YPF SOCIEDAD ANONIMA
Form 6-K
August 04, 2011

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of August, 2011

Commission File Number: 001-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Macacha Güemes 515
C1106BKK Ciudad Autónoma de Buenos Aires, Argentina
(Address of principal executive offices)

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C1106BKK Ciudad Autónoma de Buenos Aires, Argentina
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

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This Form 6-K is incorporated by reference into the registration statements on Form F-3 filed by YPF Sociedad Anónima with the Securities and Exchange Commission (File Nos. 333-149313, 333-170848 and 333-172317).

YPF Sociedad Anónima

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ITEM 1. UPDATE OF SELECTED FINANCIAL AND OPERATING DATA

The following tables present our selected financial and operating data. You should read this information in conjunction with our audited consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2010, as filed on April 12, 2011 (the 2010 20-F), our unaudited condensed consolidated financial statements as of June 30, 2011 and for the six-month periods ended June 30, 2011 and 2010, included as Item 4 in this report, and their respective notes, as well as the information under Update of Management s Discussion and Analysis of Financial Condition and Results of Operations included as Item 2 in this report. Results for the six-month period ended June 30, 2011 are not necessarily indicative of results to be expected for the full year 2011 or any other period.

The financial data as of June 30, 2011 and for the six-month periods ended June 30, 2011 and 2010 are derived from our condensed consolidated financial statements as of June 30, 2011 and for the six-month periods ended June 30, 2011 and 2010, included as Item 4 in this report (the Unaudited Interim Financial Statements). The Unaudited Interim Financial Statements reflect all adjustments which, in the opinion of our management, are necessary to present the financial statements for such periods on a consistent basis with the audited consolidated financial statements included in our 2010 20-F as of December 31, 2010, 2009 and 2008 and for the years then ended (the Audited Consolidated Financial Statements). Our Unaudited Interim Financial Statements have been prepared in accordance with generally accepted accounting principles in Argentina, which we refer to as Argentine GAAP and which differ in certain significant respects from generally accepted accounting principles in the United States, which we refer to as U.S. GAAP. Notes 6, 7 and 8 to our Unaudited Interim Financial Statements provide a description of the significant differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income for the six-month periods ended June 30, 2011 and 2010 and shareholders equity as of June 30, 2011 and December 31, 2010.

In this report, except as otherwise specified, references to $, U.S.$ and dollars are to U.S. dollars, and references to Ps. and pesos are to Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the six-month period ended June 30, 2011 have been translated into U.S. dollars at the exchange rate quoted by the Argentine Central Bank (*Banco Central de la República Argentina,* or Central Bank) on June 30, 2011 of Ps.4.11 to U.S.$1.00, unless otherwise specified. The U.S. dollar equivalent information should not be construed to imply that the peso amounts represent, or could have been or could be converted into U.S. dollars at such rates or any other rate. See Item 3. Key Information Selected Financial Data Exchange Rates in our 2010 20-F.

Certain figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals may not sum due to rounding.

	As of and for the Six-Month Period Ended June 30,		
	2011	**2011**	**2010**
	(in millions of U.S.$, except for per share and per ADS data)	**(in millions of pesos, except for per share and per ADS data)**	
Consolidated Income Statement Data:			
Argentine GAAP(1)			
Net sales(2)(3)	6,363	26,151	20,484
Gross profit	1,782	7,323	7,420
Administrative expenses	(222)	(911)	(658)
Selling expenses	(404)	(1,661)	(1,407)
Exploration expenses	(79)	(324)	(120)
Operating income	1,077	4,427	5,235
Income (loss) on long-term investments	14	57	80
Other (expense) income, net	(28)	(115)	11
Interest expenses	(108)	(442)	(451)
Other financial (expense) income and holding (losses) gains, net	98	402	47
Income before income tax	1,053	4,329	4,922
Income tax	(383)	(1,575)	(1,733)
Net income	670	2,754	3,189
Earnings per share and per ADS(4)	1.70	7.00	8.11

Dividends per share and per ADS(4) (in pesos)	n.a.	7.00	5.50

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Dividends per share and per ADS(4)(5) (in U.S. dollars)	n.a.	1.72	1.42
U.S. GAAP			
Operating income	853	3,506	4,293
Net income	549	2,258	2,781
Earnings per share and per ADS(4) (in pesos)	n.a.	5.74	7.07
Other Consolidated Financial Data:			
Argentine GAAP(1)			
Fixed assets depreciation	626	2,573	2,685
Cash used in fixed asset acquisitions	1,156	4,752	3,383
Current liquidity (Current assets divided by current liabilities)	n.a.	0.772	0.886
Solvency (Net worth divided by total liabilities)	n.a.	0.625	0.781
Capital Immobilization (Non-current assets divided by total assets)	n.a.	0.708	0.694
Non-GAAP			
EBITDA(6)	1,772	7,285	7,996
EBITDA margin(7)	n.a.	28%	39%

	As of June 30, 2011	
	(in millions of U.S.$)	**(in millions of pesos)**
Consolidated Balance Sheet Data:		
Argentine GAAP(1)		
Cash	96	395
Working capital	(1,039)	(4,269)
Total assets	12,044	49,502
Total debt(8)	2,517	10,345
Shareholders equity(9)	4,632	19,038
U.S. GAAP		
Total assets	13,748	56,506
Shareholders equity(9)	6,689	27,492

(1) The financial statements reflect the effect of changes in the purchasing power of money by the application of the method for inflation adjustment into constant Argentine pesos set forth in Technical Resolution No. 6 of the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.) and taking into consideration General Resolution No. 441 of the National Securities Commission (CNV), which established the discontinuation of the inflation adjustment of financial statements into constant Argentine pesos as from March 1, 2003. See Note 1 to the Unaudited Interim Financial Statements.

(2) Includes Ps.943 million for the six-month period ended June 30, 2011 and Ps.702 million for the six-month period ended June 30, 2010 corresponding to the proportional consolidation of the net sales of investees jointly controlled by us and third parties.

(3) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on hydrocarbon exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(f) to the Unaudited Interim Financial Statements.

(4) Information has been calculated based on outstanding capital stock of 393,312,793 shares. Each ADS represents one Class D Share. There were no differences between basic and diluted earnings per share and ADS for any of the periods disclosed.

(5) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of payment. For periods in which more than one dividend payment was made, the amounts expressed in U.S. dollars are based on exchange rates at the date of each payment.

(6) EBITDA is calculated by excluding interest gains on assets, interest losses on liabilities, income tax and depreciation of fixed assets from our net income. For a reconciliation of EBITDA to net income, see EBITDA reconciliation.

(7) EBITDA margin is calculated by dividing EBITDA by our net sales.

(8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.2,450 million as of June 30, 2011.

(9) Our subscribed capital as of June 30, 2011 was represented by 393,312,793 shares of common stock and divided into four classes of shares, with a par value of Ps.10 and one vote per share. These shares are fully subscribed, paid-in and authorized for stock exchange listing.

EBITDA reconciliation

EBITDA is calculated by excluding interest gains on assets, interest losses on liabilities, income tax and depreciation of fixed assets from our net income. Our management believes that EBITDA is meaningful for investors because it is one of the principal measures used by our management to compare our results and efficiency with those of

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other similar companies in the oil and gas industry, excluding the effect on comparability of variations in depreciation and amortization resulting from differences in the maturity of their oil and gas assets. EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in the oil and gas industry. EBITDA is not a measure of financial performance under Argentine GAAP or U.S. GAAP and may not be comparable to similarly titled measures used by other companies. EBITDA should not be considered an alternative to operating income as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity.

The following table presents, for each of the periods indicated, our EBITDA reconciled to our net income under Argentine GAAP.

	For the Six-Month Period Ended June 30,	
	2011	**2010**
	(in millions of pesos)	
Net income	2,754	3,189
Interest gains on assets	(59)	(62)
Interest losses on liabilities	442	451
Depreciation of fixed assets	2,573	2,685
Income tax	1,575	1,733
EBITDA	7,285	7,996

Production and other operating data

The following tables present certain of our production and other operating data as of or for the six-month period indicated.

	As of and for the Six-Month Period Ended June 30,	
	2011	**2010**
Average daily production for the period		

Oil (mbbl)(1)

261301

Gas (mmcf)

1,2141,351

Total (mboe)

478542**Refining capacity**

Capacity (mbbl/d)(2)

320320

(1) Including natural gas liquids (NGL).

(2) Excluding Refinor, which has a refining capacity of 26 mbbl/d and in which we have a 50% interest.

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ITEM 2. UPDATE OF MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our Unaudited Interim Financial Statements.

Overview

YPF is a limited liability company (*sociedad anónima*), incorporated under the laws of Argentina for a term expiring on June 15, 2093. Our address is Macacha Güemes 515, C1106BKK Ciudad Autónoma de Buenos Aires, Argentina and our telephone number is (011-54-11) 5441-2000. Our legal name is YPF Sociedad Anónima and we conduct our business under the commercial name YPF .

We are Argentina s leading energy company, operating a fully integrated oil and gas chain with leading market positions across the domestic upstream and downstream segments. Our upstream operations consist of the exploration, development and production of crude oil, natural gas and LPG. Our downstream operations include the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals, LPG and bio-fuels. Additionally, we are active in the gas separation and natural gas distribution sectors both directly and through our investments in several affiliated companies. In the six-month period ended June 30, 2011, we had consolidated net sales of Ps.26,151 million (U.S.$6,363 million) and consolidated net income of Ps.2,754 million (U.S.$670 million).

Most of our predecessors were state-owned companies with operations dating back to the 1920s. In November 1992, the Argentine government enacted the Privatization Law (Law No. 24,145), which established the procedures for our privatization. In accordance with the Privatization Law, in July 1993, we completed a worldwide offering of 160 million Class D shares that had previously been owned by the Argentine government. As a result of that offering and other transactions, the Argentine government s ownership interest in our capital stock was reduced from 100% to approximately 20% by the end of 1993.

Since 1999, we have been controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations.

Upstream Operations

We hold interests in more than 90 oil and gas fields in Argentina, accounting for approximately 39% of the country s total production of crude oil, excluding natural gas liquids, and approximately 37% of its total natural gas production, including natural gas liquids, in 2010, according to information provided by the Argentine Secretariat of Energy.

We had proved reserves, as estimated as of December 31, 2010, of approximately 531 mmbbl of oil, including condensates and natural gas liquids, and approximately 2,533 bcf of gas, representing aggregate reserves of approximately 982 mmboe.

In 2010, we produced approximately 107 mmbbl of oil (293 mbbl/d), including condensates and natural gas liquids, and approximately 491 bcf of gas (1,346 mmcf/d) and, in the six-month period ended June 30, 2011, we produced 47 mmbbl of oil (261 mbbl/d) and 220 bcf of gas (1,214 mmcf/d).

Downstream Operations

We are Argentina s leading refiner with operations conducted at three wholly-owned refineries with combined annual refining capacity of approximately 116 mmbbl (319.5 mbbl/d). We also have a 50% interest in Refinería del Norte S.A. (Refinor), an entity jointly controlled with and operated by Petrobras Energía S.A., which has a refining capacity of 26.1 mbbl/d.

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Our retail distribution network for automotive petroleum products as of June 30, 2011 consisted of 1,575 YPF-branded service stations, which we estimate represented approximately 30.4% of all service stations in Argentina.

We are one of the leading petrochemical producers in Argentina and in the Southern Cone of Latin America, with operations conducted through our Ensenada and Plaza Huincul sites. In addition, Profertil S.A. (Profertil), a company that we jointly control with Agrium Investments Spain S.L. (Agrium), is one of the leading producers of urea in the Southern Cone.

Presentation of Financial Information

We prepare our Unaudited Interim Financial Statements in accordance with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. Notes 6, 7 and 8 to the Unaudited Interim Financial Statements provide a summary of the effect of these significant differences on net income and shareholders equity under Argentine GAAP and U.S. GAAP.

We fully consolidate the results of subsidiaries in which we have a sufficient number of voting shares to control corporate decisions and proportionally consolidate the results of companies that we control jointly.

Under Argentine GAAP, we currently are not required to record the effects of inflation in our financial statements. However, because Argentina experienced a high rate of inflation in 2002, with the wholesale price index increasing by approximately 118%, we were required by Decree No. 1269/2002 and CNV Resolution No. 415/2002 to remeasure our financial statements in constant pesos in accordance with Argentine GAAP. On March 25, 2003, Decree No. 664/2003 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003. According to the Argentine statistics and census agency (*Instituto Nacional de Estadísticas y Censos*, or INDEC), the wholesale price index increased 10.6% in 2005, 7.1% in 2006, 14.4% in 2007, 8.8% in 2008, 10.0% in 2009, 14.6% in 2010 and, based on preliminary data, 6.1% in the six-month period ended June 30, 2011, although according to reports published by the IMF most private sector analysts believe that actual inflation is considerably higher than that reflected in official data. We cannot assure you that in the future we will not be again required to record the effects of inflation in our financial statements (including those covered by the financial statements included in this report) in constant pesos. See Critical Accounting Policies U.S. GAAP Reconciliation for an explanation of how the effect of inflation is treated under U.S. GAAP.

On March 20, 2009, the Argentine Federation of Professional Councils in Economic Sciences approved the Technical Resolution No. 26 Adoption of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board . Such resolution was approved by the CNV through General Resolution No. 562/09 dated December 29, 2009 (modified by General Resolution No. 576/10 dated July 1, 2010), for certain publicly-traded entities under Law No. 17,811. The application of such rules will be mandatory for YPF for the fiscal year beginning on January 1, 2012. We have begun evaluating the impact, if any, that conversion to IFRS may have on our Argentine GAAP consolidated financial statements.

In relation to the implementation of IFRS, General Resolution No. 576/10 establishes that companies which, in accordance with Argentine GAAP, had opted to disclose the deferred income tax liability originated in the difference between the book value of fixed assets remeasured into constant Argentine pesos and their corresponding historical cost used for tax purposes in a note to their financial statements, must recognize such liability with a debit to unappropriated retained earnings. According to the resolution, these companies may recognize such debit in their financial statements for any interim or annual period ending prior to or on the transition date to IFRS. Additionally, this resolution establishes that, as an exception, the ordinary shareholders meeting that considers the financial statements for the fiscal year in which the deferred income tax liability is accounted for, can record such debit in unappropriated retained earnings into capital accounts not represented by shares (capital stock) or into retained earnings accounts, not providing a predetermined order for such accounting.

As of December 31, 2010, we recorded the deferred income tax liability originated in the difference between the book value of fixed assets remeasured into constant Argentine pesos and their corresponding historical cost used for tax purposes. According to Argentine GAAP, the effect of changes in the accounting policies must be recorded with retrospective effect as of the beginning of the first fiscal year presented. As a result of the adoption of General Resolution No. 576/10, the unappropriated retained earnings as of the end of each interim period or year have been modified (see Note 1 b. to our Unaudited Interim Financial Statements). As a result of this change in accounting policies, our net income for the six-month period ended June 30, 2010, increased by Ps.96 million.

Additionally, on April 26, 2011, our ordinary shareholders meeting decided to absorb in the Adjustment to contributions account, the effect of the deferred income tax liability originated by the application of the method for restatement in constant Argentine pesos, which was recorded against the Unappropriated retained earnings account during the year ended December 31, 2010 in accordance with General Resolution No. 576/2010, in an amount of Ps.1,180 million. Additionally, our ordinary shareholders meeting decided to: (i) transfer Ps.236 million to Unappropriated retained earnings , corresponding to amounts in excess of the legal reserve after giving effect to the mentioned absorption; (ii) reverse the reserve for future dividends as of December 31, 2010 in an amount of Ps.596 million; and (iii) appropriate a reserve for future dividends in the amount of Ps.6,622 million, thereafter empowering our board of directors to determine the date of payment of dividends from such reserve amount until the date of the next ordinary shareholders meeting, taking financial conditions into consideration.

The financial statements for the six-month period ended June 30, 2010, which are presented for comparative purposes, were modified to give retrospective effect to the recognition of the effects originated in the accounting of the deferred tax liability mentioned above. The modification of comparative information does not imply any change to corporate decisions taken on the basis of our financial statements for the six-month period ended June 30, 2010 prior to effecting such modifications.

Additionally, certain oil and gas disclosures as of December 31, 2010 are included in the Audited Consolidated Financial Statements included in our 2010 20-F under the heading Supplemental information on oil and gas producing activities (unaudited).

Segment Reporting

We report our business on the basis of the following four segments: (i) exploration and production, which includes exploration and production activities, natural gas and crude oil purchases, sales of natural gas and, to a lesser extent, crude oil, to third parties and inter-segment sales of crude oil, natural gas and its byproducts and, to a lesser extent, electric power generation (Exploration and Production); (ii) the refining, transport, purchase and marketing of crude oil that we sell to third parties and refined products that we sell to third parties and other segments of our business (Refining and Marketing); (iii) the production, transport and marketing of petrochemical products (Chemical); and (iv) other activities not falling into the previously described categories (Corporate and Other), principally including corporate administration costs and assets, and construction activities.

Sales between business segments are made at internal transfer prices established by us, which generally seek to approximate market prices.

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Summarized Income Statement

	For the Six-Month Period Ended June 30,	
	2011	2010
	(in millions of pesos)	
Net sales	26,151	20,484
Cost of sales	(18,828)	(13,064)
Gross profit	7,323	7,420
Administrative expenses	(911)	(658)
Selling expenses	(1,661)	(1,407)
Exploration expenses	(324)	(120)
Operating income	4,427	5,235
Income on long-term investments	57	80
Other (expense) income, net	(115)	11
Financial (expense) income, net and holding (losses) gains	(40)	(404)
Net income before income tax	4,329	4,922
Income tax	(1,575)	(1,733)
Net income	2,754	3,189

Factors Affecting Our Operations

Our operations are affected by a number of factors, including:

- the volume of crude oil, oil byproducts and natural gas we produce and sell;
- domestic price limitations;
- export restrictions and domestic supply requirements;
- international prices of crude oil and oil products;
- our capital expenditures;
- inflation and cost increases;
- domestic market demand for hydrocarbon products;
- operational risks, including labor strikes and other protests in the country;
- taxes, including export taxes;
- capital controls;
- the Argentine peso/U.S. dollar exchange rate;
- dependence on the infrastructure and logistics network used to deliver our products;
- laws and regulations affecting our operations; and

interest rates.

Our business is inherently volatile due to the influence of exogenous factors such as internal demand, market prices, and government regulations affecting prices. Accordingly, our results of operations and the trends indicated by those results in any period may not be indicative of results or trends in future periods.

Our operating income for the six-month period ended June 30, 2011 decreased approximately by 15.4% compared to the six-month period ended June 30, 2010. Strikes in the Southern region of Argentina in the six-month period ended June 30, 2011 have adversely affected our oil production and, consequently, our margins as a result of the higher volume of products we have purchased from third parties to cover shortfalls. For a comprehensive description of the variables that affected our results of operations during the periods mentioned above, see Consolidated results of operations for the six-month periods ended June 30, 2011 and 2010 . However, results for the six-month period ended June 30, 2011 are not necessarily indicative of results to be expected for the full year 2011 or any other period.

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Macroeconomic conditions

Substantially all of our revenues are derived from our operations in Argentina and are therefore subject to prevailing macroeconomic conditions in Argentina.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth and high variable levels of inflation. Inflation reached its peak in the late 1980s and early 1990s. Due to inflationary pressures prior to the 1990s, the Argentine currency was devalued repeatedly and macroeconomic instability led to broad fluctuations in the real exchange rate of the Argentine currency relative to the U.S. dollar. To address these pressures, past Argentine governments implemented various plans and utilized a number of exchange rate systems.

With the enactment of the Convertibility Law in 1991, inflation declined progressively and the Argentine economy enjoyed seven years of growth. In the fourth quarter of 1998, adverse international financial conditions caused the Argentine economy to enter into a recession and GDP to decrease between 1999 and 2001. By the end of 2001, Argentina suffered a profound deterioration in social and economic conditions, accompanied by high political and economic instability. The restrictions on the withdrawal of bank deposits, the imposition of exchange controls, the suspension of the payment of Argentina s public debt and the abrogation of the peso s one-to-one peg to the dollar (with the consequent depreciation of the peso against the dollar) caused a decline in economic activity. Real GDP declined by 10.9% in 2002, annual inflation rose to 41%, the exchange rate continued to be highly volatile, and the unemployment rate rose to more than 20%. The political and economic instability not only curtailed commercial and financial activities in Argentina but also severely restricted the country s access to international financing.

Strong economic growth in the world s developed economies and favorable raw material pricing from 2003 through the first half of 2008 paved the way for Argentina s economic recovery. Real GDP grew at an average cumulative rate of 8.5% between 2003 and 2008. As a result of the crisis in the global economy, Argentina s GDP growth rate decelerated sharply in 2009 (real GDP grew by 0.9% during 2009). However, real GDP growth recovered in 2010 growing at a rate of approximately 9%.

In 2011, the international economic environment has been adversely impacted by the earthquake followed by the tsunami that struck Japan, and increased political instability in Northern Africa and Middle Eastern countries. Crude oil prices showed an upward trend due to, among other factors, the potential shortfalls in output that could result from the political crisis affecting Libya. Economic activity is slowing down temporarily, and downside risks have increased again, mainly as a result of weakness in U.S. activity and renewed financial volatility resulting from concerns about U.S. sovereign debt and the financial stability in the euro area. Additionally, signs of overheating are increasing in many emerging and developing economies, triggering risks associated with inflation. Strong economic adjustments are critical for securing growth and job creation over the next years. Furthermore, strong commitment from leading countries to support weakened economies, such as the commitment shown by 17 countries of the euro zone to finance the gap in Greece s budget, is becoming increasingly vital to prevent the economic crisis from deepening and spreading to other countries and to give weakened economies a breather while they adopt comprehensive measures to recover.

In Argentina, the Argentine statistics and census agency INDEC reported increases of the annual wholesale price index of 14.6% in 2007, 8.8% in 2008, 10.0% in 2009 and 14.6% in 2010. According to the INDEC, the wholesale price index increase during the six-month period ended June 30, 2011 was 6.1%. According to reports published by the IMF, however, private sector analysts believe that actual inflation rates are considerably higher than reflected in official data.

Exports and imports continued to grow during the six-month period ended June 30, 2011, although, according to preliminary estimates, the trade balance was slightly lower than in the six-month period ended June 30, 2010. The increase in exports revenues was driven mainly by increased raw materials prices (e.g., wheat and oilseed products) and increased exports of manufactured products, primarily in the automobile industry. The increase in imports was mainly the result of increased purchases of fuel, machinery, auto parts and other industrial inputs.

The exchange rate of the Argentine peso against the U.S. dollar as of June 30, 2011 was Ps.4.11 per U.S.$1.00, reflecting a 3.3% depreciation of the peso relative to the U.S. dollar compared to December 31, 2010.

We cannot predict the evolution of future macroeconomic events, or the effect that they are likely to have on our business, financial condition and results of operations. See Item 3. Risk Factors Risks Relating to Argentina in our 2010 20-F.

Declining export volumes

The exported volumes of many of our hydrocarbon products have declined significantly in recent years, driven mainly by increasing domestic demand and export restrictions. This shift from exports to domestic sales has impacted our results of operations as the prices for hydrocarbons in the domestic market have, due to price limitations, generally not kept pace with international and regional prices.

The table below presents, for the periods indicated, the exported volumes of certain of our principal hydrocarbon products.

	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
Product	**2011**	**2010**	**2010**	**2009**	**2008**
			(units sold)		
Natural gas (mmcm)	65	237	315	630	580
Gasoline (mcm)	232	247	448	777	880
Fuel oil (mtn)	236	473	677	828	1,138

Due to the generally decreasing export product volumes indicated above and increasing export duties, the portion of our net sales volume accounted for by exports decreased steadily in recent years. In the six-month period ended June 30, 2011, our exports accounted for 13.4% of our consolidated net sales, compared to 15% in the same period of the prior year. Exports accounted for 12.9%, 14.3% and 20.7% of our consolidated net sales in 2010, 2009 and 2008, respectively.

The Argentine government requires companies intending to export crude oil, diesel and LPG to obtain prior authorization from the Argentine Secretariat of Energy by demonstrating that local demand for those products has been satisfied. Since 2005, because domestic diesel production has generally not been sufficient to satisfy Argentine consumption needs, exports of diesel have been substantially restricted.

Differences between Argentine and international prices for hydrocarbon products

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Prior to the recent decrease in the prices of crude oil and related products, domestic prices for our products had fallen significantly below international prices as a result of regulatory policies that had resulted in limitations on our ability to increase domestic prices sufficiently to keep pace with international market prices. The following table sets forth the average prices at which we sold our principal products in the domestic market (net of taxes passed through to consumers, such as value added and fuel transfer taxes) for the periods indicated:

	For the Six-Month Period Ended June 30,				For the Year Ended December 31,					
	2011		2010		2010		2009		2008	
	Peso	U.S.$(1)	Peso	U.S.$(1)	Peso	U.S.$(1)	Peso	U.S.$(1)	Peso	U.S.$(1)
Natural gas (2)(3)	336	83	313	77	288	74	244	66	228	72
Diesel(4)	2,353	584	1,935	502	2,029	521	1,556	419	1,322	416
Gasoline products(5)	2,198	546	1,830	475	1,922	494	1,545	416	1,250	393

(1) Amounts translated from Argentine pesos at the average exchange rate for the period.

(2) Per thousand cubic meters.

(3) Reflects the average of residential prices (which are generally lower than prices to other segments) and industrial prices.

(4) Per cubic meter. Does not include sales by Refinor, in which we have a 50% interest and which is proportionally consolidated in our consolidated financial statements.

(5) Per cubic meter. Does not include sales by Refinor, in which we have a 50% interest, and which is proportionally consolidated in our consolidated financial statements. The average price shown for each period is the volume-weighted average price of the various grades of gasoline products sold by us in the domestic market during such period.

The disparity between the prices at which hydrocarbon products have been sold in Argentina and the prevailing international prices for such products has been mainly due to limitations on our ability to pass increases in international prices of crude oil and hydrocarbon fuels and adverse exchange rate movements through to domestic prices or to increase local prices of natural gas (in particular for residential customers), gasoline and diesel.

In addition, Argentina imports natural gas from Bolivia, as more fully described in our 2010 20-F. The price at which Bolivia exported natural gas to Argentina (which is purchased by ENARSA) was approximately U.S.$7.80/mmBtu in June 2011, while the price at which we purchased natural gas from ENARSA was approximately U.S.$2.62/mmBtu in June 2011.

In addition, pursuant to Resolution 599/2007 of the Argentine Secretariat of Energy dated June 14, 2007 (see Item 4. Information on the Company-Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural gas in our 2010 20 F), the Argentine government and gas producers, including us, entered into an agreement for the supply of certain volumes of gas to each segment of the domestic market during the period 2007 through 2011. On October 4, 2010, the Official Gazette published ENARGAS Resolution No. 1410/2010 that approves the Procedimiento para Solicitudes, Confirmaciones y Control de Gas , which sets new rules for natural gas dispatch applicable to all participants in the gas industry (see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural gas in our 2010 20-F).

Relative maturity of our oil and gas assets

Argentina s oil and gas fields are mature and, as a result, our reserves and production are likely to decline as reserves are depleted. Because we mainly have concessions for mature oil and gas fields that are undergoing natural production declines, it is difficult to replace our proved reserves from other categories of reserves. However, in 2010, our oil replacement ratio (excluding NGL) was 100% resulting in 2010 year-end proved oil reserves being at the same level as the preceding year. However, oil production (excluding NGL) declined by 1.4% over the preceding year and our estimated proved reserves of gas and our gas production declined by 5.2% and 7.8%, respectively, over the same period. In an effort to maintain our high refinery utilization rates and because of regulatory requirements to supply certain hydrocarbon products to the domestic market, we purchased crude oil and natural gas from third parties. See Item 4. Information on the Company Exploration and Production Oil and Gas Reserves in our 2010 20-F for more information on our proved reserves.

We continue pursuing an initiative, which encompasses comprehensive reviews of our oil and gas fields to identify opportunities in light of new technologies and to design novel strategies to rejuvenate old fields and optimize the development of new fields in Argentine basins. Many of our fields have similar characteristics to mature fields in other regions of the world that have achieved substantially higher recovery factors through the application of new technologies, similar to the ones we are currently evaluating. Nevertheless, the financial viability of these investments and reserve recovery efforts will generally depend on the prevailing economic and regulatory conditions in Argentina, as well as the market prices of hydrocarbon products.

We have budgeted approximately U.S.$3 billion in investments and capital expenditures for 2011, a significant portion of which will be dedicated to our exploration and production activities. During the period 2011-2013, we expect to make capital expenditures of around U.S.$8 billion, principally related to our exploration and production projects, including some to increase recovery rates in our fields.

See Supplemental Information on Oil and Gas Producing Activities (Unaudited)-Oil and gas reserves in our 2010 20-F for more information on our proved reserves.

Critical Accounting Policies

U.S. GAAP reconciliation

The difference between our net income under Argentine GAAP and our net income under U.S. GAAP for the six-month periods ended June 30, 2011 and 2010 is primarily due to the remeasurement into functional currency and translation into reporting currency, the elimination of the inflation adjustment into Argentine constant pesos, the impairment of long-lived assets, capitalization of financial expenses, accounting for assets retirement obligations, and proportional consolidation of investments in jointly controlled companies.

Under Argentine GAAP, financial statements are presented in constant Argentine pesos (reporting currency). Foreign currency transactions are recorded in Argentine pesos by applying to the foreign currency amount the exchange rate between the reporting and the foreign currency at the date of the transaction. Exchange rate differences arising on monetary items in foreign currency are recognized in the income statement of the period.

Under U.S. GAAP, a definition of the functional currency is required which may differ from the reporting currency. Management has determined, for us and certain of our subsidiaries and investees, the U.S. dollar to be the functional currency in accordance with ASC 830. Therefore, we have re-measured into U.S. dollars the Unaudited Condensed Financial Statements as of June 30, 2011 and 2010 and the Audited Consolidated Financial Statements as of December 31, 2010, 2009 and 2008, in each case prepared in accordance with Argentine GAAP by applying the procedures specified in ASC 830. The objective of the re-measurement process is to produce the same results that would have been reported if the accounting records had been kept in the functional currency. Accordingly, monetary assets and liabilities

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are re-measured at the balance sheet date (current) exchange rate. Amounts carried at prices in past transactions are re-measured at the exchange rates in effect when the transactions occurred. Revenues and expenses are re-measured on a monthly basis at the average rates of exchange in effect during the period, except for consumption of non-monetary assets, which are re-measured at the rates of exchange in effect when the respective assets were acquired. Translation gains and losses on monetary assets and liabilities arising from the re-measurement are included in the determination of net income (loss) in the period such gains and losses arise. Furthermore, for certain of our subsidiaries and investees, we have determined the Argentine peso as the functional currency. Translation adjustments resulting from the process of translating the financial statements of subsidiaries that use peso as their functional currency into YPF s functional currency (U.S. dollars) are accounted for in other comprehensive income (OCI), as a component of shareholders equity.

The amounts obtained from the re-measurement process referred to above are translated into Argentine pesos under the provisions of ASC 830. Assets and liabilities are translated at the current selling exchange rate of Ps.4.11 to U.S.$1.00, as of June 30, 2011. Revenues, expenses, gains and losses reported in the income statement are translated at the exchange rate existing at the time of each transaction or, if appropriate, at the weighted average of the exchange rates during the period. Translation effects of exchange rate changes are included as a cumulative translation adjustment in shareholders equity. For the six-month periods ended June 30, 2011 and 2010, the re-measurement into functional currency and the translation into reporting currency decreased net income determined according to Argentine GAAP by Ps.661 million and Ps.664 million, respectively.

Under Argentine GAAP, we have proportionally consolidated, net of inter-company transactions, assets, liabilities, net sales, cost and expenses of investees in which joint control is held. Under U.S. GAAP these investees are accounted for by the equity method. The proportional consolidation mentioned above generated an increase of Ps.1,047 million in total assets and total liabilities as of June 30, 2011, and an increase of Ps.943 million and Ps.702 million in net sales and Ps.346 million and Ps.300 million in operating income for the six-month periods ended June 30, 2011 and 2010, respectively.

Under Argentine GAAP, in order to perform the recoverability test, long-lived assets are grouped with other assets at business segment level, and they would be impaired if the discounted cash flows, considered at business segment level, were less than its carrying value. With respect to assets that were held pending sale or disposal, our policy was to record these assets on an individual basis at amounts that did not exceed net realizable value.

Under U.S. GAAP, considering the characteristics of the Argentine market and the effects of certain regulatory provisions described in Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government in our 2010 20-F, oil properties are grouped into a unique cash generating unit and gas properties are grouped by basin (owing to logistics restrictions), to perform impairment tests. Other long-lived assets are aggregated, so that the discrete cash flows produced by each group of assets may be separately analyzed. Each asset is tested following the guidelines of ASC 360, by comparing the net book value of such an asset with the expected undiscounted cash flow. Impairment losses are measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. When market values are not available, we estimate them using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets. There were no impairment charges under U.S. GAAP for the six-month periods ended June 30, 2011 and 2010. The accumulated adjustments under U.S. GAAP of the impairment provisions as of June 30, 2011 and 2010 were Ps.296 million and Ps.407 million, respectively, mainly corresponding to our Exploration and Production segment. The adjusted basis after impairment resulted in lower depreciation under U.S. GAAP by Ps.52 million and Ps.107 million for the periods ended June 30, 2011 and 2010, respectively.

Under U.S. GAAP, only interest expense on qualifying assets must be capitalized, regardless of the asset s construction period. Under Argentine GAAP, for those assets that necessarily take a substantial period of time to get ready for its intended use, borrowing costs (including interest and exchange differences) should be capitalized. Accordingly, borrowing costs for those assets whose construction period exceeds one year have been capitalized, provided that such capitalization does not exceed the amount of financial expense recorded in that period or year.

Under U.S. GAAP, ASC 410 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement cost. The standard applies to the legal obligation associated with the retirement of long-lived assets that results from the acquisition, construction, development and normal use of the asset. ASC 410 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations liability is built up in cash flow layers, with each layer being discounted using the discount rate as of the date that the layer was created. Remeasurement of the entire obligation using current discount rates is not permitted. Each cash flow layer is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability is increased due to the passage of time based on the time value of money (accretion expense) until the obligation is settled. Argentine GAAP is similar to ASC 410, except for a change in the discount rate is treated as a change in estimates, so the entire liability must be recalculated using the current discount rate, being the change added or reduced from the related asset.

YPF Holdings has a non-contributory defined-benefit pension plan and postretirement and post-employment benefits. On December 31, 2006, under U.S. GAAP, the company adopted the Statement of Financial Accounting Standards (SFAS) No. 158 (currently included in ASC 715). Under provisions of ASC 715, the company fully recognized the underfunded status of defined-benefit pension and postretirement plans as a liability in the financial statements, reducing the company s shareholders equity through the accumulated OCI account. Unrecognized gains and losses are recognized in the income statement during the expected average remaining working lives of the employees participating in the plans and the life expectancy of retired employees. Under Argentine GAAP, as of June 30, 2011 and December 31, 2010, the actuarial losses and gains were charged to the Other income/(expense), net account of the statement of income. For a more detailed discussion of the most significant differences between Argentine GAAP and U.S. GAAP, please refer to Notes 12, 13 and 14 to the Audited Consolidated Financial Statements.

Principal Income Statement Line Items

The following is a brief description of the principal line items of our income statement.

Net sales

Net sales include primarily our consolidated sales of unrefined and refined fuel and chemical products net of the payment of applicable fuel transfer taxes, turnover taxes and custom duties on exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales.

Cost of sales

The following table presents, for each of the periods indicated, a breakdown of our consolidated cost of sales by category:

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	For the Six-Month Period Ended June 30,	
	2011	2010
	(in millions of pesos)	
Inventories at beginning of year	3,865	3,066
Purchases for the period	8,387	4,296
Production costs(1)	11,180	9,410
Holding gains on inventories	452	152
Inventories at end of period	(5,056)	(3,860)
Cost of sales	18,828	13,064

(1) The table below presents, for each of the periods indicated, a breakdown of our consolidated production costs by category:

	For the Six-Month Period Ended June 30,	
	2011	2010
	(in millions of pesos)	
Salaries and social security taxes	1,141	740
Fees and compensation for services	103	84
Other personnel expenses	317	225
Taxes, charges and contributions	219	168
Royalties and easements	1,555	1,472
Insurance	73	79
Rental of real estate and equipment	425	230
Depreciation of fixed assets	2,446	2,572
Industrial inputs, consumable material and supplies	450	359
Operation services and other service contracts	1,504	828
Preservation, repair and maintenance	1,655	1,367
Contractual commitments	64	118
Transportation, products and charges	546	479
Fuel, gas, energy and miscellaneous	682	689
Total	11,180	9,410

Other (expense) income, net

Other income, net principally include reserves for pending lawsuits and other claims, provisions for environmental remediation and provisions for defined benefit pension plans and other post-retirement benefits.

Financial (expense) income, net and holding (losses) gains

Financial (expense) income, net and holding (losses) gains consist of the net of gains and losses on interest paid and interest earned, currency exchange differences and the periodic revaluation of inventories.

Taxes

The effective tax rates for the periods discussed in this report were similar to the statutory corporate income tax rate in Argentina which was 35% during each of the periods presented in this report. See Note 2(f) to the Unaudited Interim Financial Statements.

Consolidated results of operations for the six-month periods ended June 30, 2011 and 2010

The following table sets forth certain financial information as a percentage of net sales for the periods indicated.

	For the Six-Month Period Ended June 30,	
	2011	**2010**
	(percentage of net sales)	
Net sales	100.0%	100.0%
Cost of sales	(72.0)	(63.8)
Gross profit	28.0	36.2
Administrative expenses	(3.5)	(3.2)
Selling expenses	(6.4)	(6.9)
Exploration expenses	(1.2)	(0.6)
Operating income	16.9	25.6

The tables below present, for the periods indicated, volume and price data with respect to our consolidated sales of our principal products in the domestic and export markets, respectively. The data presented below does not include sales by Compañía Mega S.A. (Mega), Refinor or Profertil, jointly-controlled companies in which we have 38%, 50% and 50% interests, respectively, and which are proportionally consolidated in our consolidated financial statements. Mega, Refinor and Profertil contributed, after consolidation adjustments, 0.49%, 1.35% and 1.77%, respectively, of our consolidated net sales for the six-month period ended June 30, 2011 and 0.73%, 1.37% and 1.33%, respectively, of our consolidated net sales for the six-month period ended June 30, 2010.

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Domestic Market — **For the Six-Month Period Ended June 30,**

	2011		**2010**	
Product	**Units sold**	**Average price per unit(1)**	**Units sold**	**Average price per unit(1)**
		(in pesos)		**(in pesos)**
Natural gas	5,890 mmcm	336/mcm	5,674 mmcm	296/mcm
Diesel	4,208 mcm	2,353/m3	3,907 mcm	1,935/m3
Gasoline	1,871 mcm	2,198/m3	1,697 mcm	1,830/m3
Fuel oil	83 mtn	1,725/ton	156 mtn	1,644/ton
Petrochemicals	317 mtn	2,543/ton	231 mtn	2,050/ton

(1) Average prices shown are net of applicable domestic fuel transfer taxes payable by consumers.

Export Markets — **For the Six-Month Period Ended June 30,**

	2011		**2010**	
Product	**Units sold**	**Average price per unit(1)**	**Units sold**	**Average price per unit(1)**
		(in pesos)		**(in pesos)**
Natural gas (2)	65 mmcm	1,822/mcm	237 mmcm	1,290/mcm
Gasoline	232 mcm	2,691/m3	247 mcm	1,902/m3
Fuel oil	236 mtn	2,351/ton	473 mtn	1,838/ton
Petrochemicals	184 mtn	3,690/ton	266 mtn	2,640/ton

(1) Average prices shown are gross of applicable export withholding taxes payable by us, and, as a result, may not be indicative of amounts recorded by us as net sales.

(2) Average price is based on natural gas actually delivered and does not include fixed charges collected pursuant to certain delivery contracts.

Net sales

Net sales in the six-month period ended June 30, 2011 were Ps.26,151 million, compared to Ps.20,484 million in the six-month period ended June 30, 2010, representing a 27.7% increase. This increase was mainly attributable to increases in the volumes sold of almost all our gasoline and diesel products, the adequacy of sale prices of diesel and gasoline in the domestic market, as well as a result of the increase in the average international market price of WTI (which was approximately 25% higher in the first half of 2011 than in the first half of 2010), with the corresponding effect in certain products sold in the domestic market which track international prices, such as LPG, jet fuel and petrochemicals.

For further information on our net sales for the periods discussed above, see Results of operations by business segment for the six-month periods ended June 30, 2011 and 2010.

Cost of sales

Cost of sales in the six-month period ended June 30, 2011 was Ps.18,828 million compared to Ps.13,064 million in the six-month period ended June 30, 2010, representing a 44.1% increase. This increase is partly attributable to an increase in crude oil purchases from third parties, which was mainly due to the higher average price paid for such purchases (which increased by approximately 20%, measured in pesos, from Ps.1,199/m3 for the six-month period ended June 30, 2010 to Ps.1,439/m3 for the six-month period ended June 30, 2011). This higher average price resulted primarily from the price negotiations among domestic producers and refiners in light of the upward market trends and, to a lesser extent, the devaluation of the Argentine peso against the U.S. dollar, since such prices are set in U.S. dollars. Additionally, there was an increase in the volumes of crude oil purchased from third parties as a consequence of the strikes that took place in the Southern region in Argentina during the second quarter of 2011 (see Results of operations by business segment for the six-month periods ended June 30, 2011 and 2011 Exploration and Production). Furthermore, there was an increase in imported volumes of low-sulfur diesel, regular diesel and biofuels (mainly biodiesel), in order to fulfill the higher demand of these products in the domestic market and to comply with the current quality requirements for fuels. Additionally, our production expenses also increased due to increases in royalties, driven mainly by the increases in crude oil prices referred to above, although this effect was partially offset by the lower volumes we produced due to the strikes that affected our operations during the six-month period ended June 30, 2011, as well as a general increase in fees, mainly in respect of operation services and other service contracts, and in salaries and wages as a consequence of negotiations with unions and in line with the general evolution of the Argentine economy.

Administrative expenses

Our administrative expenses increased by Ps.253 million in the six-month period ended June 30, 2011, compared to the same period in the prior year, particularly due to increases in wages and social security costs, driven mainly by wages increases during 2010 and in the second quarter of 2011, in line with increases that benefited unionized employees across broad sectors of the economy, as well as increases in fees and compensation for services mainly related to information technology services contracts and licenses expenses, generally consistent with increases attributable to the evolution and growth of the Argentine economy.

Selling expenses

Our selling expenses were Ps.1,661 million in the six-month period ended June 30, 2011, compared to Ps.1,407 million in the same period in the prior year, representing an increase of 18.1%, resulting from increases in transportation expenses, due to higher sales of gasoline and diesel in the domestic market, and to increases in the corresponding fees paid for these services, in accordance with general cost increases in the economy. These expenses were also affected by wages increases, as previously commented, and by higher costs of publicity and promotional activities.

Exploration expenses

Our exploration expenses in the first half of 2011 increased by Ps.204 million compared to the first half of 2010 mainly due to the exploratory activities performed in the Malvinas basin in 2011. For further information, see Results of operations by business segment for the six-month periods ended June 30, 2011 and 2011 Exploration and Production.

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Operating income

Operating income for the six-month period ended June 30, 2011 was Ps.4,427 million, compared to Ps.5,235 million for the six-month period ended June 30, 2010, due to the factors described above. Our operating margins (operating income divided by net sales) were 16.9% and 25.6% in the six-month periods ended June 30, 2011 and 2010, respectively.

Financial (expense) income, net and holding (losses) gains

In the six-month period ended June 30, 2011, financial expense, net, and holding gains, yielded Ps.40 million of expense, compared to an expense of Ps.404 million during the same period of 2010. This decrease is mainly attributable to higher holding gains on inventories in the six-month period ended June 30, 2011, compared to the same period of the prior year, mainly due to higher production costs which had an impact on stock value (and consequently, in cost of sales), as well as, to a lesser extent, a lower net negative exchange rate differences, according to our net liabilities denominated in U.S. dollars, in the six-month period ended June 30, 2011 compared to the same period of 2010.

Taxes

Income tax expense in the six-month period ended June 30, 2011 decreased to Ps.1,575 million from Ps.1,733 million in the same period of 2010, a 9.1% decrease, mainly as a result of a lower net income before income tax. The effective tax rates for the periods discussed were similar to the statutory corporate income tax rate in Argentina, which was 35% during each of the six-month periods ended June 30, 2011 and 2010.

Net income

Considering the above, net income for the six-month period ended June 30, 2011 was Ps.2,754 million, compared to Ps.3,189 million in the same period of 2010, representing a decrease of 13.6%.

Results of operations by business segment for the six-month periods ended June 30, 2011 and 2010

The following table sets forth net sales and operating income for each of our lines of business for the six-month periods ended June 30, 2011 and 2010:

	For the Six-Month Period Ended June 30,	
	2011	**2010**
	(in millions of pesos)	
Net sales(1)		
Exploration and Production(2)		
To unrelated parties	2,526	2,347
To related parties	511	482
Inter-segment sales and fees(3)	8,999	8,323
Total exploration and production	12,036	11,152
Refining and Marketing(4)		
To unrelated parties	20,715	15,965
To related parties	479	446
Inter-segment sales and fees	761	781
Total refining and marketing	21,955	17,192
Chemical		
To unrelated parties	1,122	917
Inter-segment sales and fees	999	904

Total Chemical	2,121	1,821
Corporate and other		
To unrelated parties	798	327
Inter-segment sales and fees	232	156
Total Corporate and others	1,030	483
Less inter-segment sales and fees	(10,991)	(10,164)
Total net sales(5)	26,151	20,484
Operating income (Loss)		
Exploration and Production	2,853	3,480
Refining and Marketing	1,736	1,902
Chemical	581	404
Corporate and other	(569)	(505)
Consolidation adjustments	(174)	(46)
Total operating income	4,427	5,235

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(1) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales.

(2) Includes exploration and production operations in Argentina and the United States.

(3) Inter-segment sales of crude oil to Refining and Marketing are recorded at transfer prices that reflect our estimate of Argentine market prices.

(4) Includes LPG activities.

(5) Total net sales include export sales of Ps.3,435 million and Ps.3,076 million for the six-month periods ended June 30, 2011 and 2010, respectively.

Exploration and Production

In the six-month period ended June 30, 2011, the Province of Santa Cruz, which produces approximately 20% of Argentina s crude oil, was affected by a province-wide teachers strike and an unrelated oil-workers strike. These disputes have adversely affected the operations of YPF and other oil producing companies, causing either the temporary suspension of operations or a reduction in production in their oil-fields in the Province of Santa Cruz. Consequently, our results of operations and our operating margins for such period were adversely affected by losses in production of crude oil resulting from these strikes, as well as by the higher volume of products we have purchased from third parties to cover production shortfalls. We estimate that, based on 2010 production levels, our production from the Province of Santa Cruz represents approximately 24% of our total production of crude oil.

Average oil production during the six-month period ended June 30, 2011 was 14.4% lower than the level registered in the same period in 2010, mainly due to the effect of the strikes that affected our operations in the Southern region of Argentina, as mentioned in the previous paragraph. Principally as a consequence of these factors, the volumes transferred among business segments were 10.8% lower than those in the same period of the previous year, negatively affecting the Exploration and Production segment margin.

While the WTI price was approximately 25% higher in the six-month period ended June 30, 2011 than in the same period in 2010, inter-segment prices, reflecting negotiations among local producers and refiners, were approximately 22% higher during the six-month period ended June 30, 2011.

We have also continued our efforts to meet domestic demand of natural gas, which has slightly increased, especially in the power generation segment. The average price of natural gas sold in the domestic market registered a slight increase, driven mainly by price increases in the industry segment in Argentina, particularly in respect of sales to our associated company MEGA which contract price tracks international parameters that reflected the previously mentioned WTI increase, as well as -to a lesser extent- in the power generation segment.

Considering the effects described in the previous paragraphs, as well as other minor effects, Exploration and Production net sales increased by 7.9% in the six-month period ended June 30, 2011 compared to the same period of the previous year.

Our operating expenses increased by Ps.1,511 million, primarily due to increases in contract services fees in line with the general evolution of the Argentine economy, and in oil and gas royalties due to the higher value at the wellhead of hydrocarbons produced. Salaries and wages also increased as a consequence of agreements with labor unions.

Exploration expenses for the six-month period ended June 30, 2011 increased by Ps.204 million compared to the first half of 2010 mainly due to the exploratory activities performed in the Malvinas basin in 2011, consisting in the drilling of a first off-shore exploratory well in deep waters in the Malvinas basin, for which we afforded an approximate total cost of Ps.200 million. The drilling of this well, which is part of the Exploratory Development Program 2010-2014 launched by us in 2009, reached a 2,000 meters depth and provided information that evidenced no presence of hydrocarbons. However, the data obtained with this drilling will contribute to the elaboration of a new geological map that is expected to be useful for future operations in this area. During the first quarter of 2011, we also drilled the first exploratory well in the San Juan province, in the Tamberias field.

As a result of the foregoing, the operating income for the Exploration and Production segment in the six-month period ended June 30, 2011 was Ps.2,853 million, compared with the Ps.3,480 million operating income in the six-month period ended June 30, 2010.

Refining and Marketing

Operating income for the six-month period ended June 30, 2011 was Ps.1,736 million compared to Ps.1,902 million for the same period in the previous year, a decrease of 8.7%. This decrease was mainly the result of the factors referred to below, which were partly offset by an increase in volumes sold of almost all our gasoline and diesel products in the domestic market as well as higher average prices of almost all refined products in the domestic and export markets (the average international market price of WTI was approximately 25% higher in the six-month period ended June 30, 2011 than in the same period of 2010, which resulted in an increase in the price of products which track the WTI price trend, such as LPG and jet fuel):

a) Higher cost of crude oil purchases, due mainly to the increase in inter-segment oil sales prices (which were higher by approximately 22%), and higher prices (by approximately 20%) and volumes of crude oil purchased from other local producers, due to the effect of the strikes that affected our oil production operations.

b) Higher purchases from third parties of low-sulfur diesel (Euro Diesel) and regular diesel, which were motivated by increased demand for these products in the domestic market.

c) Higher biofuels purchases (mainly biodiesel) to comply with regulations and provide the market with higher quality products.

d) Increases in production costs, due mainly to generalized price increases in the broader economy. In particular, energy, service contracts and oil transportation fees increased during the first half of 2011 compared with the same period in 2010. Salaries and wages also increased, affecting our cost of production as well. As a consequence of these facts, and to a lesser extent due to the lower number of oil barrels processed in our refineries, the refining cost increased by 38% to Ps.22.1 per barrel during the first half of 2011 compared with the same period in 2010.

During the first half of 2011, our refineries, including Refinor (we own 50% of Refinor), processed 289 mbbl/d of crude oil, which represented a decrease of approximately 5.9% from 307 mbbl/d processed in the same period in the prior year. This was mainly motivated by the lesser availability of crude oil in the domestic market due to the aforementioned effect of strikes in the Southern region of Argentina, and to a lesser extent, due to programmed overhaul works performed in our refineries.

Chemical

Our net sales of chemical products increased by Ps.300 million in the six-month period ended June 30, 2011 to Ps.2,121 million, compared to Ps.1,821 million in the six-month period ended June 30, 2010. Operating income in the six-month period ended June 30, 2011 reached Ps.581 million, an increase of Ps.177 million from the Ps.404 million registered in the six-month period ended June 30, 2010.

These increases were driven by a combination of several factors, including an increase in the price of some products sold in the domestic market, such as methanol and other aromatic products (benzene, toluene and xylene), as well as higher volumes sold in this market, mainly of methanol and alcohols, and an increase in net sales of almost all of our exported products, although the exported volumes were lower than in the first half of 2010 mainly as a result of programmed maintenance works performed in the Aromatics and LAB production plants during the second quarter of 2011. Another positive factor was the increase in transfer prices of products sold to the Refining and Marketing business unit (toluene, methanol) used in the production of liquid fuels. These upsides were partially offset by the higher purchase prices of chemical gasoline and other raw materials paid to the Refining and Marketing business unit, which are used in the production of aromatic products by the Chemical business unit. Additionally, a better operating income was recorded by Profertil (we own 50% of Profertil) due to higher prices of fertilizers sold in the domestic and export market, as well as higher volumes sold in the domestic market, which reflect the higher profits registered by this company in the first half of 2011.

Corporate and others

The operating loss in the six-month period ended June 30, 2011 reached Ps.569 million, a 12.7% increase from the Ps.505 million operating loss registered in the six-month period ended June 30, 2010, mainly as a result of increases in salaries and compensation paid in respect of information technology services contracts in the six-month period ended June 30, 2011, which were partially offset by the higher operating income generated by our wholly owned subsidiary A-Evangelista S.A. compared with the same period in the previous year, mainly due to a higher level of activity pursuant to the contracts this company is carrying out.

Liquidity and Capital Resources

Financial condition

Total debt outstanding as of June 30, 2011 and December 31, 2010 was Ps.10,345 million and Ps.7,789 million, respectively, consisting of short-term debt (including the current portion of long-term debt) of Ps.7,895 million and long-term debt of Ps.2,450 million as of June 30, 2011, and short-term debt of Ps.6,176 million and long-term debt of Ps.1,613 million as of December 31, 2010. As of June 30, 2011 and December 31, 2010, a major part of our debt was denominated in U.S. dollars.

As of June 30, 2010, total debt outstanding reached Ps.7,370 million, consisting of short-term debt (including the current portion of long-term debt) of Ps.5,885 million and long-term debt of Ps.1,485 million.

Since September 2001, we have repurchased certain of our publicly-traded bonds in open market transactions on an arms-length basis. As of June 30, 2011, we had repurchased approximately U.S.$12 million of our outstanding bonds. We may from time to time make additional purchases of, or effect other transactions relating to, our publicly-traded bonds if in our own judgment the market conditions are attractive.

The following tables set forth our consolidated cash flow information for the periods indicated.

	For the Six-Month Period Ended June 30,	
	2011	2010
	(in millions of pesos)	
Net cash flows provided by operating activities	3,726	6,000
Net cash flows used in investing activities	(4,740)	(3,287)
Net cash flows used in financing activities	(422)	(1,826)
Net (decrease) / increase in cash and equivalents	(1,436)	887
Cash and equivalents at the beginning of period	2,527	2,145
Cash and equivalents at the end of period	1,091	3,032

Net cash flow provided by operating activities was Ps.3,726 million for the six-month period ended June 30, 2011, compared to Ps.6,000 million for the six-month period ended June 30, 2010. Such variation was mainly due to the increase in the amount paid for the income tax as a result of the higher net income corresponding to year 2010 compared to the same period of 2009.

We used Ps.4,740 million in investing activities in the six-month period ended June 30, 2011 including Ps.4,752 million in fixed asset acquisitions relating mainly to drilling activities in our Exploration and Production business unit, compared to Ps.3,383 million in the same period of 2010.

We believe that our level of working capital will not affect our business operations, mainly as a result of the expected net cash flow provided by operating activities. However, we are currently seeking to extend the maturities of our outstanding financial debt.

Repsol YPF and Petersen Energía have agreed in the shareholders agreement entered into by them in connection with the Petersen Transaction (as defined in Item 7. Major Shareholders and Related Party Transactions Shareholders Agreement in our 2010 20-F) to adopt a dividend policy providing for the distribution of 90% of our net income as dividends, starting with our net income for 2007. See Item 7. Major Shareholders and Related Party Transactions Shareholders Agreement and Item 8. Financial Information Dividends Policy in our 2010 20-F.

The shareholder s meeting held on January 8, 2008 approved a notes program for an amount up to U.S.$1 billion at any time outstanding. The proceeds of any offerings under this program must be used exclusively to invest in fixed assets and working capital in Argentina or for capital contributions to subsidiaries and affiliated companies that will invest in fixed assets and working capital in Argentina. In September 2009, we issued negotiable obligations under this program in an amount of Ps.205 million, which matured in March 2011. Additionally, in March 2010 we issued two series of notes under the program: one denominated in Argentine pesos and maturing in September 2011, for a total of Ps.143 million, and a second series, denominated in U.S. dollars, for a total of U.S.$70 million, which matures in March 2013. Finally, in June 2011 we issued a new series, denominated in Argentine pesos for a total of Ps.300 million, which matures in December 2012.

The following table sets forth our commitments for the periods indicated below with regard to the principal amount of our debt as of June 30, 2011, plus accrued but unpaid interest through June 30, 2011:

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	Expected Maturity Date						
	Total	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
	(in millions of pesos)						
Debt	10,345	7,895	1,061		770	257	362

Covenants in our indebtedness

Our financial debt generally contains customary covenants for contracts of this nature. With respect to a significant portion of our financial debt (totaling Ps.10,345 million, including accrued interest (long- and short-term debt) as of June 30, 2011), we have agreed, among other things and subject to certain exceptions, not to establish liens or charges on our assets. In addition, approximately 9.9% of our financial debt outstanding as of June 30, 2011 was subject to financial covenants related to our leverage ratio and debt service coverage ratio.

Our outstanding financial indebtedness also contains customary events of default, including in several cases cross-default provisions, that under certain circumstances could give rise to the acceleration of amounts outstanding and, in certain cases, mandatory prepayment provisions.

Guarantees provided

As of June 30, 2011, we have issued a guarantee in relation to a loan that Central Dock Sud S.A. has borrowed from the European Investment Bank in 2001. As of June 30, 2011 the carrying amount (and maximum potential amount of future payments) of the guarantee was approximately U.S.$11.7 million, consisting of U.S.$10.7 million of principal, plus a 9% cap which covers any sum of interest, commission, liquidated damages, charge or expense or any other sum payable by the borrower to the bank. The guarantee can be called upon in the event Central Dock Sud S.A. fails to pay any guaranteed amounts, when due. The corresponding loan matures in 2013.

Additionally, as of June 30, 2011, we have issued letters of credit in an amount of U.S.$46 million to guarantee environmental obligations, and guarantees in an amount of approximately U.S.$14 million to guarantee the enforcement of contracts from certain controlled companies.

Capital investments and expenditures

The table below sets forth our capital expenditures and investments by activity for the six-month periods ended June 30, 2011 and 2010.

	For the Six-Month Period Ended June 30,			
	2011		2010	
	(in millions of pesos)	(%)	(in millions of pesos)	(%)
Capital Expenditures and Investments				
Exploration and Production	3,661	75	2,807	80
Refining and Marketing	768	16	463	13
Chemical	363	8	171	5
Corporate and Other	62	1	53	2
Total	4,854	100%	3,494	100%

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements. Our only off-balance sheet arrangements are those described in Guarantees provided above.

Qualitative and Quantitative Disclosure About Market Risk

The following quantitative and qualitative information is provided about financial instruments to which we are a party as of June 30, 2011, and from which we may incur future gains or losses from changes in market, interest rates or foreign exchange rates. We do not enter into derivative or other financial instruments for trading purposes.

This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in Item 3. Key Information Risk Factors in our 2010 20-F.

Foreign currency exposure

We generally follow a policy of not hedging our debt obligations in U.S. dollars. In addition, our costs and receipts denominated in currencies other than the Argentine peso, including the U.S. dollar, often do not match. As a result, we are currently exposed to risks associated with changes in foreign currency exchange rates. See Item 3. Key Information Risks Relating to Argentina We may be exposed to fluctuations in foreign exchange rates in our 2010 20-F.

The table below provides information about our assets and liabilities denominated in currency other than pesos (principally U.S. dollars) that may be sensitive to changes in foreign exchange rates, as of June 30, 2011.

	Expected Maturity Date				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years and undetermined**	**Total**
	(in millions of U.S. dollars)				
Assets	1,849	122		5	1,976
Accounts payable	1,289	217	108	493	2,107
Debt	1,572	185	250	92	2,099
Other Liabilities(1)	115	3	3	414	535

(1) Includes U.S.$382 million corresponding to reserves with undetermined maturity.

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Interest rate exposure

Our objective in borrowing under fixed rate debt is to satisfy capital requirements that minimize our exposure to interest rate fluctuations. To achieve our objectives, we have mostly borrowed under fixed rate debt instruments, based on the availability of capital and prevailing market conditions.

The table below provides information about our assets and liabilities as of June 30, 2011 that may be sensitive to changes in interest rates.

	Expected Maturity Date							
	Less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**More than 5 years**	**Total**	**Fair Value**
	(in millions of pesos)							
Assets								
Fixed rate								
Other Receivables		234	28				262	259
Interest rate		0.52-5.11%	0.52%					
Variable rate								
Other Receivables	21	21	21	21	21	33	137	137
Interest rate	CER(1)+8%	CER(1)+8%	CER(1)+8%	CER(1)+8%	CER(1)+8%	CER(1)+8%		
Liabilities								
Fixed rate								
YPF s Negotiable Obligations		286				360	646	735
Interest rate		4%				10%		
Other debt	7,695	124	19	19	19	60	7,936	7,962
Interest rate	0.60-15.30%	1.70-9.38%	9.38%	9.38%	9.38%	9.38%		
Variable rate								
YPF s Negotiable Obligations	143	300					443	443
Interest rate	BADLAR(2) 2.00%	BADLAR(2) 2.60%						
Other debt		369		770	257		1,396	1,396
Interest rate		Libor+3.35-5.25%		Libor+4%	Libor+4.50%			

(1) *Coeficiente de Estabilización de Referencia* (CER), a reference stabilization index established by the Public Emergency Law and published by the Argentine Central Bank.

(2) Refers to the average interest rate that banks pay for deposits of more than Ps.1 million.

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ITEM 3. UPDATE OF SELECTED INFORMATION ON THE COMPANY

Exploration and Production

Under our Exploratory Development Program 2010-2014 we have drilled six vertical exploration wells appraising an area of 330 km^2 (81,500 acres) in the Vaca Muerta formation, in the Northern area of Loma La Lata, Neuquén province. The results showed initial flows ranging from 200 to 560 barrels of oil equivalent per day (boe/d - average during the first 30 days of production in each well). We can give no assurance that these discoveries will lead to material proved reserves, and, as of the date hereof, no proved reserves have been recognized for the related projects. Proved reserves may be recognized only once the applicable regulations and requirements for recording proved reserves are met. In light of our initial results, YPF will begin a pilot development in an area of 25 Km^2 (6,180 acres) and appraise another 200 km^2 (49,400 acres). We estimate that about 17 new wells will be drilled and 14 existing wells will be fractured during the remainder of 2011, which is expected to involve an estimated total investment of approximately U.S.$270 million, of which U.S.$100 million have already been invested.

Also as part of the same Exploratory Development Program 2010-2014 which we launched in late 2009, we completed the drilling of a first offshore exploration well in deep water in the Malvinas basin, which had an approximate cost of Ps.200 million for the Company. The drilling of the well, reaching a depth of over 2,000 meters, allowed us to obtain information from which we concluded that there were no hydrocarbons in place. However, the data obtained with this drilling will contribute to the elaboration of a new geological map that is expected to be useful for future operations in this area.

Directors, Senior Management and Employees

On July 29, 2011, Messrs. Miguel Ángel Devesa del Barrio and Raúl Fortunato Cardoso Maycotte resigned from our Board of Directors. Messrs. Miguel Martínez San Martín and Carlos Arnoldo Morales-Gil have been appointed to serve as Directors in our Board.

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ITEM 4. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

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