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PRESENTATION

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Thank you. Good day, ladies and gentlemen. This is Maria Victoria Zingoni, Investor Relations with Repsol. On behalf of our Company, we would like to thank you for taking the time to attend this conference on our annual results.

The presentation will be conducted by Antonio Brufau, our CEO. Other members of the Executive Committee are joining us as well, and will be also available to answer your questions.

Before we start, please, I invite you to read our disclaimer note. We may make forward-looking statements, which are identified by the use of words such as will, expect, and similar phrases. Actual results may differ materially, depending on a number of factors, as indicated on the slides.

I now hand the conference over to Antonio.

Antonio Brufau - *Repsol YPF - CEO*

Thanks, Maria Victoria. Good day to you all. If we're going into further details on our annual performance, please allow me to go over some of the 2010 events, where we made important progress towards achieving the objectives set in our strategic update last year. Let me recap on them.

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In Upstream, production and reserve figures were both in line with our planned targets. Our production recorded 3% organic growth, with a better production mix, reaching 42% in liquids versus 40% in 2009. Reserve replacement ratio for the year achieved 131%, almost organic.

In Downstream, we continued to make progress towards startup of the Cartagena and Bilbao Refining projects, set to come on-stream in fourth quarter '11. At year-end, we had to spend 71% of the total investment budget. Both projects continue to be on track, and will be on-stream below budget.

In YPF, local prices for liquids continued its strength toward international parity. Dollar increases reached 14% in gasoline, and 19% in diesel over the year. Moreover, we proved that oil decline could be contained with the right economics in place. Even though BOE production declined 5.4%, it was only 1.6% in crude oil versus more than 5% in the previous year.

These three improvements in product prices and oil volumes explained how what we call the hidden value is flourishing, and positively impacting our profit and loss account.

Gas Natural Fenosa continued working on the objectives set in the 2010-2014 framework. Not only the Company made progress in reducing the net debt, but also in enhancing its financial structure and in extending the debt maturities.

On the arbitration process between Gas Natural Fenosa and Sonatrach, the Swiss federal court suspended it until the court decides on the appeal filed by Gas Natural. Notwithstanding this statement, Gas Natural has included the estimated impact on its results.

Regarding portfolio management, we made great progress in improving our portfolio, mainly through, first, the Repsol Brazil capital increase, fully subscribed by Sinopec. That valued Repsol's assets in Brazil at USD$10.7 billion, and ensures the self-financing of the investments required to develop our major discoveries in Brazil.

Second, advances in reducing our YPF stake. In total, we reduced it by 4.2% at an average total Company value of USD$15.6 billion. In consequence, we increased our equity by EUR150 million, due to current accounting rules.

Our vision to dilute remains unchanged, and we plan to keep a majority stake. Once the SEC approves the submitted F-3, authorizing the sale of up to 15% in YPF, more stock will be placed among institutional additional investors in the first stage, adding retail investors in the second phase.

Third, the disposal of our 30% stake in the Brazilian Refinery REFAP, for an [interplace] value of USD$850 million. This transaction represents the culmination of Repsol's non-integrated Downstream assets divestment process in Latin America.

All of the above has improved Repsol's financial significantly. Our net debt, ex-Gas Natural, at the end of 2010, was only EUR1.7 billion, was 65% lower than at the end of 2009. The free cash flow generated during the year and the strength of our balance sheet due to, among other things, to capital increase in Brazil allowed us to redeem USD$725 million in preferred US shares, which will improve our average financial cost.

To sum up, we were able to advance and achieve said goals in all business lines, and continued to be fully committed to the long-term growth.

Let me now go through the main operational highlights of our core businesses during 2010.

At the Upstream level, 2010 has been another important year in positioning ourselves as a respected Upstream operator and explorer. Accordingly, exploration success was in line with the positive trend initiated back in 2008. Six exploration successes in the year, two in Brazil, Creal B and Piracuca II, two in Venezuela, Perla 2 and Perla 3, one in Colombia, Calamaro, and one in Sierra Leone, Mercury.

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These achievements allowed an additional 750 million BOEs to our contingent reserve base, taking into account the 40% dilution in Brazil. In the last two years, we have been able to add more contingent resources in our proven reserve base.

In addition to these wells, we also achieved good results in the deeper formation of the current producing structure in Rio Grande, Bolivia. That could hold 1 PCF, and which could be developed rapidly, since the facilities are already in place.

We also continue with the seismic intensive campaign, and are adding exploration acreage in the Gulf of Mexico, Norway, Canada, Indonesia, and Peru. At the beginning of 2011, we were also awarded three exploration licenses in Angola.

Regarding our Upstream development operations, let me share with you the status of the different projects. In Brazil, part of the discoveries were made in 2010. We reported to the [AMP] the presence of hydrocarbons at Creal B, within the Albacora Leste block, in Brazil deep offshore Campos basin.

Nevertheless, another well will be required to better assess volume, extension and production capacity of the field.

In the region, the Guara, Carioca and Piracuca appraisal wells were drilled successfully, each confirming the enormous potential of these three fields included among the growth projects in our strategic update.

In Peru, we continued with the operational activities in the Kinteroni field. In January, 2011, Kinteroni 2 proved positive and enlarged the initial results estimations. A second operational well is scheduled this year, and progress is being made, so that the first gas production can come on-stream in 2012 as originally planned.

The award of Carabobo in Venezuela is strategically important, since the access to this large reservoir secures heavy oil supply for our Spanish refining system. The project is progressing as expected, and the consortium is working on a plan to accelerate production in this scenario. The first oil from this field could be on-stream in 2013.

Also in Venezuela, the Minister of Energy and Petroleum approved the Cardon IV operational plan. Perla 2 and 3 wells were drilled in 2010, and Perla 4 also proved positive, and extended the field north. Recovery of resources are estimated at 9 TCF, although after this well, further upside is expected. The first gas production will come on-stream in 2014.

In Bolivia, the final investment decision for the first phase of the Margarita project was made in 2010. Incremental volume production will be exported to Argentina at a price linked to oil prices. The first gas output of phase one remains to come on-stream in 2012.

In the Gulf of Mexico, the drilling of Buckskin-2 operational well was suspended after having drilled 125 meters. The resumption of Buckskin drilling (inaudible) [for ICS], despite the fact that the moratorium was lifted in October.

In Shenzi, we were able to reestablish drilling operations, but only for water injection. We believe that Shenzi's average production for this year will be slightly below to that of fourth quarter, 2010, due to the delay of planned development wells. In the meantime, we are contemplating our review of operating procedures, and management systems, to comply with the new legal framework. On February 8, we presented the first exploration plan to the authorities.

In (inaudible) LNG, Peru LNG, the second of our growth projects in this business line, successfully started operations in the month of June. Since then, and until December, 20 cargos were shipped from the liquefaction plant to different locations. As a consequence, Repsol's LNG volumes and earnings increased.

Repsol and Kogas have recently signed an LNG supply agreement that will involve the shipment of 1.9bcm of gas equivalent to Korea. We will ship the LNG from the Peru LNG terminal, where we have the entire off-take rights.

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Also, Repsol's role as an LNG supplier to Argentina continued, providing a total 8 cargos during the year. Stream, our JV with Gas Natural, also increased volumes by 40% activity increases in volume, commercializing 6.3 bcm in the year, mainly from (inaudible) Tobago and Peru.

At the Downstream level, in Refining, during 2010, we continued making progress on the Cartagena and Bilbao projects. The Refining and Marketing integrated margin, at $5.00 per barrel, reflects our strength, and is one of the highest margins in the sector.

The performance of the Marketing business has been rather strong over the year, offsetting a [3.2] drop in sales in our service stations in Spain. The Chemical business was one of the activities that suffered the most from declining global demand during the worst of the economic crisis. This activity finally rebounded in 2010, and it started a newer trend that concluded in adjusted operating results of the economic breakeven point. The recovery in volumes, as well as higher margins, drove this improvement.

At YPF, on top of the two drivers, pump prices moving to import parity and crude oil decline mitigation, I would like to highlight, form the operational standpoint, two significant events that supported the progress achieved in Argentina. On the one hand, the reserves replacement ratio has been the highest in recent years, with oil replacement still reaching 100%, due to the effort aimed at improving the recovery factor.

Our one point of increasing the crude oil recovery factor implies around 250 million barrels, more than 2.5 years at current production level. On the other hand, the progress achieved in relation to non-conventional resources, let me elaborate this topic.

On the tight gas side, we concluded a four-well program that enable us to assess a 4.5 TCF resource base in Loma La Lata field. We are developing the first phase base on a contract signed with Vale Rio Doce. Vale will initially invest up to USD$150 million, and will have the right to receive, sharing operating costs, 50% of the 1.6 million cubic meters a day estimated production. The company could also acquire almost all of the remaining volume at the reference price, between USD$5.00 and USD$6.50 per million BTU, under current market conditions. This is an example of how YPF is creating value by developing non-conventional resources.

On shale oil and gas, we have drilled several vertical wells as part of the exploration work to prove the existence of this type of resources in the Neuquen Province. The three fractured wells revealed that the Vaca Muerta formation presents similar conditions to shale oil and gas of those found in Backen and Eagle Ford formations in the United States.

We are currently drilling a horizontal well to gather additional data and evaluate final potential of our production well, while estimating final recovery. The records obtained in the drilled wells make us optimistic, and the progress achieved is encouraging. All the drilled wells have been vertical ones, so far, and production levels under natural flow. We will start another well this week.

To finish with unconventional resource potential in Argentina, in late November, we were awarded the 13 available licenses in the Neuquen Province, and around the interest of the formation potential in the area was confirmed by the fact that some of the major players in the sector, Total, Apache, Exxon, etc., joined us in all areas.

After this review of the achievements in our strategic plan and the main highlights of the year, let me now focus on our earnings performance.

Net income, including inventory effects and non-recurring items, reached EUR4.7 billion, mainly due to the Sinopec transaction. This year's adjusted net income was EUR2 billion, 57% higher than 2009, while fourth quarter was EUR499 million, 107% higher.

In 2010, we reached this year's adjusted operating income of EUR4.7 billion, 71% higher than the year before, while fourth quarter reached EUR1 billion, 41% higher year on year.

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Improvement in all variables explained the good performance, both for the quarter and for the year as a whole, compared to last year. Higher international oil and gas references, a stronger dollar against the euro, superior in the rate of Refining and Marketing margins, better results in the Chemical segment, and an overall improvement in Argentina.

Let me go now into the main effects in fourth quarter and 2010 results, business by business.

In Upstream, adjusted operating income was EUR361 million. This was EUR225 million in the same quarter 2009. The increase in our oil realization prices has been in line with the increasing [generational] references. Furthermore, our gas realization prices in the year increased 17%, more than the 10% increase of Henry Hub prices. This had a positive EUR122 million impact on operating results year on year.

At the full year level, reaching almost EUR1.5 billion, Upstream adjusted operating income was 67% higher than the EUR884 million posted last year, mainly as a consequence of higher average oil and gas prices and higher volumes.

Moving to LNG, enhanced performance was mainly driven by higher LNG margins and volumes following the startup of Peru LNG.

Downstream business, this year's adjusted operating income was also EUR164 million in the quarter, 73% up year on year. Refining margins were USD$2.90 per barrel in the quarter, compared with USD$0.00 per barrel in fourth quarter 2009, a particularly difficult period.

The Company's wider Refining margin, coupled with the rising distillate volumes in the [Spanish] refineries had a positive impact of EUR106 million on the Refining Activities operating income. The utilization rate of our refining system in Spain also increased in fourth quarter 2010 to 76%, versus 65% in fourth quarter 2009.

For the third consecutive quarter, the recovery of margins (technical difficulty) volumes in the Chemical business drove operating income over breakeven, EUR42 million more in comparison with the same quarter a year ago.

For the entire year, this year's adjusted operating income in the Downstream business as a whole reached EUR977 million, 51% higher than a year ago, mainly explained by the higher refining margins due to the wider spread in light and heavy crudes and in medium distillates, as well as rate of recovery shown in the Chemical business.

Moving on to YPF, adjusted operating income in the quarter was EUR321 million, higher than the EUR331 million posted in fourth quarter 2009. The most significant variations continued to be driven by higher domestic prices in dollar terms, and higher international prices.

Higher gas volumes and prices, particularly in the industrial segment, also had a positive impact on operating income. Overall production was 2.5% lower than in the same period last year. Production of linkage was down 5.7%, mainly due to the impact of the oil workers' strike in December. Meanwhile, gas production increased 2.1%. Excluding the strike impact, total production would have been 1.2% higher. This labor strike made it necessary to increase purchases of oil and liquids so as to maintain sales volumes.

The 19% year on year increase in operating costs due to greater activity and higher prices affected the P&L as well. For the whole year, adjusted operating income at YPF reached EUR1.6 billion, 106% higher than last year. This growth was driven by higher pump and international prices in dollars, and partially offset by the rise in operating costs.

In Gas Natural, operating income in the quarter was 60% higher than in the same period in 2009. The increase is mainly attributable to the cold weather in Spain in fourth quarter, the better results of the Power Distribution businesses in Spain, and the greater contribution of Latin America gas distribution activity.

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For the full year, adjusted operating income at Gas Natural was EUR849 million, in comparison with EUR745 million posted a year earlier. The 14% rise is mainly due to the inclusion of 100% of the international results as of 30 April 2009, in the results of Gas Natural as this year.

After this analysis of our earnings performance, let me focus now on shareholder return. Repsol's Board of Directors agreed on a gross interim dividend of EUR0.525 per share, charged to 2010 earnings, and a final dividend for the same amount. This dividend, pending AGM approval, represents a 23.5% increase compared to the previous year. This dividend increase reflects the positive development in the Company's earnings through 2010, and it's in accordance with our policy of financial discipline, combined with (inaudible) shareholder return as laid out in our Company's strategic plan.

And in 2011, we will divulge our efforts to continue the development of the growth projects in our strategic plan. Exploration activity will be one of the focus. We will be drilling between 25 and 30 wells, and investing more than USD$900 million.

Brazil remains an area where we plan to carry out intensive activity. We will drill eight wells, six in the (inaudible), and carry out extended well tests for each of the Guara and Carioca discoveries. These activities will deliver information to enable us to assess the quality of the reservoirs, and determine the optimum development plans for these fields.

Outside Brazil, all the exciting exploration drillings this year will take place in US, Norway, Guyana, Liberia, Morocco, Cuba, and Bolivia, among others. Overall, we will maintain our exploration activities in line with last year (inaudible).

Let me now briefly elaborate on some updates on our key projects in Upstream. It is worth mentioning that our projects are positioned in the main hotspots of the industry, such as Brazil, and that they all offer returns well above the cost of capital, among the highest in the sector. In general, all projects are being executed as planned, with some performing even better, such as Perla in Venezuela, and some projects in Brazil.

In Perla, after drilling three wells, we have exceeded size original. The increase in size will mean higher total investments, but lower on a per barrel basis. The Ministry has assigned a USD$3.69 per million BTU price, securing a good return on our investment.

We have also upgraded expectations on Guara, where the consortium has already contracted the FPSO, and the project remains on a schedule to be on-stream in early 2013.

We also added two projects not forecasted in last year presentation. First, Albacora Leste deep or Creal B discovery, a project that will be adding production during this strategic period, since this will be performed in 2013, 2014.

Second, the 2009 Lubina-Montanazo discovery in Spanish waters is a new key project. Despite the reduced size, it is a very profitable project, due to high quality, existing facilities, and the fiscal framework in Spain. We are currently in the process of obtaining authorizations. Therefore, I can affirm that the regional production targets of 3% to 4% compounds average growth per annum for the period 2010 through 2014, and reserves replacement ratio greater than 110% could be achieved, despite the dilution of a 40% stake in our Brazilian subsidiary.

Looking ahead, consolidating our LNG position is just a matter of doing what we know best, applying operational efficiency and not diminishing to these assets. To achieve these goals, we will leverage our trading and marketing strength, the quality of our assets, our know-how, fleet and (inaudible), to give us privileged access to premium markets -- Korea, Mexico.

Flexibility is the key regarding LNG, and we could benefit from our position as a global operator and privileged market access.

Our main goal in the Downstream business is to finish the projects on time and consolidate our leadership position by marketing the regional upcoming volume from these investments. The continued recovery in macro conditions and the widening of the differentials will support the startup of these projects.

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Under current refining margin conditions, with these projects on-stream, we will have increased the Company refining margin by USD$2.00 per barrel. The three targets for the business stated in our strategic update remain in place -- increasing distillation capacity, improve the mineral distillates yield by 25%, and increase the conversion index by 47%.

The conversion project will enhance Repsol's position in the European Downstream. Once the two projects come on-stream, we will run first position in the European Union in middle distillate yields. Therefore, the Downstream business will be a net cash generator, and will support the growth of the Company.

In Argentina, strategically speaking, we will focus, on the one hand, on non-conventional resources, and on the other, on conventional crude oil production by further improving in the recovery factor, while managing the P&L and cash generation. Provided that we have achieved a sound financial position, and we are now more comfortable to face next capital requirements, we could consider Gas Natural as a long-term value. Not only this investment provides a good dividend yield, but also enhances our LNG business through the synergies between the two companies.

Regarding new energies, we are working now on the development of the business unit, the strategic plan, based on five potential areas by energy -- renewable, generation, mobility, CO2, and energy efficiency. We will keep a smooth but continued pace investing in research and becoming involved in risk control projects.

Although we believe that the challenges we faced in 2010 will remain in place in 2011, this will be softened by the continued global recovery.

In relation with our CapEx plans, we plan to invest ex-Gas Natural around EUR6 billion in 2011. Corporate tax in 2011 is estimated at around 41%, and the final figure will depend on the evolution of macro variables and on performance in the different business and countries where we operate.

In terms of cash flows, ten months ago, we were expecting to generate, in the 2010-2014 period, an after tax operating cash flow of EUR35 billion. Divestments for EUR4.5 billion, and a CapEx (inaudible) of EUR28 billion.

Let me stress that we look forward to exceeding these expectations. Divestments, including the Brazilian capital increase, will be higher, reaching EUR7.8 billion. The CapEx program will be up EUR27.5 billion. Since the Brazil dilution, it's probably offset by the new projects, and by the expansion of existing ones.

Therefore, provided that the macro assumptions we have considered take place, we will be able not only to finance the CapEx plan, but also to maintain the growing return for our shareholders, and that a strong financial position with that as quite -- at quite low levels.

In April last year, we put in place a strategic plan with three main areas -- growth, portfolio optimization, and financial discipline. The results obtained in 2010 further secure the delivery of these commitments, and enhance total shareholder return and value creation.

2011 will be the year to lay the groundwork for the next stage of the growth process, to which we are committed up to 2014. We can even better outlook beyond the point of view of existing projects by line.

To finish, let me say a word on the Libyan situation. We have made sure that the personnel are not exposed to unnecessary risks, and we will take the necessary operational positions until we see how the situation unfolds. On Tuesday, we announced that the production in the country had been partially disrupted. Let me highlight that our exposure in North Africa and Middle East is limited to approximately 40,000 barrels per day in Libya, and 9,000 barrels per day in Algeria, which accounts for 14% of our Upstream and 5% of our total production.

And now, I'm pleased to answer any questions you may have.

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QUESTIONS AND ANSWERS

Operator

The question and answer session will begin now. (Operator instructions)

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Our first question is from BPI, Bruno Silva. Bruno, please go ahead with your questions.

Bruno Silva - *BPI - Analyst*

Good afternoon, everyone. Thank you for taking my questions. I have three, actually. The first one, starting with the Refining project.

I think that a year ago, you were to have the startup in the third quarter. Looks like there is a delay of one quarter. I just wonder what would be the impact of that, or the reasons behind that, and if there is risk of further delay? And therefore, just to conclude, what would be the time -- when should we start seeing the benefits of the USD$2.00 improvement that you have just mentioned, and when should we start seeing that impact in your accounts?

The second question, going back to North Africa, the impact you have already mentioned, and also considering your subsidiary issues with Sonatrach, you have also mentioned that in the case of GasNat, it is now perceived as a long-term investment, considering the synergies in LNG. My question is actually trying to understand, after diluting your position in Brazil for the reasons you presented at the time, if GasNat is perceived as a priority project for yourself, and therefore, you would never sell it, and do the product referred continue to dilute your exposure in some areas of the EMP business?

And the final question, I was looking at -- maybe it is my fault, I didn't quite follow the explanations for the evolution in the quarter along of the Downstream business, that despite the increase in Refining margins, that the performance, the EBIT adjusted is significantly lower quarter on quarter.

Thank you very much.

Antonio Brufau - *Repsol YPF - CEO*

Okay, Bruno, in relation to your first question, it's the start up of the project will be in third quarter. And there will be full in operations in the fourth quarter. Therefore, we -- our targets remain the same. The first day of the fourth quarter, they should be working at 100% capacity.

In relation with your second question about GasNat and a drag on North Africa, we are not saying that we will never sell GasNat. What I am saying is that GasNat is a good stake for us. We don't have financial pressure today. It's good to think that we keep that stake that can be liquid in a very short period of time, but at the same time since we [donated], it could add a lot of value to us in terms of LNG, in terms of [comparable] synergies, etc., etc.

Obviously, dilution in Brazil has nothing to do with keeping or not keeping GasNat. Dilution in Brazil was a priority for us, in order to -- not to concentrate too much capital employed in one single region. And remember that thinking ahead from now, with all the discoveries, we were talking that the total CapEx that we could have in Brazil would be something like between USD$13 billion and USD$18 billion, gross, in our case. If, provided that we kept 100%, no?

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Therefore, with the deal that we did with Sinopec, what do we have provided to our Company is that Brazil will not require one single dollar of CapEx from now until the end of the -- well, not to the end, but to -- for the next ten years. Therefore, we do feel very comfortable with the value created in Brazil, which will not require any type of capital investment. Nothing to do with GasNat -- GasNat, we will have to decide about GasNat at the given moment, if we have all the alternatives, etc.

I am saying -- now, you see the point maybe? I am saying that GasNat is a long-term value. I'm not saying with that is a long-term asset. It's a long-term value. Therefore, that means that in case you are being needed, we may be able to do things with GasNat. But today, for us, it's a good asset to be kept.

Financially talking, it's a good asset. We have a very good reward. We don't need that cash. We have the synergies through (inaudible). Therefore, it's one of the assets that create stability in our P&L, and I don't think we should sell that asset today, or on the next years to come.

Your last question was about the results of our Downstream operation. There are several reasons, no? One in several, it's more reasons, all of them added make the risk, make the -- create the risk. The one is, the less utilization of our refining system, because in the last quarter of 2010, Portagena was shut down, was closed for 35 -- something like one month and a half, and Cartagena, too.

The second one was, the last quarter of 2009, we had the Brazilian refinery, that was a 30% stake in REFAP that was sold the last quarter of 2010.

The third reason was the trading, the trading income that we had during this quarter was not as good as the quarter before, but that just was because the deals didn't happen during this quarter. Nothing against the business, nothing positive or negative. We didn't see opportunities in trading during this quarter.

The Chemical business, by then, was good through all the year, but the last quarter of 2010 was the worst year there because of the raw -- the NAFTA costs going up. Therefore, we had an average -- just to have an idea, an average margin per tonne of EUR150 through all the year, but the last quarter of 2010 was EUR117 per tonne. Therefore, even though through the whole year we performed quite well and we break even, the last quarter of the year, because of the increase in the costs of the raw material of the NAFTA, we had a reduction in our -- in this trend.

This year, 2011, we have gone back, and we have a margin of more than EUR200 per tonne. Therefore, it was a temporary situation which is nothing critical.

And lastly, which is my main concern today, is in LPG. You know that the Spanish authorities changed, by the end of 2009, the way to price LPG, deregulated LPG, based on a formula that in a growing market, in a growing raw materials market, killed the profits. And therefore, what we are -- now we are just having the -- we have gone to the core, we have asked everybody to change the formula, because in a continuous trend of war moving up the price of oil, and therefore, the price of propane and butane, we will suffer in LPG.

And that's not what we want. It's a regulated business. By law, we have to be remunerated for being in the regulated business, and I think that sooner than later, we will have to see a change in the ruling, no? But this quarter, because of increase in the price of the propane and butane, we have to suffer.

These are minor reasons, but all of them added makes it -- make -- can sum this is your conclusion.

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Bruno Silva - *BPI - Analyst*

Thank you so much. Just a very quick follow-up, if you don't mind. So what was the contribution of REFAP, and the contribution of LPG to these results, accumulated in the fourth quarter?

Antonio Brufau - *Repsol YPF - CEO*

For the quarter, I think that REFAP, the REFAP business was EUR60 million. I think (inaudible), but why don't you check with Marty, if you don't mind --

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Bruno Silva - *BPI - Analyst*

Thank you so much.

Antonio Brufau - *Repsol YPF - CEO*

-- to make sure that the figure is right.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

We have a next question from Merrill Lynch. Hootan, please go ahead with your questions.

Hootan Yazhari - *BofA Merrill Lynch - Analyst*

Good afternoon, everyone. Just a couple of quick questions, please. You've got another year of very heavy exploration coming through. And it looks like again, you will be -- you will have eight exploration/appraisal wells in Brazil, with potential for further upside.

Can you just give us some idea of if you continue to make some significant discoveries, whether you would look to further dilute the business, or whether you are comfortable that should you find further accumulations, you will be covered on the CapEx side?

And then, on the second question, it's really related to the sell-down of YPF. You made a transaction with Eton Park in capital earlier in 2010, and the price there seemed to significantly below the market price.

Can you confirm whether -- how you're thinking about the next leg of the selldown? Are you going to be using the ADR price, or whether you're going to be looking at, again, doing it at a big discount? Thank you.

Antonio Brufau - *Repsol YPF - CEO*

In the exploration, I mean that our hope and we expect that we are going to have -- would result in exploration. Therefore, that means CapEx, as you (inaudible) with you.

In the next coming four years, you have to think that at the Downstream level, this year is the last year to place a significant part of our CapEx. Once we finish Cartagena and Bilbao, with the most -- we will start creating cash flow from these projects, and at the same time, we not only be placing money or placing CapEx in this business. Therefore, we will focus our activity and investment in exploration and development, and developing of the projects.

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To have an idea, from now on, to 2014, I think that our CapEx program in the Upstream, outside Argentina, will be between EUR1.7 billion to EUR2 billion per annum. With that, it's -- our cash flow, it's enough to finance that CapEx. Therefore, I don't think we need to dilute our positions unless we see that the (inaudible), the results of these exploration will force us to invest, again, like Brazil, too much money in one single place. Obviously, that could be the case in, for instance, in Venezuela, where we have big, big successes with Perla, etc., etc. But as of today, we see that we can manage that ourselves with our existing positions, and financing that organically. Therefore, we are not seeing dilution today.

In the connection with YPF, now we are in the process of getting the authorization with F-3 in order to go to start selling. The price, the market value of YPF, in my opinion, doesn't mean much, because I think that this is very few -- there are very few shares in the market with not a significant meaning. My impression is that the value that we agreed with Eton Capital was a very professional value, and the deal should be around that value, the net sales around or even higher than that value. But let's say, around that value.

Hootan Yazhari - *BofA Merrill Lynch - Analyst*

Okay. (inaudible), thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Thank you. We have another question from Tudor, Pickering, & Holt, with Anish Kapadia. Anish, please go ahead with your questions.

Anish Kapadia - *Tudor, Pickering, Holt & Co. - Analyst*

Hi, good afternoon. Got three questions, if I can. Firstly, just on your balance sheet, it looks quite comfortable at the moment. The question is, what are you going to look to do with your cash that you generate over the next few years? Are you going to look to go back to a 10% per annum increase in the dividend, or are you going to look at acquisitions?

Secondly, on the LNG side of the business, can you give some guidance in terms of your earnings for 2011? So it appears like you're buying gas from Peru at Henry Hub pricing. This is all on contracted, so you've got the ability to sell this at spot gas prices, which are significantly higher. Can you just give some idea what that means for your earnings this year?

And the final question. The capital structure of Repsol Brazil looks very inefficient, given that you have the USD$7 million of cash on the Repsol Brazil balance sheet, which -- correct me if I'm wrong, but I don't think you'll even be able to spend over the next five years. So I was just wondering what you're looking to do with that cash. Are you going to pay some of that out in dividends to improve the capital structure, or are you looking at acquisitions through Repsol Brazil?

Antonio Brufau - *Repsol YPF - CEO*

Are you looking your first question and your last question, about the same, no? It's a consequence, one or the other, no?

Our balance sheet today is very strong, (inaudible) our financial position. But that's what we want to have with the volatility that we are seeing in front of us. You have to take into account that if you exclude GasNat, our cash flow after taxes is around -- our cash flow is around EUR8 billion. And if you have to say -- and if you have a CapEx (inaudible) of EUR6 billion, and we have to pay dividends and taxes, then we move -- I would say, organically, today we break even. Therefore, keeping a sound financial position with this volatility that we see in front of us, I think that this is not a bad position, that we can think, in the (inaudible) of result, better being in this position, in this situation, than if we had a different financial structure.

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Therefore, we do think that we can -- we will be able to pay higher dividends, and increase the dividends at the level of the percentage that you have mentioned for the years to come, and we do not plan to have big acquisitions. Obviously, having said so, that doesn't mean that if we have -- if we see in front of us a good asset, not a good company, a good asset, that may create value to us, we will study.

But that asset should be not a big one, should be something to be able for us to create value. And therefore, I'm considering in terms of this thing happening, deals of no more than USD$300 million, USD$400 million. Just to keep our financial situation as it is today, no?

Obviously, the Brazilian cash, I'll agree with you that in Brazil, it's not very efficient. But both partners will use that cash on a 60/40 basis in order to maximize the value of that cash. Therefore, we are investing 60% of the USD$7 million in Repsol, and Sinopec is managing the 40%, the remaining 40%. Every year, we will place in Brazil the money that Brazil will need.

And in LNG, I think that our best estimate today of the 2012 results should be -- sorry, LNG results -- sorry, 2011 results will be something around USD$225 million to USD$275 million of operating profit. No? Is that the case? I don't know, sorry, they correct me, (inaudible). It's -- let's say, on average, EUR250 million of operating results coming from LNG.

This is nothing strange, because Canaport is working whole year on a -- at a higher capacity than last year. Peru is working 100% through the whole year. One third of Peru is obviously, two thirds will go to Manzanillo, but 2012, not this year, therefore, this year, we have 100% of the uptake free to maximize that value. Therefore, we see that these results are quite conservative, and provide -- and we are just not maximizing the expectations of the possibilities that we have in front of us.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

That all right, Anish?

Anish Kapadia - *Tudor, Pickering, Holt & Co. - Analyst*

And just one clarification on that. So if current spot LNG prices stay where they are, what's the upside to that forecast?

Antonio Brufau - *Repsol YPF - CEO*

Henry Hub for us is not critical. I mean, the -- we have a [net back]. In case of Manzanillo in 2012, the formal (inaudible), I don't remember exactly, it's USD$0.60 of USD$1.00 after paying everything. Therefore, in Manzanillo, two thirds of the production will go to Manzanillo, obviously, a formalized link to Henry Hub, but for us, it seems USD$0.60 per million BTU.

2011, we will not go to Henry Hub. Obviously, we go to Korea, we go to Spain, we go to Europe, we go to the UK, and to Argentina. Remember, in Argentina, they are paying not Henry Hub, they are paying USD$9.00, USD$10.00 per million BTU through the LNG floating terminals. Therefore, we try to move around the world and forget about Henry Hub. Henry Hub is a nightmare for us, and we don't like Henry Hub.

Anish Kapadia - *Tudor, Pickering, Holt & Co. - Analyst*

Okay, thank you.

Antonio Brufau - *Repsol YPF - CEO*

Did I answer?

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Maria Victoria Zingoni - *Repsol YPF - Director, IR*

We have -- thanks, Anish. We have the next question from Irene Himona from SocGen. Irene, good afternoon. Please go ahead with your questions.

Irene Himona - *Societe Generale - Analyst*

Good afternoon. I had three questions, please. The first, Libya. Can you please clarify how much of the 3% to 4% targeted production growth rate in the Upstream is Libya? In other words, if we assume zero, what happens to that 3% to 4%?

Secondly, in your five year plan to 2014, given your scenario on oil and gas prices, what dividend growth rate can we anticipate, or what do you think you can afford? Are we looking at double digit growth rates?

And my third question concerns costs and YPF. You present, on slide 13, for example, the reduced decline rates of YPF output, but then equally, if I look at YPF Upstream CapEx in 2010, it was up 57% year on year. With cost inflation in the country, have you got any particular initiatives to control costs, any particular targets? And what happens to your spending as we progress through the next few years? Thank you.

Antonio Brufau - *Repsol YPF - CEO*

Yes. In connection with the growth of the 3% at the Upstream level, Libya, it's stable, it's not growing. I mean, in Libya, we produce, per annum, something like 14.7 million barrels. And that remains flat. They are a provider, that Libya remains as it was one week ago. Therefore, we are not seeing growth coming from Libya, although Libya accounts for something like 12% of the total production of our Upstream division. That's Libya.

00 in the morning to today, I don't know how many dollars per barrel we have, USD$7.00 per barrel, no? And tomorrow, I don't know what's going to happen.

So let's say that this year, it's very important for us to be very prudent, very -- with a very strong discipline, financially talking. With that in mind, and with our sound financial position, maybe volatility may be there and will be there, [no man], no way, we'll be there, at least in the next coming weeks. But I am totally convinced that our P&L and our ability to pay dividends will be, will allow us to increase those dividends at two digits. Obviously, two digits may be 10, or 99, no? Let's assume two digits, and let's just stay below the side of this scenario.

And in YPF, in 2009, we did a tremendous effort in YPF, and expenses went down 10%, which is unbelievable for Argentina. In 2010, everything was out of control because of inflation, etc., and we had cost increases. For instance, in Peru, year on year, the whole year, something like 20%, or USD$21 dollar terms. In other expenses, something like [15], etc.

2011, we see Argentina with the same (inaudible), and we see that we are contemplating, in pesos, increases in payroll of around 20%, from 20% to 25%, and in other expenses, mainly lifting costs, mainly lifting costs of around USD$15 to USD$17. Now, USD$15 to USD$17 in dollars.

Therefore, payroll, at the level to 20% to 25% in pesos, lifting costs, lifting expenses, product (inaudible) expenses, at the level of 15% in dollars. Will we be able to do that? I'm not so sure, because the impression, the [tension], that is high. (inaudible) is very strong. But we will try to manage that. We are more efficient, we are more closer to the businesses, we have [people] well to well, etc., and I think that our organization has improved a lot in order to guarantee that this thing may happen. But that's not going to be easy.

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Irene Himona - *Societe Generale - Analyst*

Thank you.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Thank you, Irene. We have a next question from Citigroup, Alastair Syme. Alastair, good afternoon.

Alastair Syme - *Citigroup - Analyst*

Hey, good afternoon. Just a very quick question, actually. On the EUR6 billion of CapEx this year, you kind of gave an indication of where EMP spending might be. But could you give a -- break down the rest of it by division, would be helpful. And then I guess going forward, the implication is, the CapEx stays fairly flat over the next four years. Is that a fair assumption?

Antonio Brufau - *Repsol YPF - CEO*

It's between EUR6 billion and EUR7 billion for the next four years. Today, for 2011, we have EUR1.7 billion in Downstream, mainly all of them placed -- well, not all of them, EUR1.1 billion being placed in Cartagena and Bilbao.

We have another EUR1.7 billion at the Upstream level, developing -- it's the CapEx and exploration. EUR2.2 billion goes to Argentina, and maybe we could spend one minute on that. And the remaining to headquarters, in total, EUR6 billion. Obviously, if we add GasNat, our staking of that is EUR6.5 billion.

For the next years, I think we will move between EUR6 billion and EUR7 billion, provided that the Downstream CapEx will see -- be significantly reduced, to the levels of half, EUR0.5 billion. Therefore, we will free something like EUR1 billion of Downstream CapEx to finance Upstream CapEx. Yes?

In Argentina, you may be surprised too with this level of CapEx. But Argentina is CapEx and reward -- I mean that it -- the payback of this CapEx, and we have proven that this year, 2010, is that it is investing in new drillings, enhancing oil recoveries, etc., the tight end shale gas, all the exploration, all the drilling activities that we have in Argentina will give immediate rewards in terms of reduction in the declining ratios, increasing production, etc., etc.

And then we see that we can manage on -- in a very short manner, no, I mean that day by day, if we see that there is nothing of reward, we stop investing. But we think that we only the conditions there to make a lot of money, increasing the production of liquids, of oil, increasing the refining capacity in Argentina to produce more gasoline and exporting less, because internally, we make more money than externally. And therefore, it's just a matter of investing where we see value added, and this is why we are putting to this emphasis in our CapEx program in Argentina.

But again, this is not long-term CapEx. I mean that we manage that day by day, and we can stop investing the sooner this year, just to [consider].

Alastair Syme - *Citigroup - Analyst*

Can I ask, just as a supplementary on the Argentina issue, I mean, there's a lot of moving parts in terms of pricing and costs and CapEx. You know, I think if I'm right, you had a net dividend of about EUR800 million payable to Repsol this year. How big do you think that dividend could get over time?

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Maria Victoria Zingoni - *Repsol YPF - Director, IR*

(multiple speakers) This is (inaudible). In YPF, Alastair, the dividend from YPF or the dividend of Repsol?

Alastair Syme - *Citigroup - Analyst*

No, the dividend of YPF, paid to Repsol. And cash, how much do you think YPF could contribute to you over time?

Antonio Brufau - *Repsol YPF - CEO*

Our goal is that at least EUR1 billion should be there. I mean that they -- we have to -- our strategy, you know, that YPF gives a dividend policy that it's a very high payout. But for us, for Repsol, our priority is to have at least EUR1 billion in total, in gross. I mean, for the 100% of the company being paid as dividend.

YPF cash flow is something like USD$400 billion -- excuse me, USD$4 billion. USD$4 billion, with a CapEx of [2.2], with taxes of something like half -- [500], and then it's room to pay dividends at that level. And at the same time, the financial structure of YPF then, we want to have YPF self financing. I mean that they have to finance themselves. It's very low -- I mean, therefore, they have plenty of room to increase their financing at the same time that they pay a good level of dividends. But 100% dividends, around USD$1 billion.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Thank you, Alastair. We have a next question from James Hubbard, Morgan Stanley. James, please go ahead with your questions.

James Hubbard - *Morgan Stanley - Analyst*

Thanks. Just two questions, please. On the -- you mentioned in the slides, 200 to 400 barrels a day coming from -- in oil, coming from these tight reservoirs in the Neuquen Basin. I'm wondering, what are your plans to -- I mean, I'm assuming that's inherently more attractive than the 4.5 TCF of tight gas, just given that local oil prices are, on a like for like basis, so much higher.

So what are your plans to appraise and develop these tight oil horizons? It sounds like you've only done vertical wells so far, so I assume you're going to try horizontal, and I assume you're going to try to fracture it. So yes, what is the outlook there? What is your plan?

And then, the second question is, I think you mentioned about the SEC approval on the YPF, plan for YPF sale. I think you're also dealing with a case in Argentina where someone has raised an issue trying to block you from selling any YPF shares. Could you just update us on what that's all about, and what's happening there, and how and when it might be resolved?

Antonio Brufau - *Repsol YPF - CEO*

Okay. The first question, about the shale oil or shale gas comparing with the tight gas, the shale oil, we are planning now to drill something like 20 -- well, shale oil, 20 wells this year and the year to come. I mean, 2011, 2012, in order to value, to assess the whole area. And we see a tremendous potential, and the results are very good. And still now, we are just doing vertical drills, and we haven't started with horizontal drilling. Therefore, we are very optimistic.

And all the other measures, all the other companies that are going together with that, we see a tremendous potential.

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But one thing about tight gas. Tight gas by itself is not good, because you cannot get (inaudible). But if you do a drill like our case through Petroleo Plus, with Vale Rio Doce, that's a good business, because Vale is paying for the first USD$150 million of investment, of CapEx.

Then, thanks to that, and after that, investing (inaudible), paying USD$7.00 per barrel of million BTU, and then going together, keeping 50% of their production financed, selling to Vale at that price the remaining 50% production. Therefore, I'm not so sure this is not a good business, tight gas, no? Although obviously, we see more, more in a shorter, in a closer manner, the shale oil production, because we see the results, and they are very good as of today.

In connection with the SEC, the filing of the F-3, we do think that in the next days, we will get everything in place to start the selling. Obviously, there is a situation in Argentina which is, let's say, a quite unique situation, which is something that a plaintiff that it was, that would deliver this totally unfounded, and it's something that comes from 1990, at the time that YPF was privatized by the government of Argentina, nothing to do with Repsol, nothing to do with us. It also goes to 10% of the shares of that YPF 1990, and it's nothing against Repsol.

Unfortunately, things are not very clear in this case, and there is a judge in one place very strange, (inaudible) in Cordoba, which is not one of (inaudible), no jurisdiction on this case. But the judge did that type of resolution, trying to force us not to sell the shares, not to use those shares. We have already go against this sentence of this situation, and the judge that decided to froze the shares resigned.

And now, a new judge -- and we hope that's going to be in Buenos Aires -- will take that responsibility, and we are sure that it is too obvious that it is nothing to do with us, nothing to do with our shares. I'm sure there is a reason, but maybe a personal reason, not a professional reason, not a real reason, to do this type of a resolution, to approve this type of resolution. We will fight and we will battle, and we are totally convinced that by this month of March, the situation will be solved, because it is totally unfounded, it's totally stupid, to say something clear.

James Hubbard - *Morgan Stanley - Analyst*

Okay, thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Thank you, James. We have the next question from Lydia Rainforth from Barclays Capital. Lydia, please go ahead with your question.

Lydia Rainforth - *Barclays Capital - Analyst*

Thanks, and good afternoon. Three questions, hopefully very short, if I could. Firstly, just a clarification. Did you say, going forward, that CapEx would be USD$6 billion to USD$7 billion per year?

And then, just the other two, I noticed Carioca seems to have slipped off the project list. Is that just there wasn't room for it, or is that now slightly later than 2015?

And then just finally, on Gas Natural, I understand you're going to take the dividend from Gas Natural as shares, certainly for this year. Is the idea that you will keep those shares, or will you look at selling those shares into the market?

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Antonio Brufau - *Repsol YPF - CEO*

The CapEx, you mentioned USD$6 billion to USD$7 billion. It's EUR6 billion to EUR7 billion.

Lydia Rainforth - *Barclays Capital - Analyst*

Ah, okay.

Antonio Brufau - *Repsol YPF - CEO*

And yes, that's the case on average for the next coming four years, which in total, give us something like EUR24 million, EUR25 million.

Your second point, you spoke very, very fast, and I was lost.

Lydia Rainforth - *Barclays Capital - Analyst*

I'm sorry. Just on Carioca, it seems to have fallen off the project list for 2015. I just didn't know whether there wasn't room for it, or whether that has just been delayed slightly beyond that 2015 period from last year.

Antonio Brufau - *Repsol YPF - CEO*

Yes. We are now talking with Petrobras and all the (inaudible). We do think that we will keep 2015 as the goal to start production. There is a debate there, as always, but a positive debate, and we think, our position is trying to push, to go faster, and to reach the [12, 12], 2015 goal, and there may be other positions that may try to go to 2016. No? Excuse me? (inaudible), you may elaborate a bit.

Unidentified Company Representative

The results of (inaudible) are very satisfactory, then. We think that Carioca can be (inaudible) of production (inaudible).

Antonio Brufau - *Repsol YPF - CEO*

Did you -- did you listen?

Lydia Rainforth - *Barclays Capital - Analyst*

Yes, thank you.

Antonio Brufau - *Repsol YPF - CEO*

And in Gas Natural, this -- the dividends that they are paying now, the complimentary dividends, you have the option of cash or shares. But it's neutral for us. It may be both. I think that we are going to, but that's something that is not yet decided.

We will go for sure in order not to be diluted, but it's irrelevant, because it's EUR100 million or around something like that. It's not more than EUR100 million. Therefore, it's nothing magic. It's keeping shares or keeping money, equal, keeping -- or having cash, it's not relevant, in my opinion, at this point.

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Lydia Rainforth - *Barclays Capital - Analyst*

Thank you very much.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Thank you, Lydia. We have the last question from Jefferies, Daniel Ekstein. Daniel, please go ahead with your question.

Daniel Ekstein - *Jefferies International - Analyst*

Thanks. A couple of questions, both on Argentina, actually. Firstly, on the Petroleo Plus, which seems to have made a fairly material contribution to YPF's earnings this year. It's looks that achieving the baseline of around 250,000 barrels a day of oil in '11 could be difficult. Are you going to be able to renegotiate the baseline, I'd say, at a lower level, and do we need to worry about the sustainability? Is that part of YPF's profitability?

And secondly, this is a difficult question, I know, but we've got the Argentine elections coming up in October, and I'm just wondering what you guys are thinking about, how this could impact the process of price liberalization in that country. You could elaborate on your hopes and fears, I suppose. Thanks.

Antonio Brufau - *Repsol YPF - CEO*

Okay, (inaudible) with Petroleo Plus, which you argue with you, it has made a very good contribution to our P&L. We have a different point of view. The strike that we suffered last quarter won't damage us, no way. I mean, that -- and to restart at the same level production is something that we are not so sure that's going to happen.

Therefore, I think that we have doubts, personally have doubts, that we will be able to get the first quarter Petroleo Plus subsidy.

I'm sure that we are going to work to get the second, third and fourth quarter. First quarter will be difficult. And we will do our best in order to get the second quarter.

But having said so, the dividend -- if we don't get Petroleo Plus this semester, the first semester, the P&L of Argentina looks very good, by the way, because price increases, etc., are huge.

Obviously, Argentina is suffering elections in October. And all of us suffer elections. But in Argentina, you have elections every year, and all the election -- and every year, those elections become the most important elections for the country. It's the same in Spain, or in the US, etc., no?

But I don't think that the authorities today in Argentina are not aware of the need to clarify prices. I don't think so. I mean that, that meant -- it could be the reality three or four years ago, but today, they know for sure that the best thing they can do is to have a very good energy sector, is to have prices at the level to make CapEx and investments to appear. And in my opinion, pump prices will increase, gas prices will increase -- not at the level of the distribution of the retained level, but at the level of the power plants, industries, etc.

And that's life. It's nothing to do with prices. I mean, it's a country that is we are given today that we have to import natural gas, we have to import products, we have to import crude. And therefore, playing with prices, it's not anymore the game. And the authorities are very serious today, in my opinion, and they have discussed a lot of time with them the need to clarify the whole situation, and the reaction that they get from them is always a very [serial] reaction and a very position reaction. It's just a matter of time.

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Daniel Ekstein - *Jefferies International - Analyst*

Thanks, Antonio.

Maria Victoria Zingoni - *Repsol YPF - Director, IR*

Okay, I think that we don't have more questions, so thank you very much to all of you for attending the conference call, and do not hesitate to contact us if you have further questions. Thank you.

Operator

That brings us to the end of this conference call. Thank you for attending. Goodbye.

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