

Repsol 2010-2014:  
Delivering on our commitments and  
developing the next wave of growth  
Strategy Update

April 28<sup>th</sup> 2010



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# Agenda

Overview and key messages

Energy outlook

Strategy update 2010-2014

- Key strategic guidelines for the business units
- Upstream and LNG
- Downstream
- YPF
- Gas Natural Fenosa

Corporate and financial outlook

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## **Overview and key messages**

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# Why this strategy update?

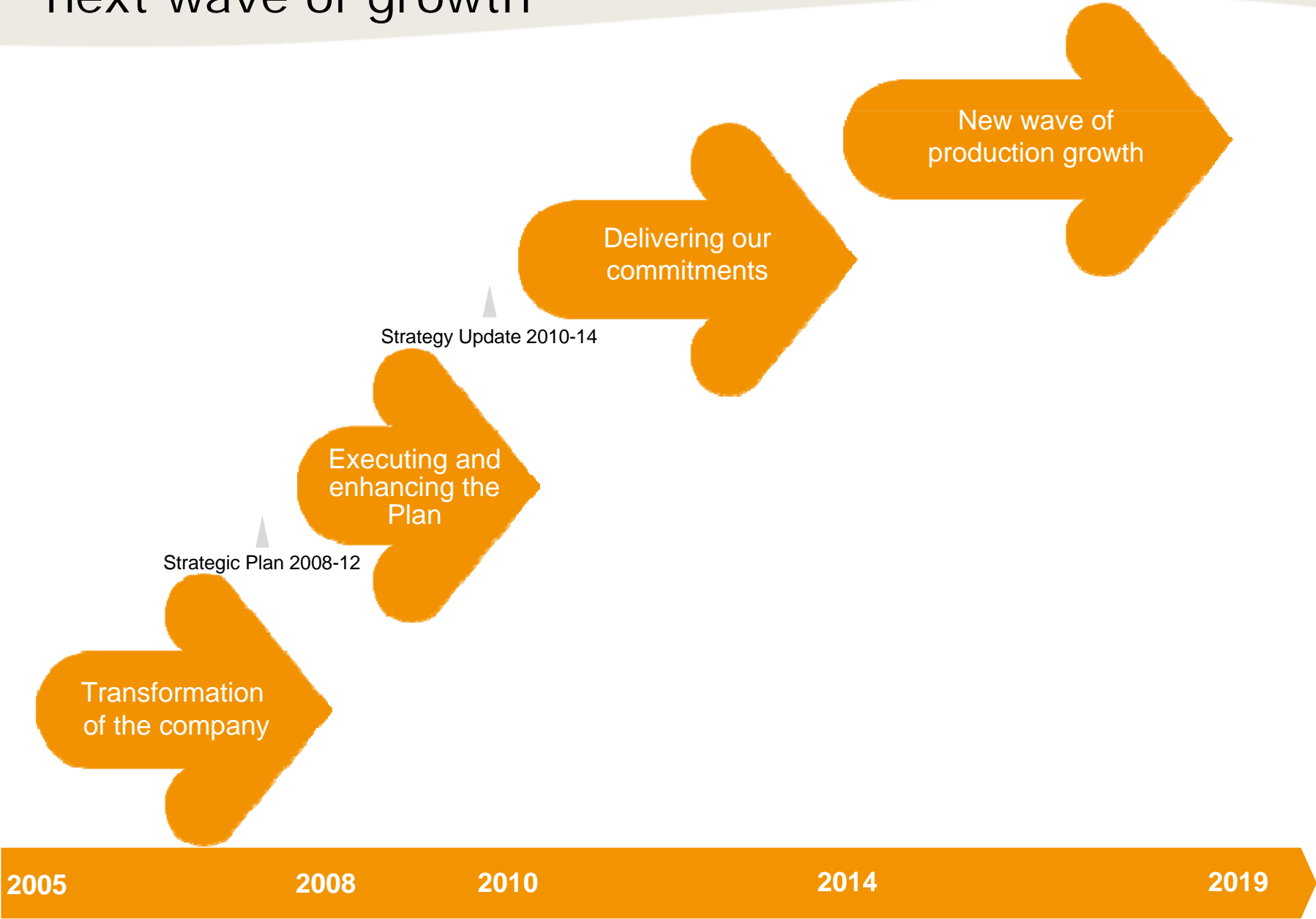
## **Strategy update driven by significant changes in industry and Repsol's specific context**

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- Very successful exploration, with Repsol among the top explorers worldwide in 2008 and 2009
- Expected CAPEX increases in the medium term given our success in exploration
- Financial crisis has changed economic environment, specially in downstream business

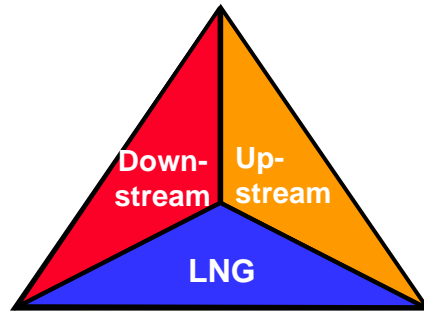
**We will deliver on our commitments and develop  
the next wave of growth**

# Delivering on our commitments and developing the next wave of growth



# Repsol Group has achieved significant progress on its Strategic Plan 2008-2012

Integrated core business



- ✓ Delivering a stronger and enhanced portfolio of key growth projects
- ✓ Exploration performance set the foundations for future organic growth
- ✓ Improved operational performance in all businesses
- ✓ Divestment of non-core assets on track

Operated Key Shareholding



- ✓ Divestment of 15% to local partner
- ✓ Recovery of energy prices in Argentina improving sector attractiveness
- ✓ Better resilience to crisis than industry average

Non-operated Key Shareholding



- ✓ Enhanced growth and value through UF acquisition
- ✓ Synergies delivery on track

**Shareholder returns, Financial discipline and Social corporate responsibility**

# Significant delivery on a stronger and enhanced portfolio of key growth projects

## Downstream

In operation in 2011



Bilbao (Spain)

In operation in 2011



Cartagena (Spain)

In re-evaluation



Sines (Portugal)

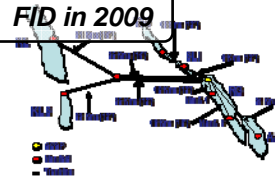
## Upstream & LNG

In operation



Shenzi (US GoM)

FID in 2009



Reggane (Algeria)

In operation



Canaport (Canada)

In operation



I/R (Libya)

FID in 2011

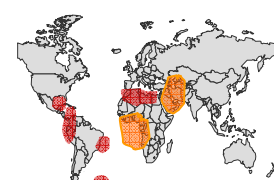


Carioca (Brazil)

In Operation in 2Q 2010



Peru LNG (Peru)



Exploration

### New key growth projects

- Guar (Brazil)
- Piracuc (Brazil)
- Kinteroni (Peru)
- Margarita-Huacaya (Bolivia)
- Cardon IV (Venezuela)

### Discoveries under study

- Panoramix (Brazil)
- Iguaz (Brazil)
- Abar West (Brazil)
- Buckskin (US GoM)
- Montanazo-Lubina (Spain)
- NC-200 (Libya)
- NC-186 Y1 (Libya)
- Tangier-Larache (Morocco)
- Venus (Sierra Leone)

New key growth project not derived from exploration



- Carabobo (Venezuela)



# Summary

## Positioned for growth

- Accomplishing the transformation of Repsol Upstream into the Group's growth engine through key attractive current projects
- Leverage on strong recent exploration track record to create value from current exploration pipeline
- Benefit from enhanced best-in-class Downstream assets to capitalize market recovery

## Strong optionality value

- Capture the hidden value of YPF and flexibility regarding Gas Natural

## Sound financial position

- Strong balance sheet to fund future growth
- Large and stable dividend stream from YPF and Gas Natural

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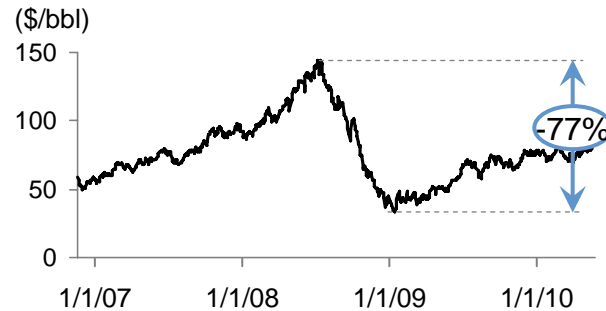
# 2008-2009:

A highly volatile environment for the oil&gas industry

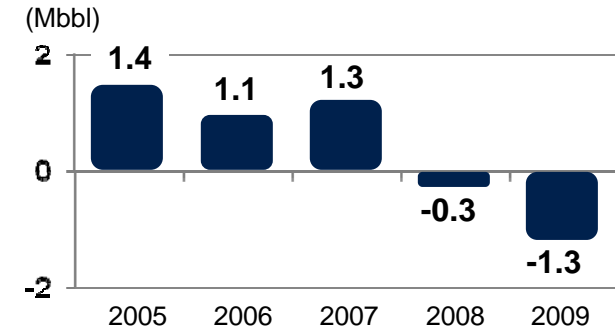
## Economic environment challenging in oil&gas industry in 2008-2009

- Global economic crisis with significant impact in oil demand
- Crude price down from an average of 97\$/bbl in 2008 to just 62\$/bbl in 2009
  - A low of 39 \$/bbl in 2009
- Strong pressure on international refining margins
- Gas price in liquid markets such as Henry Hub well below pre-crisis levels

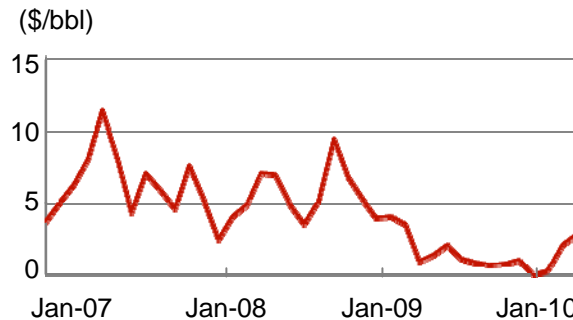
### Daily Spot Brent Price



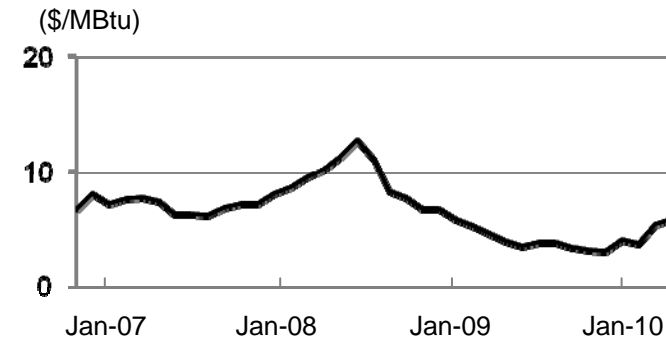
### World Oil Demand Growth



### Monthly NWE Brent Cracking Average



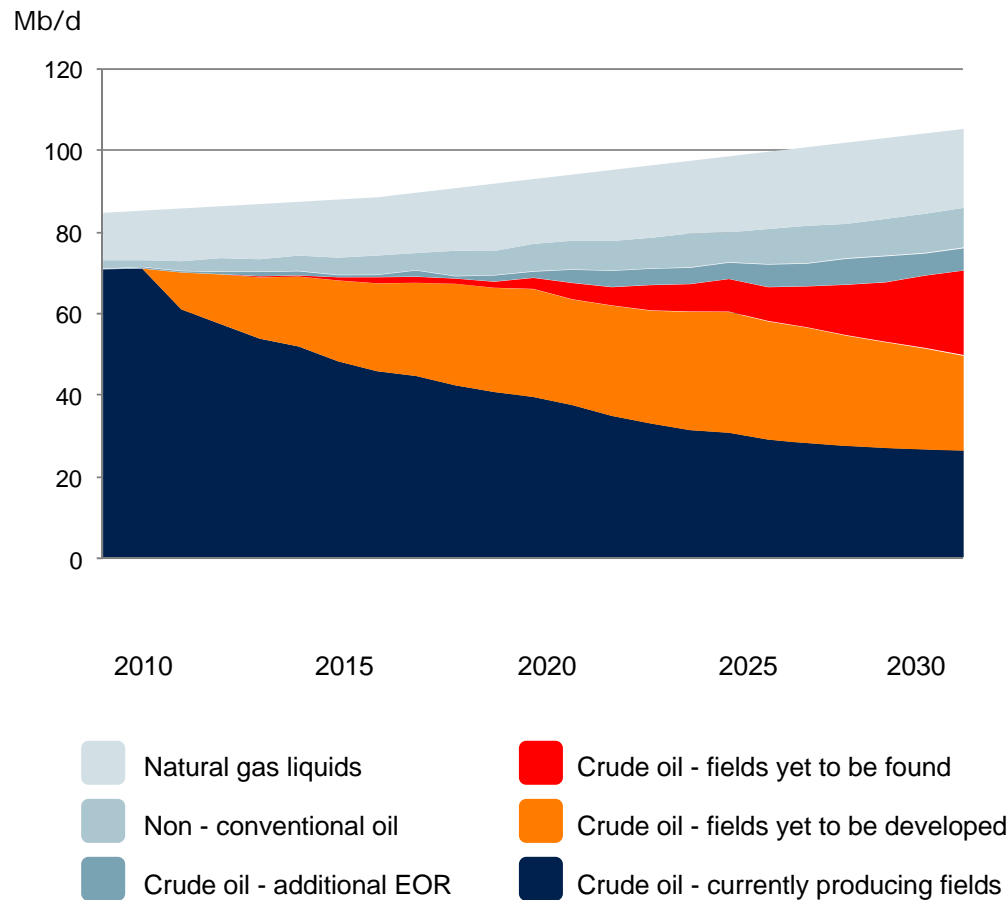
### Monthly HH



**2010 showing a recovery of economic growth and a improvement of fundamentals in most industry segments**

# Strong fundamentals for oil demand and production

**Oil demand and supply forecast – IEA – Reference Scenario <sup>(1)</sup>**



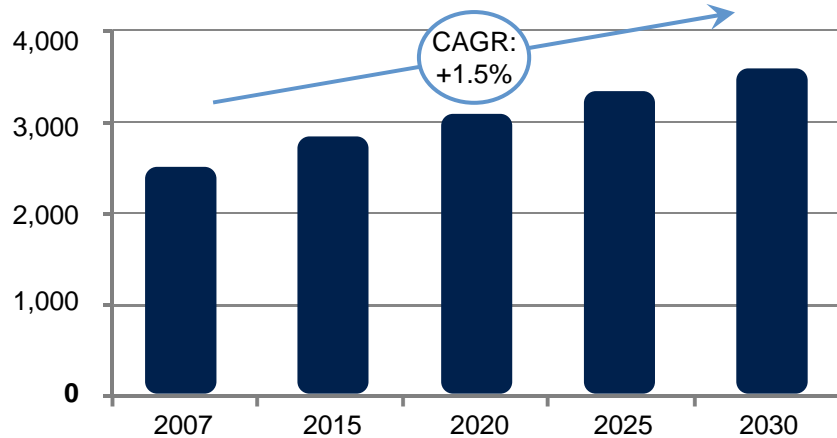
- Global energy demand in 2030 will be ~40% higher than that of today
  - Hydrocarbons will still represent more than 50% of the demand
- Oil demand growth to resume in the medium term
- Existing fields decline supports strong E&P investment
  - Need to attract capital driving returns
- Marginal field economics and growing demand support high oil price
  - Consensus price 70\$-100\$/bbl for the next 5 years
- In 450ppm scenario crude demand would stand at 89 MBbl/d in 2030

(1) *Reference scenario* considered by IEA assumes that all environmental policies adopted up to mid-2009 are fulfilled and that no new regulation is launched. World population growth of 1%.

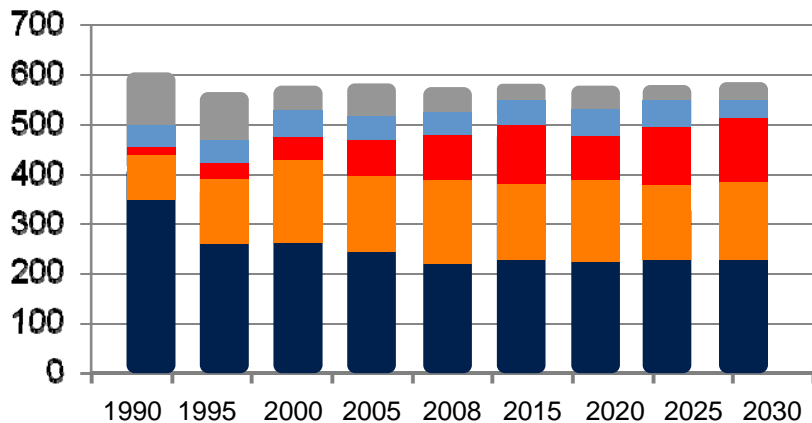
Source: IEA – World Energy Outlook 2009

# Natural gas growing role as primary energy resource

**Worldwide Gas Demand (MToe)**



**US Natural Gas supply (MToe)**



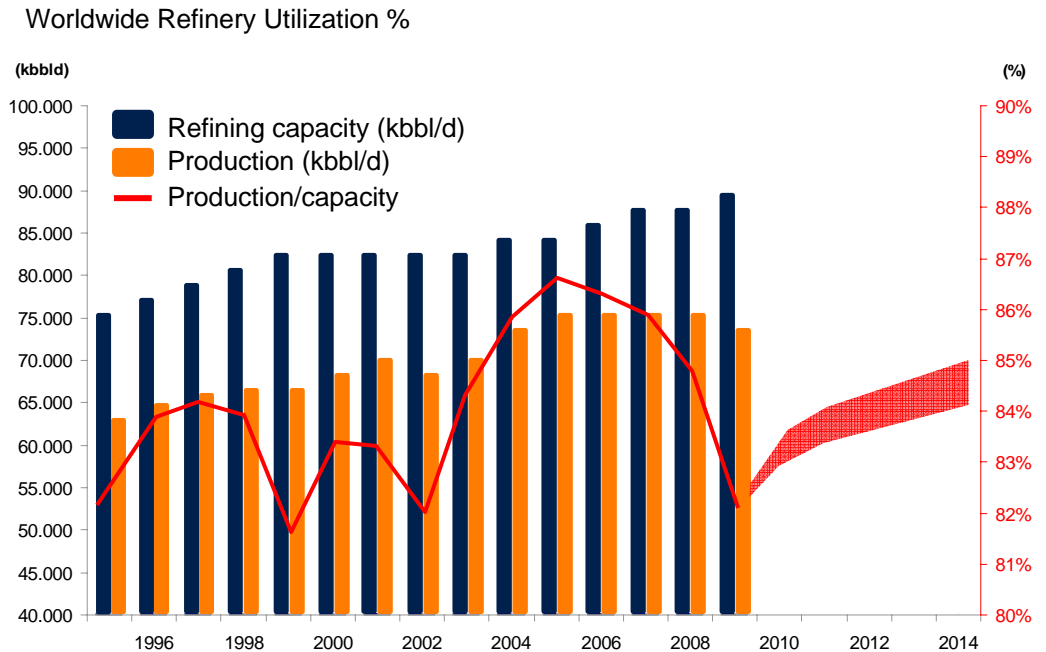
Net imports
  CBM
  Shale
  Tight
  Conventional

- Low carbon economy requires increase use of natural gas for power generation
  - CCGT: 50-70% less CO2 emissions than coal
- Natural gas growth in non-OECD countries mainly driven by fast economic growth
- Security of supply: abundant gas resources and growing role of unconventional gas plays
- LNG supply to maintain high growth rates (7% p.a. 2010-15) due to new upcoming projects
- Ongoing trend for natural gas prices to be decoupled from oil prices in many markets
  - Flexibility is a key for the future
  - Disconnection between the main regional gas markets, will enforce arbitrage opportunities
- In 450ppm scenario gas demand would stand at 2,925 MToe in 2030

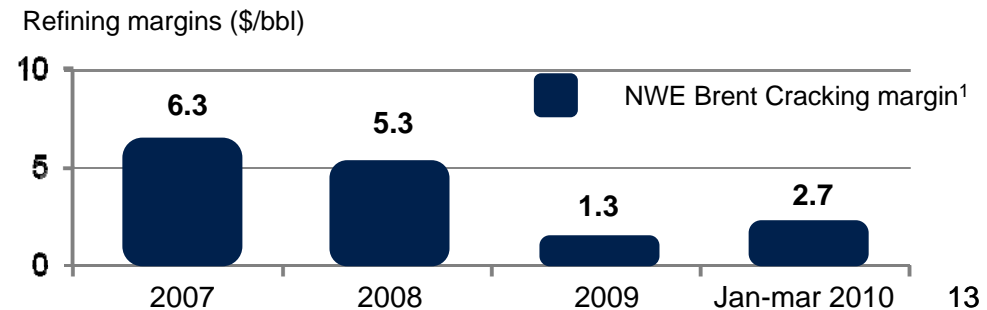
# Refining fundamentals improving from 2009 lows

- Utilization levels and margins start to recover in 2010
- Light-heavy differentials for crude oil and products to widen again
  - Strong crude oil prices to sustain future high L-H differentials
- Global market with crucial regional characteristics that will determine the attractiveness of different geographic areas
  - Middle distillates supply-demand balance will be tighter than that of gasoline, specially in Europe
  - Spain will maintain its middle distillates deficit even after new capacity and conversion increases

## Global refinery utilization start recovering in 2010 to above average historical levels



## Refining margins show improvement signs from 2009 lows

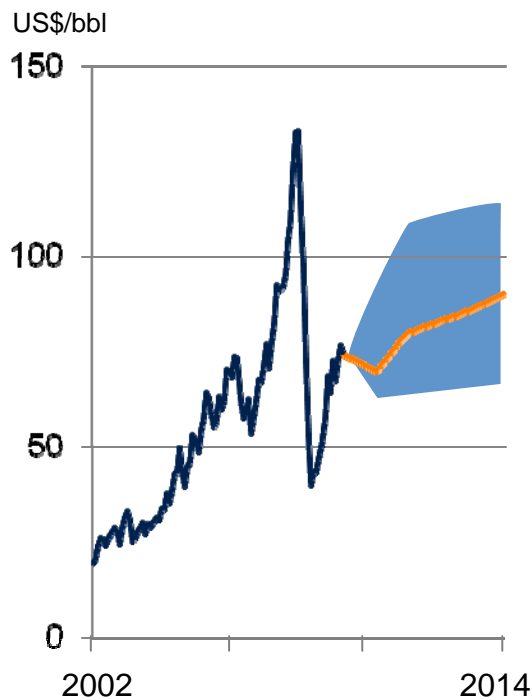


**Higher conversion refineries will be better positioned to capture the value once market recovers:**  
Specially those with higher middle distillates yield

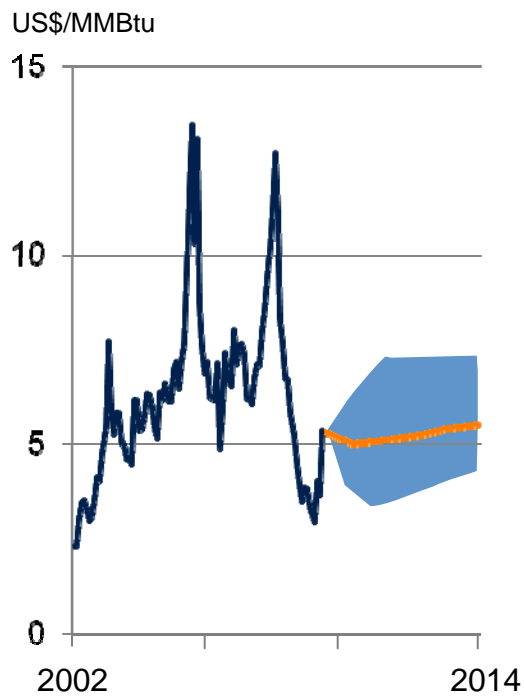
1. Equivalent to a 33% FCC equivalent refinery  
Source: IEA – Oil Market report; BP Statistical Review; Own analysis

# Repsol's forecasts for oil & gas prices and refining margin aligned with external sources

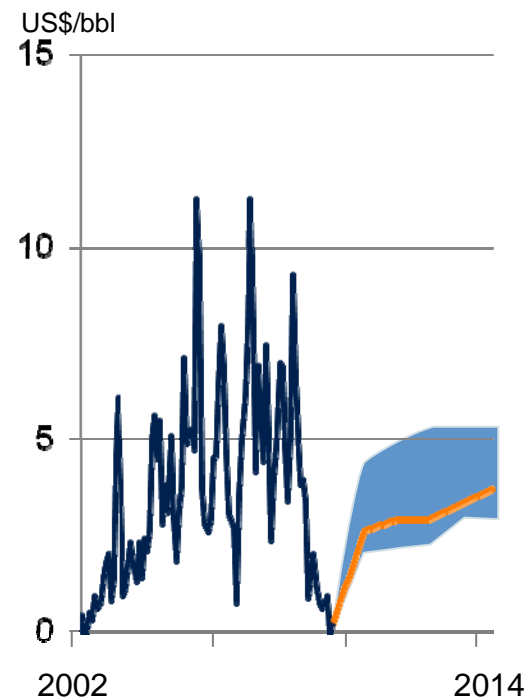
**Brent price forecasts**



**Henry Hub price forecasts**



**NWE Brent Cracking forecasts**



- Range of external forecasts
- Repsol Strategy Update 2010-2014
- Historical

Source: EIA; external analysts

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# Delivering on our commitments and developing the next wave of growth (I)

## Value creation of the businesses

### Upstream and LNG



Accomplishing the transformation of Repsol Upstream into the Group's growth engine

- Deliver key growth development projects
  - Production growth of 3-4% p.a. to 2014 and higher to 2019
  - Around 90% of production increase to 2014 based on projects already in development
- Leveraging very successful exploration activity
  - Presence in some of the most attractive upstream areas worldwide: Brazil and GoM
- Reserve replacement ratio for the period above 110%

### Downstream



Optimize return on capital and improve competitiveness through targeted conversion expansion

- Leading competitive position as an integrated player in Spain
- Completion of two key growth projects (Cartagena and Bilbao) by end of 2011
  - Repsol will be among the European companies with highest conversion (63% FCCeq.)
  - Increase middle distillates production by 25% to serve the Spanish market, with structural gasoil deficit
- From 2012 on, leveraged to capitalize the upside and solid cash generation from premier integrated position in the European downstream

# Delivering on our commitments and developing the next wave of growth (II)

## Value creation of the businesses



Capturing the hidden value of YPF with less risk and higher profit

- YPF business showing significant resilience in difficult economic environment
- Managing the transition into a more open energy market
- Rigorous capital allocation to ensure value creation
- Sustain crude production through enhanced oil recovery
- Deliver results and dividends



Creating a vertically integrated leader in gas and power

- A stronger less volatile company after Union-Fenosa acquisition
- Doubling its size and anticipating completion of the previous Strategic Plan
- Enhancing the potential of Repsol's LNG business



Portfolio management

- Divestment of additional YPF equity share and non-performing / non-core assets to rebalance portfolio
- Options to materialize value of our balance sheet through selective divestments

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# Repsol Upstream:

A successful transformational story

	Year 2005	Year 2009
Production (MBoe)	158 (106 Mboe adjusted by contractual changes)	122
Exploration investment (M €)	230	600
Annual Contingent Resources added (MBoe)	93	700 <sup>(1)</sup>
RRR (%)	15%	94%
Upstream Core areas	<ul style="list-style-type: none"> <li>• North Africa</li> <li>• Latam North</li> </ul>	<ul style="list-style-type: none"> <li>• North Africa</li> <li>• Latam North</li> <li>• US GoM</li> <li>• Brazil</li> </ul>
Portfolio of key projects	<ul style="list-style-type: none"> <li>• Gassi Touil (Algeria)</li> <li>• Canaport (Canada)</li> </ul>	<ul style="list-style-type: none"> <li>• Shenzi (US GoM)</li> <li>• I/R (Libya)</li> <li>• Canaport (Canada)</li> <li>• Peru LNG</li> <li>• Kinteroni (Peru)</li> <li>• Margarita-Huacaya (Bolivia)</li> <li>• Guar (Brazil)</li> <li>• Carioca (Brazil)</li> <li>• Piracuc (Brazil)</li> <li>• Reggane (Algeria)</li> <li>• Carabobo (Venezuela)</li> <li>• Cardon IV (Venezuela)</li> </ul>
Technical staff	864	1,487

**Higher growth potential, greater visibility and lower risk**

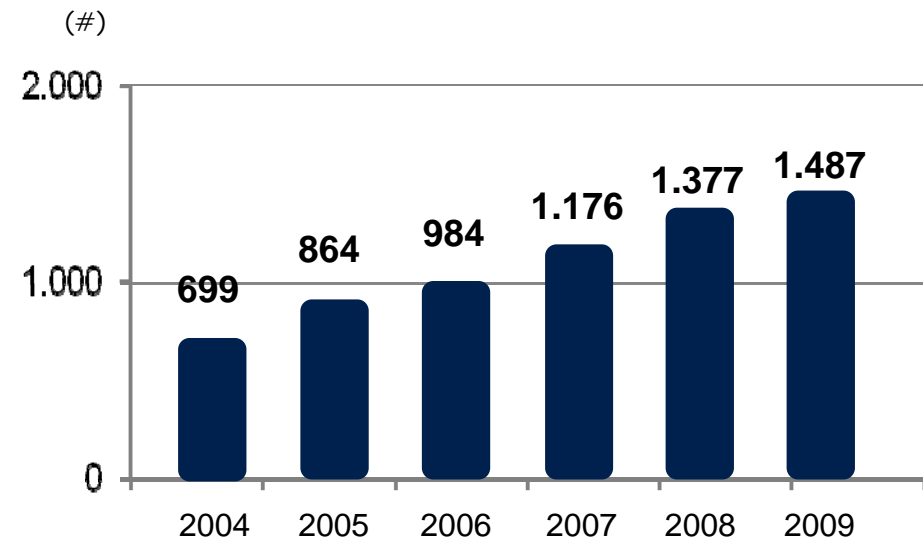
1. Contingent resources evaluated at February 2010. Brasil evaluated by independent consultant

# Repsol Upstream success built on human, technical and technology capabilities (I)

## Since 2005, transforming Upstream organization and processes

- Strategic investment in human capital to support the growth
- New organizational structure set up, including global Exploration Division
- Redesign and standardization of technical and business processes
- Implementation of Quality of Operations organization
- Increased accountability throughout the organization

## Technical staff size

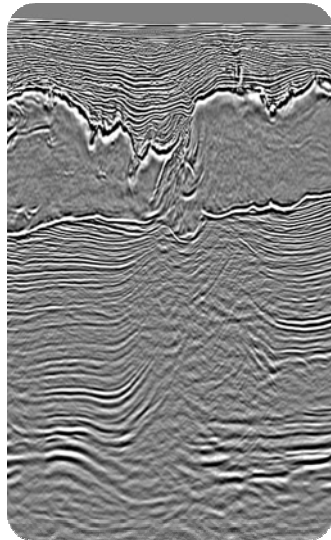


# Repsol Upstream success built on human, technical and technology capabilities (II)

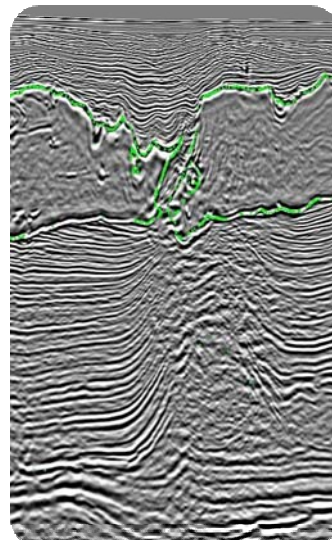
## Development of technology capabilities (e.g. Phoenix project)

- Collaboration with Stanford University, IBM and Barcelona Supercomputing Centre
- Improvement of the image quality of seismic data processing (sub-salt plays)
- Awarded 2009 Best Commercial Technology of the Year by Platts

2005



2008



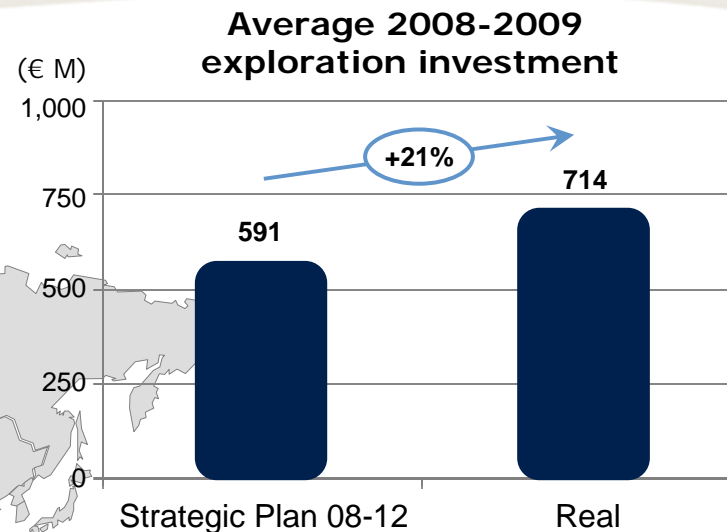
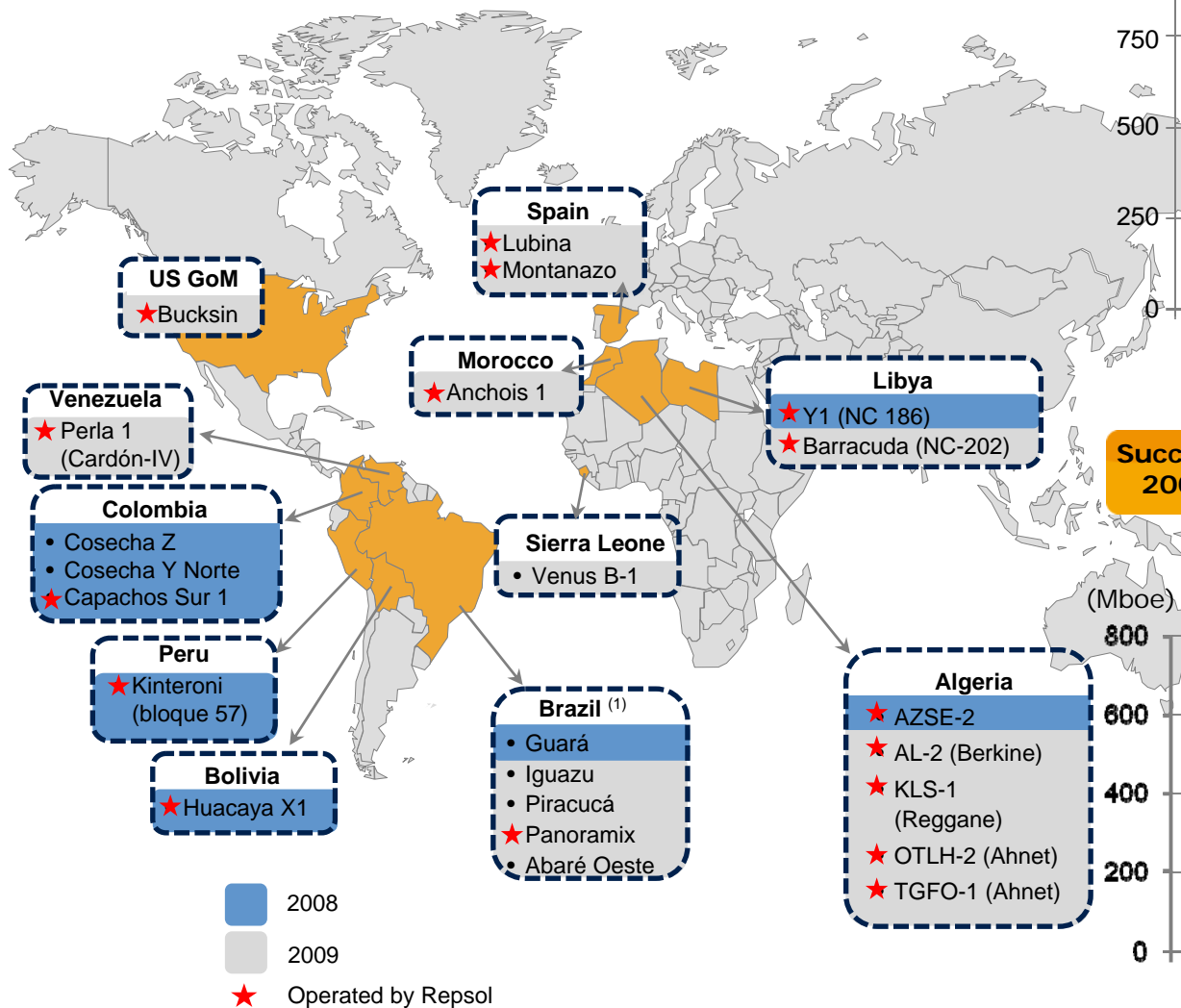
## Acquiring capabilities as a deep water operator

- Operator in deep-water projects with more than 2.000 m water depth in US GoM and Brazil
- 13 offshore exploratory wells as operator in 2008-2010

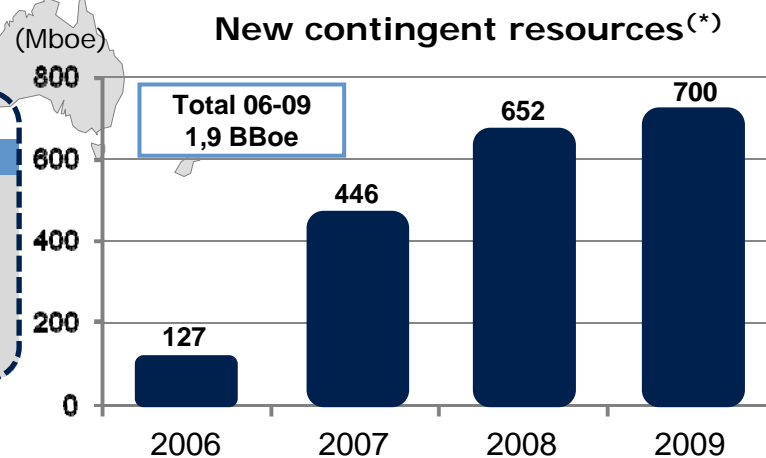


# Very successful exploration performance to deliver future growth

## Upstream Discoveries in 2008 and 2009



Successful exploration track record in 2008 and 2009 drove higher investment requirements



(\*) Contingent resources evaluated at February 2010. Brazil evaluated by independent consultant

(1) Additionally, there is an exploratory well in Brazil (Vampira) under evaluation, with signals of hydrocarbons

# Outstanding exploration track record

**3 Repsol discoveries among top 5 in 2008...  
...and 1 among top 5 in 2009<sup>1</sup>**

World Top 5 Discoveries, 2008

Country	Basin	Block/Field
Brazil	Santos	Iara
Brazil	Santos	Jupiter
Brazil	Santos	Guara
Peru	Ucayali	Kinteroni 1X
Bolivia	Chaco	Huacaya

World Top 5 Discoveries, 2009

Country	Basin	Block/Field
Iraq	Zagros Fold Belt	Miran West 1
Australia	Browse	Poseidon 1
Venezuela	Upper Guajira	Perla 1X
Brazil	Santos	Corcovado
Israel	Levantine Deep Marine	Tamar 1

 Discoveries where Repsol is present

**Repsol consolidating as a  
successful exploration operator**

Announced exploratory successes in 2009

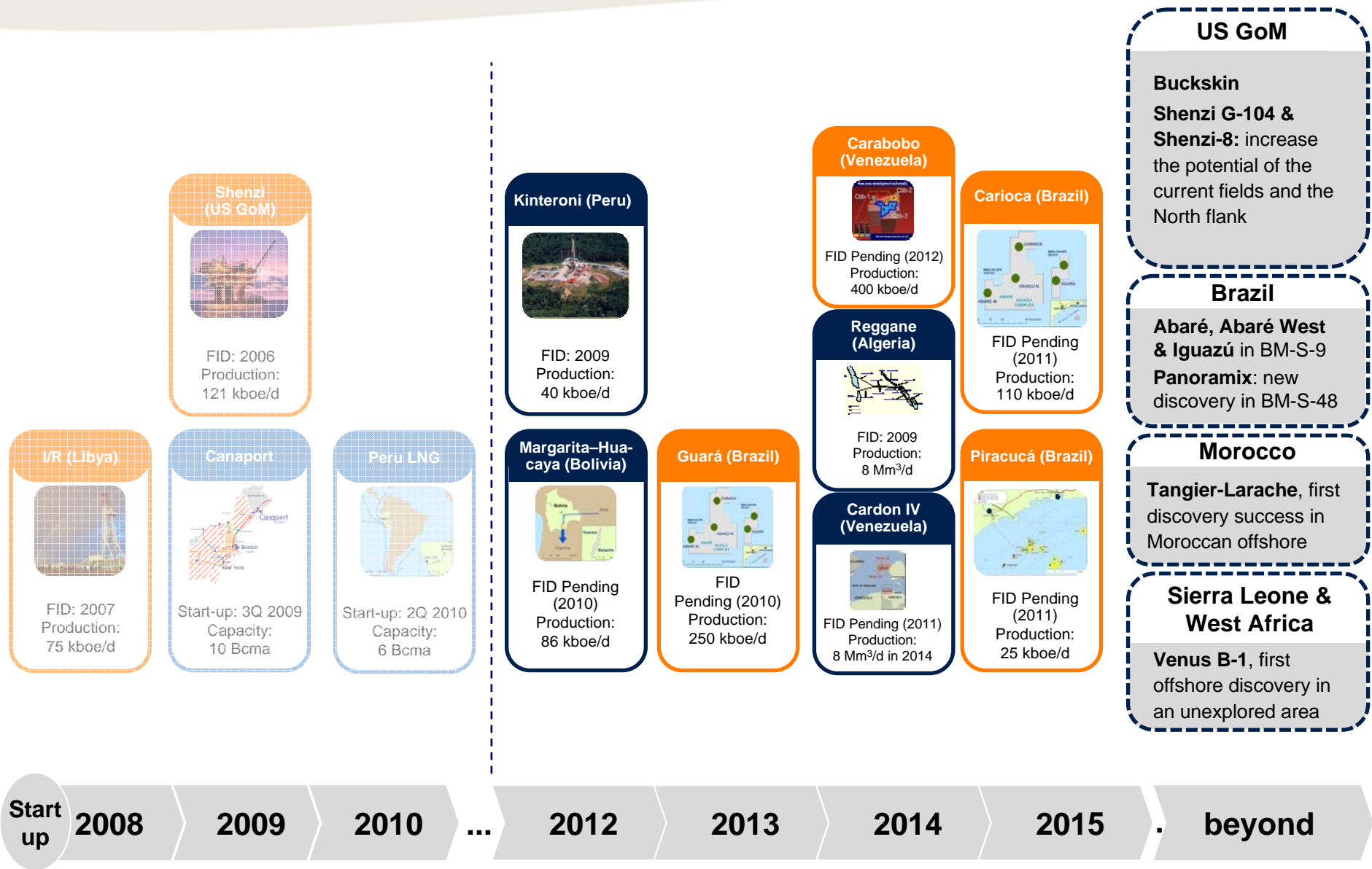
Country	Discovery	Operatorship Repsol
Algeria	TIO3 (Reggane)	✓
	KLS-1 (Reggane)	✓
GoM	Buckskin	✓
Morocco	Anchois-1	✓
	Piracucá	
Brazil	Iguazú	✓
	Panoramix	
	Abaré West	
Spain	Montanazo	✓
	Lubina	✓
Venezuela	Perla1 (Cardon IV)	✓
Sierra Leone	Venus B1	

**A total of 24 discoveries in 2008 and 2009**

1. According to IHS



# Strong pipeline of Upstream and LNG projects



Note: All production figures indicate gross plateau production

■ Liquids   
 ■ Gas   
 ■ LNG

# Upstream and LNG projects in operation:

## Shenzi, I/R, Canaport and Peru LNG

### Shenzi (US GoM)



- Start-up on date: 2009 (Shenzi)
- Appraisal and development success with better net pays and new productive reservoirs
- Plateau production earlier and higher than expected (121 kboe/d); over 20% higher than initially expected
- Repsol stake: 28%
- Net reserves to be added: 35 MBoe in 2010-2014 and 53 MBoe in 2015-2019
- Net 2010-2014 CapEx: US\$ 800M (water injection project)

### I/R (Libya)



- First oil in June 2008, in the most optimistic expected date
- Gross plateau production expected: 75 kboe/d in 2014
- Repsol is the foreign operator with 32% and 40% stake
- Net reserves to be added: 6 MBoe in 2010-2014 and 1 MBoe in 2015-2019
- Net 2010-2014 CapEx: US\$ 100M

### Canaport (Canada)



- Regasification plant in Canada within reach of the premium North American markets
- Start up on date: 3Q 2009
  - Running on excellent operation conditions
- Capacity: 10 Bcma
- Repsol stake: 75% of the plant and 100% of the committed capacity

### Peru LNG (Peru)



- Integrated LNG project in Peru
  - Most competitive location for access to East coast of Pacific Basin
- Start-up: 2Q 2010
- Capacity: 6 Bcma
- Capex: US\$ 700 M (already spent)
- Repsol stake: 20% of the plant and 100% of the off-take
- 66% off-take is already committed in Mexico (Manzanillo), and hedged with HH

# Upstream growth projects:

Start-up in 2012-2013, Kinteroni, Margarita-Huacaya Guara

## Kinteroni (Peru)



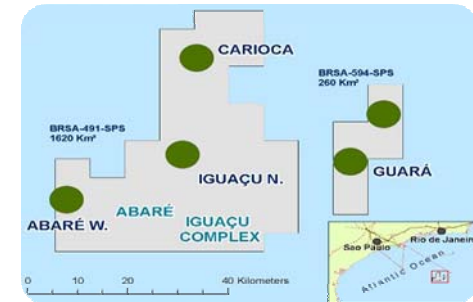
- Development of an onshore gas field in block 57
  - FID made in 2009
- Gross plateau production of 40 kboepd in 2013
  - 8.7 Kbpd of liquids and 5 Mm3/d of gas
- Repsol stake: 53.84% (operator)
- Net reserves to be added: 76 MBoe in 2010-2014 and 3 MBoe in 2015-2019
- Net 2010-2014 CapEx: US\$ 250 M
- First gas: 2012

## Margarita-Huacaya (Bolivia)



- Development of two fields in the Caipipendi block
  - FID pending (expected 2Q 2010)
- Gross plateau production increase of 86 kboepd in 2014
  - 15 Kbpd of liquids and 11 Mm3/d of gas
- Repsol stake: 37.5% (operator)
- Net reserves to be added: 53 MBoe in 2009-2014
- Net 2010-2014 CapEx: US\$ 400 M
- First increase: 2012
- Recent agreement to monetise gas resources and develop export infrastructure to Argentina

## Guará (Brazil)

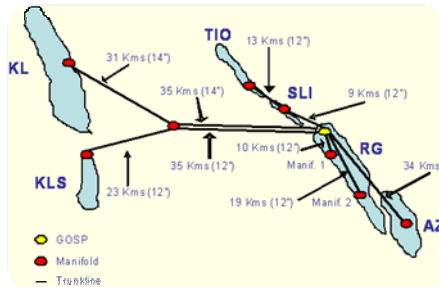


- Development of the Guar field in the BM-S-9 block
  - FID expected 2010
- Gross plateau production of 250 kboepd in 2016
- Repsol stake: 25%
- Net reserves to be added: 108 Mbbbl in 2010-2014 and 139 Mbbbl in 2015-2019
- Net 2010-2014 CapEx: US\$ 1,750 M
- Start-up: 2013 (South) and 2016 (North)

# Upstream growth projects:

Start-up in 2014, Reggane, Carabobo and Cardon IV

## Reggane (Algeria)



- Development of 6 onshore gas fields
  - FID made in 2009
- Gross plateau production of 8 Mm<sup>3</sup>/day in 2014
- Repsol stake: 29.25% (operator)
- Net reserves to be added: 26 Mboe in 2010-2014 and 14 Mboe in 2015-2019
- Net 2010-2014 CapEx: US\$ 400 M
- First gas: 2014

## Carabobo (Venezuela)



- Development of a heavy oil field in the Orinoco strip
  - FID expected 2012
- Gross plateau production of 400 kboepd in 2018
- Repsol stake: 11%
- Net reserves to be added: 134 Mbbl in 2010-2014 and 134 Mbbl in 2015-2019
- Net 2010-2014 CapEx: US\$ 750 M
- Start-up: 2014
- 165 kbpd to our refining system in Spain

## Cardón IV (Venezuela)

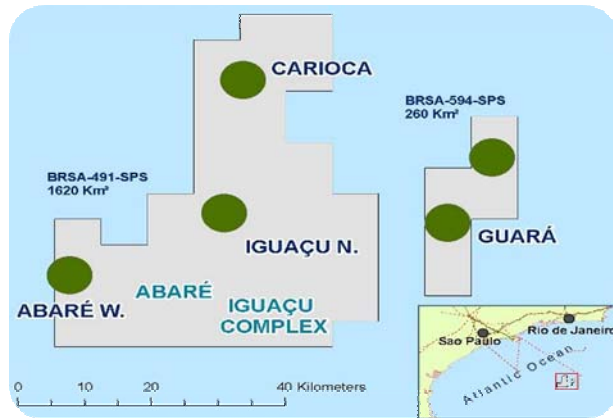


- Development of the offshore gas block in Venezuela
- Gross plateau production of 8,5 Mm<sup>3</sup>/d in 2014 and 25,5 Mm<sup>3</sup>/d in 2020
- Repsol stake: 32.5% (co-operator)
- Net reserves to be added: 159 Mbbl in 2010-2014 and 187 Mbbl in 2015-2019
- Net 2010-2014 CapEx: US\$ 400 M
- Start-up: 2014

# Upstream growth projects:

Start-up in 2015, Carioca and Piracucá

## Carioca (Brazil)



- Development of the Carioca field in the BM-S-9 block
  - FID expected 2011
- Gross plateau production of 110 kboepd
- Repsol stake: 25%
- Net reserves to be added: 39 Mbbbl in 2010-2014 and 92 Mbbbl in 2015-2019
- Net 2010-2014 CapEx: US\$ 750 M
- First oil: End 2015

## Piracucá (Brazil)



- Development of the shallow water field in Brazil
- Gross plateau production of 25 kboepd in 2015
  - 16 Kbpd of liquids and 2 Mm<sup>3</sup>/d of gas
- Repsol stake: 37%
- Net reserves to be added: 24 Mbbbl in 2010-2014 and 19 Mbbbl in 2015-2019
- Net 2010-2014 CapEx: US\$ 500 M
- Start-up: 2015

# Developing new growth areas via exploration

## Our focus in exploration activity...

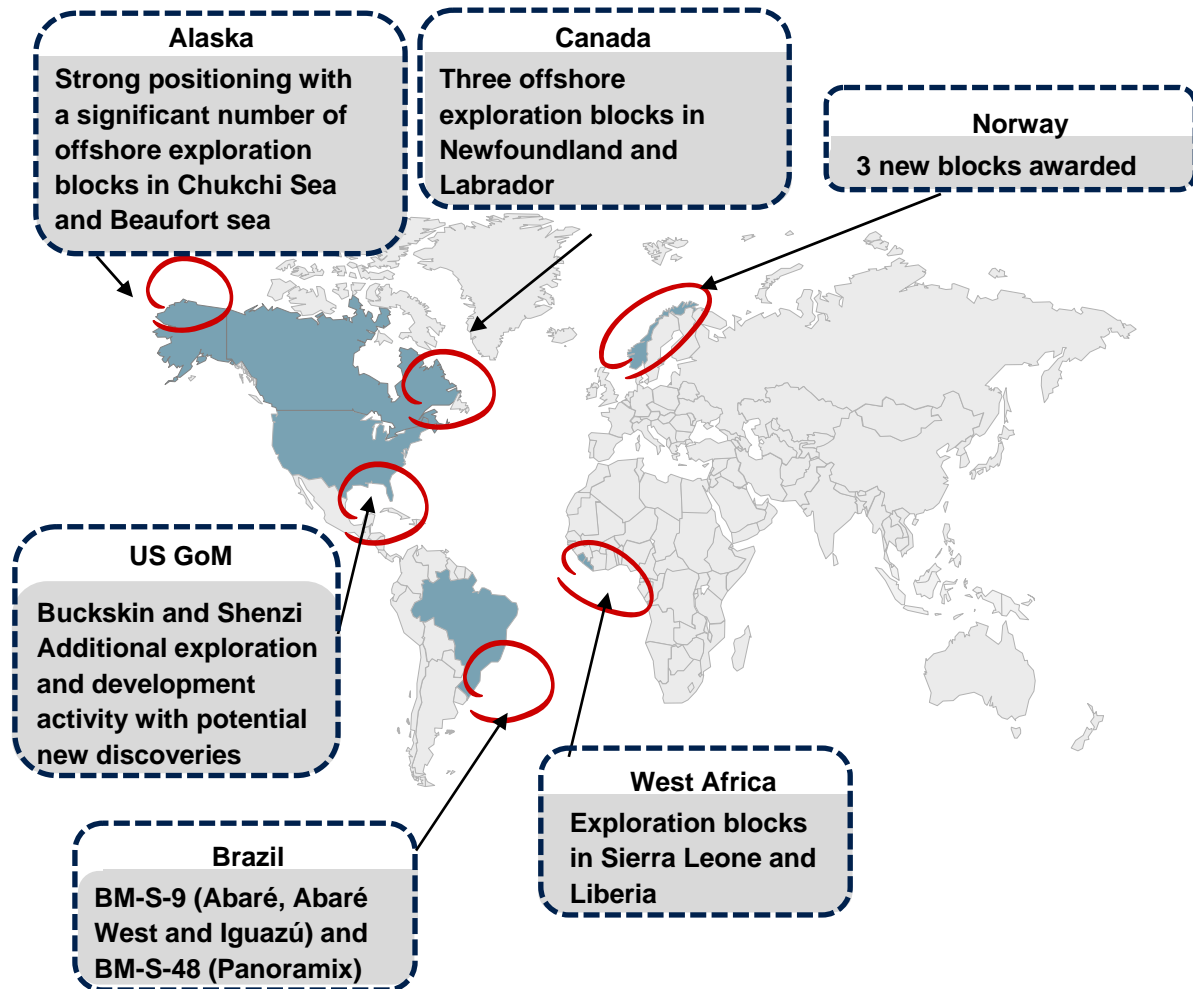
Over US\$ 700 M of annual investment in exploration in 2010-2014

Various recent discoveries and valuable exploratory domain support high future growth potential

Rigorous conditions for investment

- Profitability
- Portfolio fit

## ... will continue yielding new growth platforms



# Brazil:

## A transformational growth story for Repsol



- Repsol is the privately-held oil company with the most extensive exploratory portfolio in the offshore of Brazil
- One productive asset, Albacora Leste, with a net production of 4.3 Mboe in 2009
- Carioca (BM-S-9-2007) and Guará (BM-S-9-2008)
  - Very large fields, total resources up to 3 Bboe (Net 0.75 Bboe)<sup>(1)</sup>
- 4 discoveries in 2009:
  - Abaré West (BM-S-9)
  - Iguazú Norte (BM-S-9)
  - Piracucá (BM-S-7)
  - Panoramix (BM-S-48)
- Play being rapidly de-risked
- High productivity wells in Guará

(1) Evaluated by independent consultant

# Brazil Project inventory:

## Contingent Resources

### Growth potential: identified prospects

Project	Repsol stake
Carioca (BM-S-9)	25%
Guará (BM-S-9)	25%
Abaré West (BM-S-9)	25%
Iguazú Norte (BM-S-9)	25%
Complejo Iguazú (BM-S-9)(*)	25%
Abaré (BM-S-9)(*)	25%
Piracucá (BM-S-7)	37%
Vampira (BM-S-48)	40%
Panoramix (BM-S-48)	40%

### Total Net Risked Contingent Resources: 1.2 Bboe

(1 Bboe in BM-S-9 and 0.2 Bboe in other discoveries)

Evaluated by independent consultant

(\*) Abaré and Complejo Iguazú not drilled yet

**This project inventory gives us options to diversify and rebalance our current producing asset base**



# Brazil Project inventory:

## Main Exploration Projects

Project	Repsol Stake	
Itaborai (BM-S-44)	25%	
Sagitario (BM-S-44)	25%	
Numerobis (BM-S-51)	20%	
Malbec (BM-ES-29)	40%	● <i>Currently drilling</i>
Caparaó (BM-ES-30)	40%	
Tinguá (BM-S-44)	25%	
Piracucá exploration (BM-S-7)	37%	● <i>Currently drilling</i>
Pepe (BM-S-48)	40%	
Creal-B (Albacora Leste)	10%	● <i>Currently drilling</i>
Teleferic (BM-S-50)	20%	
Bacco (BM-ES-29)	40%	
Asterix (BM-S-55)	40%	
Magneto (BM-S-48)	40%	
Tempestade (BM-S-48)	40%	
Pyro (BM-S-55)	40%	

**Total Net Risked Exploration Resources: 0.42 BBoe**

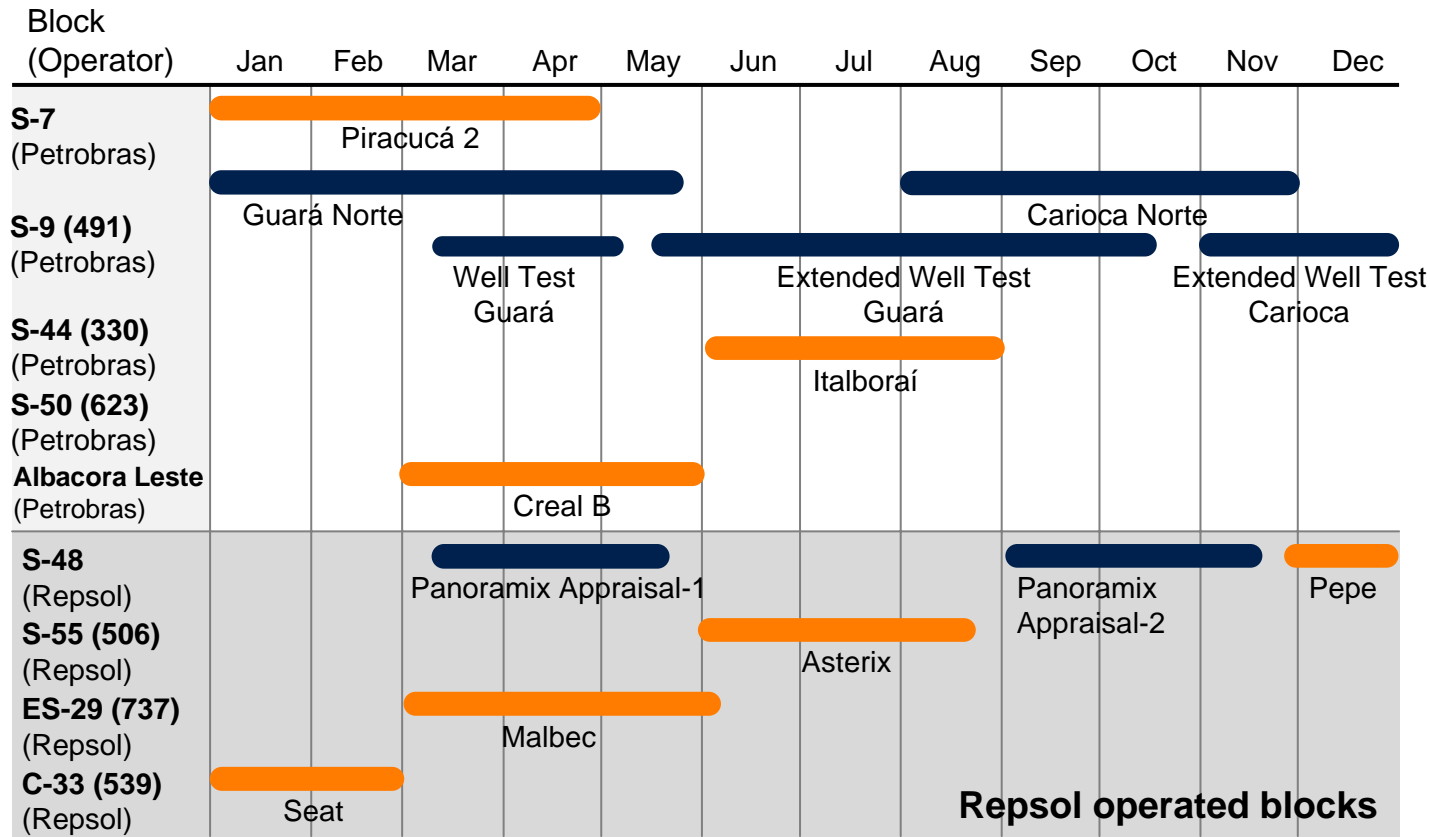
Pre-Salt: 0.18 Bboe

Post-Salt: 0.24 Bboe

# Brazil:

## Intensive exploratory activity during 2010

### Year 2010



■ Exploration
 ■ Appraisal

### Beyond

#### Exploratory wells

#### Year 2011

- Guará (appraisal)
- Alto Iguazú
- Abaré
- Pepe (from 2010)
- Vampira

#### Year 2012

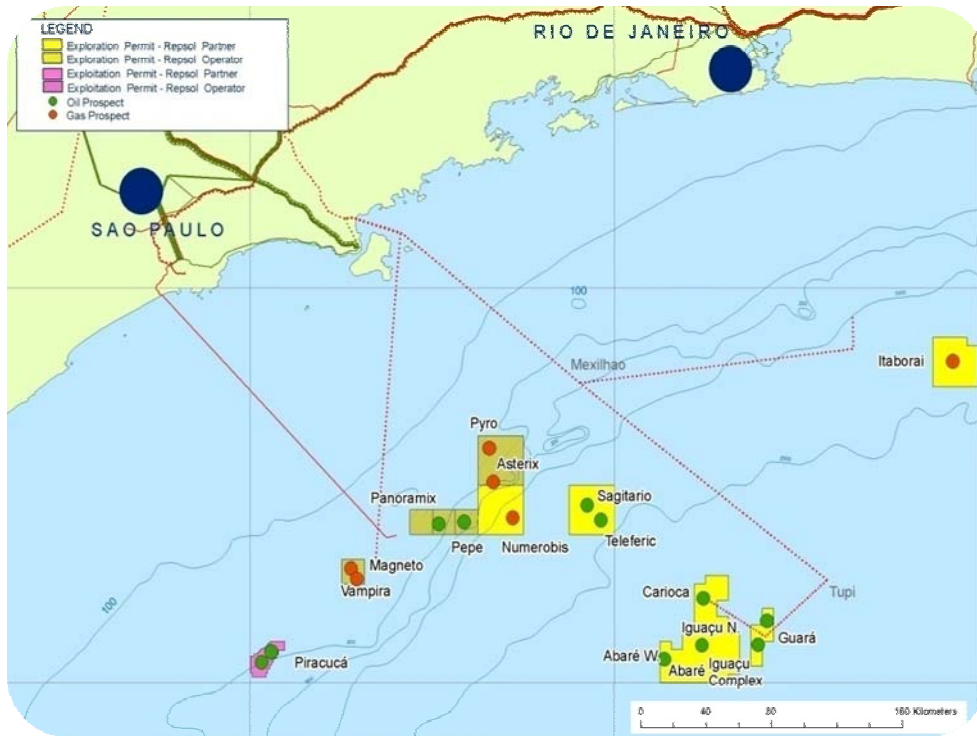
- Abaré West
- Sagitario
- Tingua
- Caparao

#### Post-2012

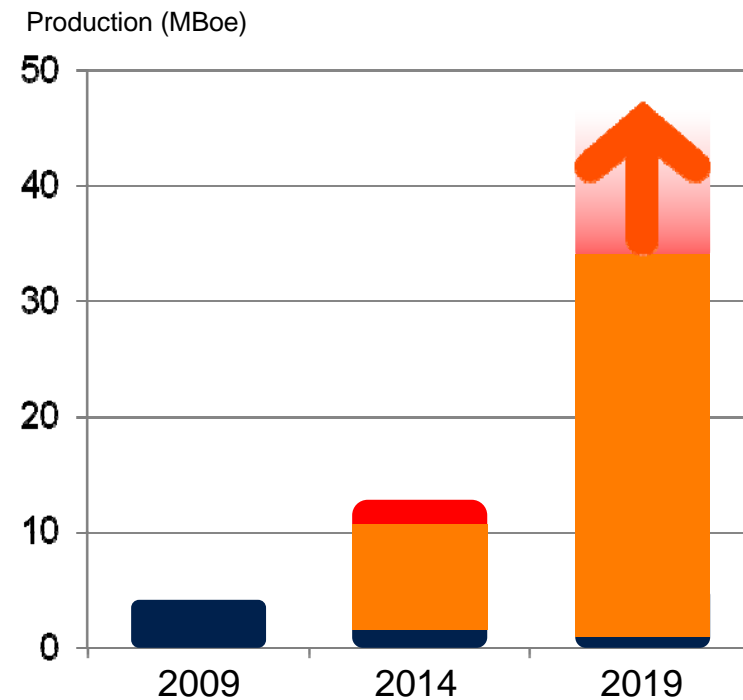
- Numerobis
- Iguazú Norte

# Brazil:

## Production growth and capex

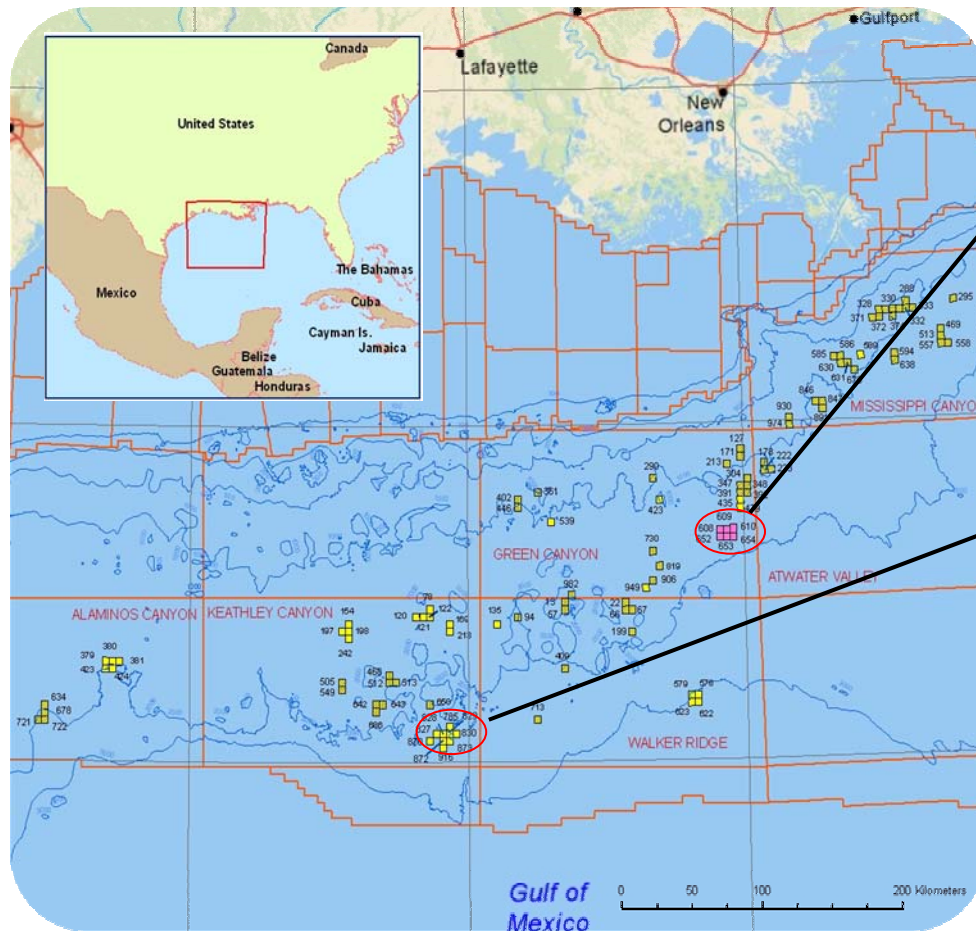


- Other fields in Brazil
- BM-S-9
- Albacora Leste



Planned investments in the country of US\$ 4-5 B in 2010-2014, and US\$ 6-9 B in 2015-2019 dependent on exploratory success

# GOM: Successful Inorganic and Organic growth



- Repsol has built an excellent portfolio in the GOM deep water during the last 5 years
- Shenzi
  - Successful inorganic growth already on production with better results than initially expected
  - Recent successful appraisal increases the field's potential
- Buckskin
  - 2009 discovery well operated by Repsol
  - Important resources to be appraised in 2010
- Intense exploration drilling activity during 2011-2014. On average, 3-4 wells to be drilled per year

# GOM: Project inventory

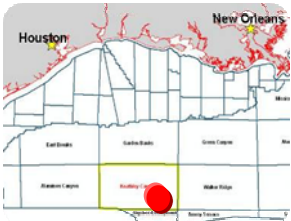
## Key growth projects

### Shenzi



- Repsol stake: 28%
- Appraisal and development success
- Start-up on date (2009) with plateau production earlier and higher (20%) than expected (121 kboe/d)

### Buckskin



- Repsol stake: 12,5%
- Discovering Well in 2009 operated by Repsol.
- Appraisal Well in 2010.
- Huge resources (>600 Mbbbl) under evaluation.
- First Oil estimated in 2016

## Growth potential: identified prospects

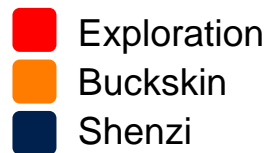
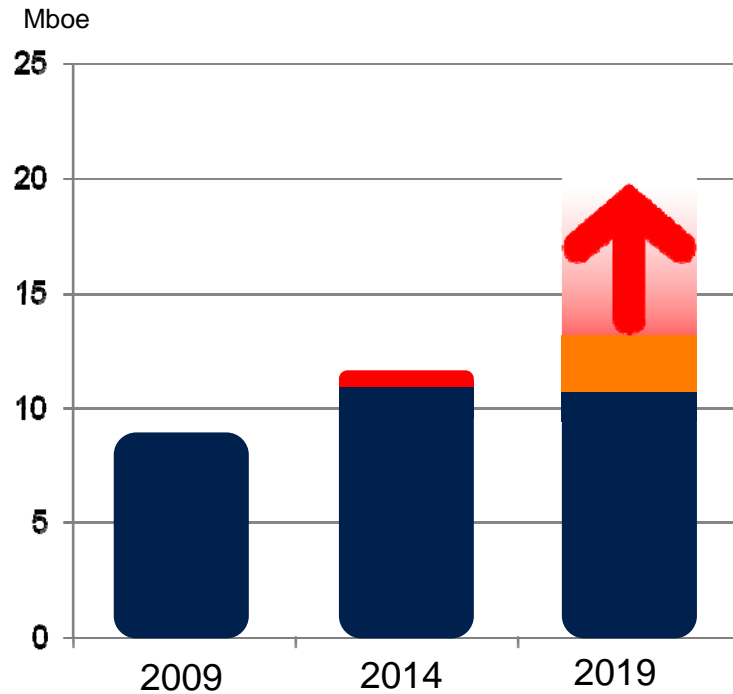
Project	Repsol stake
Shenzi North Flank	28%
Buckskin	13%
Beagle	35%
Black Pearl	25%
Como	20%
Polar Star	35%
Santander	40%
ASP	10%
Beethoven	50%
Leon	60%
Taipan	10%
Calpe	50%
Seville	60%
Mollerusa	60%

Shenzi NF and Buckskin Contingent Resources: 125 Mboe  
 Risked Exploration Resources (12 main prospects): 144 MBoe

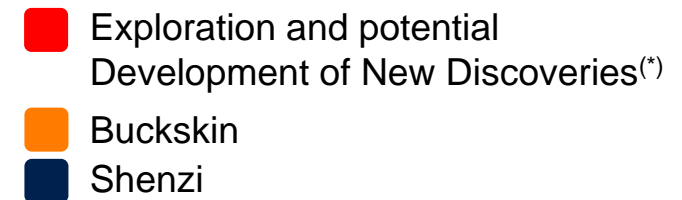
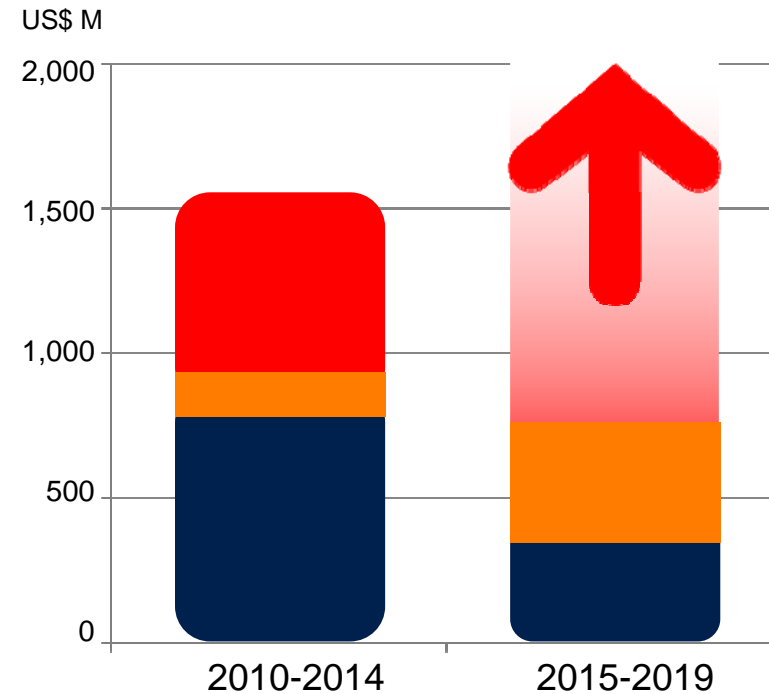
*Evaluated internally*

# GOM: Production growth and capex

## Expected Repsol net production in GOM



## Planned Repsol net investment in GOM

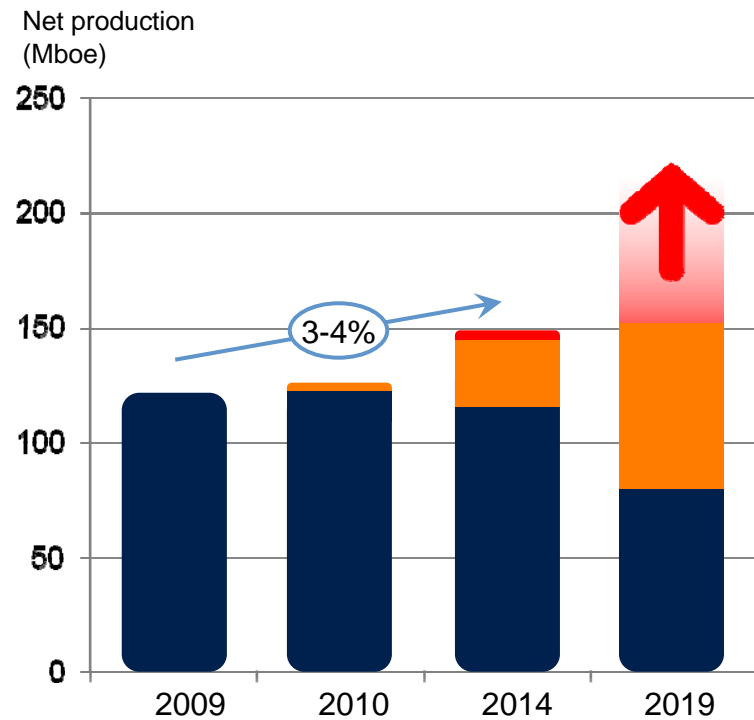


(\*) Depends on future exploratory success

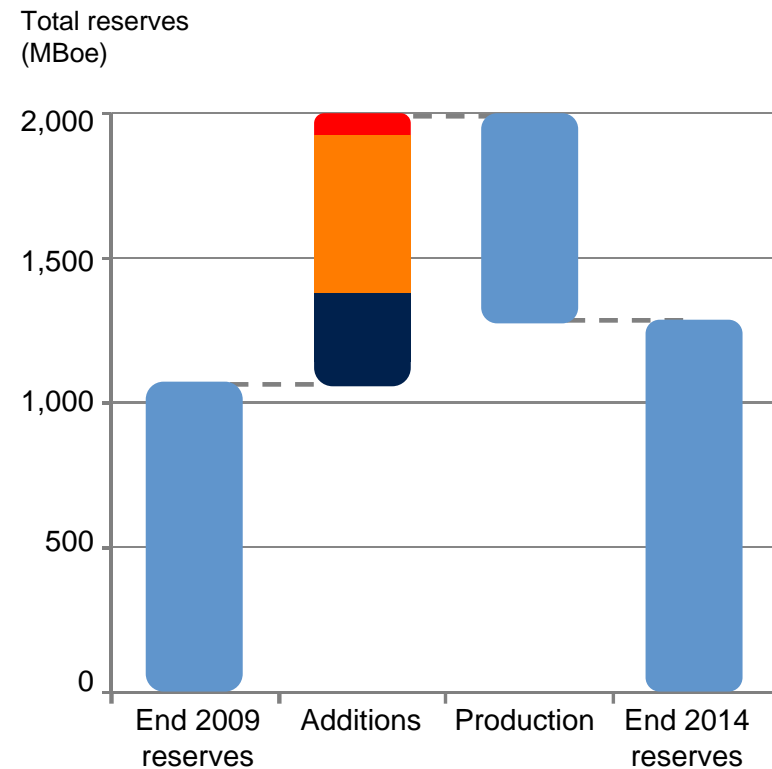
# Upstream:

Updated targets 2010-2014

**Production growth 3-4% p.a. to 2014 and higher to 2019**



**Proved reserve replacement ratio greater than 110%**



Note: All figures exclude Argentina

- Exploration & Contingent Resources
- Key growth projects
- Currently Producing Assets

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# Leading integrated Downstream position



## Refining – Leadership position

- #1 Refiner in Spain
  - Premium refining market
  - Diesel deficit in Europe and specially in Spain
  - Integrated refining system with high conversion: 5 refineries operated as a single one
- #1 Refiner in Peru



## Marketing and Trading – Highly efficient and integrated

- Efficient network of 4,430 service stations
- Leadership position in the Iberian peninsula
  - 41% market share in Spain and 20% market share in Portugal
  - Integrated with refining system
- Leadership position in Peru, integrated with refining



## LPG – World leader with focus in core markets

- #1 market position in key markets where we operate
  - Spain and LatAm
- #4 world LPG company by volume
- A leader in LPG operational productivity

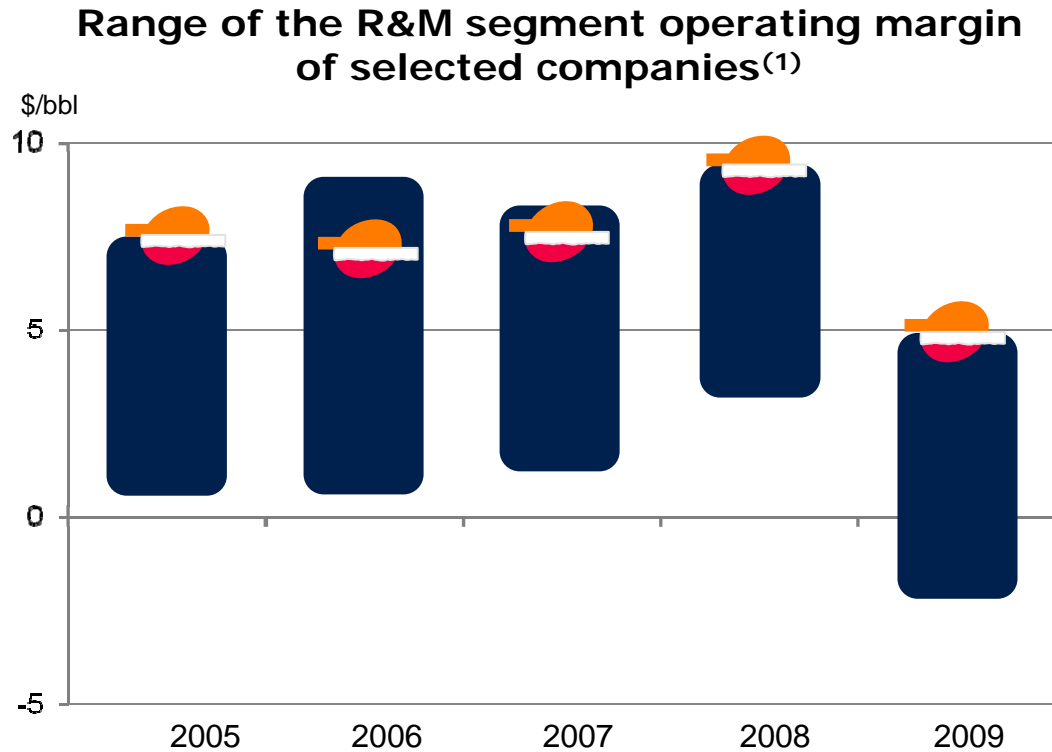


## Petrochemicals – Regional focus and integration

- #1 producer in Iberian peninsula and leading market shares in Iberia and Southern Europe
- High integration with refining
  - All sites co-located with refineries to maximize value of streams
- Limited exposure (4% of capital employed)

# Consistent leadership position

## Repsol leveraging strong competitive position as integrated player



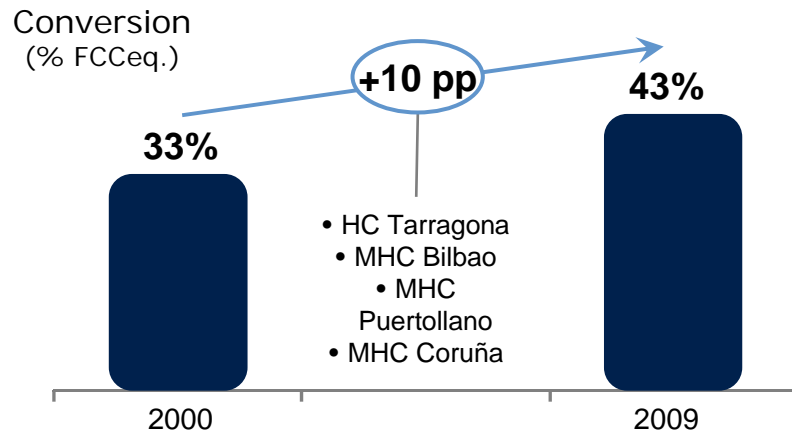
Note: R&M margin calculated as CCS/LIFO-Adjusted operating profit of the R&M Segment divided by the total volume of crude processed (excludes petrochemical business)  
(1) 14-peer-group including Majors, integrated oil companies and R&M independents

### Priorities for Downstream business

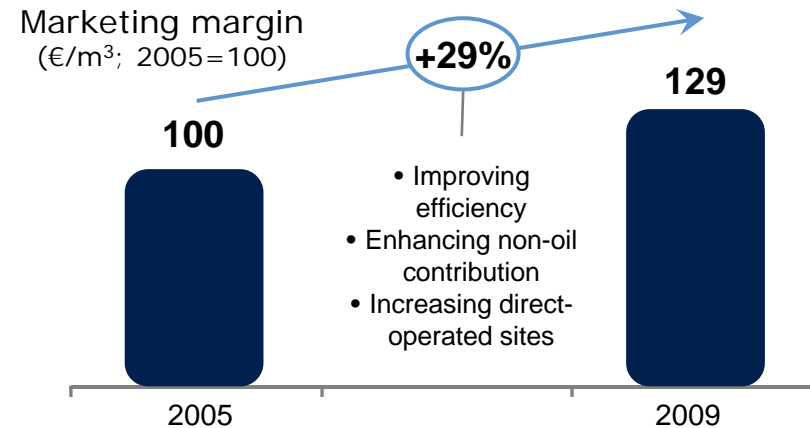
Optimization of return on capital employed  
Maintaining and strengthening competitiveness

# Continuous reinforcement of Downstream position

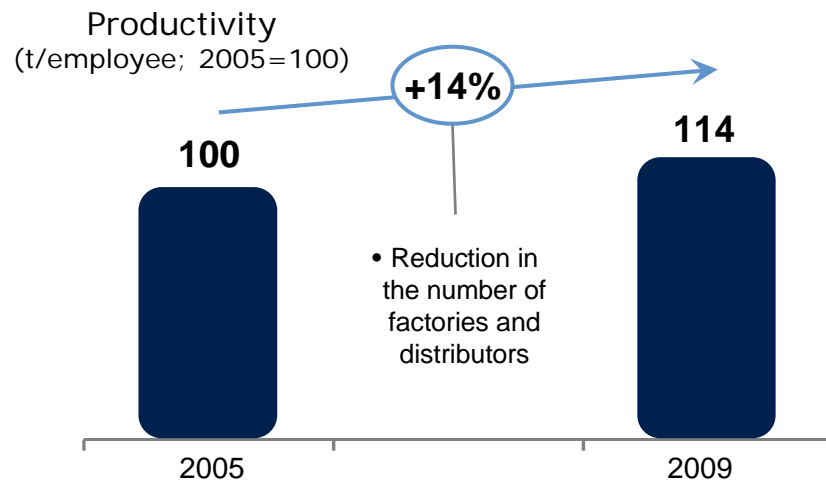
## Increasing the refining conversion capacity in Spain



## Increasing the margin in Marketing (Oil + Non-oil)



## Optimizing LPG business



## Divestment of non integrated positions

- Retail: Chile, Ecuador and Brazil
- LPG: Bolivia, Morocco
- Manguinhos refinery in Brazil
- Sale of CLH stake

# Downstream key projects:

Delivering on time within budget

## Cartagena



- Capacity increase of 120 kbpd up to 220 kppd
- New hydrocracker (2.5 Mtpa) and new coker (3 Mtpa)
  - Conversion improvement to +76% FCC eq. from 0% today (up to 92 % w/o Lubes)
- Total investment 3,200 M€ (2007-2012)
  - 1,800 M€ in 2010-2012
- Start-up: 3Q 2011

## Bilbao

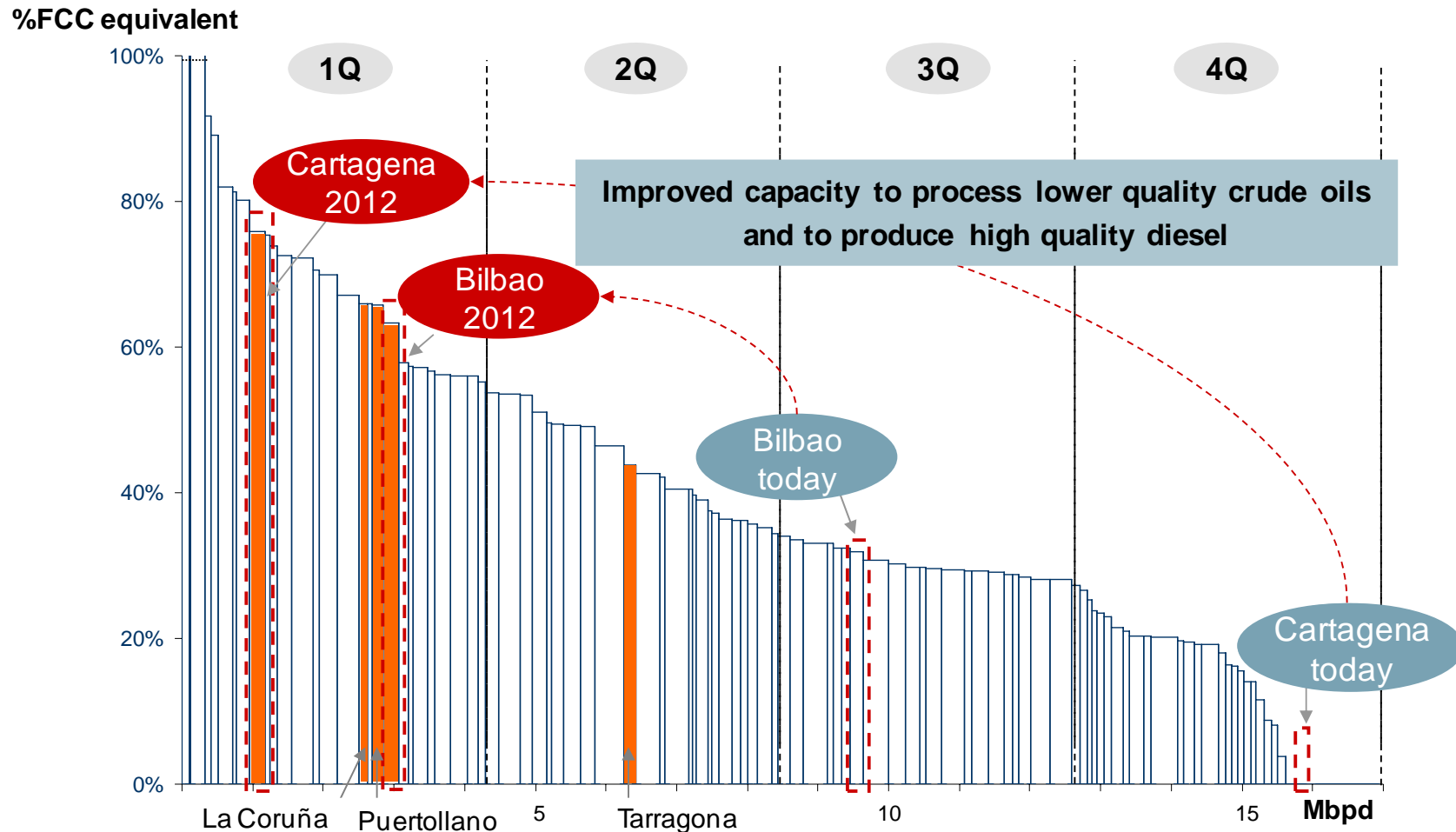


- New coker unit (2 Mtpa)
  - Conversion improvement of +32% FCC eq. to 63%
- Total investment 800 M€ (2007-2012)
  - 400 M€ in 2010-2011
- Start-up: 3Q 2011

- **The projects will add 2-3\$/bbl of margin to Repsol's refining system in Spain**
- **Both projects developing better than planned (Capex savings of 200 M€ from budget)**
- **From 2012 on, solid cash generation from premier integrated position in the European downstream**

# Downstream projects to strengthen our competitiveness

## 2012 first quartile European refining supply curve

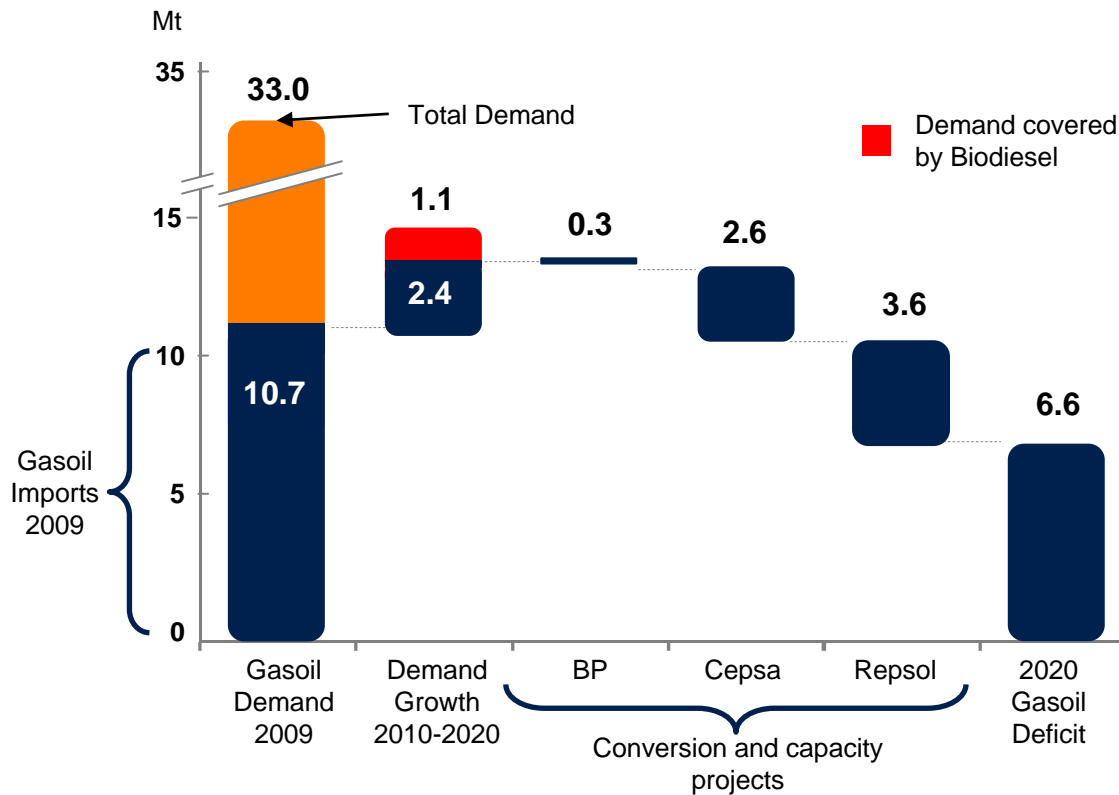


**In 2012, Repsol will be one of the European companies with the highest conversion ratio (first quartile of industry)**

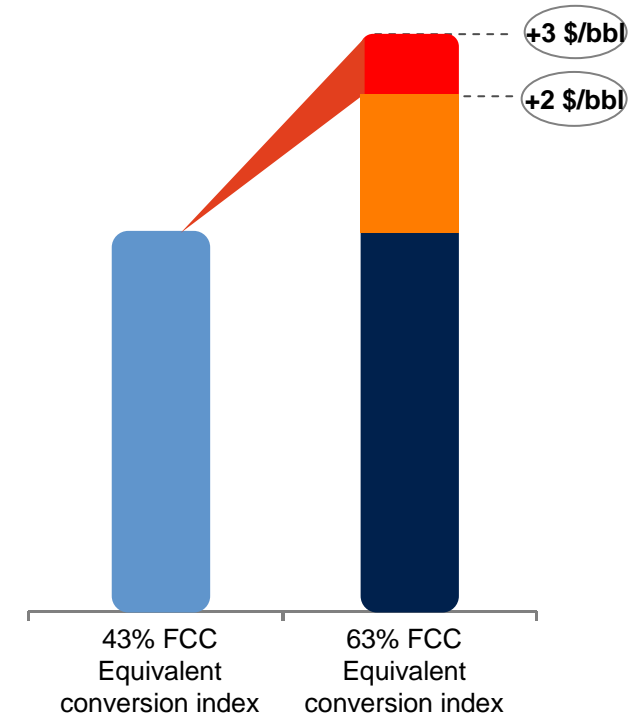
Note: %FCC equivalent without Lubes of Cartagena and Puertollano of 92% and 79%, respectively

# Domestic environment supports solid through-cycle returns

## Gasoil balance in Spain 2009-2020



## Additional margin from projects in 2014



Spain is an attractive market for refining brownfield expansion and conversion investments

The projects will increase margins 2-3 \$/bbl in 2014 over Repsol's refining system (890 kbpd)

# Focus on efficiency and profitability. Moving towards a less carbon intensive company

## Marketing

- Maximize value of efficient networks
- Integrated operations

## LPG

- Sustain worldwide leadership with targeted strategy per country
- Profitable growth in Latam with best-in-class operations

## Petrochemicals

- Focus on cost reduction and strict capex allocation
- Limited exposure (4% of total Capital Employed)

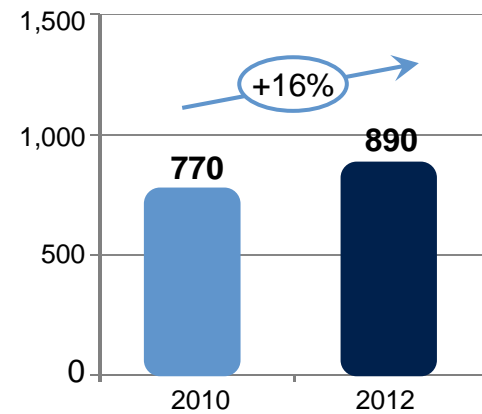
## Carbon management and new energies

- Advanced biofuels, from 2<sup>nd</sup> generation to synthetic biology
- CDM and carbon capture and storage projects
- New transport energy drivers
- Providing synergies with Repsol's ongoing business

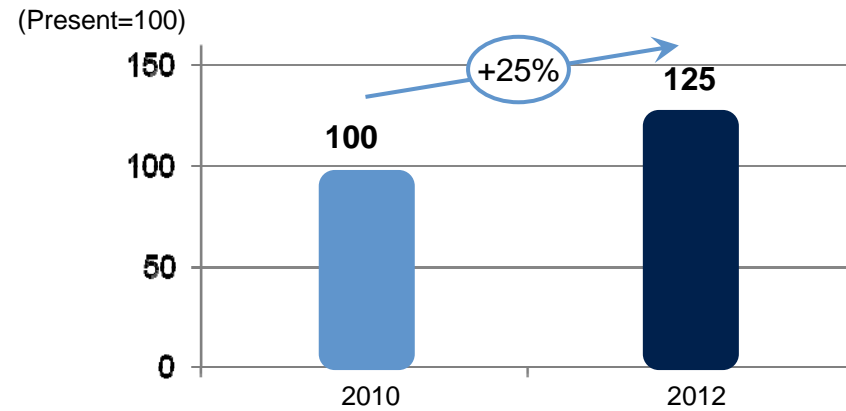
# Downstream: Updated targets

Repsol Spanish refining system footprint set to further increase competitiveness

(kbpd) **Distillation capacity**

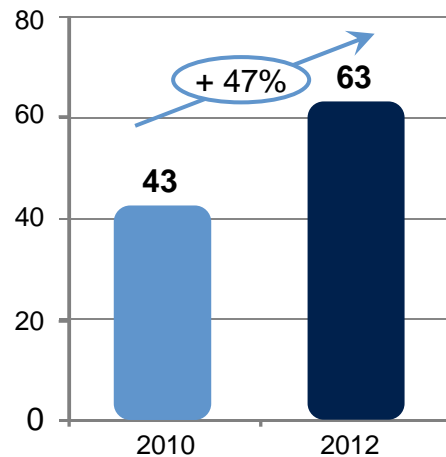


**Middle distillates production**

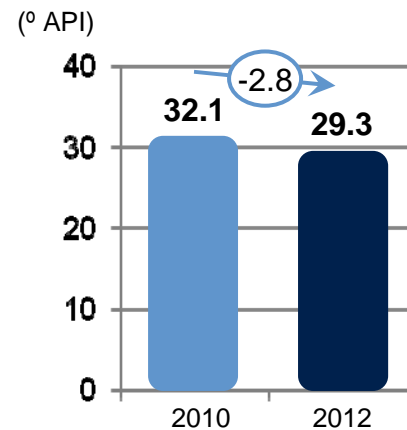


**Conversion**

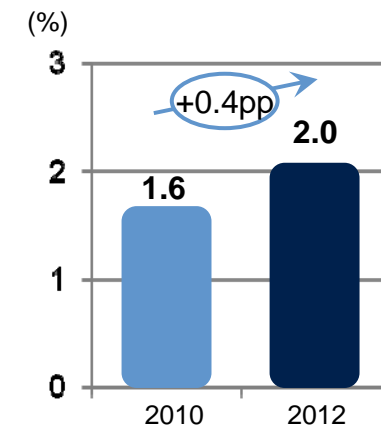
(Equivalent FCC %)



**Gravity of crude**



**Sulphur content of crude**





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# YPF: The leading energy company in Argentina



## Exploration & Production

- Leading producer
  - 2009 production: 111 Mbbl of crude<sup>1</sup> (~39% share of total liquids production in Argentina) and 98 MBoe of gas (~36% share)
  - 2009 Proven Reserves: 540 Mbbl crude and 483 Mboe gas



## Refining and Logistics

- Leading refiner
  - Total refining capacity: 333,000 bpd (53% share of total capacity in Argentina)
- High conversion and complexity
- Over 3,000 km of oil pipeline and multiproduct pipeline



## Marketing

- Leading marketer in the country (58% market share in diesel and 55% in gasoline)
  - 1,632 service stations<sup>2</sup>



## Petrochemicals

- Petrochemical business fully integrated with refining and E&P (natural gas)
- Production of 1.8 M tpa (>27% exports sales)

(1) Crude oil, condensed and liquids (2) 35 Refinor's service stations not included

# YPF:

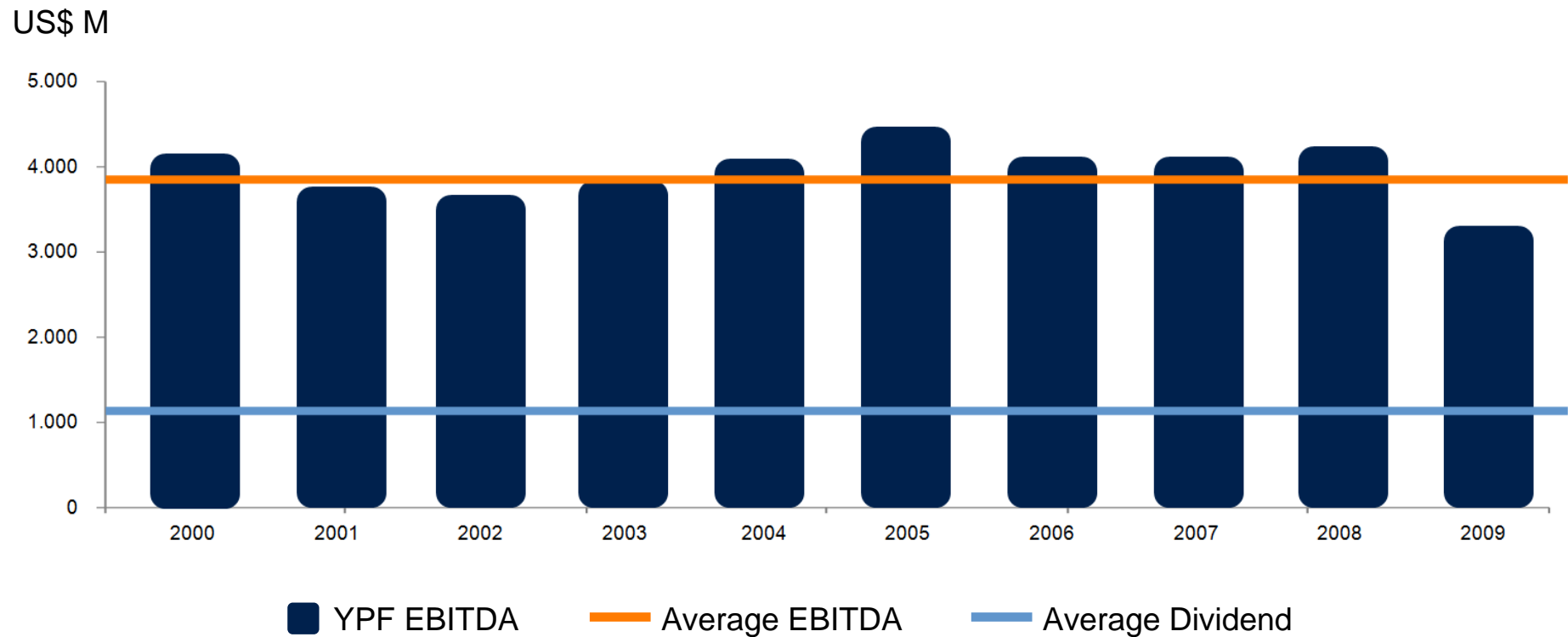
## Capturing the hidden value

- YPF business showing significant resilience in difficult economic environment
- Continue managing the transition period into a more open energy market
- Invest in E&P to increase the recovery of oil fields
- Renew licenses of key concessions: Mendoza, Chubut, Santa Cruz and Rio Negro
- Develop the unconventional gas opportunities as market conditions progress
- Rigorous capital allocation to ensure value creation

- **Managing to deliver growing results**
- **Self-financed capex plan and dividend payments**

# YPF business showing significant resilience in difficult worldwide economic environment

## EBITDA and dividends paid by YPF to Repsol



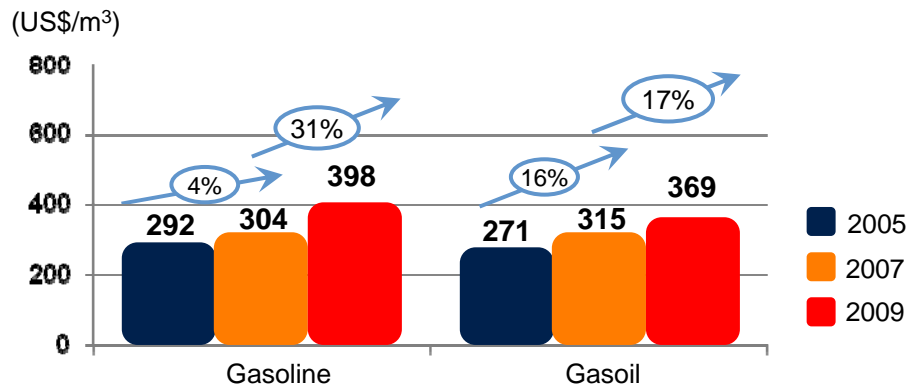
**EBITDA reduction in 2009 well below industry average**

# Improving local conditions (I): Energy prices in Argentina on recovery path

## Oil products

- Prices recovering although still below regional prices
- Argentina to become net oil importer in coming years

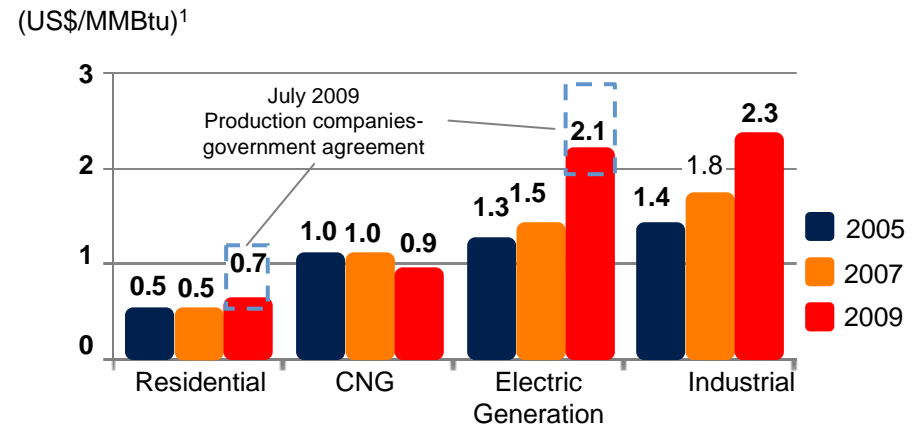
### Oil product prices<sup>2</sup>



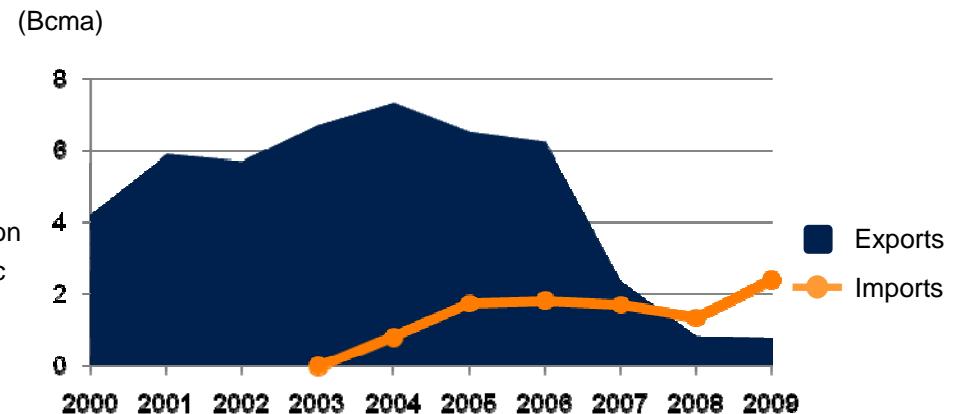
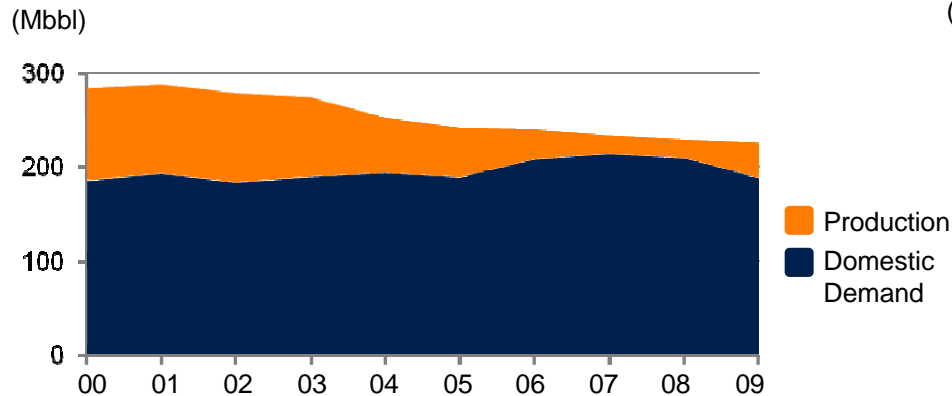
## Natural Gas

- Gas prices recovering in last two years
- Argentina is net gas importer since 2008

### Natural Gas prices



## Crude oil production and demand in Argentina Natural Gas Imports-Exports in Argentina



1. Excluding MEGA  
 2. Gasoil Ultradiesel retail and Gasolines retail (prices after tax)

# Improving local conditions (II):

Argentinean government setting incentives for new investments

## Petroleo Plus

Created by the 2014/2008 decree in November 2008 with two targets

- Increase crude reserve additions
- Increase crude production



The program was launched successfully

- 198 MUSD of benefits from the program to YPF in 2009 (equivalent to 2.2 USD/Bbl)

## Gas Plus

Permission to commercialize in the internal market and under free market conditions natural gas produced under specific circumstances



YPF has participated in the Gas Plus program through 4 projects

- 3 of them operated by YPF (with deliver prices around 4-7 USD/MMBtu). YPF has the intention to continue with more Gas Plus projects

## Refino Plus

Program oriented to increase gasoline and diesel production and logistic facilities

- Providing fiscal incentives to the companies that participate in it



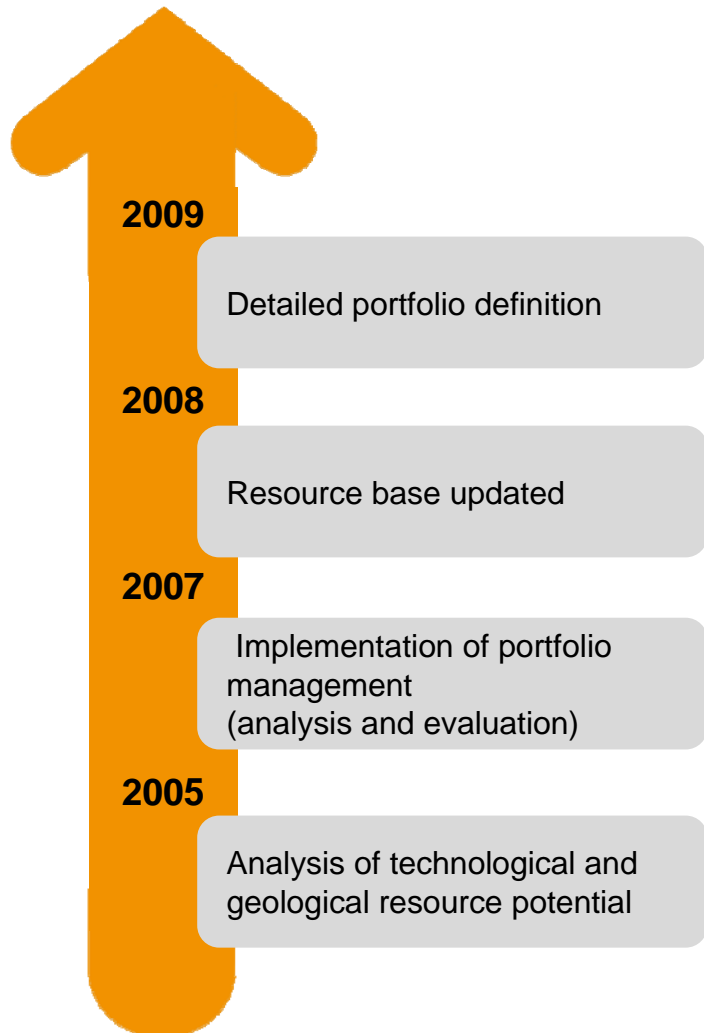
YPF is participating in the program through 4 different projects

- Investment involved around 950 MUSD, estimating 150 MUSD of benefits from the program to YPF. YPF has the intention to continue with more Refino Plus projects

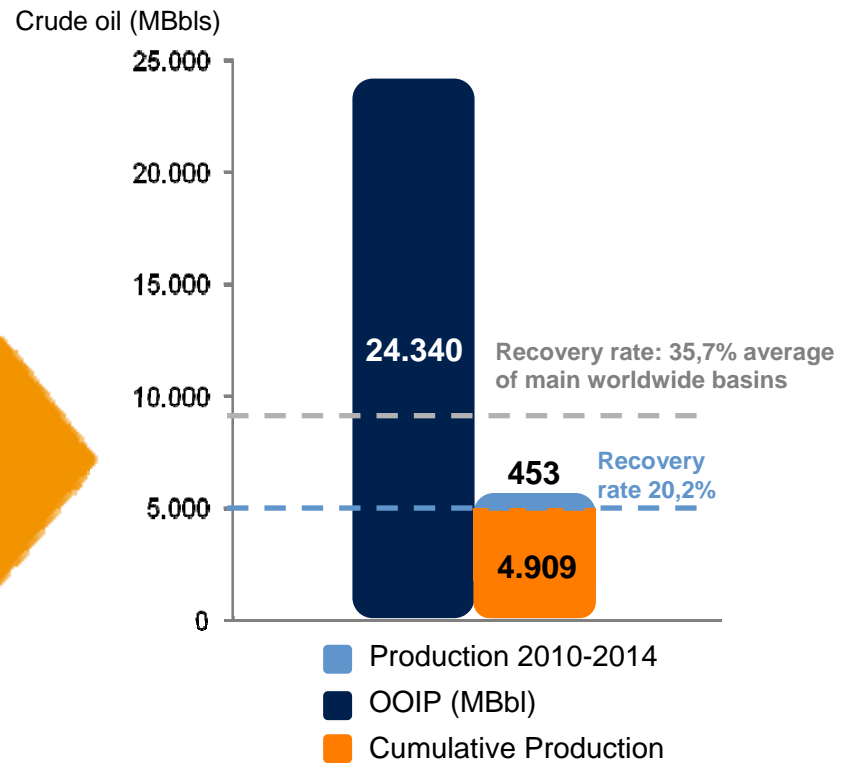
# YPF:

High potential for improvement of recovery factors in liquids

## YPF Program to improve recovery factor



## High potential for recovery factor improvement in YPF assets



**Improving recovery factor is the most powerful way to increase YPF crude oil reserves**

1% improvement in recovery factors equals 243 MBbl

**Successful pilots and projects already executed in 2009**

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# Gas Natural, a stronger less volatile income company after Union-Fenosa acquisition

## Creating a vertically integrated leader in gas and power

- Complementary power assets in Spain
- Stronger Gas and LNG portfolio
- Very complementary international portfolio
- Realization of portfolio and synergies value

## The acquisition allows GN to surpass its operating Strategic plan targets..

	2008-12 GN Target Growth	Actual GN Fenosa 2009	Completion of Target 2012 (%)
CCGTs (GW)	+3.3	+4.8	<b>143%</b>
Renewables (GW)	+0.6	+3.3	<b>550%</b>
Clients (million.)	+4.3	+9.2	<b>215%</b>
Regas plants (#)	+1	+2	<b>200%</b>
Liquefaction Plants (#)	+1	+2	<b>200%</b>

...as well as GN Strategic plan EBITDA target:

- GN Strategic plan 2012 target: 3.9B€
- Achieved proforma GN-UF 2009: 4.8 B€

### Repsol focus on Gas Natural Fenosa

From a financial perspective, to contribute to EBITDA and cash flow stability of Repsol

From an operational point of view, to enhance the potential of Repsol's LNG business

Gas Natural Fenosa's stake opens options and adds flexibility to Repsol

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**Corporate and financial outlook**

# Strengthening the performance of our asset base

## Strong focus on cost management and operational performance

- More than 1,100 on-going cost reduction initiatives
- Operational excellence transformation program (GoP) in place in all downstream businesses
- Active sourcing and supply contract review
- 800 M€ operating costs savings achieved in 2009 and consolidated in the future

## Divestments of non-core assets on track

2008-2009 Divestments already executed

10% CLH

Marketing Chile

Marketing Brazil

Marketing Ecuador

PMMA Chemicals

LPG Bolivia and Morocco

Real State: Repsol Tower in Madrid

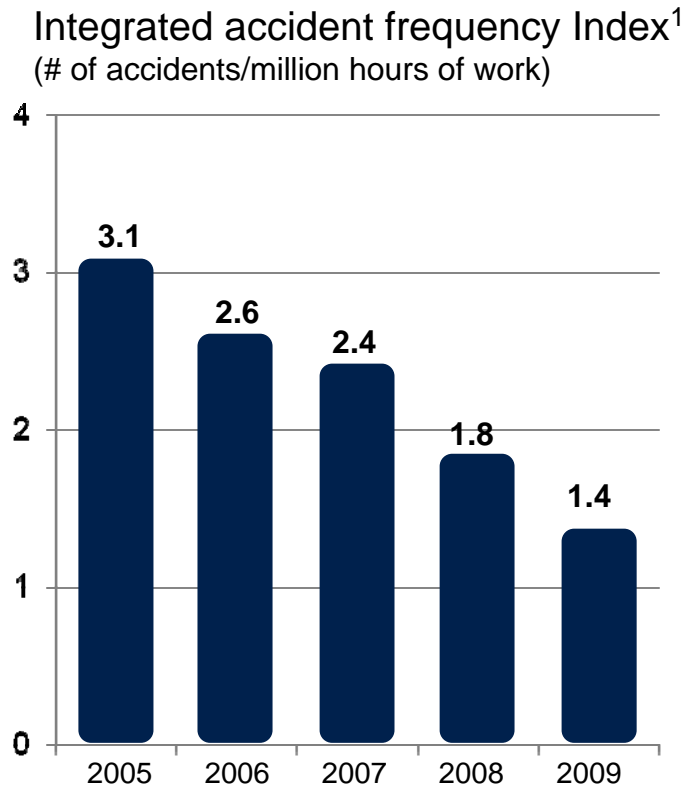
Other minor financial and real state assets

**Total pre-tax cash flow from Divestments ~1,700 M€**

**Our objective is to maintain and consolidate opex savings, and to continue with divestments of non-core assets and YPF**

# Progressing in Safety and Corporate social responsibility

## Safety focus – lowering accident rate



1. Number of accidents with unwanted leave per million of hours worked by own and external personnel

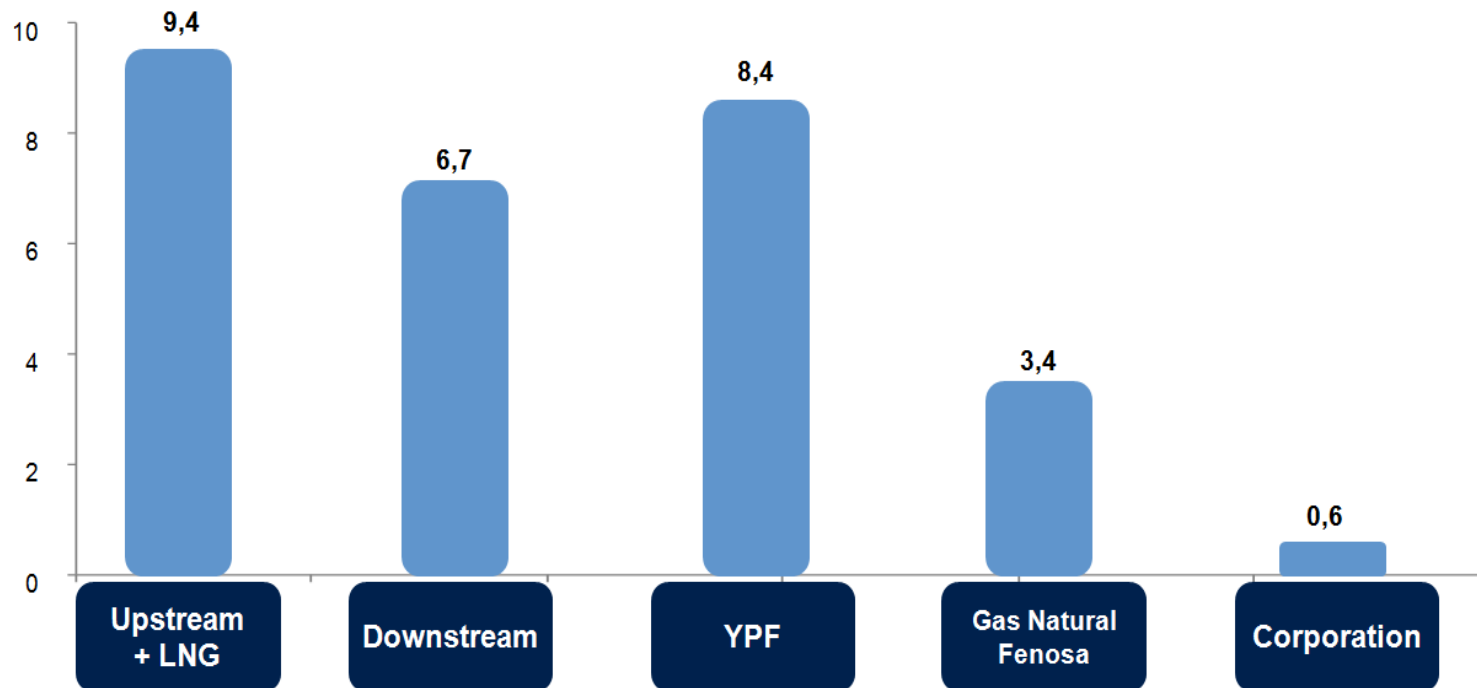
## Corporate Social Responsibility

### ● Internationally recognized for transparency and social responsibility

- Member of **Dow Jones Sustainability Index World and Stoxx** for four consecutive years
  - In 2009 Repsol obtained the highest score in transparency, human capital development and social impact in communities.
- Member of **FTSE4Good** for seven consecutive years.
- Member of the **UN Global Compact** since 2002, reporting progress annually since 2004.
- **Gold Class** recognition in PWC and **Sustainable Asset Management (SAM) Sustainability Yearbook** (third consecutive year).
- Acknowledged by **Empresa y Sociedad Foundation** as the Spanish employer creating more jobs for people with disabilities.

# Repsol 2010-14: Capex plan

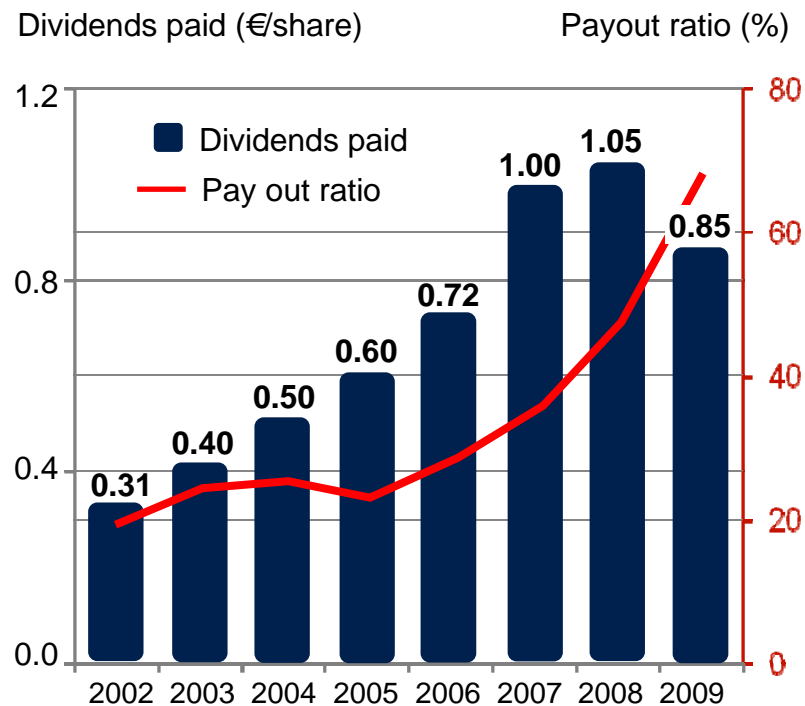
## Cumulative capex (2010-2014) – B€



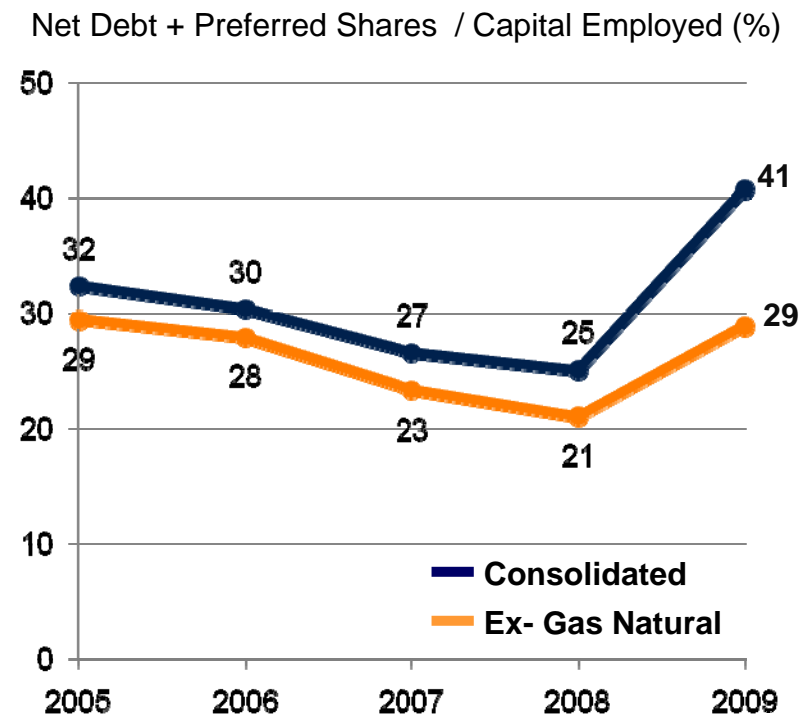
**Total Group capex 2010-2014: 28.5 B€**

# Shareholder returns and financial discipline

## Maintaining a high dividend policy in a challenging economic environment

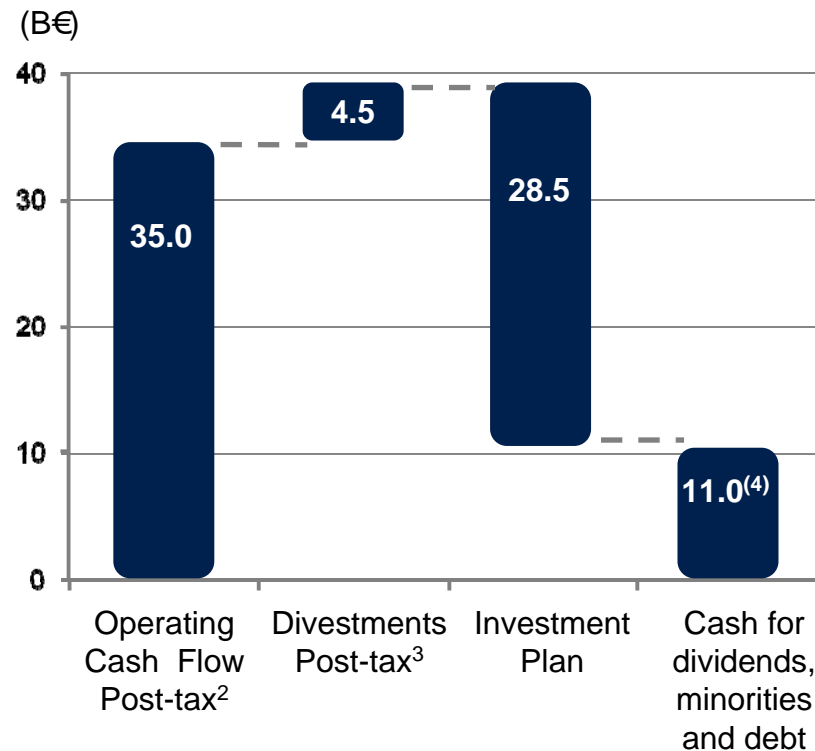


## Active financial management through the cycle



# Financial outlook and guidelines

## Financial Outlook: Cash movements in 2010-2014<sup>1</sup>



**Commitment to maintain strong operational performance and financial discipline to deliver the next wave of profitable growth**

(1) Assumed scenario: Brent crude price: 70 \$/bbl (2010), 90\$/bbl (2014); Henry hub price: 5 \$/MMbtu (2010), 5.5 \$/MMBtu (2014); NWE Brent cracking margin: 2,27 \$/bbl (2010), 3.32 \$/bbl (2014) Exchange Rate 1,35 \$/€ post 2010. (2) Includes net financial expenses (3) Includes divestment of YPF to 51% and other non-core assets (4) Consolidating Gas Natural Fenosa under equity method, cash available for dividends, minority interest and debt would be around 10 B€

# Summary

## Positioned for growth

- Accomplishing the transformation of Repsol Upstream into the Group's growth engine through key attractive current projects
- Leverage on strong recent exploration track record to create value from current exploration pipeline
- Benefit from enhanced best-in-class Downstream assets to capitalize market recovery

## Strong optionality value

- Capture the hidden value of YPF and flexibility regarding Gas Natural

## Sound financial position

- Strong balance sheet to fund future growth
- Large and stable dividend stream from YPF and Gas Natural

**Under the assumed scenario, cash generated will allow us to fund investments, increase dividends and improve the leverage ratio**



Repsol 2010-2014:  
Delivering on our commitments and  
developing the next wave of growth  
Strategy Update

April 28<sup>th</sup> 2010

