Repsol YPF
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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.
Maintaining Repsol YPF core businesses.

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.
Repsol YPF: A Strategy For Value Creation

Operating Excellence
Financial Strength
Profitable Growth
Deconcentration

VALUE CREATION
... viable under a prudent scenario.

## STRATEGIC PLAN BASIS

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
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<tbody>
<tr>
<td>BRENTHUB (US$/bbl)</td>
<td>22.0</td>
<td>18.0</td>
</tr>
<tr>
<td>HENRYY HUB (US$/MBtu)</td>
<td>4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>US$/€</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>PESO/US$</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>TAX RATE (%)</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>DOWNSTREAM MARGINS</td>
<td></td>
<td>- Mid cycle(*) –</td>
</tr>
<tr>
<td>ACCOUNTING CRITERIA</td>
<td></td>
<td>Current Spanish GAAP</td>
</tr>
</tbody>
</table>

(*) Mid cycle: R&M = Average of last 5 years; Chemicals = Last cycle average
Operating Excellence
Continuous cost optimization

COST SAVINGS (2001-2007) M€
(Recurring Costs /Year)

660
Previous Target
(600M€ 2005)
achieved
during 2003

Additional Cost Savings (2004-2007)

900
New Target

2001 → 2003E → 2007F
**Financial Strength**

**Demanding targets**

NEW TARGETS

- 15–25%: Net Debt/Capitalization
- 30-40%: (Net Debt+Prefs) / Capitalization
Financial Policy: Debt to Capitalization Ratio

TARGET RANGE

<table>
<thead>
<tr>
<th>Ratio</th>
<th>FFO</th>
<th>Debt service</th>
<th>Cash to shareholders</th>
<th>Investment</th>
<th>Long Term</th>
<th>Medium term, while Argentina achieves recognized and sustained stability</th>
</tr>
</thead>
<tbody>
<tr>
<td>42.9% (2001)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29.2% (2002)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24.3% (2003, 3Q)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Targets:
- Net Debt / Capitalization: 25%
- (Net Debt + Preferred) / Capitalization: 40%
- Cash to shareholders: 15%
- Long Term: 30%

Net Debt / Capitalization
- 25%

(Net Debt + Preferred) / Capitalization
- 40%
Returning Cash to Shareholders

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%)
Profitable Growth
Within top range of oil companies

ANNUAL PRODUCTION GROWTH(*)

Repsol YPF (2002-2007)

1st Q 6%
2nd Q 4%
3rd Q 2%
4th Q

Q=Quartile

Source: Companies strategy presentations

(*) Repsol YPF, Total, Eni, STATOIL, Conoco Phillips, BP, Shell, Chevron Texaco, Occidental
Deconcentration
Improvement of risk profile

OIL & GAS PRODUCTION

2002
72% 28%

2007
56% 44%

Argentina ROW
ROACE (1)

(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 ...
NEW PRODUCTION PROJECTS 2003-2007

- Gulf of Mexico: Neptune
- Mexico
- Venezuela: Yuca Placer, Quiamare, Barrancas
- Spain: Gaviota Expansion
- T&T: 4th Train, Methanol, Others
- Libya: A, B, D, N, O & M1
- Ecuador: OCP
- Bolivia: Δ GSA, Surubi-Mamoré
- Brazil: Albacora Leste
- Argentina

... in the planning period ...

Brazil:
... and beyond ...

GROWTH BEYOND 2007

- **T&T:** 5th Train
- **Spain:** Canary Islands
- **Algeria:** Reggane & TFT
- **Kazakhstan**
- **Middle East:** Iran, Qatar, ...
- **Venezuela:** Plat. Deltana, West Venezuela
- **Libya:** Murzuq, Sirte, LNG
- **Gulf of Mexico**
- **Cuba**
- **West Africa**
- **Venezuela**
- **Bolivia:** Pacific LNG
- **Brazil**
- **Argentina**

Legend:
- **Red Circle:** Pending approval
- **Yellow Circle:** Low Risk Exploration
- **Green Circle:** Medium & High Risk Exploration
- **Black Circle:** Under Negotiation
E&P COSTS (US$/boe)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Finding Costs</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td>F&amp;D Costs</td>
<td>6.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Lifting Costs</td>
<td>3.8</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: PFC

Estimates based on SFAS 69 Activities
... with an improvement in margin per barrel.

**E&P: MARGIN IMPROVEMENT (†)**

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

- Margin mix improvement:
  - T&T
  - Libya
  - Albacora Leste, …

- Cost competitiveness from devaluation in Argentina
- Cost savings

(*) Margin = revenues – production cost – royalties – tech. amortization
Strategy in Gas

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.

- **Upstream**
  - Southern Cone
  - Pipelines: BTB ARG-CHI, ARG-BRA

- **Midstream**
  - Atlantic LNG

- **Downstream**
  - Southern Cone: Metrogas, BAN
  - Brazil: CEG, CEG-RIO, SPS
  - Atlantic: LNG terminals
    - USA: LNG terminals
  - Caribbean: LNG terminals
  - Pacific: LNG terminals
    - USA: Market agreements
  - Pacific LNG
  - LNG Projects
    - Latin America: Market agreements
    - Middle East: Market agreements
    - North Africa: Market agreements
    - USA: Market agreements
  - Pacific LNG
  - LNG Projects
    - Far East: Market agreements
  - Spain: GN
    - Italy: GN, LNG terminals
  - Spain: GN
    - Italy: GN, LNG terminals
  - Far East: Market agreements
Experience in integrated LNG projects...

BRINGING RESERVES CLOSER TO MARKETS

Note: Includes 100% of Gas Natural sdg
Refining & Marketing strategy

- Leading positions
- Growth markets

QUALITY EARNINGS
Flexible & Integrated Refining Systems

Spain
740.0 tb/d (59%)
Conversion: 38%

Brazil
58.3 tb/d (3%)
Conversion: 11%

Argentina
334.0 tb/d (54%)
Conversion: 67%

Peru
102.0 tb/d (54%)
Conversion: 13%

La Pampilla

Luján de Cuyo

Plaza Huincul

REFAP
(Share 30%)

Manguinhos
(Share 30.71%)

Refinor
(Share 50%)

Argentina

Brazil

Spain

La Plata

NB: Conversion expressed as the ratio of FCC equivalent capacity to topping capacity
Refineries of Global Scale & Complexity

- 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

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
Refining Cost

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

Western Europe

Cash Operating Cost (US ¢ / UEDC)

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
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:
- A 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

- 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

Source: Repsol-YPF projections
CHEMICALS

- Integration
- Technology
- Operating excellence

PROFITABILITY
Chemicals
Main petrochemical assets

2003 Sales in Spain: 1.161 Kt

2003 Sales in Argentina: 662 Kt
... and a high operating efficiency ...

**PRODUCTIVITY(*)**

- + 9% C.A.G.R.
- X 3

**COST REDUCTION(*)**

- -3% C.A.G.R.
- -30%
- 4% C.A.G.R.

(*) Sales (t / employee)

(*) Cost without main raw materials and depreciation (€ 2002 / t sold)
Investment program summary (1)

CAPEX 2003-2007

TOTAL = 18,800 M€

Refining: 44%
LPG: 20%
Marketing: 36%
R&M: 26%
Gas: 8%
E&P: 60%
Chemicals: 6%
LNG: 15%
Development: 71%
Exploration: 14%

(*) Includes all exploration expenses
Investment program summary (2)

CAPEX BY REGION 2003-2007

- 26% Argentina
- 28% Spain
- 46% ROW
Conclusion

MAIN TARGETS

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
Primary Energy Consumption

- 2001: 48.6%
- 2002: 50.8%

- Oil
- Gas
- Coal
- Nuclear
- Hydro
Gas demand

Mm³


0 20,000 40,000 60,000 80,000 100,000

+26.0%

1Q 03 1Q 04

Power Gen. Residential & Commercial Industries

3,4% 12%
Increase in Gas demand

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

Increase in gas consumption: 0.8 Bscf/d
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.
Evolution of Gas Price realisation

US$/mscf

- 2001: 1.46
- 2002: 0.69
- 2003: 0.85
- 1Q 04: 0.98
Consumer breakdown by tariff type

- Dollarised industries: 37%
- Industries >9,000 M³/y: 45%
- Power generators: 18%
- Compressed natural gas: 9%
- Exports: 9%
- Residential & Commercial <9,000 M³/y: 9%

Total: 100%
Correcting the distortions in the market

• 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
Price schedule

Exports + Dolarised industries

Liberalized in 2002

>9,000 M³/y

May 04: +35%
Oct 04: 16%
May 05: +16%
Jul 05: +16%

+110%

<9,000 M³/y

Liberalization by Dec 06
Medium term outlook

• **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
General Environment

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
Highlights 1Q 2004 vs. 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
1st Quarter Results

**Net Income**

- **Q1 03**: 672 Million €
- **Q4 03**: 520 Million €
- **Q2 04**: 520 Million €

Changes:
- **Q1 03 to Q2 04**: -22.6%

**Operating Income**

- **Q1 03**: 1,129 Million €
- **Q4 03**: 1,001 Million €
- **Q1 04**: 1,001 Million €

Changes:
- **Q1 03 to Q1 04**: -11.3%

**Net Income**

- **Q1 03**: 720 Million $
- **Q4 03**: 649 Million $
- **Q1 04**: 649 Million $

Changes:
- **Q1 03 to Q1 04**: -9.9%

**Operating Income**

- **Q1 03**: 1,210 Million $
- **Q4 03**: 1,249 Million $
- **Q1 04**: 1,249 Million $

Changes:
- **Q1 03 to Q1 04**: +3.2%
## Comparison 1Q 40 VS. 1Q 03

<table>
<thead>
<tr>
<th>Category</th>
<th>1Q 40 (%)</th>
<th>Adjusted by €/$ Exchange Rate (%)</th>
<th>Adjusted by Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>-11.3</td>
<td>+3.2</td>
<td>+3.2</td>
</tr>
<tr>
<td>Net Income</td>
<td>-22.6</td>
<td>-9.9</td>
<td>-0.4</td>
</tr>
<tr>
<td>Adj. Net income</td>
<td>-15.9</td>
<td>-2.1</td>
<td>+6.7</td>
</tr>
<tr>
<td>After tax Cash Flow</td>
<td>-7.6</td>
<td>+7.5</td>
<td>+13.3</td>
</tr>
</tbody>
</table>

**REPORTED**
1st Quarter Results

Operating Income

Million euro

E&P Prices
- mar-03: 1,129
- mar-04: 1,001

Down. Margins
- mar-03: 43

Volumes
- mar-03: 10

Inventories
- mar-03: 53

Consolidation
- mar-03: 13

$/euro
- mar-03: 27

Others
- mar-03: 134

mar-03 E&P Prices Down.
### Liquidity as of March 31st, 2004

<table>
<thead>
<tr>
<th>Description</th>
<th>MM Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash equivalents</td>
<td>2.361</td>
</tr>
<tr>
<td>Other financial investments</td>
<td>1.290</td>
</tr>
<tr>
<td><strong>Total Financial Investments</strong></td>
<td>3.651</td>
</tr>
<tr>
<td>Committed Credit lines</td>
<td>4.164</td>
</tr>
<tr>
<td>Of which used</td>
<td>(101)</td>
</tr>
<tr>
<td><strong>LIQUIDITY AS OF MARCH 31ST, 2004</strong></td>
<td>7.714</td>
</tr>
</tbody>
</table>
Conclusions

- 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
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