



Growth project in Sines

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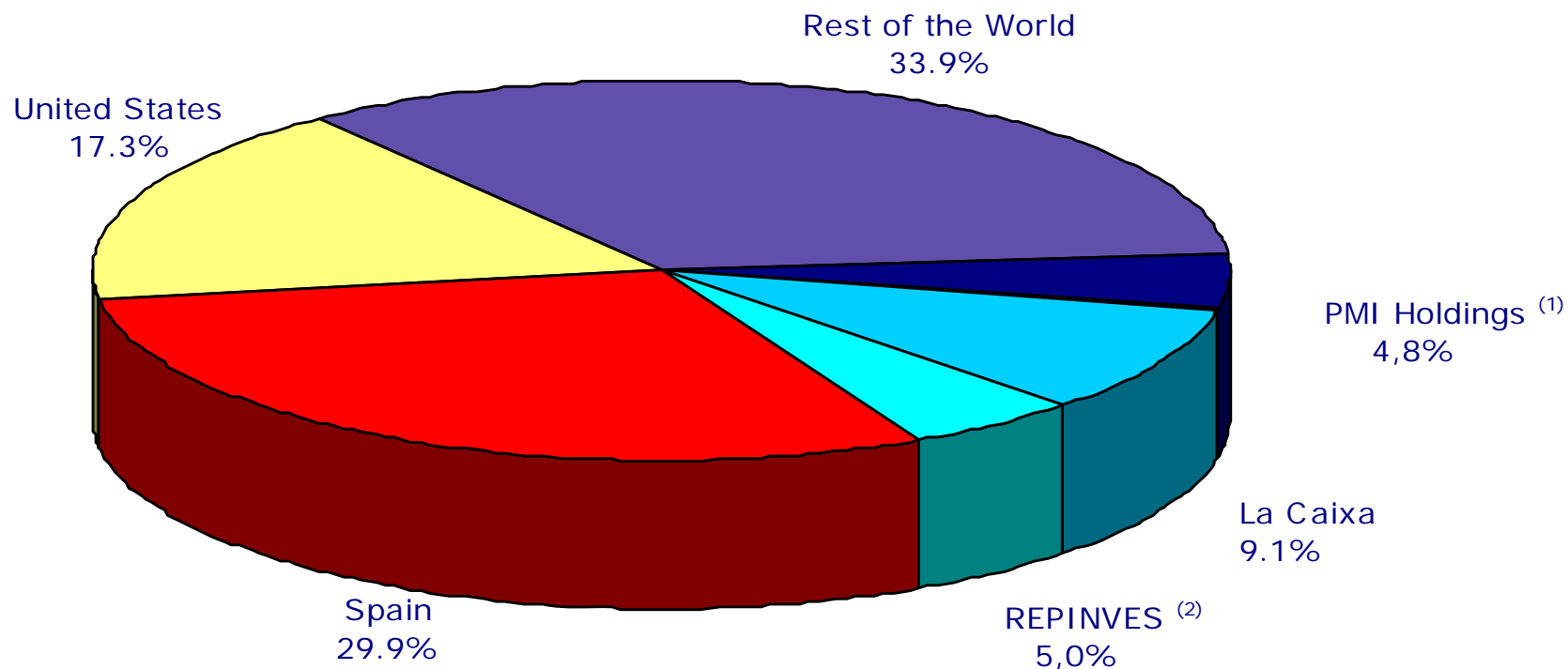
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1. Repsol YPF Overview
2. Repsol YPF in Portugal
3. Repsol YPF Polymers
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REPSOL YPF: Shareholder structure



Number of shares: 1, 221 Mn
Number of shareholders: \approx 1 Mn
Market cap (30/06/06): 27,335 Mn. €

Situation at June 2006

(1) PEMEX affiliate

(2) Held by La Caixa and Caixa Catalunya

Euro Million

2005

• Operating revenue	51,045
• Operating Income	6,161
• EBITDA	9,139
• Income after taxes	3,224
• Investments	3,713

Operating Highlights

• Oil and gas production (Kboepd)	1,139
• Oil (Kboepd)	531
• Gas (Kboepd)	608
• Oil product sales (kt)	57,940
• Liquefied petroleum gas (LPG) sales (kt)	3,343
• Chemical product sales (kt)	4,644

Upstream highlights



Strong positioning in 3 core areas where Repsol YPF enjoys competitive advantages: North Africa, the Caribbean, and the Gulf of Mexico

Unique positioning in liquefied natural gas (LNG) in the Atlantic basin:

- **Attractive LNG portfolio (Trinidad, Algeria, Iran)**
- **Agreement with Gas Natural**

Business development underpinned by relations with national oil companies

In ABB:

Argentina :

- Strategic role in the ABB area
- Increased investments
- New off-shore opportunities

Brazil :

- Third leading company in production and second in refining
- Mining acreage in 25 exploration areas

Bolivia :

- Pending outcome of negotiations with the Government

REPSOL YPF PRESENT IN 24 COUNTRIES, OPERATOR IN 20



Core areas and businesses

- North Africa
- Gulf of Mexico (U.S.)
- Caribbean
- Russia and Central Asia
- LNG projects



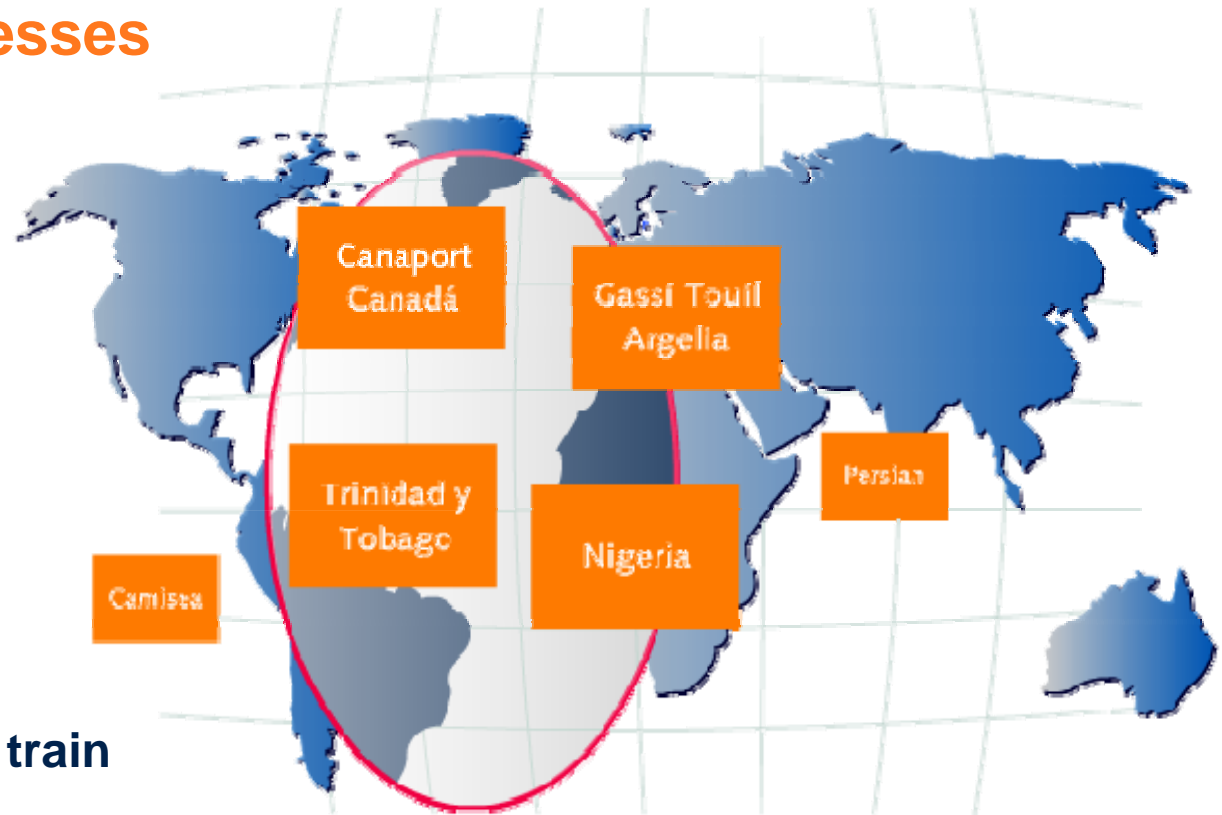
**INCREASE
RESERVE
REPLACEMENT
RATE**

Core areas and businesses

LNG



Leader in the Atlantic basin
with a 10% market share



Trinidad & Tobago

- Start-up of 4th production train

Canada

- Supply U.S. Eastern Seaboard through the Canaport plant

Algeria

- Start of production of Gassi Touil in 2009

Positive margin scenario and business recovery

High margins and cash flow

- **Greater conversion capacity**
- **Present in growth markets**
- **Repsol YPF margins set to grow thanks to growth of diesel imports**

Superior assets and logistics

- **5 refineries in Spain and 3 in Argentina, optimised in a single system with a high conversion level**
- **Excellent location of the Peru refinery and the two refineries in Brazil**
- **Large market share of service station network in Spain and Argentina**

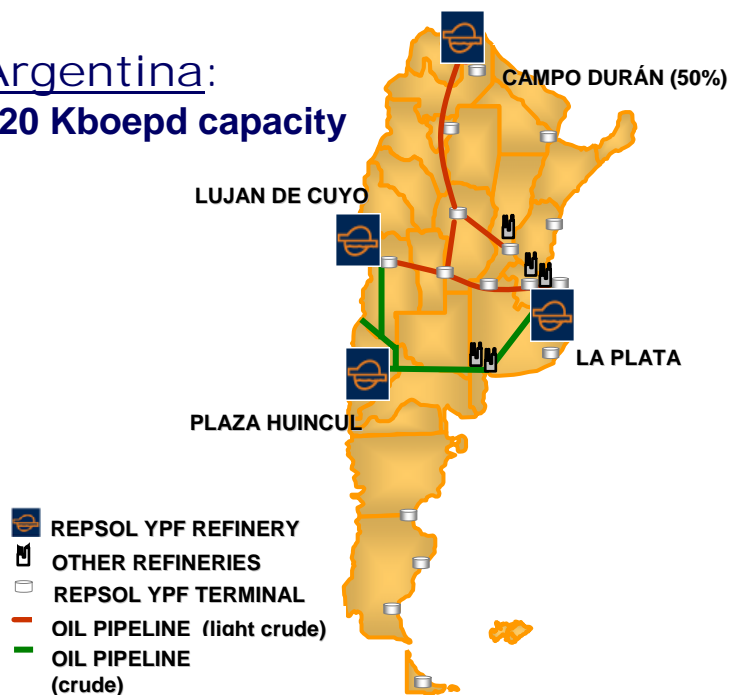
Integrated and profitable chemical business

Unique positioning in liquefied petroleum gases (LNG)

Refining & Marketing: refineras



Argentina: 320 Kboepd capacity



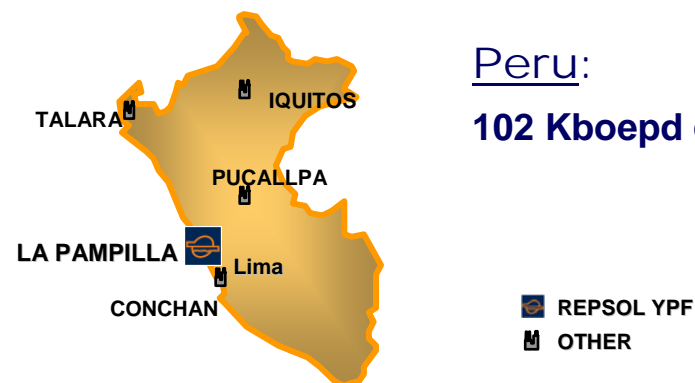
Spain: 740 Kboepd capacity



Brazil: 58 Kboepd capacity



Peru: 102 Kboepd capacity

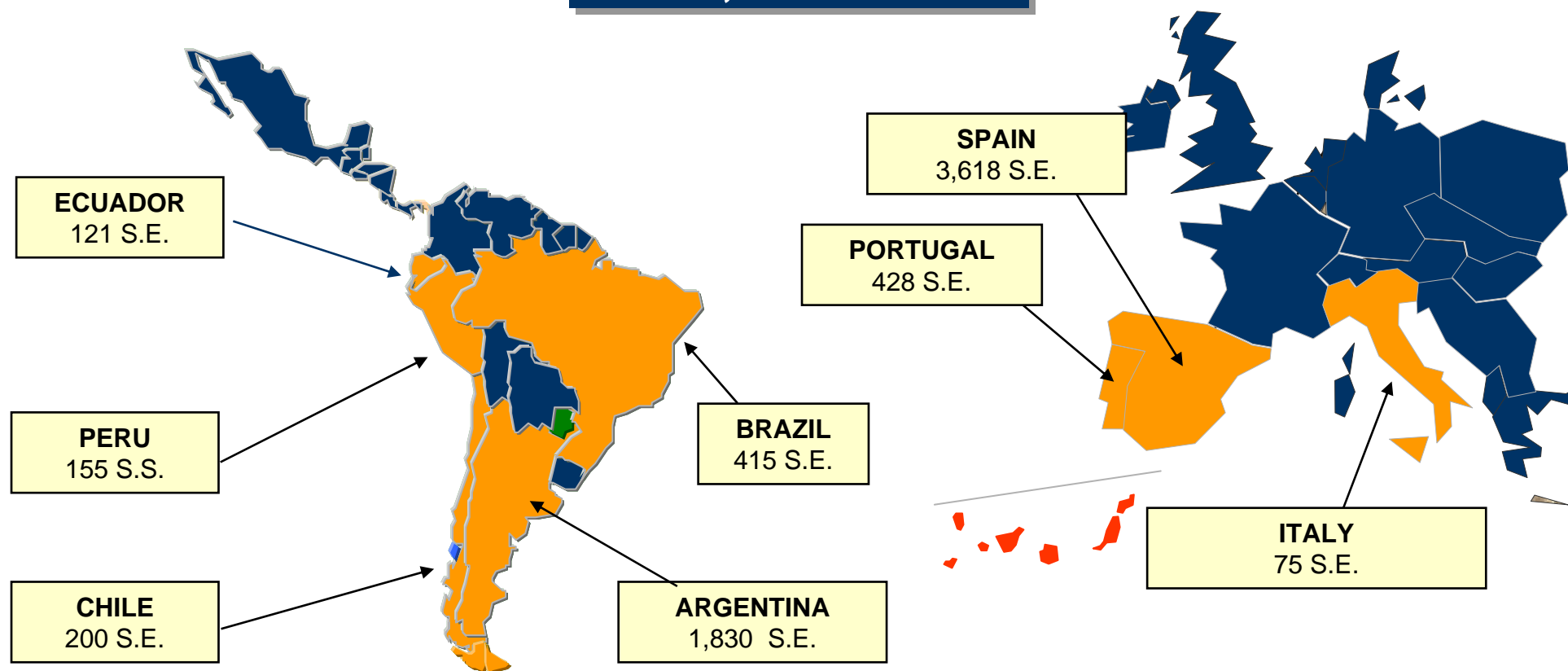


* Repsol YPF holds a 30% interest in REFAB and 30.71% in Manguinhos

Refining & Marketing: service stations (S.E.)

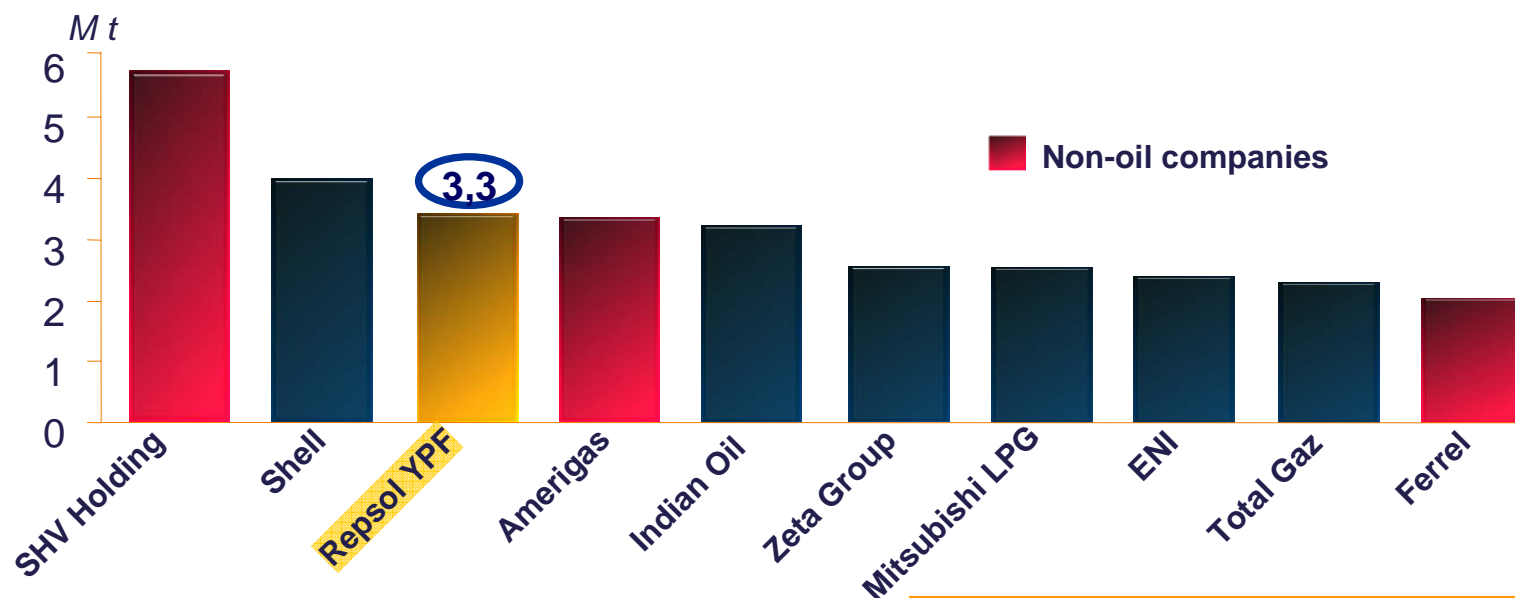
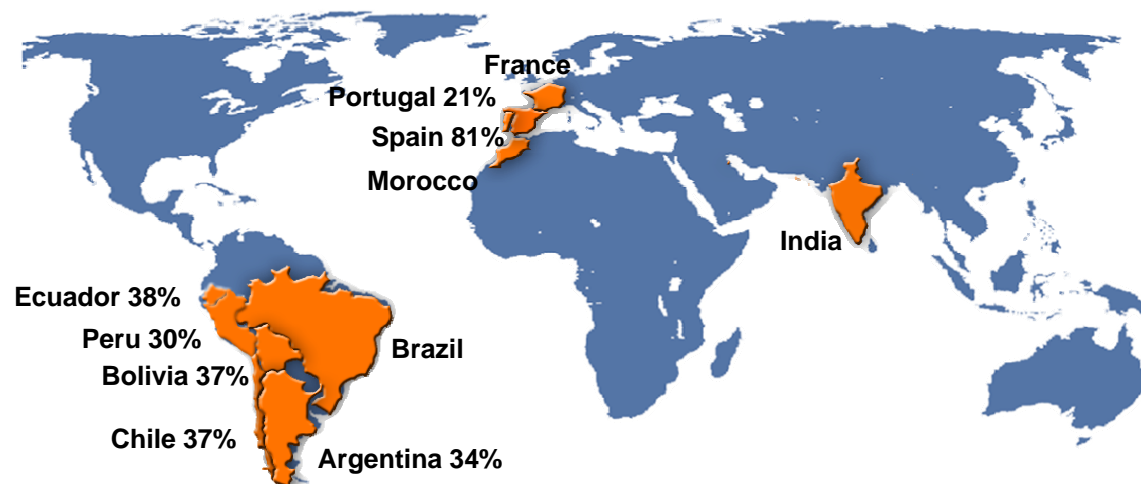


TOTAL
6,842 S.E.

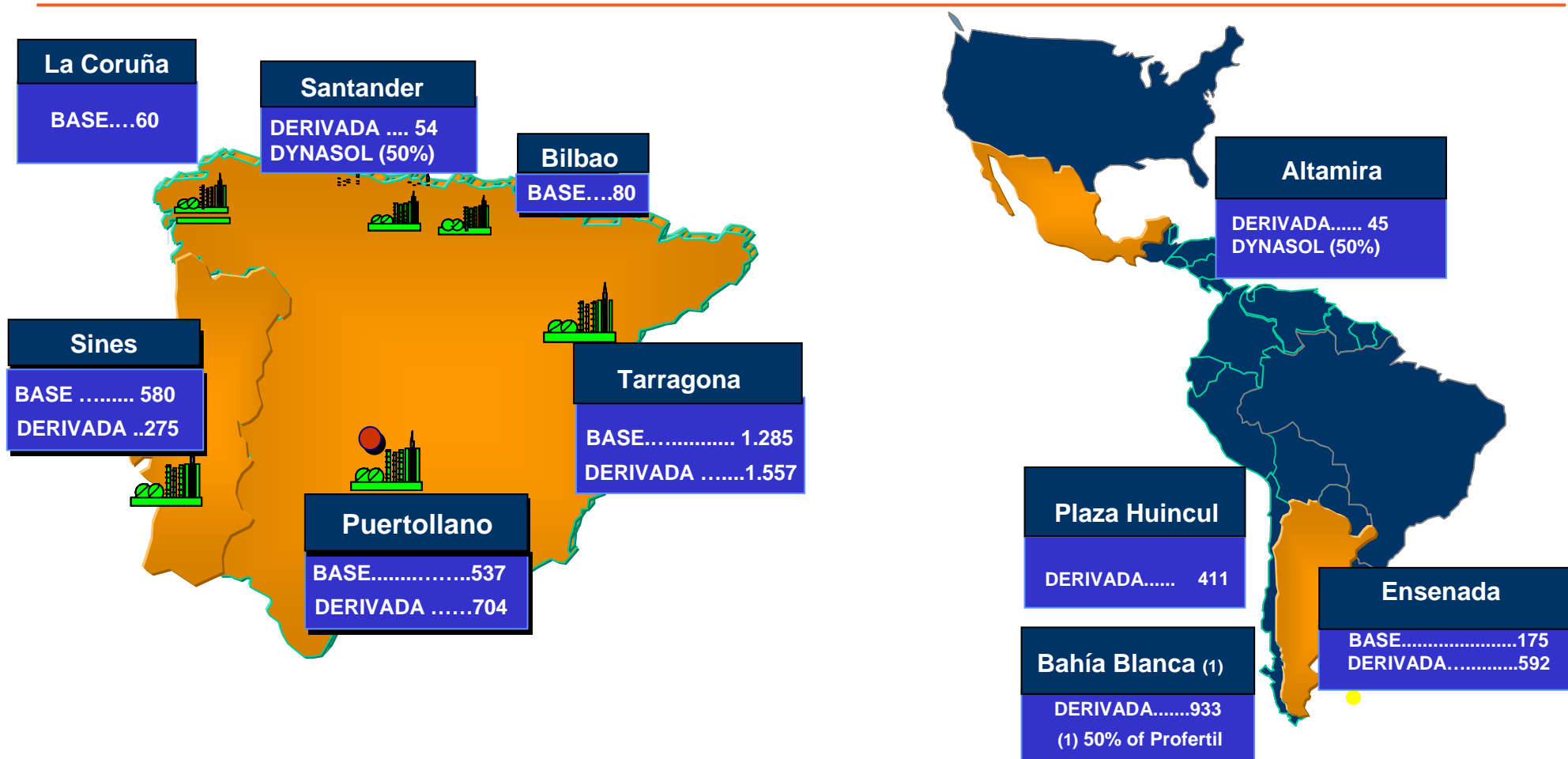


Repsol YPF: Leader in the LPG business

Market share by countries



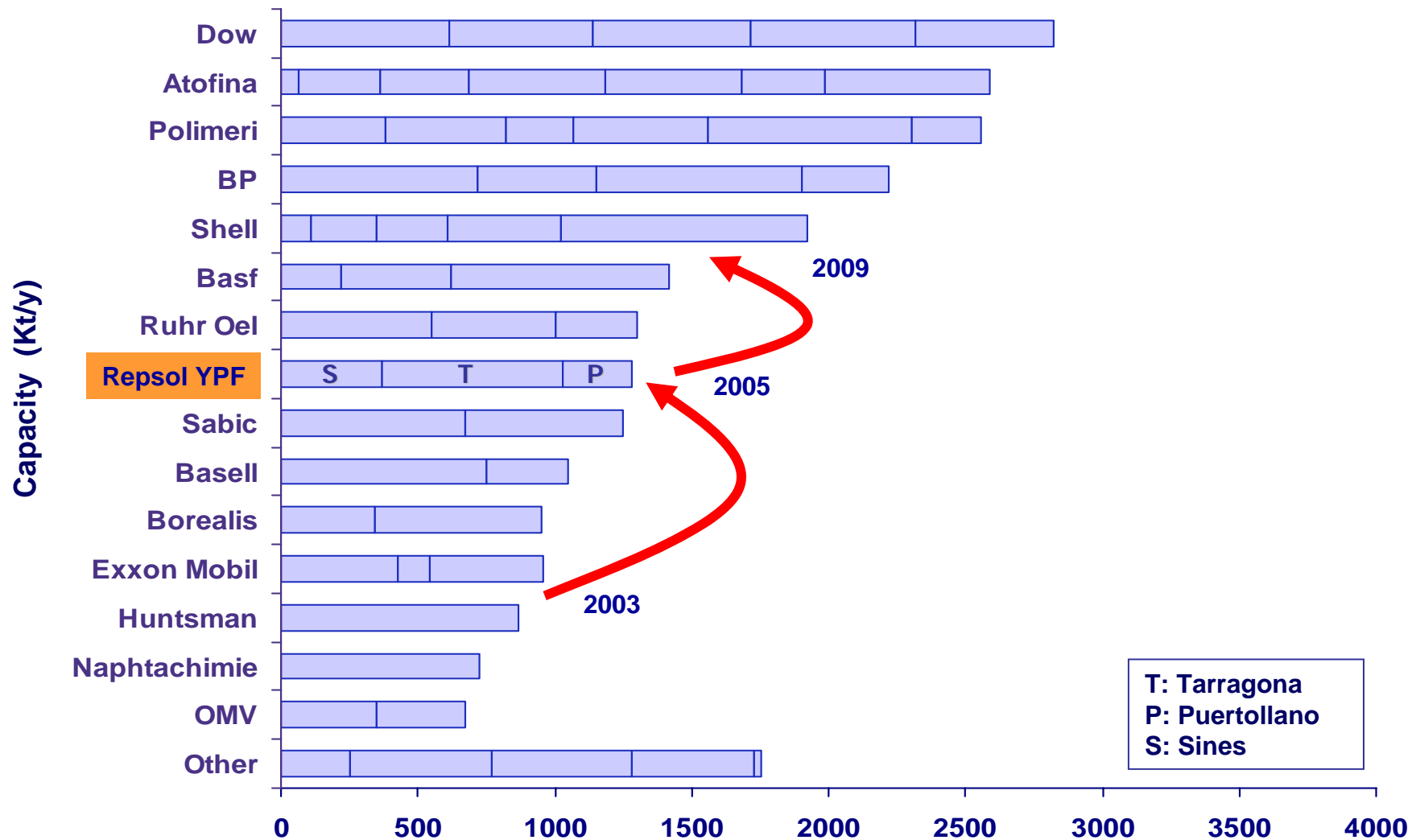
Main petrochemical assets



Petrochemical product sales in 2005: 4,644 Kt

- In Spain: 1,481 Kt
- In ABB: 1,102 Kt
- In other countries: 2,061 Kt

Ethylene capacity in Europe

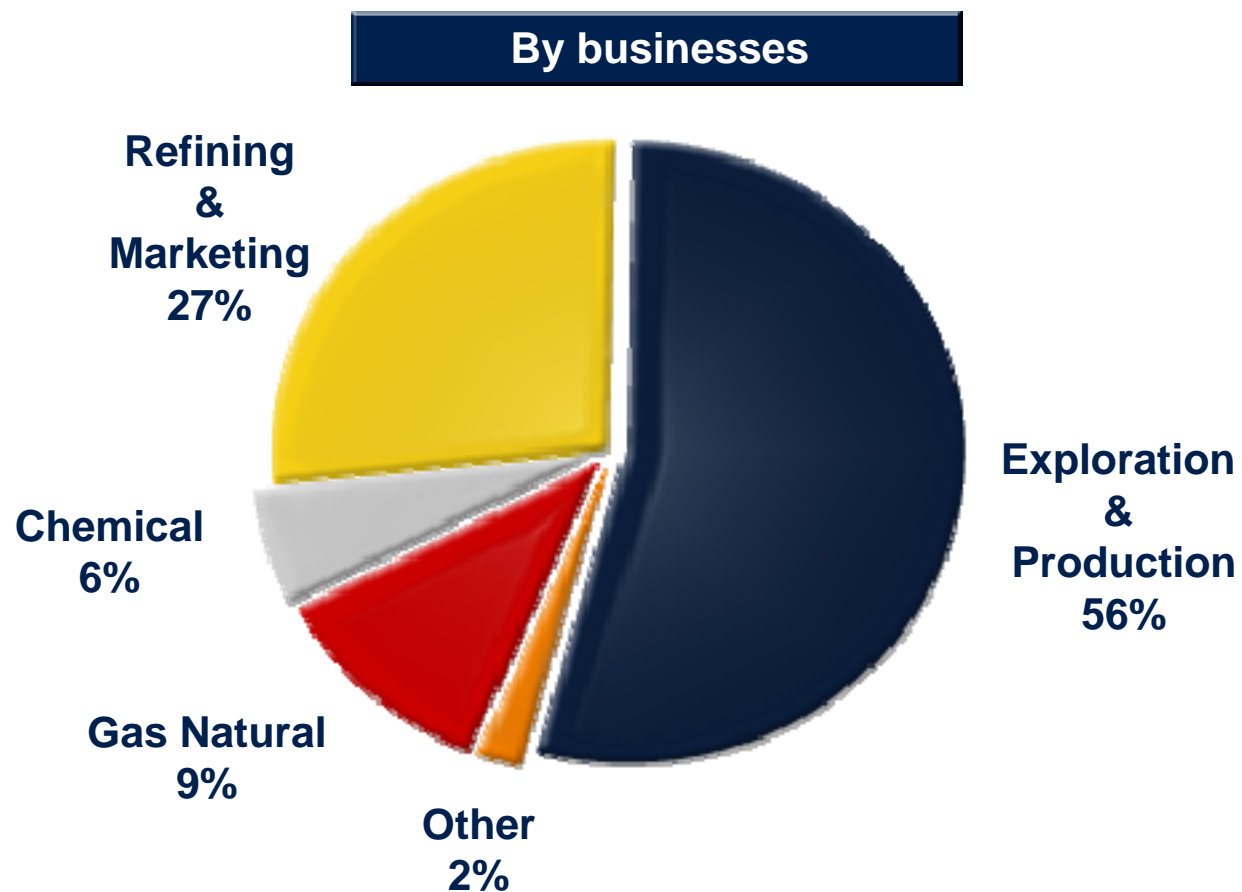


Source: Chem Systems

Repsol YPF's investments in 2006-2009



TOTAL 2006-2009 INVESTMENT: 20,700 M€



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- 1978** Start of chemical commercial activities
- 1982** Founding of Enpetrol Portugal, engaging in marine bunker supply activities.
Headquarters in Almada (south bank of the Tagus River).
- 1988** Launch of asphalt, lubricant, and derivative marketing activities.
- 1990** Corporate name changed from “Enpetrol” to “Repsol”. Development of fuel marketing activities /(service stations and direct sales).
- 1993** Share Capital increased to €35,215,000 and headquarters moved to Lisbon. Start of liquefied petroleum gas (LPG) activities.
- 1996** Creation of Gespost (direct management of service station network)
- 2000** Composán Portuguesa integrated in Repsol Portugal.
- 2004** Acquisition of Shell’s LPG assets and service stations and acquisition of the Sines petrochemical complex from Borealis.

- **The Group's sales in Portugal in 2005: 2.1 Billion €(ranks approximately 12th in Portugal and is the country's 5th leading industrial group)**
- **Workforce: over 1,500 employees**
- **Operates in the following segments: Liquefied Petroleum Gas (LGP), Service Stations, Aviation, Lubricants, Asphalt, and Chemicals**
- **Repsol YPF has invested \approx 1.0 Billion €in Portugal over the last two years**
- **The Company's Strategic Plan contemplates an investment of over 1.2 Billion €over the next four years in all activities in Portugal**

Repsol YPF in Portugal

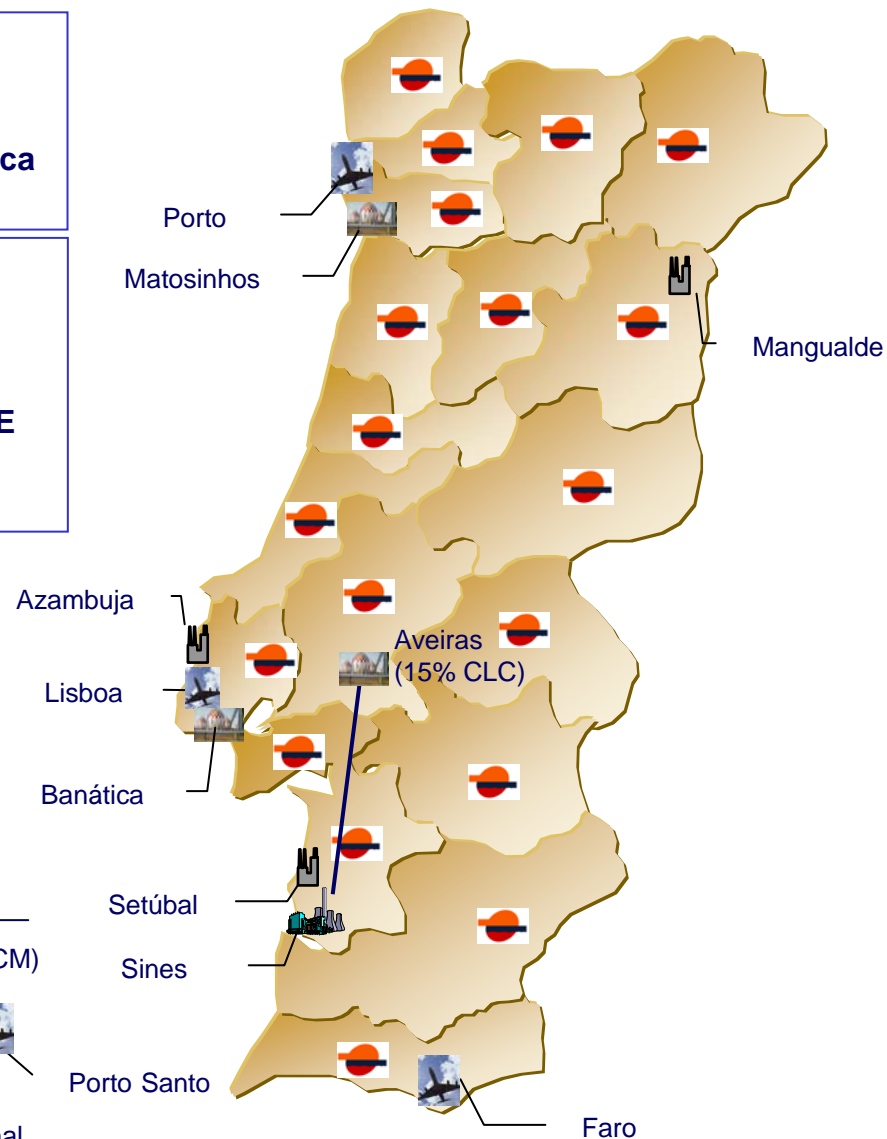


LPG

Production: 200 Kt
Market share: 21%
Facilities: 2 bottling plants (Banatica and Matosinhos)

Chemicals

Production:
Basic: 620 Kt
Derivatives: 275 Kt (145 Kt LDPE and 130 Kt HDPE)
Facilities: Sines Complex



Service Stations

Sales outlets: 426
Own network outlets: 19%
Outlet market share: 15.6%

Sales: 1,150 Kt m3
Market share: 18%

Direct Sales and Aviation

Combined sales.: 904,000 m3
Market share: 17.2%

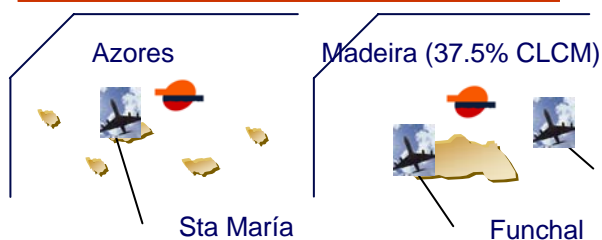
Aviation Sales: 97,000 m3

Lubricants and Special Products

Lubes sales : 2 Kt
Market share: 2%

Asphalt sales: 198 Kt
Market share: 30%

Spec. sales: 18 Kt



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Corporate Structure

REPSOL POLIMEROS, LDA.



13.595%

PLASTVAL, SA

Plastic recycling

5%

SIGÁS, ACE

LPG Storage

66.7%

REPSOL, ACE

Power Plant

General Data – Chemicals Area



Excluding Argentinean business

	2004	2005
• Operating Revenue (Mill €)	2 476	3 498
• Operating Income (Mill €)	126	131
• EBITDA (Mill €)	251	278
• Investments (Mill €)	275	147
• Sales (kt)	2 361	2 916

- **Background:**

- 1976** The Portuguese Government approves creation of the Sines Petrochemical Complex.

- 1981** Project start-up, with EPSI owning the polyolefin facilities and CNP the cracker. Both are Portuguese state-owned companies.

- 1989** Neste acquires the EPSI site and leases CNP's plants.

- 1994** Borealis Group is created (50% Neste / 50% Statoil).

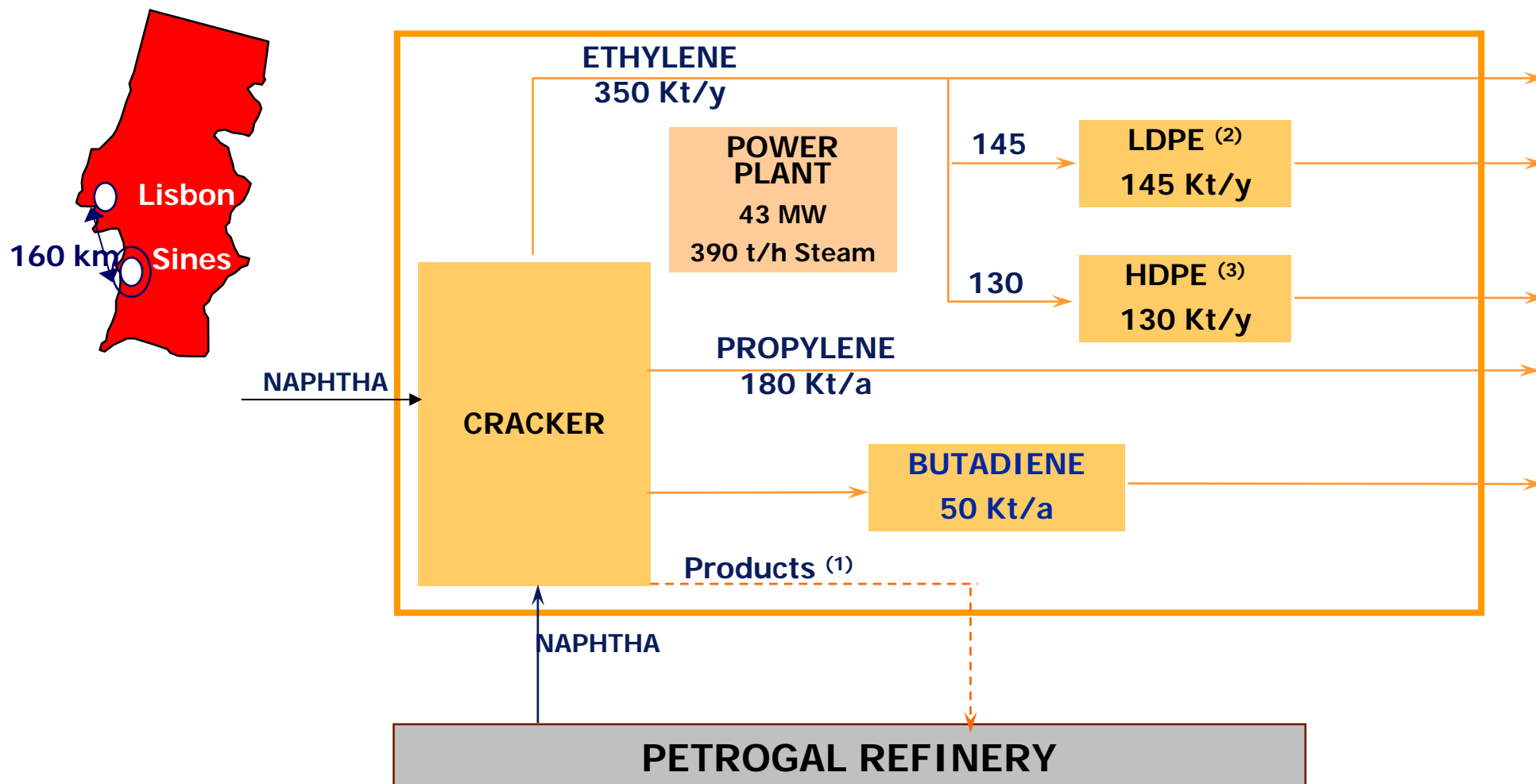
- 1996** Borealis acquires the cracker and the thermoelectric power plant from CNP.

- 2004** Repsol YPF acquires the complex from Borealis.

- The complex spans over 100 hectares and 445 employees work at this site.

- Production approximately 800,000 Mt, 600 M€ in sales of which 70% are exports.

Description of the Sines Complex



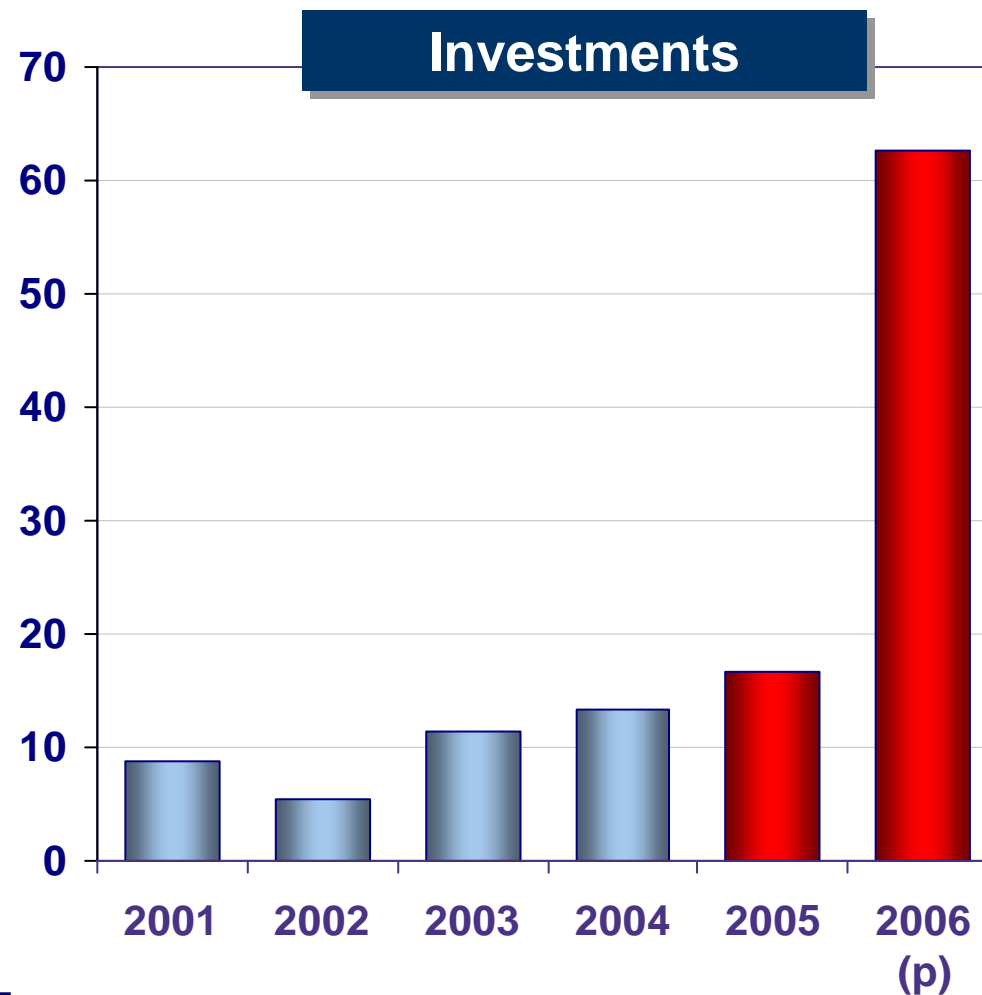
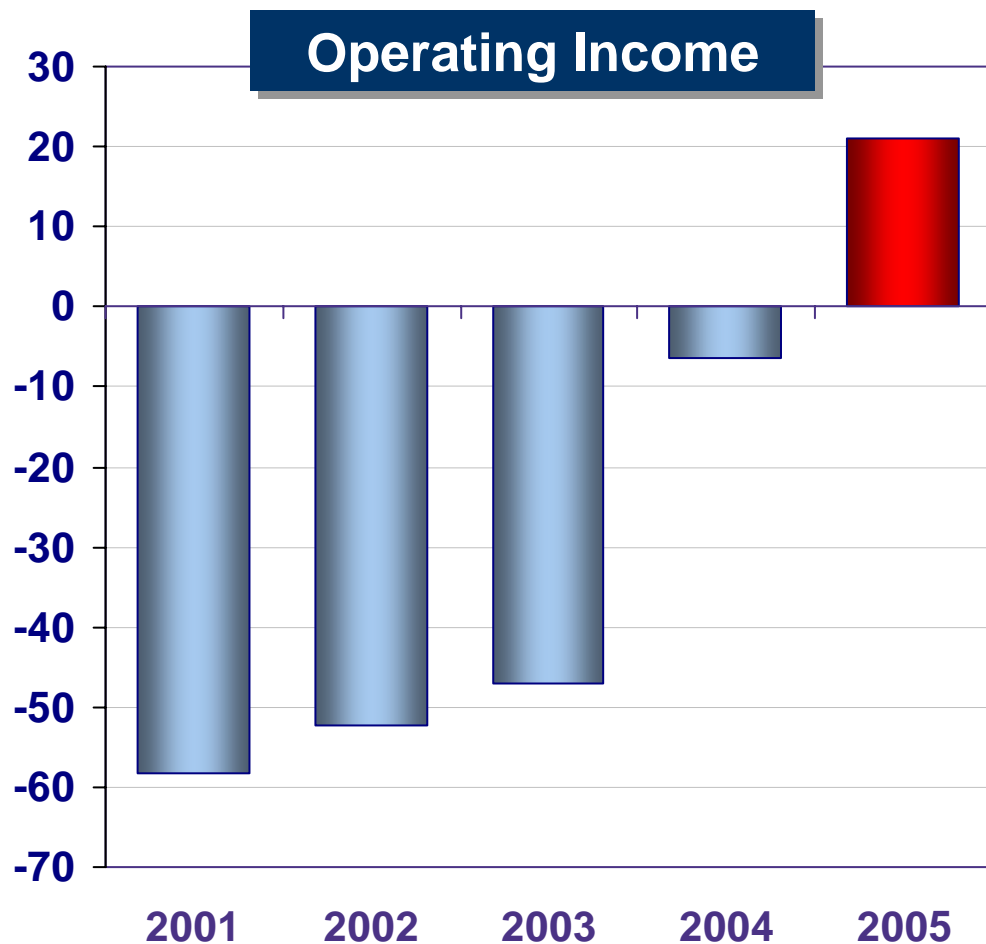
- (1) Hydrogen, LPG and fuel
- (2) Low-density polyethylene
- (3) High-density polyethylene

- **On 7 October 2004, Borealis and Repsol YPF signed a Letter of Intention for the purchase of the Sines site.**
- **On 30 November 2004 the purchase/sale of the site is concluded.**
- **At the end of January 2005, the complex received the OSHAS 18001 certification, the first one awarded to a Repsol YPF industrial complex.**
- **In January 2006, reinsurers after an on-site inspection gave the complex a WELL ABOVE AVERAGE rating, three levels higher than the rating awarded previously in 2001.**
- **A three-year Company Agreement is executed on 24 February 2006 and published on 22 March.**

Repsol YPF Polymers Operating Income and Investments



Million euro



2001-November 2004: Borealis-owned
From December 2004: Owned by Repsol YPF



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Sines: a growing Complex

- Sines: consistently growing since its acquisition**

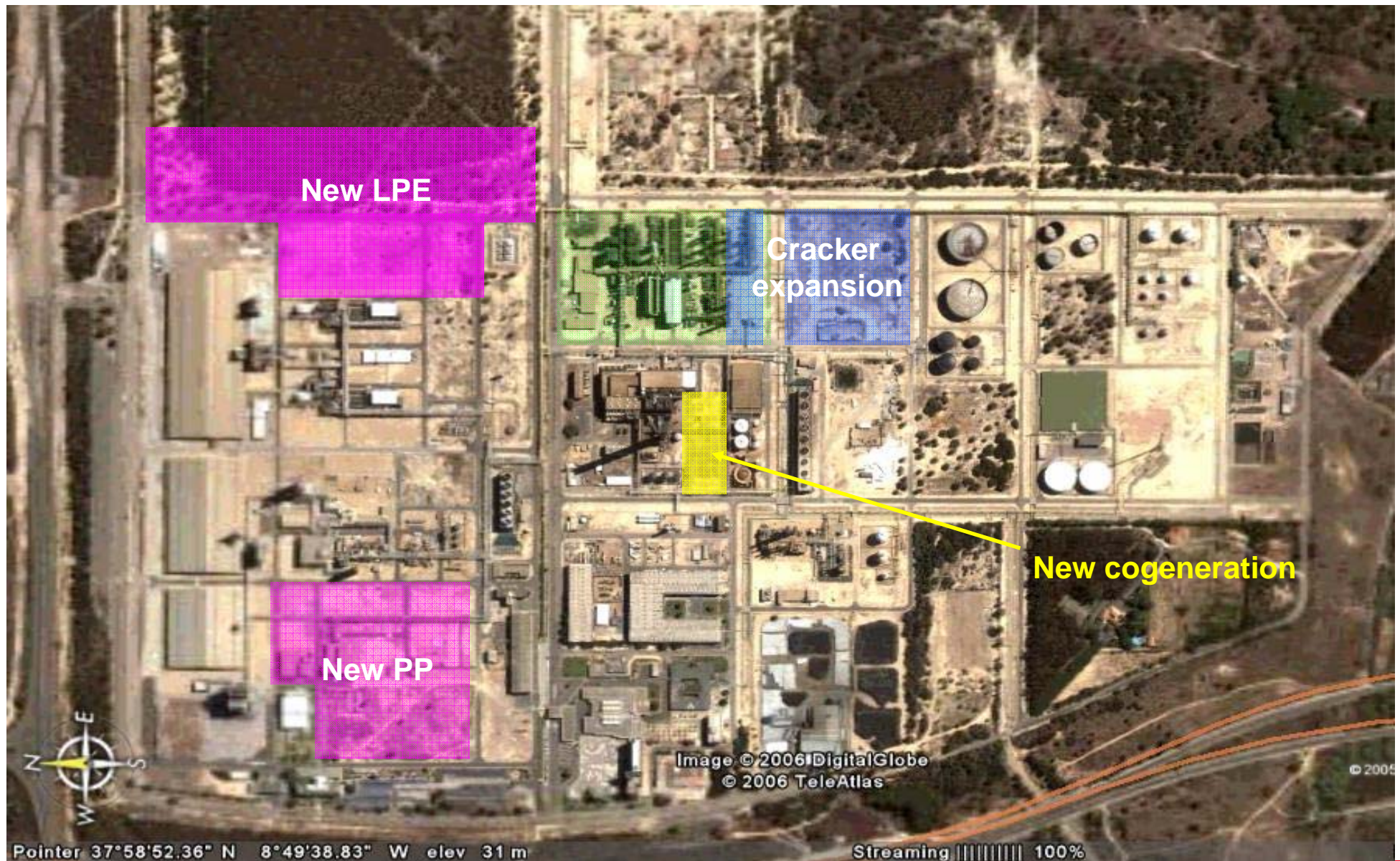
	On Sines acquisition date	With Current Projects	With Growth Project
Ethylene capacity (t/year)	350 000	410 000	570 000
Polyethylene capacity (t/year)	275 000	295 000	595 000
Polypropylene capacity (t/year)	0	0	300 000
Power generation (Mw)	43	43	126
Sales (t/year) (*)	750 000	880 000	1 255 000

(*) Assuming full capacity utilisation at plants

- Growth Project: a great boost for the Sines complex**

- Investment: 500-700 M€**
- Description:**
 - 40% increase of cracker's current capacity.
 - Installation of two new petrochemical product plants: linear polyethylene (LPE) and polypropylene (PP).
 - Construction of a new cogeneration plant.

Location



Growth Project in Sines

Key aspects



- **Production capacity at the petrochemical complex will increase twofold.**
- **Estimated sales of the complex: 1 100 – 1 200 M€ (export sales increase between 500 and 600 M€).**
- **Will create between 100 and 120 new jobs.**
- **Construction would involve between 5 and 8 million work hours, implying between 1,200 and 1,500 people working for three years, from 2007 to 2009.**
- **Production at the complex will be balanced out between ethylene and propylene production and its consumption at the polyethylene and polypropylene plants: greater added value.**
- **Expected start-up date: 2010.**

Where will Sines grow?

Cracker

- The cracker is a base petrochemical plant that produces basic feedstock, mainly ethylene and propylene, to feed the derivative petrochemical plants, from raw materials produced at the refineries.
- Since it is expensive to transport these products requiring complicated logistics, the higher the amount of on-site consumption the greater the added value.
- At present, integration between the Sines cracker and the derivative petrochemical (polyethylene) plants is quite limited: when ongoing projects are completed, roughly 330,000 tons of ethylene and propylene will be exported outside the complex.
- The Sines Growth Project contemplates expanding the cracker and building derivative petrochemical plants that consume ethylene and propylene produced by the cracker.
- This will create a balance between production and ethylene and propylene consumption thereby maximising the value of production from the complex.

Polyolefin

- Polyolefin is a type of plastic divided into two main products: polyethylene (PE) and propylene (PP). There are several classes of polyethylene: high density (HDPE), low density (LDPE), and low-density linear (LPE).
- The Sines complex currently has one HDPE and another LDPE plant with total production capacity of 275,000 t/year.
- Construction of the LPE and PP plants at the Sines complex, each with 300,000 t/y capacity, will enable Repsol YPF to boost its sale of products showing attractive market growth rates, outpacing GDP growth.
- Repsol YPF does not currently produce LPE in other facilities and, therefore, this plant will enable the company to complement its product portfolio.
- LPE and PP have many applications in different sectors, from grocery bags, automobile components, gas and water pipes, cables, packaging, garden furniture,...

Linear Polyethylene (LPE) Applications

Film

Industrial

Food

Gable top containers

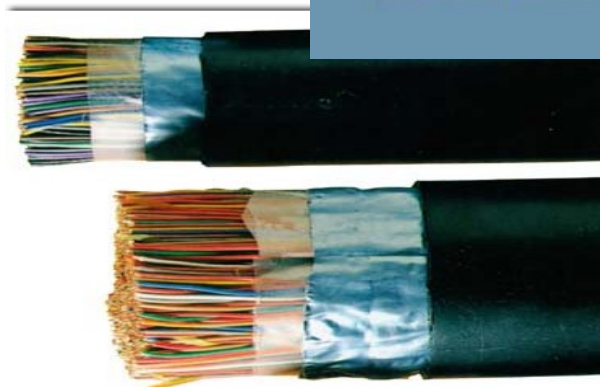
Tetra Brick

Pipes

Water

Gas

Cables



Polypropylene applications (PP)



Textile

Fibres

Non-knitted fabrics



Hygienic – sanitary

Construction and civil works

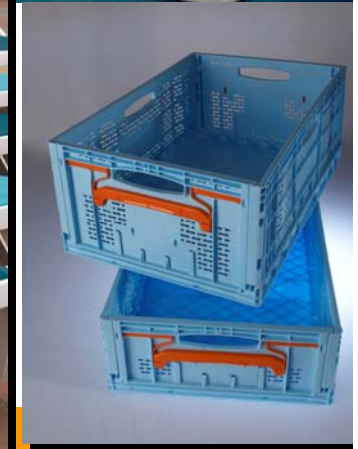
Furnishings

Pipes

Household items and toys

Packaging

Automobile



- **The Sines complex offers many advantages for the execution of this project:**
 - It has surplus ethylene and propylene production that is current exported with very low netbacks. These products would generate more value if consumed on-site.
 - The Sines cracker offers technical expansion possibilities at profitable investment levels.
 - Growth in a natural polyolefin market for Repsol YPF: the Iberian Peninsula / southern Europe.
- The project implies growth in Repsol YPF's core chemical businesses, polyolefin and base petrochemicals, taking advantage of the cracker's expansion potential and the attractive market growth outlook.
- The project would achieve a high level of integration between ethylene and propylene production and its consumption at the polyolefin plants, practically balancing out production at the complex.
- High returns: total investment per installed ton of polyolefin production, considering the acquisition cost of the Complex from Borealis in November 2004, would be only 60% of the cost involved in building a new "World-Scale" complex.
- The repercussions of this investment for the Sines area as well as Portugal are worth mentioning: it would take advantage of existing infrastructures in the area which are currently infra-utilized; would create direct and indirect jobs; and, by doubling the amount of exports, would benefit the country's balance of payments.