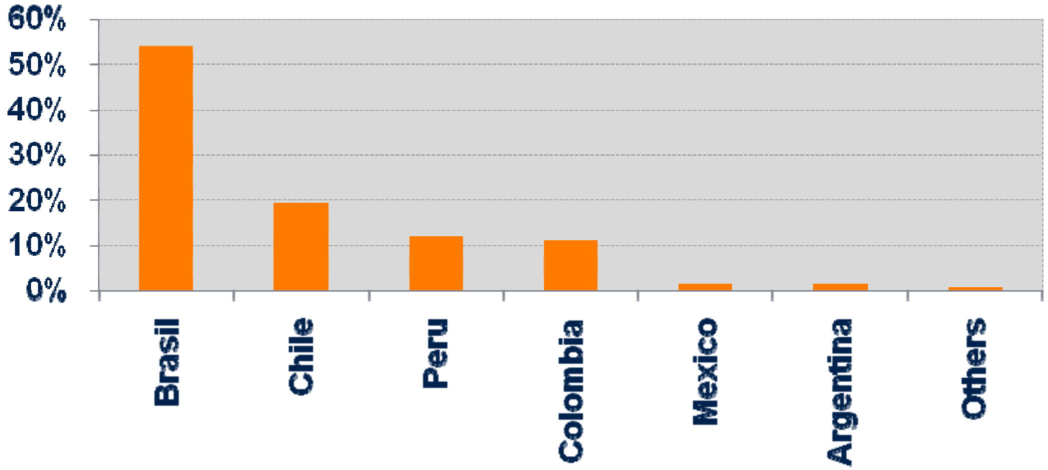
## Most attractive country to invest in Latam



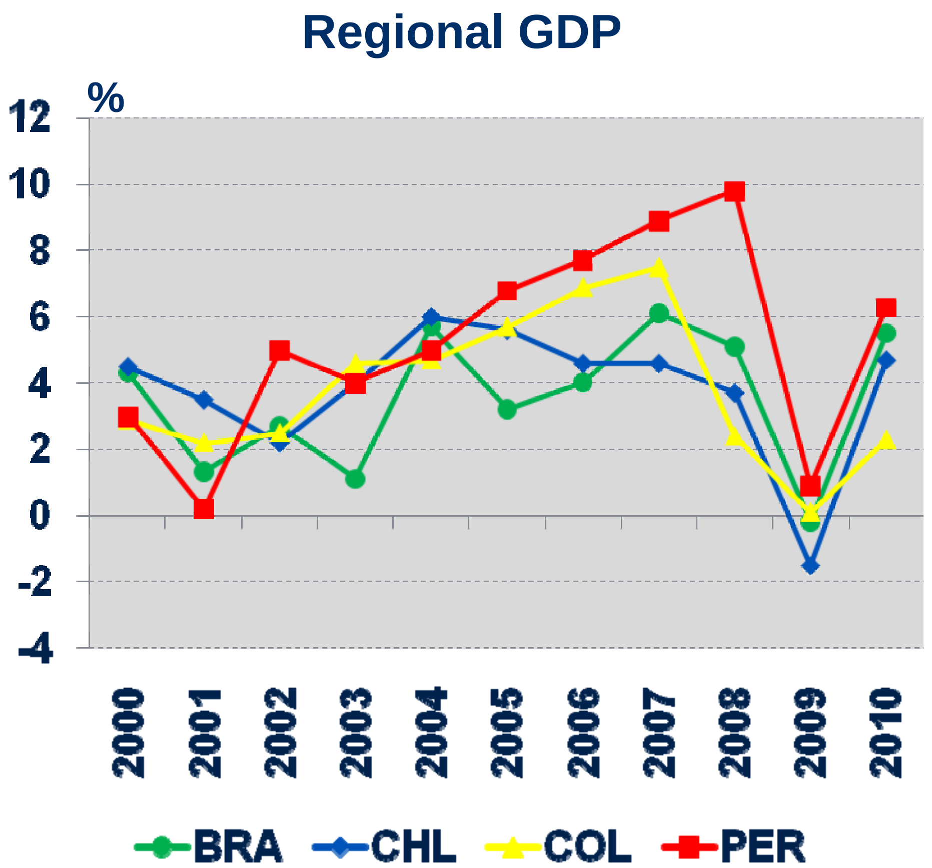

## Countries where companies have investment plans in next two years

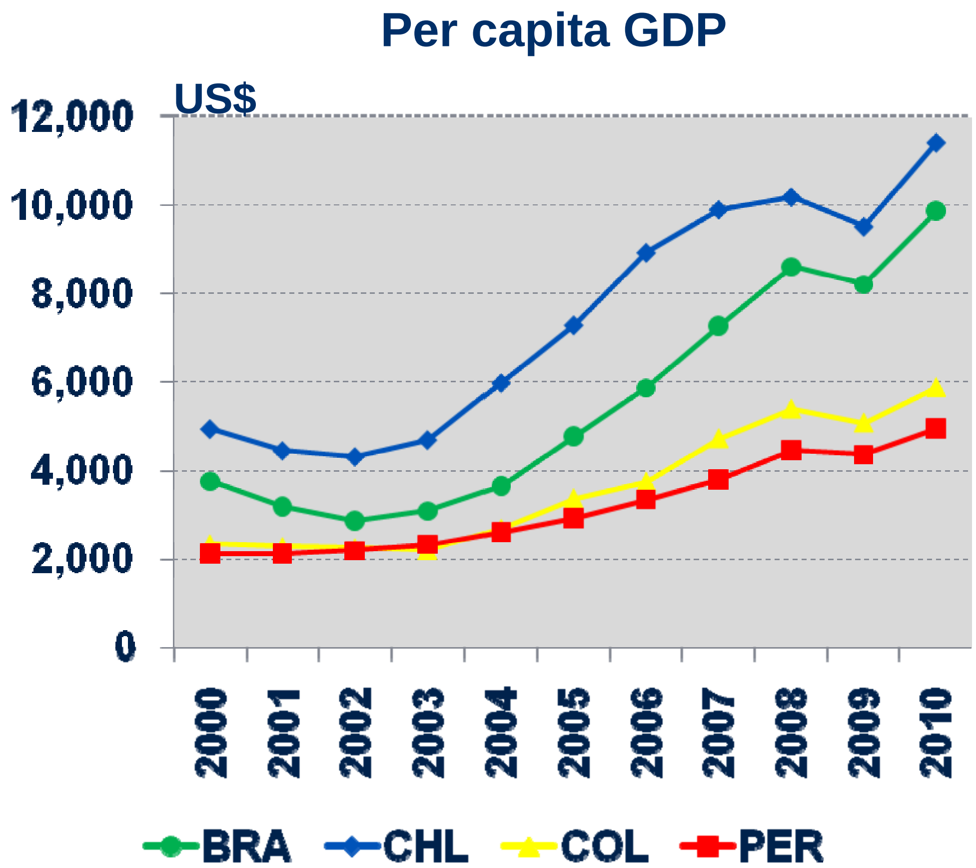



## Countries with better future economic projections



# Regional outlook

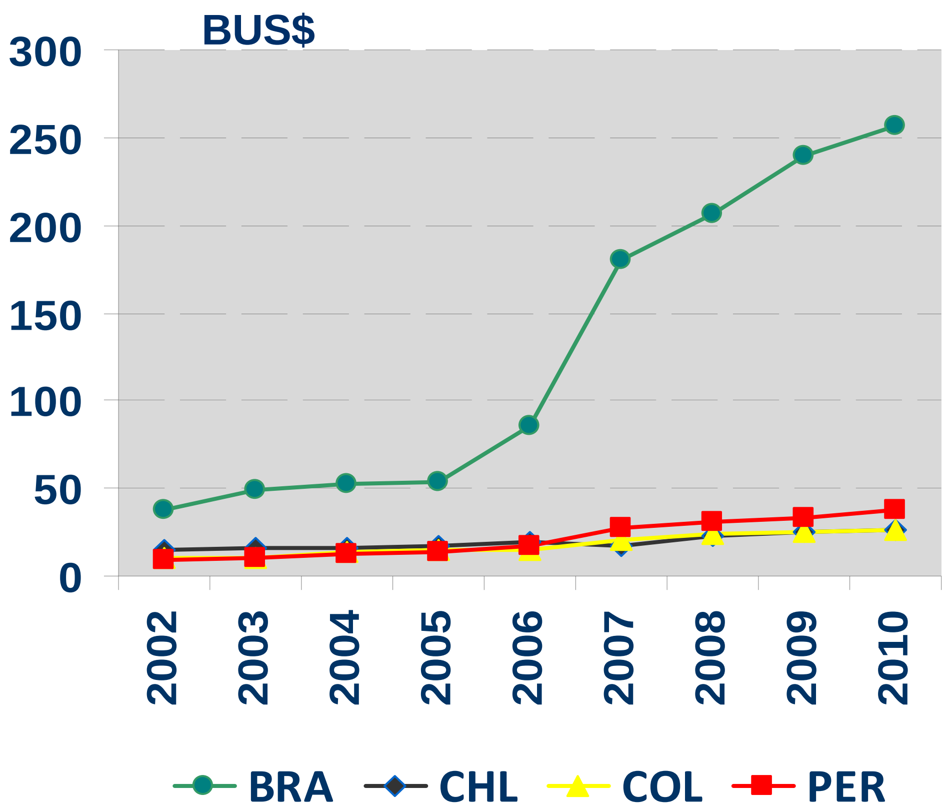



**Source: International Monetary Fund 2010 Projection**

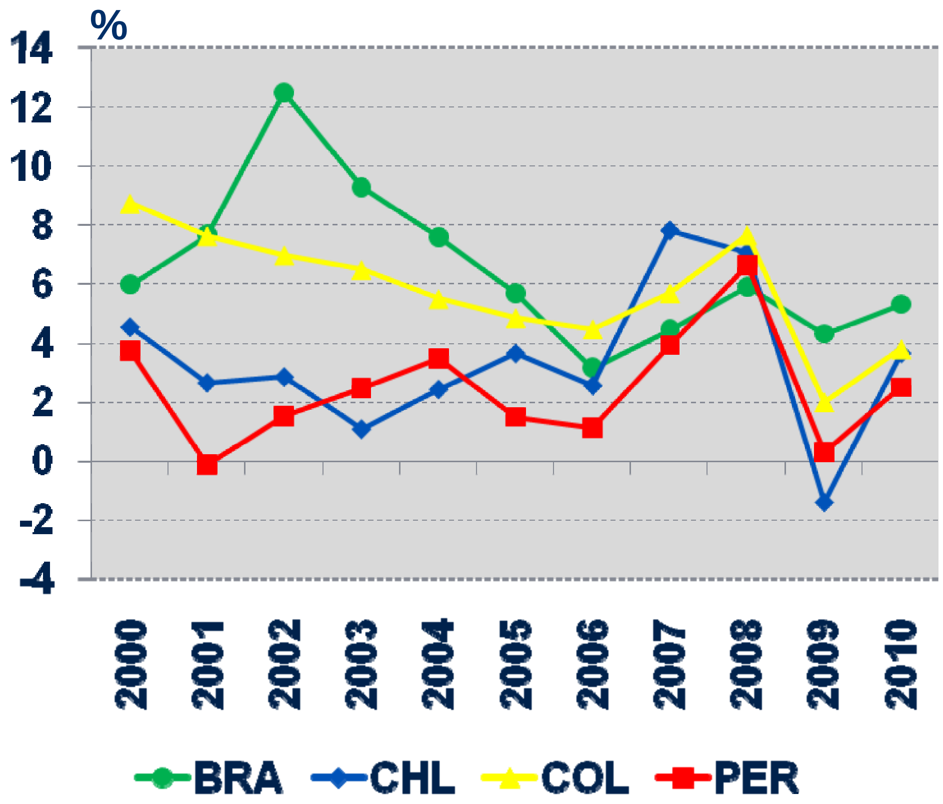
# Regional outlook

## 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

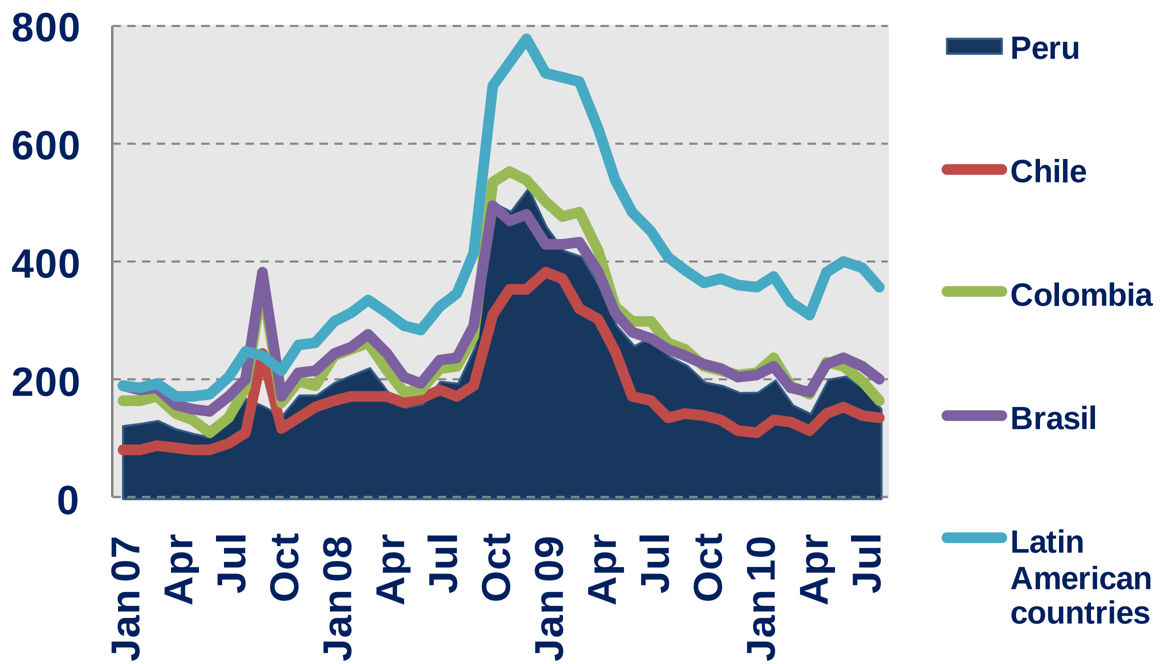


## Investment Grade

| 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

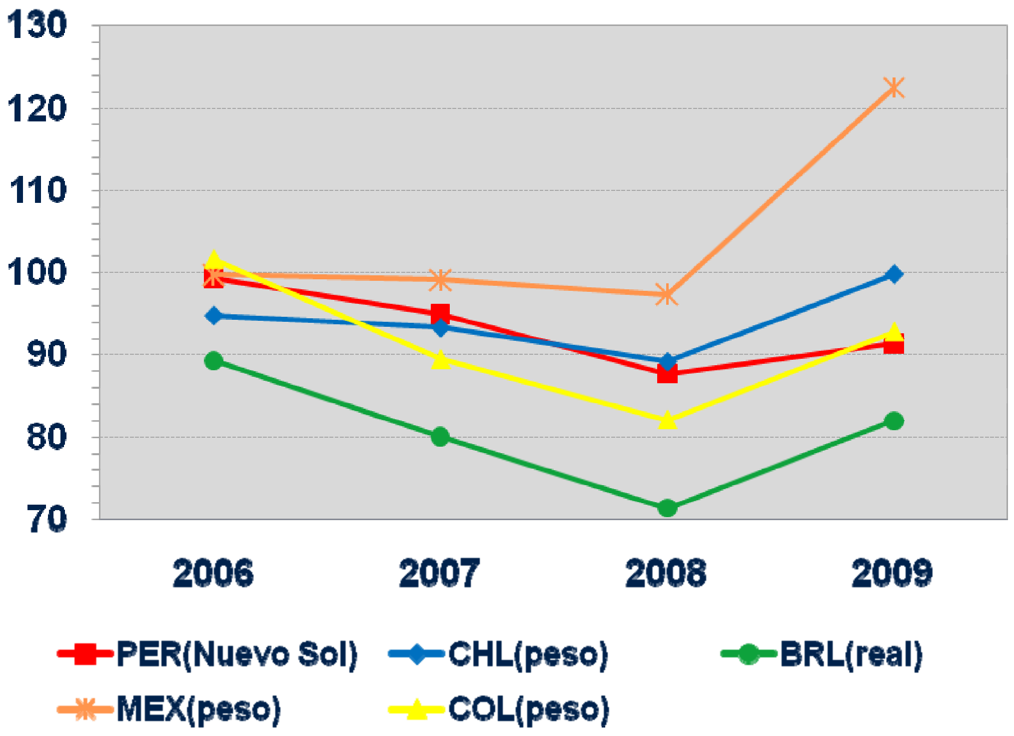
## Country Risk: EMBI+ Yield Differential (in basic points)




Source: Banco Central de Reserva del Perú, 2010

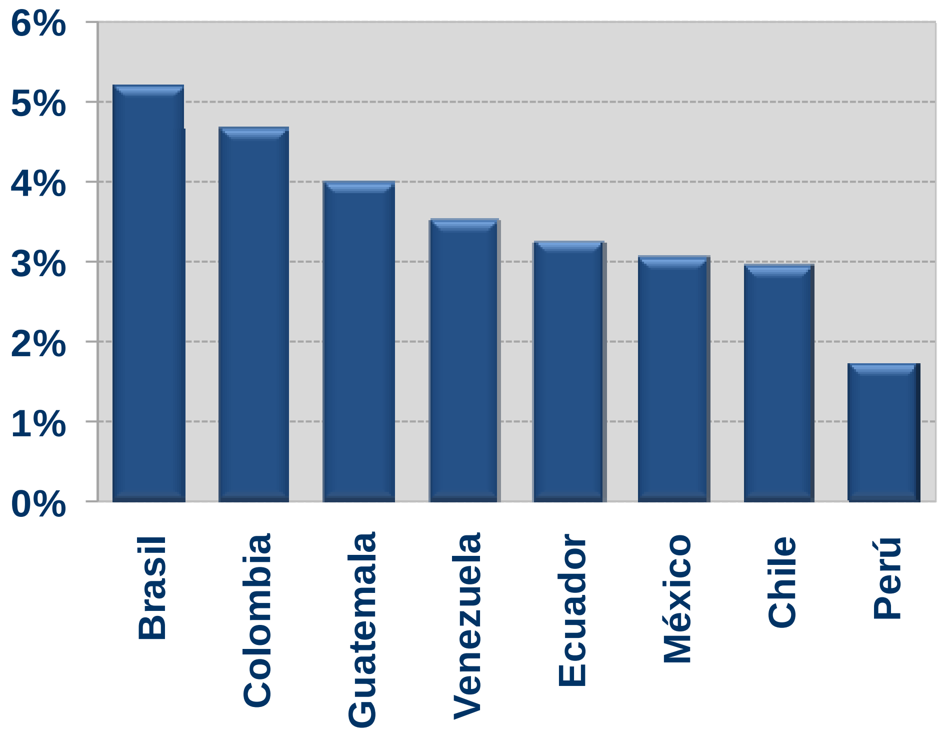
# Regional outlook

## Exchange Rate (Base 100= 2005)




Source: International Monetary Fund

## 2009 Banking Loans Default Rate



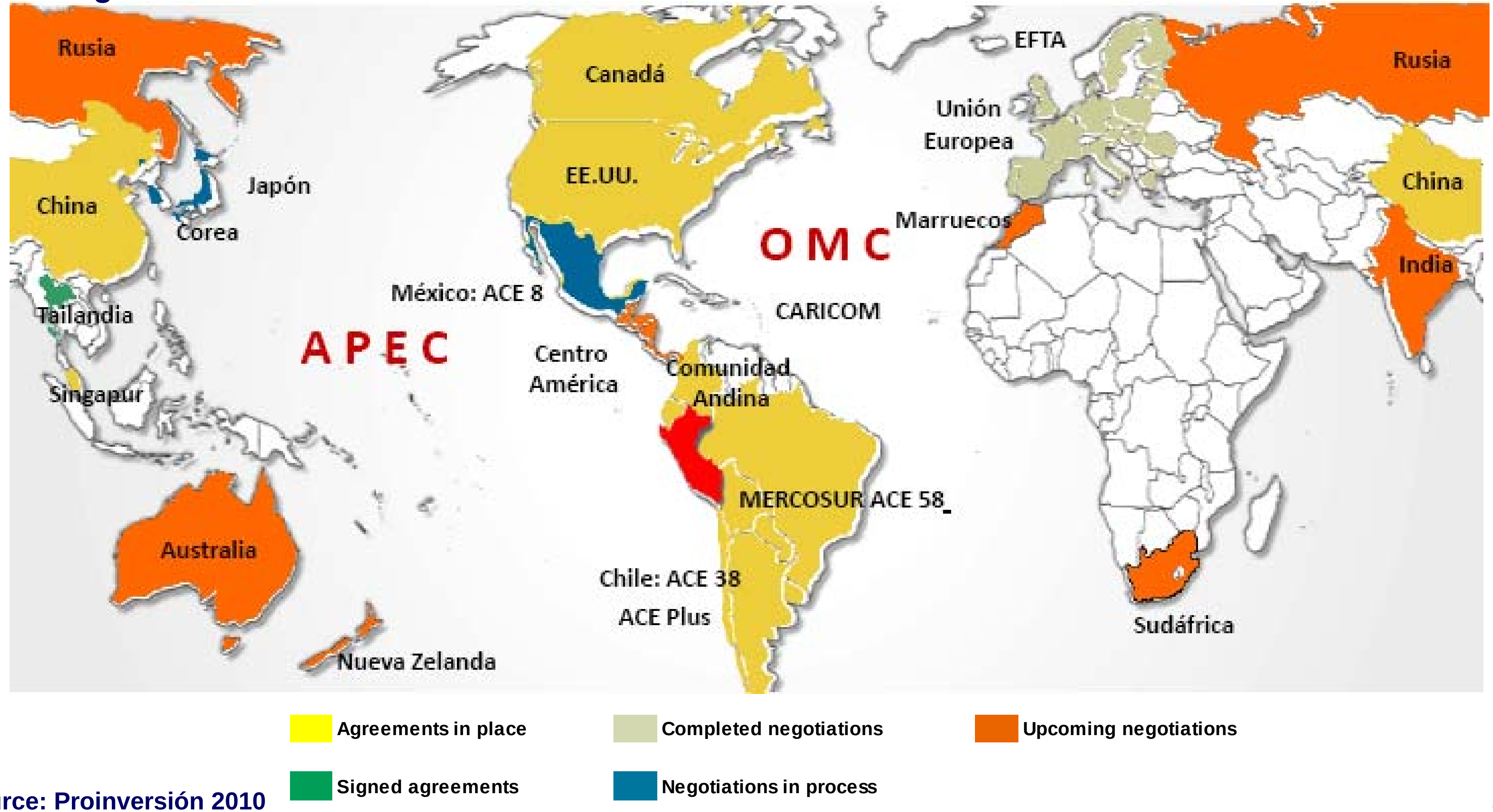

Source: Asociación de Bancos del Perú

PERU FIELD TRIP 2010

# Regional outlook

REPSOL

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




Source: Proinversión 2010

PERU FIELD TRIP 2010

# Agenda

REPSOL

*Regional's general outlook*

**Peruvian economic environment**

*Overview of Repsol's business in Peru*

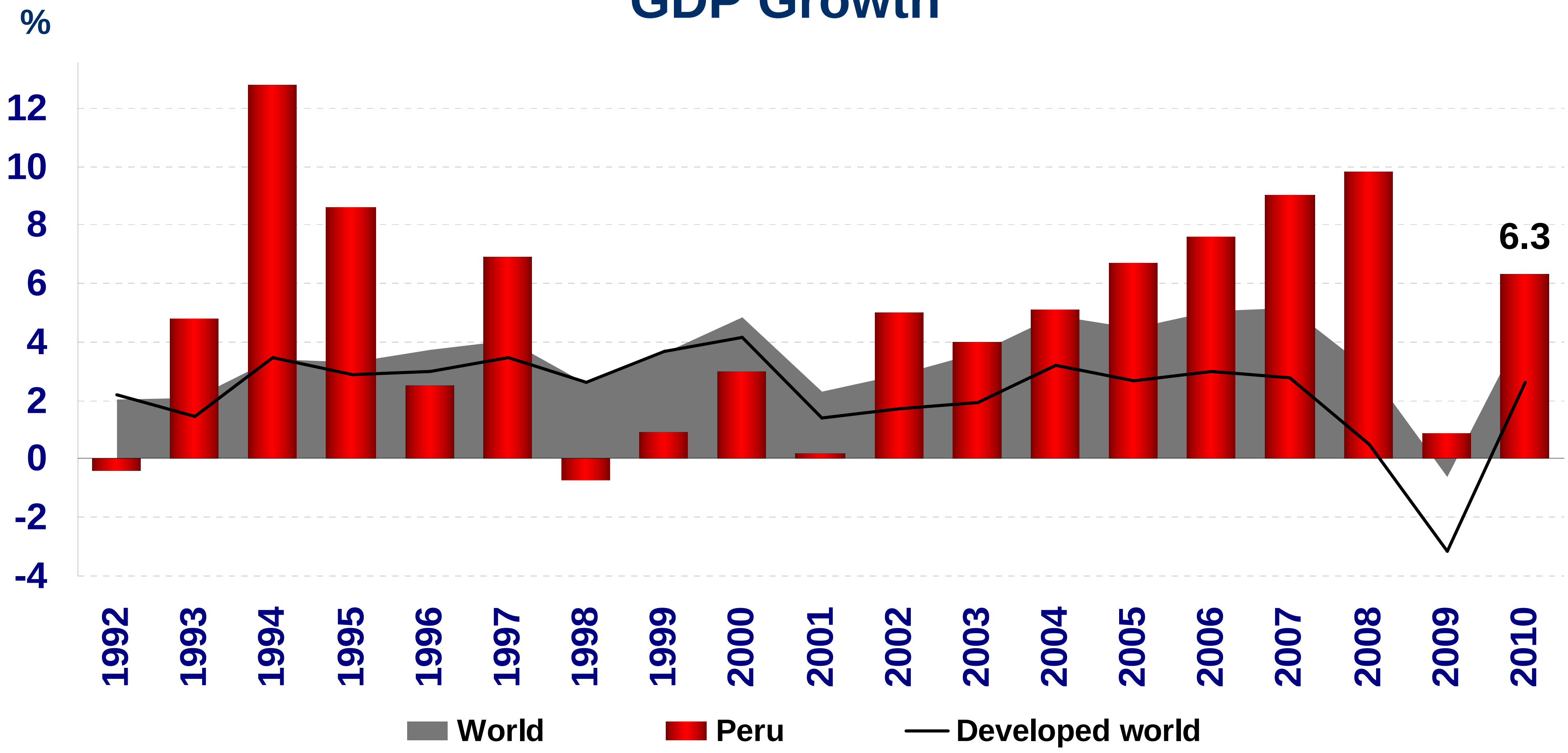
Refining & Marketing

Liquified Petroleum Gas

*Social Responsibility*

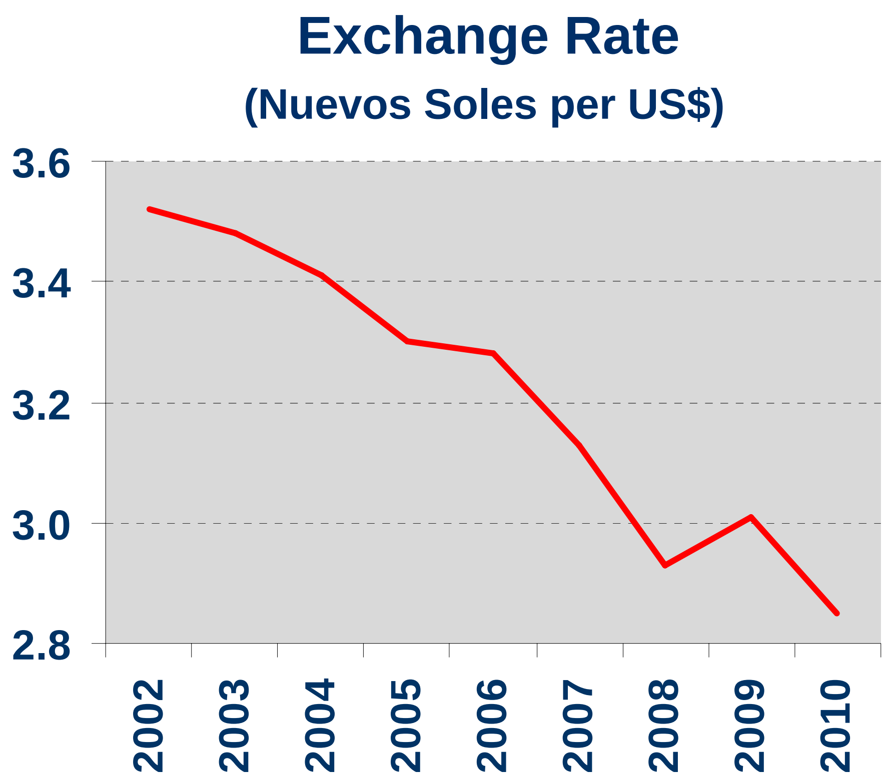
# Peruvian economic environment
## Gross Domestic Product

### GDP Growth



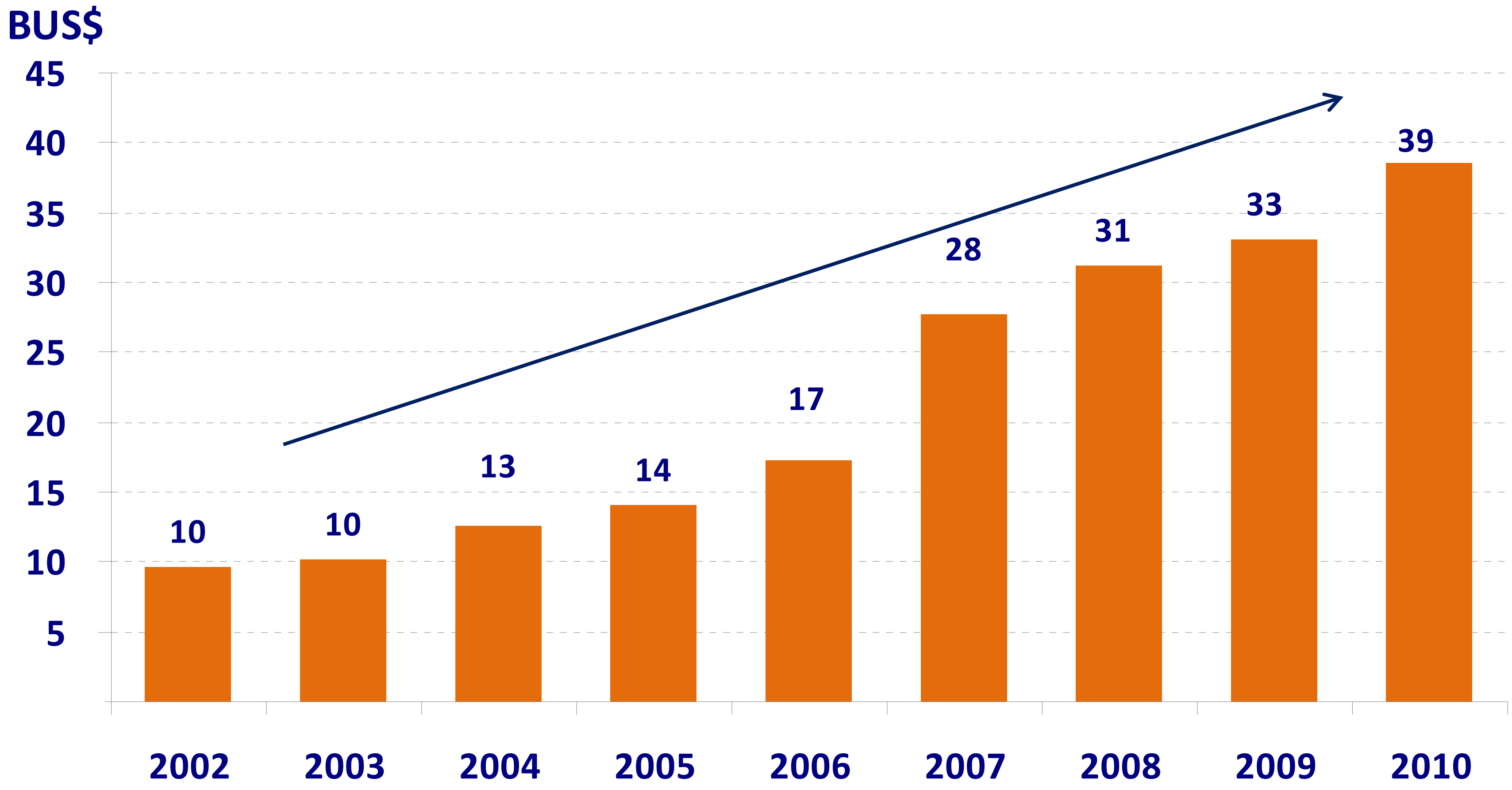

Source: Ministerio de Economía y Finanzas / International Monetary Fund 2010 Projection.

# Peruvian economic environment
## Inflation and Exchange Rate


**Source: Ministerio de Economía y Finanzas 2010 Projection**

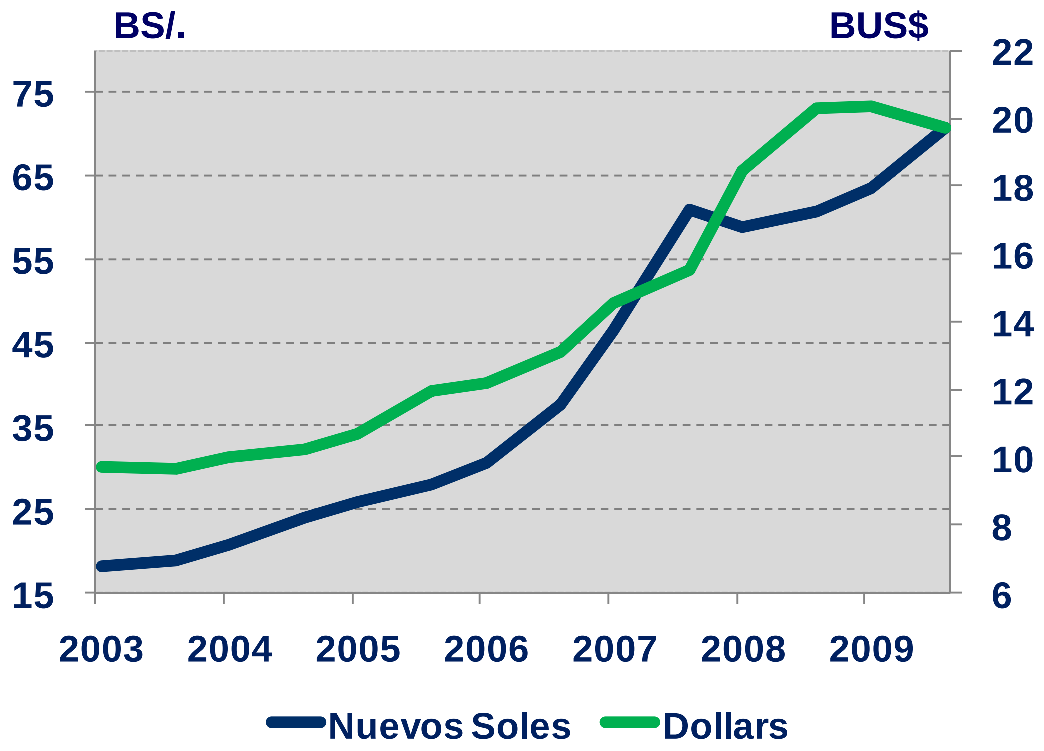
# Peruvian economic environment
## Net International Reserves



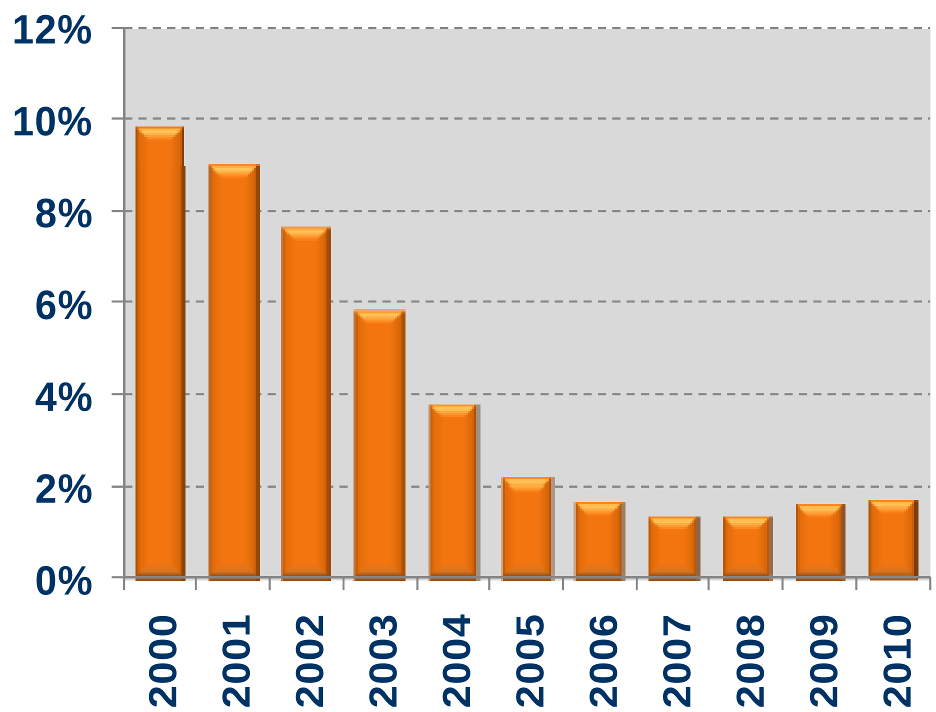

**Source: Ministerio de Economía y Finanzas – Data as of July 2010**

# Peruvian economic environment
## Deposits and Loans Default

### Deposits of the Financial System by Currency

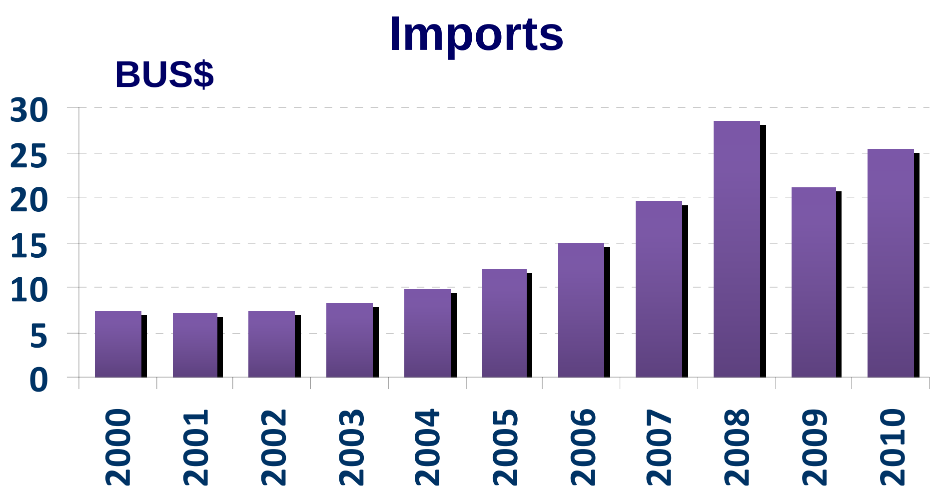



### Banking Loans Default Rate

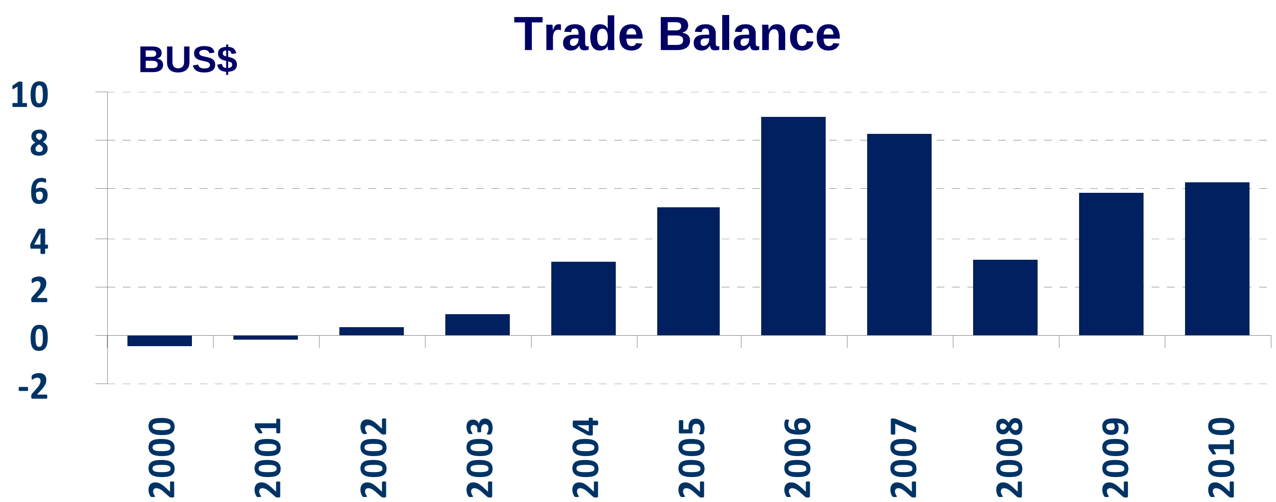



Source: Superintendencia de Banca, Seguros
Data as of May 2010

# Peruvian economic environment
## Trade Balance





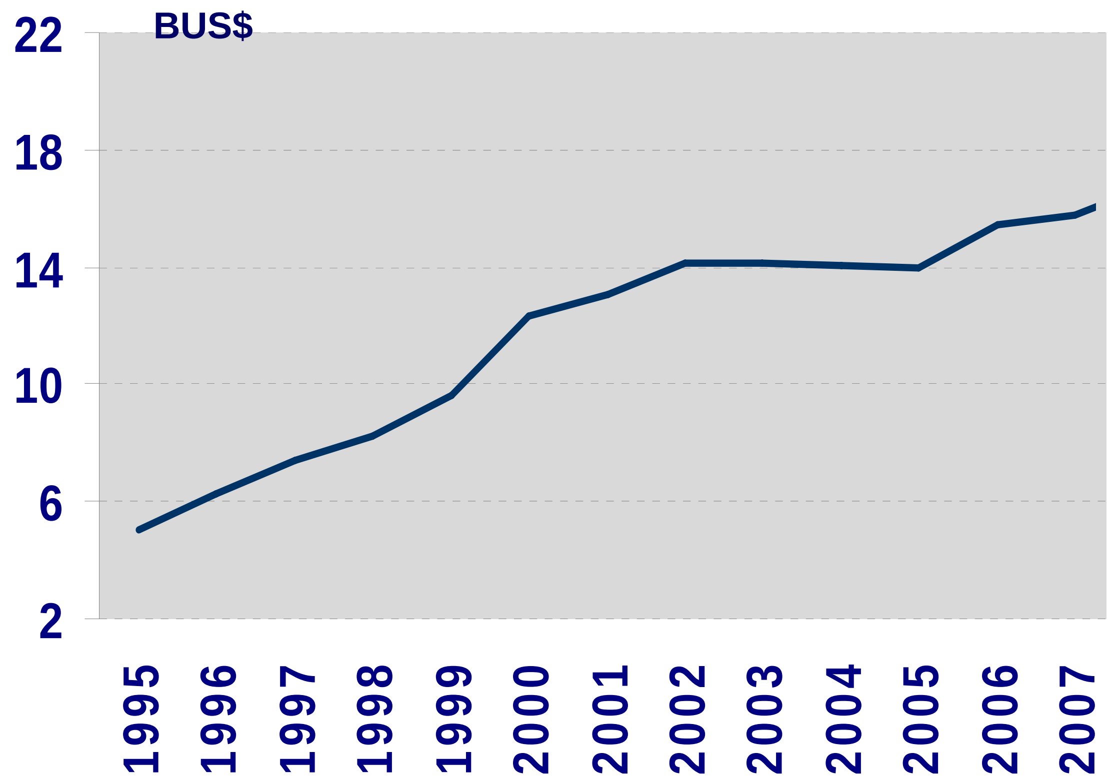



Source: Ministerio de Economía y Finanzas 2010 Projection

# Peruvian economic environment

## Foreign Investment

Foreign Investment Stock




Source: Proinversión

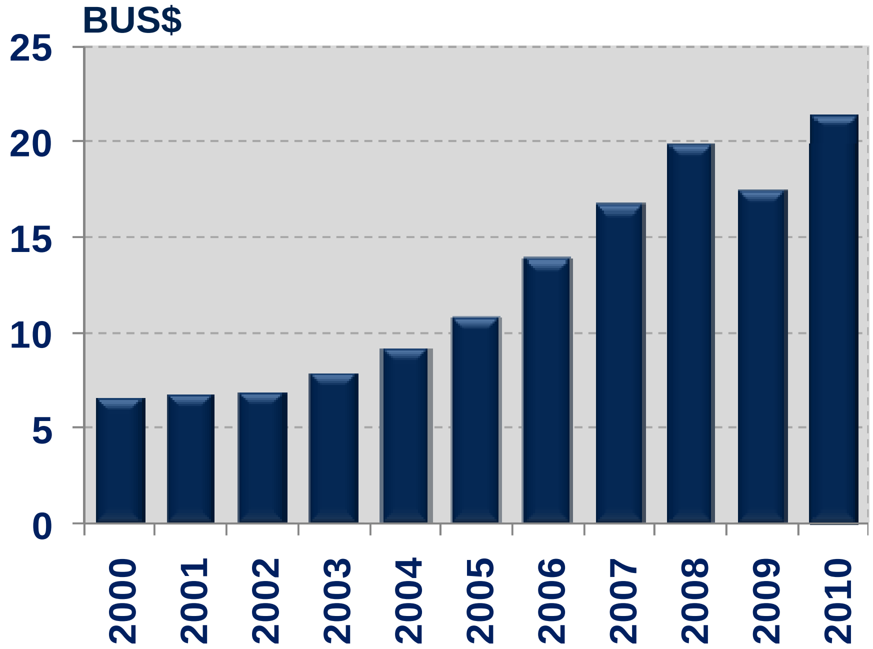
**2009 Foreign Investment Stock in MUS$ by Country of Origin**

| 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% |

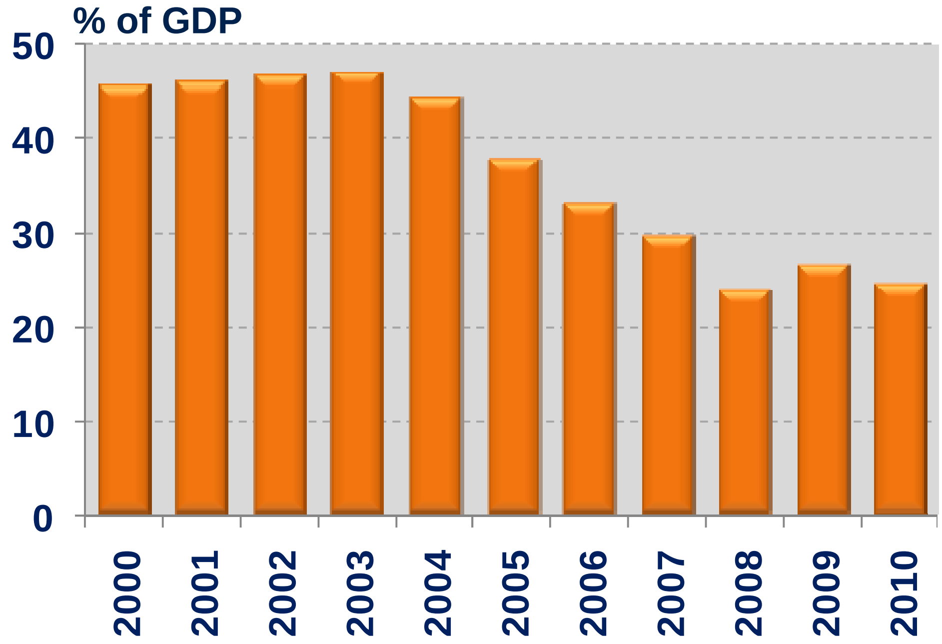
Data as of December 2009

# Peruvian economic environment
## Fiscal discipline

### Tax Revenues




### Public Debt




**Source: Ministerio de Economía y Finanzas 2010 Projection**

# Peruvian economic environment
## Population

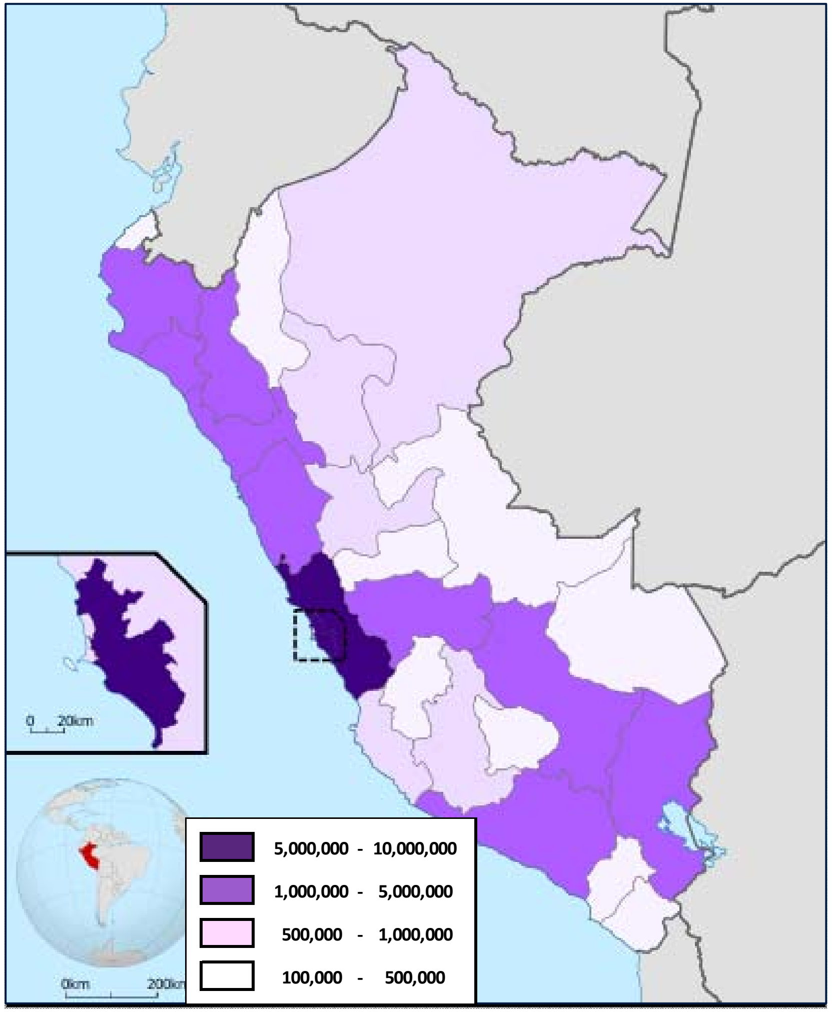
**Population Density**
**21.3 Inhab/km$^2$**

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

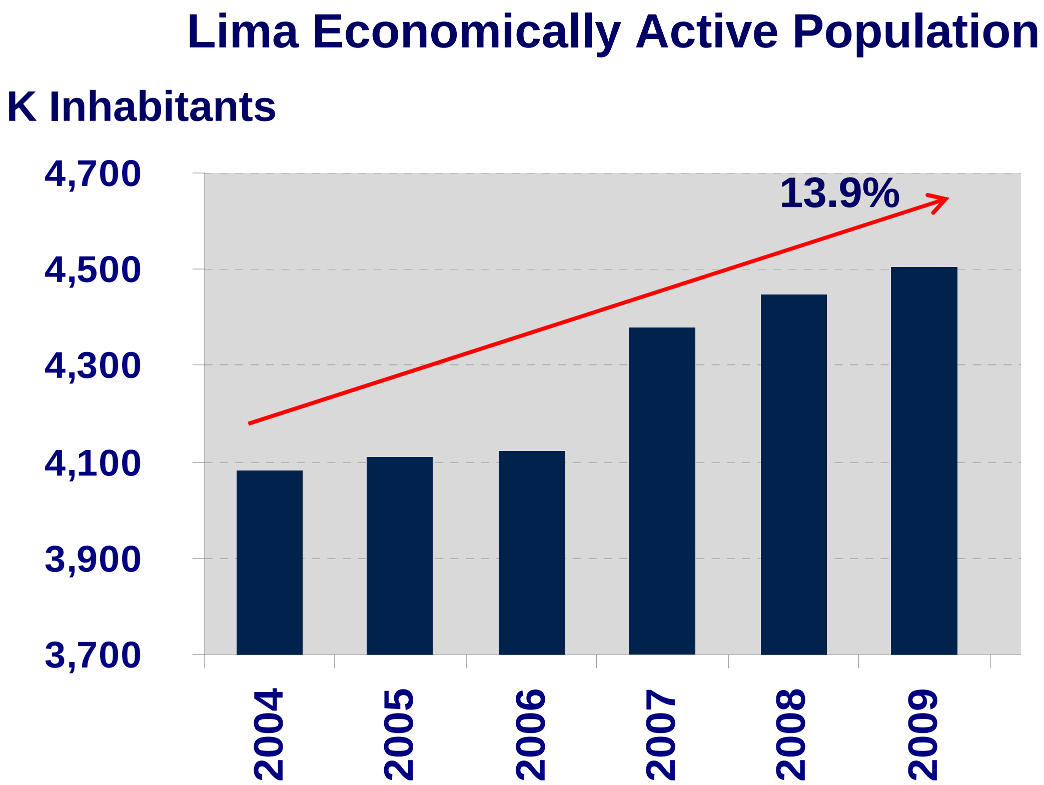
| | |
|---|---|
| Lima and Callao | 262.3 |
| Lambayeque | 83.1 |
| La Libertad | 67.4 |
| Piura | 49.6 |
| Tumbes | 45.6 |
| Cajamarca | 44.3 |
| Ica | 35.5 |
| Ancash | 31.5 |
| Junín | 29.6 |
| Huánuco | 22.0 |
| Huancavelica | 21.8 |

Source: Instituto Nacional de Estadística e Informática

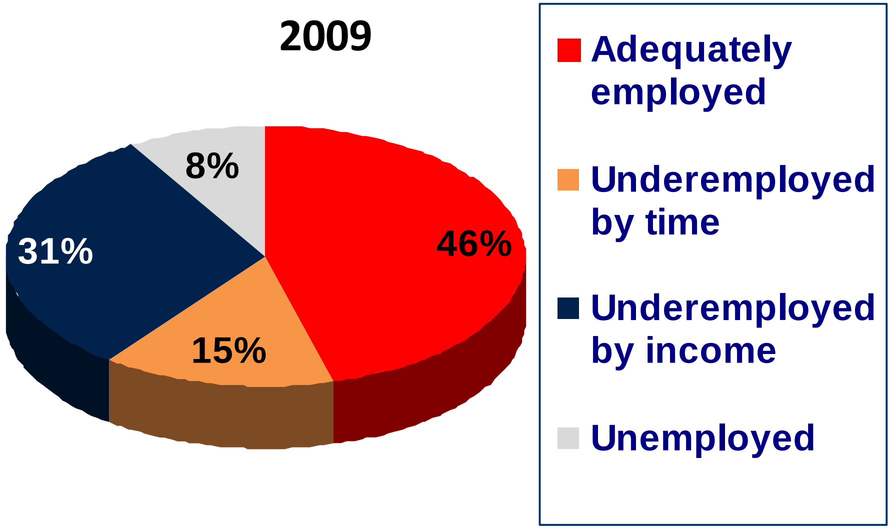
**Population: 29.1 M inhabitants**

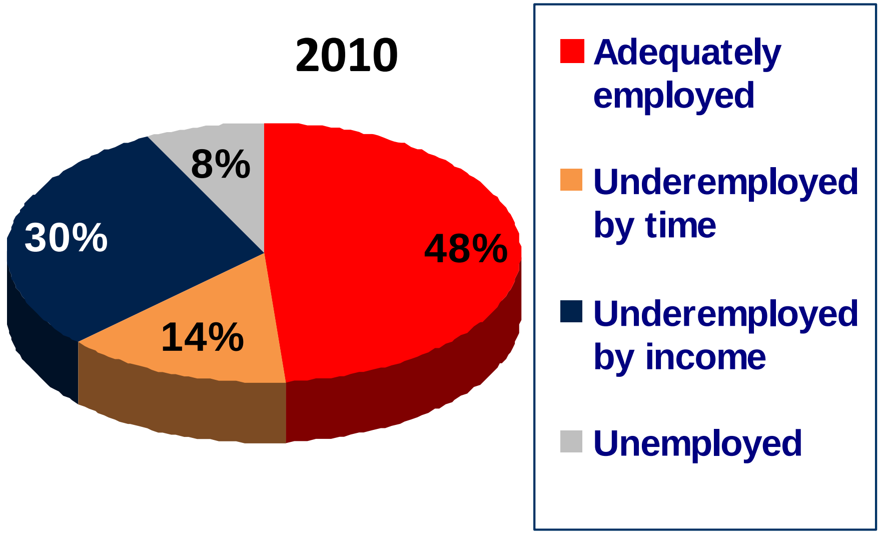


# Peruvian economic environment
## Employment and underemployment




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



PERU FIELD TRIP 2010

# Agenda

REPSOL

*Regional's general outlook*

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**Overview of Repsol's business in Peru**

**Refining & Marketing**

**Liquified Petroleum Gas**

*Social Responsibility*

# 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

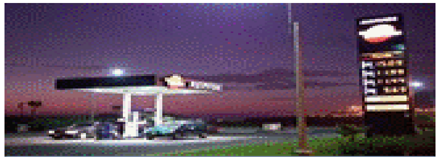
## Liquified Petroleum Gas (LPG)

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

PERU FIELD TRIP 2010

# Repsol’s Downstream value chain in Peru

REPSOL




**Supply**

**Refining**

**DOMESTIC MARKET & EXPORTS**

**Service Stations, Industries and LPG**

**Wholeseller and Export**

**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.

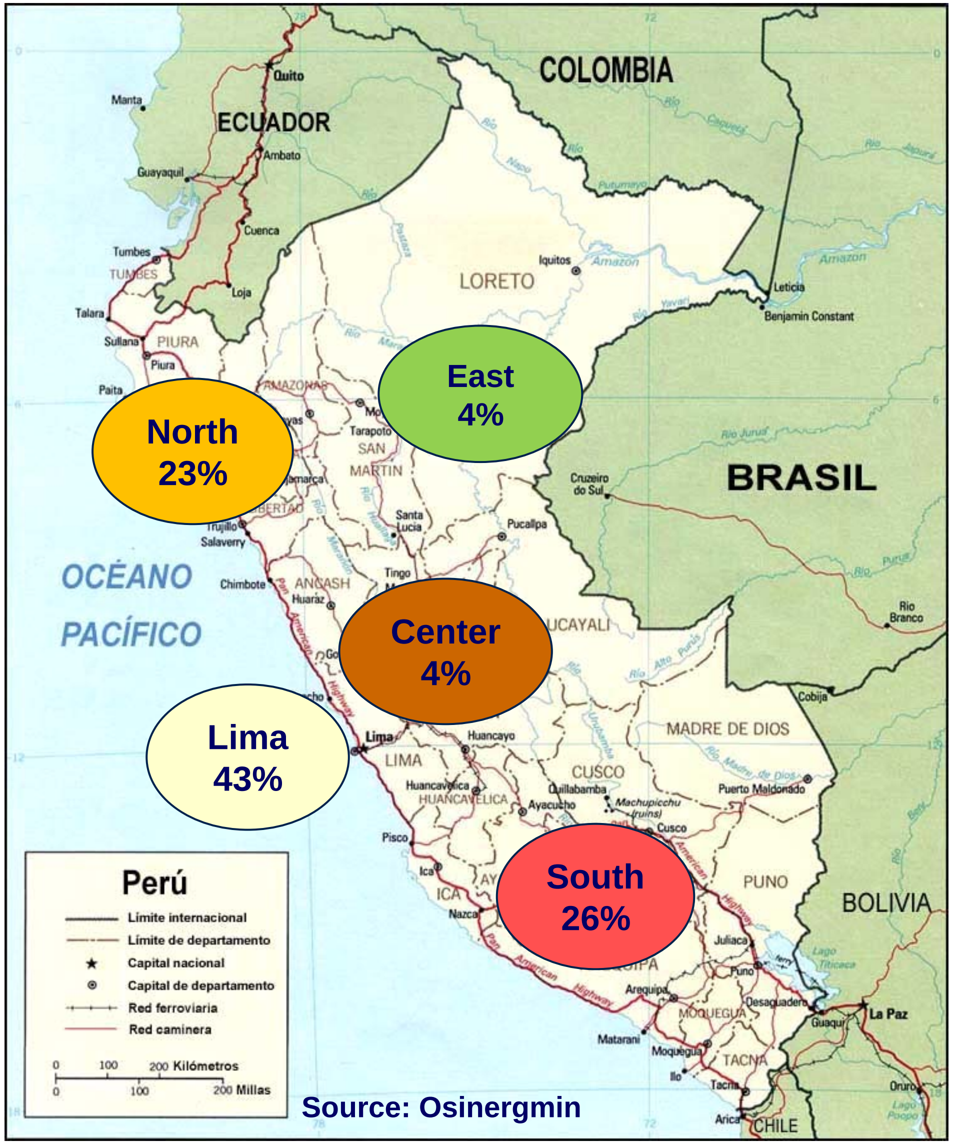
**Service Stations, Industries and LPG**

- 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**

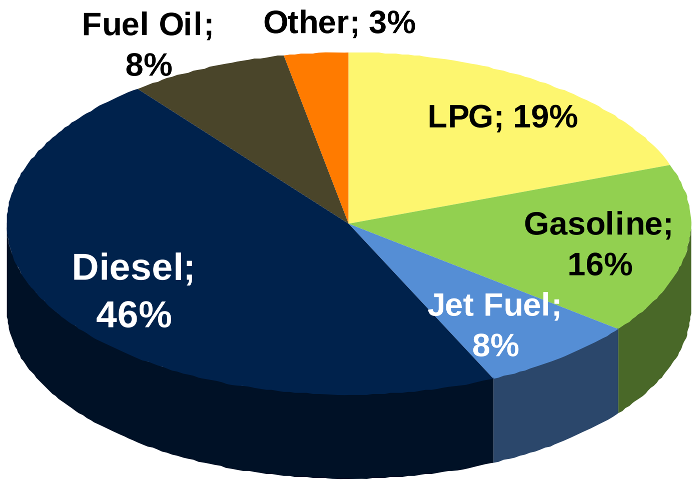
- Exports of liquid fuels are managed directly by La Pampilla Refinery with the support of RYTTSA.
- Main destinations countries are United States and Panama.

# Downstream Peruvian market
## Domestic liquid fuel demand



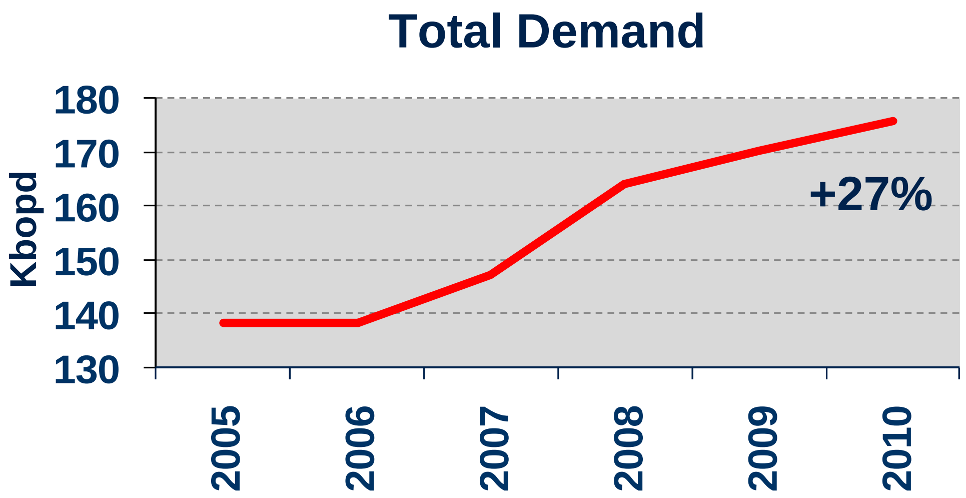
Source: Osinergmin

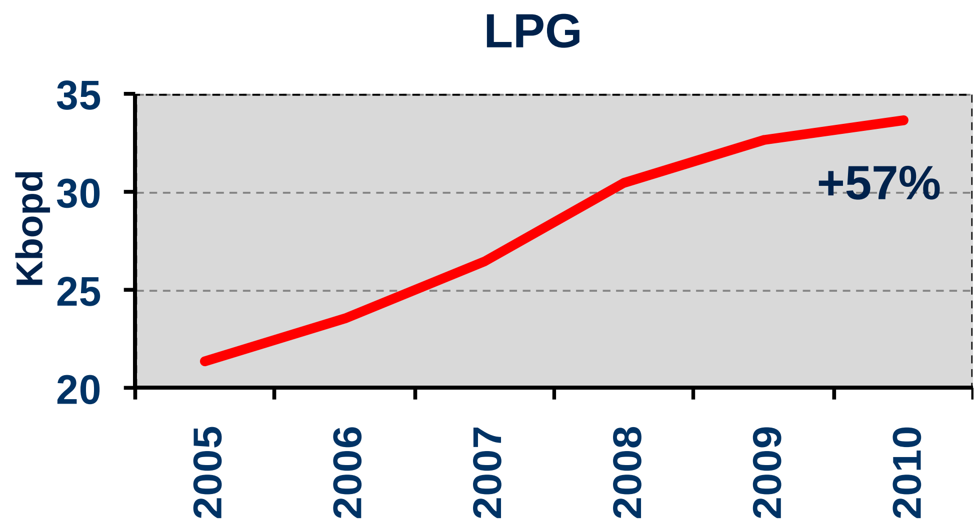
## 2010 demand: 176 KBbld

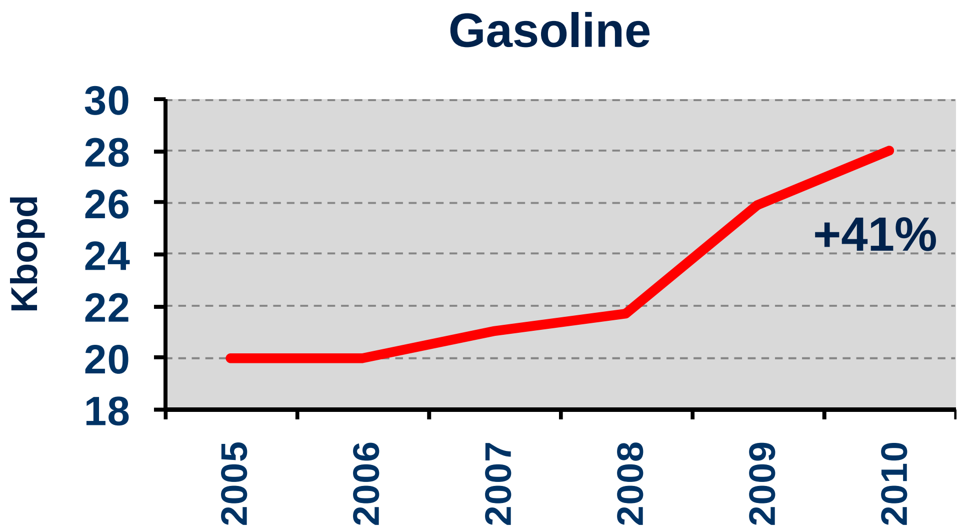


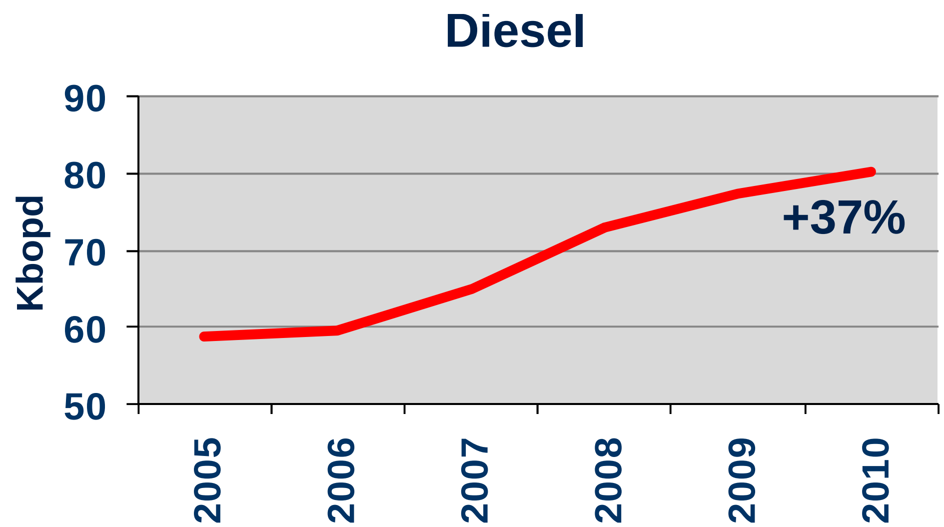

Source: Dirección General de Hidrocarburos
Data as of June 2010

# Downstream Peruvian market
## Domestic liquid fuel demand evolution




Source: Dirección General de Hidrocarburos 2010

# Downstream Peruvian market
## Oil refining capacity

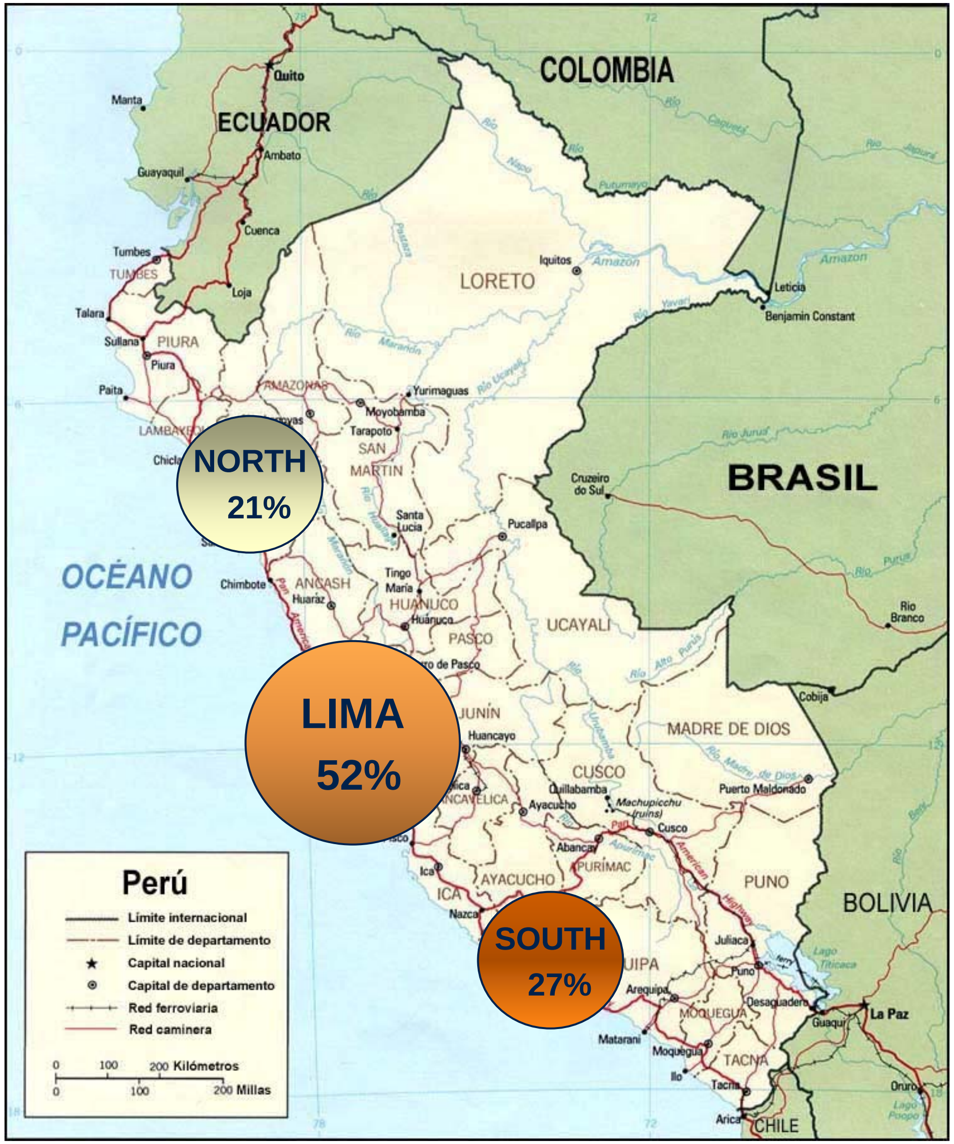

| Primary Distillation | Kbopd |
|---|---|
| La Pampilla | 102.0 |
| Talara | 62.0 |
| Conchan | 15.5 |
| Iquitos | 10.5 |
| Pucallpa | 3.3 |
| El Milagro | 1.7 |
| **Total** | **195.0** |

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

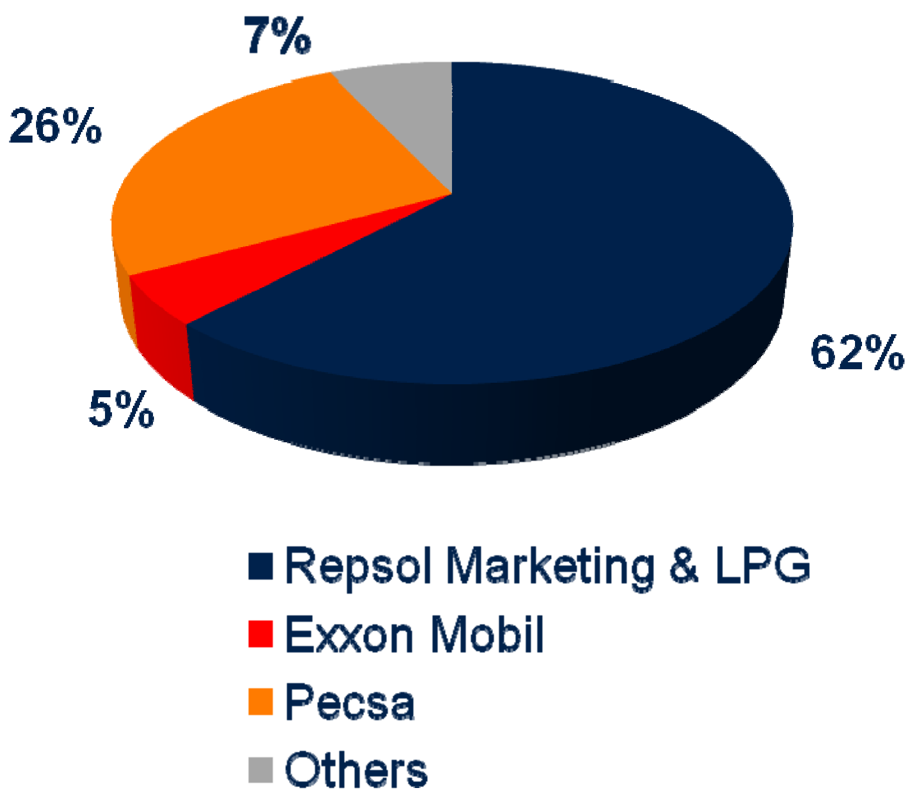
| Fluid Catalytic Cracking | KBbld |
|---|---|
| La Pampilla | 13.5 |
| Talara | 19.0 |
| **Total** | **32.5** |

**Source: Dirección General de Hidrocarburos**
**Data as of June 2010**

# Refining
## La Pampilla refined products domestic distribution




### 2010 Wholesaler sales



PERU FIELD TRIP 2010

# Marketing
## Comercial scheme

Others wholesalers

La Pampilla Refinery

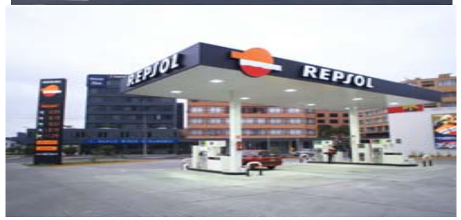
Repsol Marketing

COCO (87)

DODO (140)

CODO (29)

Service Stations Network (256)




Non branded Service Stations

Industry

Mining

Direct Clients

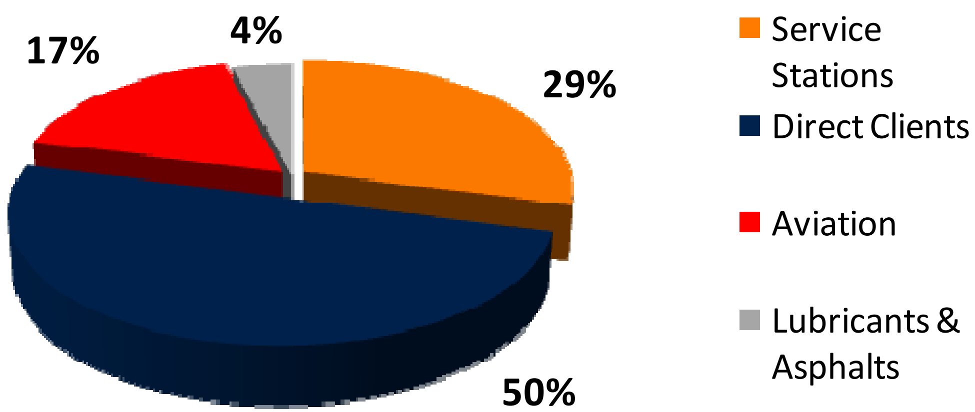
Aviation

Lubricants & Asphalts

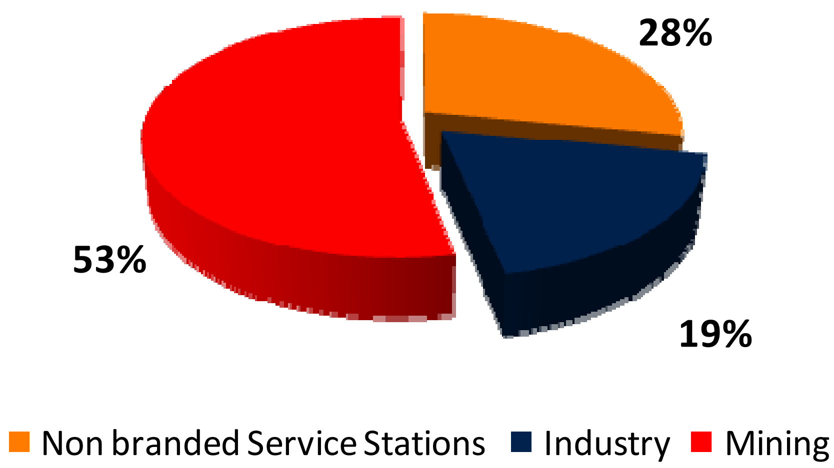

COCO: Company Owned Company Operated
DODO: Dealer Owned Dealer Operated
CODO: Company Owned Dealer Operated

# Marketing
## Product sales breakdown

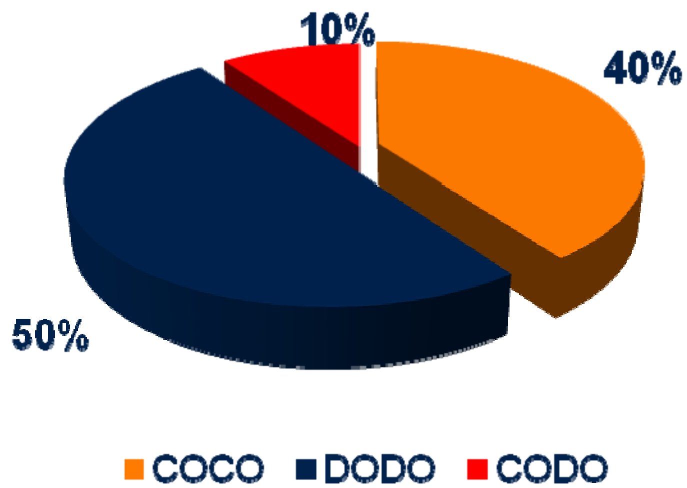
### Sales by Channel




### Sales to Direct Clients

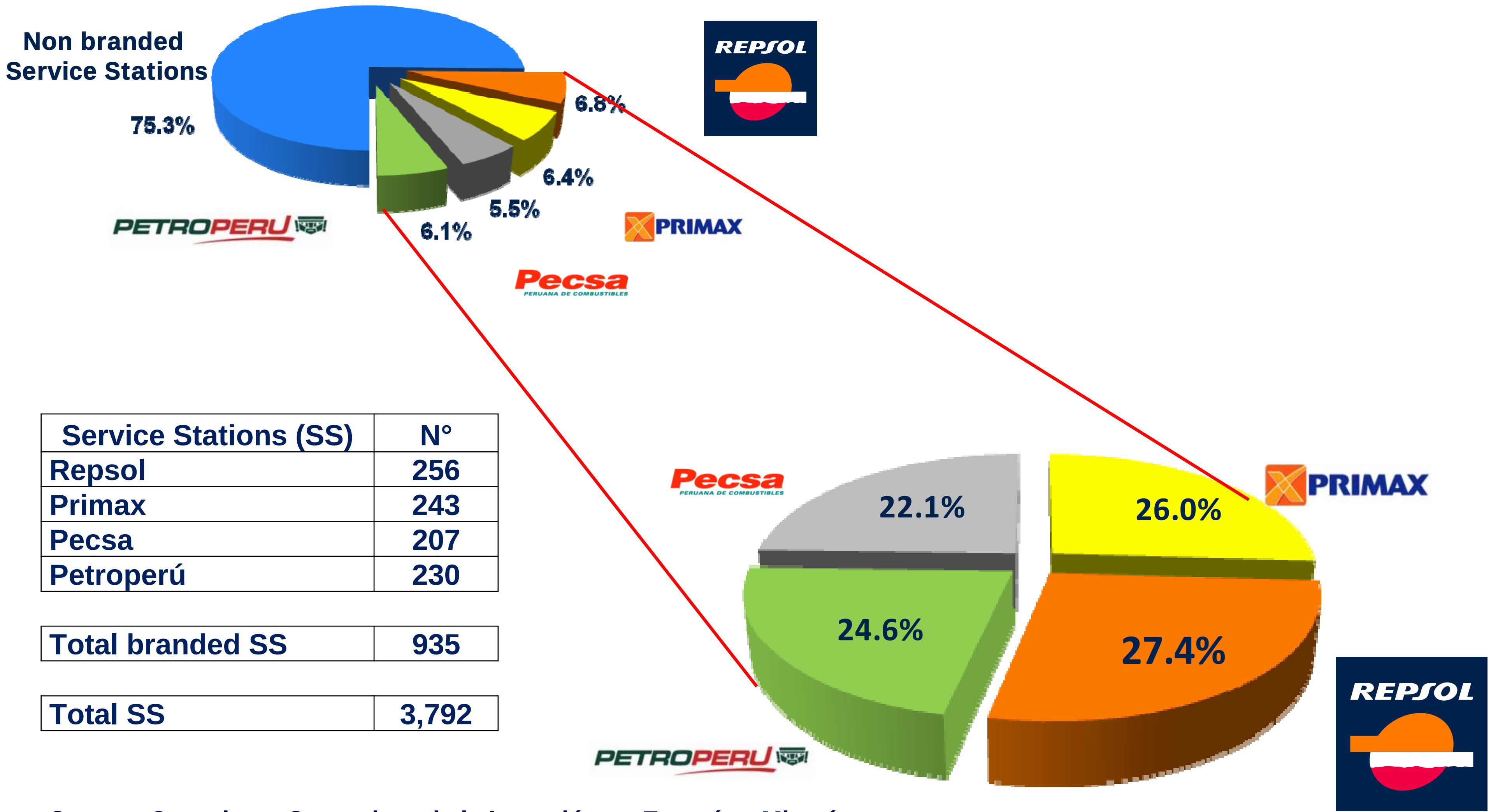



### Sales to Service Stations



# 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.**

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# Liquefied Petroleum Gas
## Bottled Gas

REPSOL

**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**

SOLGAS
REPSOL

# Liquefied Petroleum Gas
## Bulk Gas lines



**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

REPSOLGAS


# Content

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

# 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). |


PERU FIELD TRIP 2010

# Community Development Objective

## Raise Self-Esteem and Develop Responsible Citizens

REPSOL

| *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. |



# Beneficiaries

## 1996-2009 Social Responsibility Programs



| 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*