

YPF SOCIEDAD ANONIMA

Form 20-F

May 16, 2012

[Back to Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011
Commission file number: 1-12102

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)

Gabriel E. Leiva

Director of Administration

Tel: (011-54-11) 5441-0970

Facsimile Number: (011-54-11) 5441-0232

Macacha Güemes 515

C1106BKK Ciudad Autónoma de Buenos Aires, Argentina

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing one Class D Share, par value 10 pesos per share	New York Stock Exchange
Class D Shares	New York Stock Exchange*

* Listed not for trading but only in connection with the registration of American Depositary Shares.

Securities
registered
or to be
registered
pursuant
to Section
12(g) of
the Act:

None

Securities
for which

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there is a reporting obligation pursuant to Section 15(d) of the Act:
None

The number of outstanding shares of each class of stock of YPF Sociedad Anónima as of December 31, 2011 was:

Class A Shares	3,764
Class B Shares	7,624
Class C Shares	40,422
Class D Shares	393,260,983
	<u>393,312,793</u>

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board:

Other

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

[Back to Contents](#)

TABLE OF CONTENTS

	<u>Page</u>
Conversion Table	1
References	1
Disclosure of Certain Information	1
Forward-Looking Statements	1
Oil and Gas Terms	2
PART I	4
ITEM 1. Identity of Directors, Senior Managers and Advisers	4
ITEM 2. Offer Statistics and Expected Timetable	4
ITEM 3. Key Information	4
Selected Financial Data	4
Exchange Controls	8
Risk Factors	9
ITEM 4. Information on the Company	22
History and Development of YPF	22
The Argentine Market	25
History of YPF	26
Business Organization	28
Exploration and Production	29
Refining and Marketing	56
Chemicals	63
Research and Development	64
Competition	65
Environmental Matters	66
Property, Plant and Equipment	70
Insurance	70
Regulatory Framework and Relationship with the Argentine Government	73
ITEM 4A. Unresolved Staff Comments.	94
ITEM 5. Operating and Financial Review and Prospects	95
Overview	95
Presentation of Financial Information	96
Segment Reporting	97
Factors Affecting Our Operations	98
Critical Accounting Policies	105
Principal Income Statement Line Items	110
Results of Operations	111
Liquidity and Capital Resources	119
Off-Balance Sheet Arrangements	123
ITEM 6. Directors, Senior Management and Employees	123
Management of the Company under the Intervention	123
Board of Directors	124
The Audit Committee	132
Disclosure Committee	134
Compliance with NYSE Listing Standards on Corporate Governance	136
Compensation of members of our Board of Directors and Supervisory Committee	137
Supervisory Committee	137
Employee Matters	140
ITEM 7. Major Shareholders and Related Party Transactions	141
Share Purchase Agreement and Related Financing Agreements	142
Option Agreements	142
Shareholders Agreement	143
Registration Rights and Related Agreements	145

[Back to Contents](#)

Related Party Transactions	145
Argentine Law Concerning Related Party Transactions	146
ITEM 8. Financial Information	147
Financial Statements	147
Legal Proceedings	147
Dividend Policy	165
ITEM 9. The Offer and Listing	166
Shares and ADSs	166
Argentine Securities Market	168
ITEM 10. Additional Information	171
Capital Stock	171
Memorandum and Articles of Association	172
Directors	175
Foreign Investment Legislation	176
Dividends	176
Amount Available for Distribution	177
Preemptive and Accretion Rights	178
Voting of the Underlying Class D Shares	179
Certain Provisions Relating to Acquisitions of Shares	180
Material Contracts	182
Exchange Controls	182
Taxation	182
Argentine Tax Considerations	182
United States Federal Income Tax Considerations	184
Available Information	187
ITEM 11. Quantitative and Qualitative Disclosures about Market Risk	188
ITEM 12. Description of Securities Other than Equity Securities	189
PART II	191
ITEM 13. Defaults, Dividend Arrearages and Delinquencies	191
ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	191
ITEM 15. Controls and Procedures	191
ITEM 16.	192
ITEM 16A. Audit Committee Financial Expert	192
ITEM 16B. Code of Ethics	192
ITEM 16C. Principal Accountant Fees and Services	192
ITEM 16D. Exemptions from the Listing Standards for Audit Committees	193
ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	194
ITEM 16F. Change in Registrant's Certifying Accountant	194
ITEM 16G. Corporate Governance	194
PART III	195
ITEM 17. Financial Statements	195
ITEM 18. Financial Statements	195
ITEM 19. Exhibits	195
SIGNATURES	196

[Back to Contents](#)

Conversion Table

1 ton = 1 metric ton = 1,000 kilograms = 2,204 pounds

1 barrel = 42 U.S. gallons

1 ton of oil = approximately 7.3 barrels (assuming a specific gravity of 34 degrees API (American Petroleum Institute))

1 barrel of oil equivalent = 5,615 cubic feet of gas = 1 barrel of oil, condensate or natural gas liquids

1 kilometer = 0.63 miles

1 million Btu = 252 termies

1 cubic meter of gas = 35.3147 cubic feet of gas

1 cubic meter of gas = 10 termies

1,000 acres = approximately 4 square kilometers

References

YPF Sociedad Anónima is a stock corporation organized under the laws of the Republic of Argentina (Argentina). As used in this annual report, YPF, the Company, we, our and us refer to YPF Sociedad Anónima and its controlled and jointly controlled companies or, if the context requires, its predecessor companies. YPF Sociedad Anónima refers to YPF Sociedad Anónima only. Repsol YPF refers to Repsol YPF, S.A. and its consolidated companies. We maintain our financial books and records and publish our financial statements in Argentine pesos. In this annual report, references to pesos or Ps. are to Argentine pesos, and references to dollars, U.S. dollars or U.S.\$ are to United States dollars.

Disclosure of Certain Information

In this annual report, references to Audited Consolidated Financial Statements are to YPF's audited consolidated balance sheets as of December 31, 2011, 2010 and 2009, YPF's audited consolidated statements of income for the years ended December 31, 2011, 2010 and 2009, YPF's audited consolidated statements of cash flows for the years ended December 31, 2011, 2010 and 2009, YPF's audited consolidated statements of changes in shareholders' equity for the years ended December 31, 2011, 2010 and 2009, and the related notes thereto.

Unless otherwise indicated, the information contained in this annual report reflects:

for the subsidiaries that were consolidated using the global integration method at the date or for the periods indicated, 100% of the assets, liabilities and results of operations of such subsidiaries without excluding minority interests, and

for those subsidiaries whose results were consolidated using the proportional integration method, a *pro rata* amount of the assets, liabilities and results of operations for such subsidiaries at the date or for the periods indicated. For information regarding consolidation, see Note 1(a) to the Audited Consolidated Financial Statements.

The Audited Consolidated Financial Statements and other amounts derived from such Audited Consolidated Financial Statements included in this annual report reflect the effect of changes in the purchasing power of money by the application of the method for remeasurement in constant pesos through February 28, 2003. See Note 1(a) to the Audited Consolidated Financial Statements.

Certain monetary amounts and other figures included in this annual report have been subject to rounding adjustments. Any discrepancies in any tables between the totals and the sums of the amounts are due to rounding.

Forward-Looking Statements

This annual report, including any documents incorporated by reference, contains statements that we believe constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include statements regarding the intent, belief or current expectations of us and our management, including statements with respect to trends affecting our financial condition, financial ratios, results of operations, business, strategy, geographic concentration, reserves, future hydrocarbon production volumes

[Back to Contents](#)

and the Company's ability to satisfy our long-term sales commitments from future supplies available to the Company, our ability to pay dividends in the future and to service our outstanding debt, dates or periods in which production is scheduled or expected to come onstream, as well as our plans with respect to capital expenditures, business, strategy, geographic concentration, cost savings, investments and dividends payout policies. These statements are not a guarantee of future performance and are subject to material risks, uncertainties, changes and other factors which may be beyond our control or may be difficult to predict. Accordingly, our future financial condition, prices, financial ratios, results of operations, business, strategy, geographic concentration, production volumes, reserves, capital expenditures, cost savings, investments and ability to meet our long-term sales commitments or pay dividends or service our outstanding debt could differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, currency fluctuations, inflation, the price of petroleum products, the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, replacement of hydrocarbon reserves, environmental, regulatory and legal considerations, including the imposition of further government restrictions on the Company's business, changes in our business strategy and operations as a result of the recent change of control over the Company and the implementation of the Expropriation Law, our ability to find partners or raise funding under our current control, the ability to maintain the Company's concessions, and general economic and business conditions in Argentina, as well as those factors described in the filings made by YPF and its affiliates with the Securities and Exchange Commission, in particular, those described in Item 3. Key Information-Risk Factors below and Item 5. Operating and Financial Review and Prospects. YPF does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected results or condition expressed or implied therein will not be realized.

Oil and Gas Terms

Oil and gas reserves definitions used in this annual report are in accordance with Regulations S-X and S-K, as amended by the U.S. Securities and Exchange Commission's (SEC) final rule, Modernization of Oil and Gas Reporting (Release Nos. 33-8995; 34-59192; FR-78; File No. S7-15-08; December 31, 2008) and relevant guidance notes and letters issued by the SEC's Staff.

The reported reserves contained in this annual report include only our proved reserves and do not include probable reserves or possible reserves.

The following terms have the meanings shown below unless the context indicates otherwise:

acreage : The total area, expressed in acres or km², over which YPF has interests in exploration or production. Net acreage is YPF's interest in the relevant exploration or production area.

concession contracts : A grant of access for a defined area and time period that transfers certain entitlements to produce hydrocarbons from the host country to an enterprise. The company holding the concession generally has rights and responsibilities for the exploration, development, production and sale of hydrocarbon, and typically, an obligation to make payments at the signing of the concession and once production begins pursuant to applicable laws and regulations.

crude oil : Crude oil with respect to YPF's production and reserves includes condensate and natural gas liquids (NGL).

gas : Natural gas.

hydrocarbons : Crude oil and natural gas.

surface conditions : Represents the pressure and temperature conditions at which volumes of oil, gas, condensate and natural gas liquids are measured for report purpose. It is also referred to as standard conditions. For YPF these conditions are 14.7 psi for pressure and 60°F for temperature. All volume units expressed in this report are at surface conditions.

[Back to Contents](#)**Abbreviations:**

bbl	Barrels.
bcf	Billion cubic feet.
bcm	Billion cubic meters.
boe	Barrels of oil equivalent.
boe/d	Barrels of oil equivalent per day.
GWh	Gigawatt hours.
HP	Horse Power.
km	Kilometers.
km ²	Square kilometers.
liquids	Crude oil, condensate and natural gas liquids.
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas.
m	Thousand.
mdbl/d	Thousand barrels per day.
mcf	Thousand cubic feet.
mcm	Thousand cubic meters.
mboe/d	Thousand barrels of oil equivalent per day.
mm	Million.
mdbl	Million barrels.
mboe	Million barrels of oil equivalent.
mboe/d	Million barrels of oil equivalent per day.
mmBtu	Million British thermal units.
mmcf	Million cubic feet.
mmcf/d	Million cubic feet per day.
mmcm/d	Million cubic meters per day.
mtn	Thousand tons.
MW	Megawatts.
psi	Pound per square inch.
WTI	West Texas Intermediate.

[Back to Contents](#)

PART I

ITEM 1. Identity of Directors, Senior Managers and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

Selected Financial Data

The following tables present our selected financial and operating data. You should read this information in conjunction with our Audited Consolidated Financial Statements and related notes, and the information under Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report.

The financial data as of December 31, 2011, 2010 and 2009 and for the years then ended is derived from our Audited Consolidated Financial Statements, which are included in this annual report. The financial data as of and for the years ended December 31, 2008 and 2007 is derived from our audited financial statements as of December 31, 2009, 2008 and 2007 (the Restated Audited Consolidated Financial Statements), included in our report on Form 6-K furnished to the SEC on March 14, 2011 (SEC Accession No. 0001208646-11-000114), which are not included in this annual report. The financial data as of December 31, 2009, 2008 and 2007 and for the years then ended included in this annual report reflects the effect of the restatement of our Argentine GAAP (as defined below) income tax expense, net income, earnings per ADS, accounts payable (when applicable), investments, other receivables, taxes payable and shareholders' equity from the amounts originally presented to give retroactive effect to a change in Argentine GAAP introduced in 2010 requiring that a formerly off-balance sheet Ps.1,180 million as of December 31, 2009, deferred tax liability be recognized in our financial statements, which had the effect of increasing Argentine GAAP net income by Ps.203 million, Ps.261 million and Ps.290 million in 2009, 2008 and 2007, respectively, and decreasing shareholders' equity by Ps. 1,180 million, Ps.1,383 million and Ps.1,644 million at December 31, 2009, 2008 and 2007, respectively. Our net income and shareholders' equity under U.S. GAAP were unaffected by this change in Argentine GAAP. For a discussion of this change, see Note 1(b) to our Audited Consolidated Financial Statements. Our audited 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 12, 13 and 14 to our Audited Consolidated 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 and shareholders' equity as of December 31, 2011, 2010 and 2009 and for the years then ended.

On March 20, 2009, the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) approved Technical Resolution No. 26 on the Adoption of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). Such resolution was approved by the CNV through General Resolution No. 562/09 on December 29, 2009 (modified by General Resolution No. 576/10 on July 1, 2010), with respect to certain publicly-traded entities subject to Law No. 17,811. Compliance with such rules is mandatory for YPF for the fiscal year beginning on January 1, 2012, with transition date of January 1, 2011. Disclosures concerning the transition from Argentine GAAP to IFRS are provided in Note 16 to our Audited Consolidated Financial Statements. As a result of YPF's transition from Argentine GAAP to IFRS, which is mandatory for YPF for the fiscal year beginning on January 1, 2012, in future filings we will present financial information prepared in accordance with IFRS as issued by the IASB. Accordingly, we will no longer include a reconciliation to U.S. GAAP.

In this annual report, except as otherwise specified, references to \$, U.S.\$ and dollars are to U.S. dollars, and references to Ps. and pesos are Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the year ended December 31, 2011 have been translated into U.S. dollars at the exchange rate quoted

[Back to Contents](#)

by the Argentine Central Bank (*Banco Central de la República Argentina* or Central Bank) on December 31, 2011 of Ps.4.30 to U.S.\$1.00, unless otherwise specified. The exchange rate quoted by Central Bank on May 11, 2012 was Ps.4.44 to U.S.\$1.00. 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 [Exchange Rates](#).

Law No. 26,741, which was passed by the Argentine Congress on May 3, 2012 (the [Expropriation Law](#)), among other matters provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The expropriated shares, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. See [Risk Factors](#) [Risks Relating to Argentina](#) The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law, [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government](#) The Expropriation Law and [Item 7. Major Shareholders and Related Party Transactions](#).

Furthermore, on April 16, 2012, the Company was notified, through a notarial certification, of Decree No. 530/12 of the National Executive Power, which provides for the temporary intervention of YPF (the [Intervention](#)) for a period of thirty (30) days (which is expected to be extended up to our next Shareholders meeting to be held on June 4, 2012), with the aim of securing the continuity of its business and the preservation of its assets and capital, securing fuel provision and the satisfaction of the country's needs and guaranteeing that the goals of the Expropriation Law, are met. See [Item 4. Information on the Company-Regulatory Framework and Relationship with the Argentine Government-The Expropriation Law](#). In accordance with Article 3 of Decree No. 530/2012, the powers conferred by YPF's bylaws on the Board and/or the President of the Company have been temporarily granted to Julio M. De Vido (the [Intervenor](#)). On May 7, 2012, through Decree No. 676/2012 of the National Executive Power, Mr. Miguel Matías Galuccio was appointed General Manager of the Company during the Intervention. See [Item 6. Directors, Senior Management and Employees-Management of the Company under the Intervention](#). Our next general shareholders meeting, expected to be held on June 4, 2012, will appoint the new members of our Board of Directors. Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company. Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law. See [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government](#) The Expropriation Law.

The information contained in this annual report for the three years ended December 31, 2011 has been derived from our Audited Consolidated Financial Statements, which were approved by our Board of Directors on March 21, 2012, despite the fact that our Class A shareholder, the Argentine federal government, voted against such financial statements. Following the passage of the Expropriation Law, the Argentine federal government has taken control over the Company (see [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government](#) The Expropriation Law) and the shareholders meeting which had been called to approve our Audited Consolidated Financial Statements has been postponed until further notice. In furtherance of Decree No. 530/12, the Intervenor has approved the preparation and filing of this annual report with the aim of securing the continuity of the Company's business and the preservation of its assets and capital based on the Audited Consolidated Financial Statements and internal reports existing as of the date prior to the Intervention, whose content has been ratified exclusively by the Company's business areas and departments as of the date of this annual report.

In addition, certain of our concessions in Argentina have recently been revoked by the relevant authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See [Risk Factors](#) [Risks Relating to Argentina](#) Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and [Item 8. Legal Proceedings-Arentina-Non-accrued, possible contingencies-Concessions on Hydrocarbon zones - Provincial claims](#). Depending on the outcome of the legal action brought by YPF to challenge these revocations and the negotiations initiated by the Intervenor and its delegates with the relevant provincial authorities, our past performance may not be indicative of future trends or results of the Company and the reserves and production amounts set forth in this annual report could be substantially reduced.

[Back to Contents](#)

As of and for Year Ended December 31,

	2011	2011	2010	2009 ⁽¹⁾	2008 ⁽¹⁾	2007 ⁽¹⁾
	(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:						
<i>Argentine GAAP</i> ⁽²⁾⁽⁵⁾						
Net sales ⁽³⁾⁽⁴⁾	13,185	56,697	44,162	34,320	34,875	29,104
Gross profit	3,434	14,765	14,263	11,143	10,862	10,104
Administrative expenses	(443)	(1,905)	(1,429)	(1,102)	(1,053)	(805)
Selling expenses	(866)	(3,723)	(3,015)	(2,490)	(2,460)	(2,120)
Exploration expenses	(133)	(574)	(344)	(552)	(684)	(522)
Operating income	1,992	8,563	9,475	6,999	6,665	6,657
Income/(Loss) on long-term investments	21	92	79	(9)	97	48
Other (expense)/income, net	(14)	(62)	(155)	159	(376)	(439)
Interest expense	(255)	(1,095)	(931)	(958)	(492)	(292)
Other financial income/(expense) and holding gains/(losses), net	174	748	552	(284)	318	810
Income from sale of long-term investments						5
Reversal/(impairment) of other current assets						69
Income before income tax	1,918	8,246	9,020	5,907	6,212	6,858
Income tax	(686)	(2,950)	(3,230)	(2,218)	(2,311)	(2,482)
Net income	1,232	5,296	5,790	3,689	3,901	4,376
Earnings per share and per ADS ⁽⁶⁾	3.13	13.47	14.72	9.38	9.92	11.13
Dividends per share and per ADS ⁽⁶⁾ (in pesos)	n.a.	14.15	11.30	12.45	23.61	6.00
Dividends per share and per ADS ⁽⁶⁾⁽⁷⁾ (in U.S. dollars)	n.a.	3.39	2.88	3.31	7.37	1.93
<i>U.S. GAAP</i>						
Net sales	12,648	54,385	42,459	32,931	33,103	27,746
Operating income	1,546	6,650	7,690	4,385	5,230	5,176
Net income	1,095	4,707	4,686	2,605	3,014	3,325
Earnings per share and per ADS ⁽⁶⁾ (in pesos)	n.a.	11.97	11.91	6.62	7.66	8.45
Consolidated Balance Sheet Data:						
<i>Argentine GAAP</i> ⁽²⁾⁽⁵⁾						
Cash	209	899	570	669	391	196
Working capital	(1,792)	(7,707)	(4,299)	(2,086)	(2,758)	4,077
Total assets	12,883	55,399	46,589	39,747	38,418	37,468
Total debt ⁽⁸⁾	2,969	12,767	7,789	6,819	4,479	994
Shareholders' equity ⁽⁹⁾	4,357	18,735	19,040	17,701	18,973	24,416
<i>U.S. GAAP</i>						
Total assets	14,952	64,292	53,753	46,544	44,251	40,746
Shareholders' equity	6,602	28,390	27,092	25,717	25,492	29,067
Other Consolidated Financial Data:						
<i>Argentine GAAP</i>						
Fixed assets depreciation	1,271	5,466	5,273	4,832	4,775	4,139

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Cash used in fixed asset acquisitions	2,858	12,289	8,729	5,636	7,035	6,163
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- (1) As restated.
- (2) The consolidated financial statements reflect the effect of changes in the purchasing power of money by the application of the method for remeasurement in 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 remeasurement of financial statements in constant Argentine pesos as from March 1, 2003. See Note 1(a) to the Audited Consolidated Financial Statements.
- (3) Includes Ps.2,312 million for the year ended December 31, 2011, Ps.1,684 million for the year ended December 31, 2010, Ps.1,433 million for the year ended December 31, 2009, Ps.1,770 million for the year ended December 31, 2008 and Ps.1,350 million for the year ended December 31, 2007 corresponding to the proportional consolidation of the net sales of investees in which we hold joint control with third parties.

[Back to Contents](#)

- (4) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on hydrocarbon exports. Royalty payments required to be made to a third party, whether payable in cash or in kind, which are a financial obligation, or are substantially equivalent to a production or similar tax, are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(f) to the Audited Consolidated Financial Statements.
- (5) Argentine GAAP income tax expense, net income, earnings per ADS, accounts payable (when applicable), investments, other receivables, taxes payable and shareholders' equity at and for the years ended December 31, 2009, 2008 and 2007 have been restated to give retroactive effect to a change in Argentine GAAP introduced in 2010 requiring that a formerly off-balance sheet Ps.1,180 million deferred tax liability as of December 31, 2009, be recognized in our financial statements. This change had the effect of decreasing Argentine GAAP income tax expense and increasing Argentine GAAP net income by Ps.203 million, Ps.261 million and Ps.290 million in 2009, 2008 and 2007, respectively, and decreasing shareholders' equity by Ps.1,180 million, Ps.1,383 million and Ps.1,644 million at December 31, 2009, 2008 and 2007, respectively. Our net income and shareholders' equity under U.S. GAAP were unaffected by this change in Argentine GAAP. For a discussion of this change, see Note 1(b) to our Audited Consolidated Financial Statements.
- (6) 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 years disclosed.
- (7) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of payment.
- (8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.4,654 million as of December 31, 2011, Ps.1,613 million as of December 31, 2010, Ps.2,140 million as of December 31, 2009, Ps.1,260 million as of December 31, 2008 and Ps.523 million as of December 31, 2007.
- (9) Our subscribed capital as of December 31, 2011 is 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.

Exchange Rates

From April 1, 1991 until the end of 2001, the Convertibility Law (Law No. 23,928) established a fixed exchange rate under which the Central Bank was obligated to sell U.S. dollars at one peso per U.S. dollar. On January 6, 2002, the Argentine Congress enacted the Public Emergency Law (Law No. 25,561, the Public Emergency and Foreign Exchange System Reform Law), formally putting an end to the Convertibility Law regime and abandoning over 10 years of U.S. dollar-peso parity. The Public Emergency Law, which has been extended until December 31, 2013 by Law 26,729, grants the executive branch of the Argentine government the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system pursuant to the Public Emergency Law, the peso has been allowed to float freely against other currencies since February 2002 although the government has the power to intervene by buying and selling foreign currency for its own account, a practice in which it engages on a regular basis.

The following table sets forth the annual high, low, average and period-end exchange rates for U.S. dollars for the periods indicated, expressed in nominal pesos per U.S. dollar, based on rates quoted by the Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for Argentine pesos.

	<u>Low</u>	<u>High</u>	<u>Average</u>	<u>Period End</u>
(pesos per U.S. dollar)				
Year ended December 31,				
2007	3.05	3.18	3.12 ⁽¹⁾	3.15
2008	3.01	3.45	3.18 ⁽¹⁾	3.45
2009	3.45	3.85	3.75 ⁽¹⁾	3.80
2010	3.79	3.99	3.92 ⁽¹⁾	3.98
2011	3.97	4.30	4.15 ⁽¹⁾	4.30
Month				
November 2011	4.24	4.28	4.26	4.28
December 2011	4.28	4.30	4.29	4.30
January 2012	4.30	4.34	4.32	4.34
February 2012	4.33	4.36	4.35	4.36
March 2012	4.34	4.38	4.36	4.38
April 2012	4.38	4.42	4.40	4.42
May 2012 ⁽²⁾	4.43	4.44	4.43	4.44

Source: Central Bank

- (1) Represents the average of the exchange rates on the last day of each month during the period.

(2) Through May 11, 2012.

7

[Back to Contents](#)

No representation is made that peso amounts have been, could have been or could be converted into U.S. dollars at the foregoing rates on any of the dates indicated.

Exchange Controls

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. From December 1989 until April 1991, Argentina had a freely floating exchange rate for all foreign currency transactions, and the transfer of dividend payments in foreign currency abroad and the repatriation of capital were permitted without prior approval of the Central Bank. From April 1, 1991, when the Convertibility Law became effective, until December 21, 2001, when the Central Bank closed the foreign exchange market, the Argentine currency was freely convertible into U.S. dollars.

On December 3, 2001, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad (including the transfer of funds to pay dividends) without the Central Bank's prior authorization subject to specific exceptions for transfers related to foreign trade. Since January 2003, the Central Bank has gradually eased these restrictions and expanded the list of transfers of funds abroad that do not require its prior authorization (including the transfer of funds to pay dividends). In June 2003, the Argentine government set restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country. In June 2005, the government established new regulations on capital flows into Argentina, including increasing the period that certain incoming funds must remain in Argentina to 365 calendar days and requiring that 30% of incoming funds be deposited with a bank in Argentina in a non-assignable, non-interest-bearing account for 365 calendar days. Under the exchange regulations currently in force, restrictions exist in respect of the repatriation of funds or investments by non-Argentine residents. For instance, subject only to limited exceptions, the repatriation by non-Argentine residents of funds received as a result of the sale of the Class D shares in the secondary market is subject to a limit of U.S.\$500,000 per person per calendar month. In order to repatriate such funds abroad, non-Argentine residents also are required to demonstrate that the funds used to make the investment in the Class D shares were transferred to Argentina at least 365 days before the proposed repatriation. The transfer abroad of dividend payments is currently authorized by applicable regulations to the extent that such dividend payments are made in connection with audited financial statements and are approved by a shareholders' meeting.

In recent months, additional foreign exchange regulations have been imposed to purchases of foreign currency and transfers of foreign currency abroad. Such regulations include the requirement for financial institutions to inform in advance and obtain approval from the Argentine Central Bank with respect to any foreign exchange transaction to be entered into through the foreign exchange market. See [Risk Factors](#) [Risks Relating to Argentina](#). We are subject to exchange and capital controls.

[Back to Contents](#)

Risk Factors

Risks Relating to Argentina

The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law

The Expropriation Law, which was passed by Congress on May 3, 2012, provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The expropriated shares, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. Moreover, pursuant to the Expropriation Law, each of the Argentine provinces receiving expropriated shares must enter a shareholder's agreement with the federal government which will provide for the unified exercise of its rights as a shareholder. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. In addition, the Argentine federal government is the sole holder of our Class A shares and the federal government and certain provincial governments are the holders of our Class B shares. See Risks Relating to Our Class D Shares and ADSs Certain strategic transactions require the approval of the holder of our Class A shares or may entail a cash tender offer for all of our outstanding capital stock. Consequently, the federal government and the governments of Argentine provinces will be able to determine substantially all matters requiring approval by a majority of our shareholders, including the election of a majority of our directors, and will be able to direct our operations and will be able to cause or prevent a change in our control.

Moreover, the Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company. Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

On April 16, 2012, the Company was notified, through a notarial certification, of Decree No. 530/12 of the National Executive Power, which provides for the Intervention of YPF for a period of thirty (30) days (which is expected to be extended up to our next Shareholders meeting to be held on June 4, 2012). See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law and Item 6. Directors, Senior Management and Employees-Management of the Company under the Intervention. In accordance with Article 3 of Decree No. 530/2012, the powers conferred by YPF's bylaws on the Board and/or the President of the Company have been temporarily granted to the Intervenor. On May 7, 2012, through Decree No. 676/2012 of the National Executive Power, Mr. Miguel Matías Galuccio was appointed General Manager of the Company during the Intervention. Our next general shareholders' meeting, expected to be held on June 4, 2012, will appoint the new members of our Board of Directors. Thirteen members of our senior management are suspended in their functions during the Intervention of the Company. We expect that the new Board of Directors to be appointed by our next general shareholders' meeting, expected to be held on June 4, 2012, confirm them or replace them by appointing new senior managers.

The information contained in this annual report for the three years ended December 31, 2011 has been derived from our Audited Consolidated Financial Statements, which were approved by our Board of Directors on March 21, 2012, despite the fact that our Class A shareholder, the Argentine federal government, voted against such financial statements. Following the passage of the Expropriation Law, the Argentine federal government has taken control over the Company (see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law) and the shareholders' meeting which had been called to approve our Audited Consolidated Financial Statements has been postponed until further notice. In furtherance of Decree No. 530/12, the Intervenor has approved the preparation and filing of this annual report with the aim of securing the continuity of the Company's business and the preservation of its assets and capital based on the Audited Consolidated Financial Statements and internal reports existing as of the date prior to the Intervention, whose content has been ratified exclusively by the Company's business areas and departments as of the date of this annual report.

[Back to Contents](#)

A significant portion of our outstanding financial indebtedness contains covenants that prohibit a change in the control of the Company or a nationalization event and we may be required to repay some or all of our outstanding debt

A significant portion of our financial debt, totaling approximately U.S.\$1,600 million as of the date of this annual report (U.S.\$2,000 million as of December 31, 2011), provides that certain changes in control and/or nationalization events with respect to us may constitute an event of default. In addition, our outstanding financial indebtedness also contains cross-default provisions and/or cross-acceleration provisions that could cause all of our debt to be accelerated if the debt having changes in control and/or nationalization events provisions goes into default or is accelerated. While as of the date of this annual report we have not received any default notification or debt acceleration request, we may be required to repay some or all of our outstanding debt as a result of the passage of the Expropriation Law. Our management is actively pursuing formal waivers from the corresponding financial creditors. In case those waivers are not obtained and immediate repayment is required, the Company could face short-term liquidity problems. However Management expects that in such case it could obtain financing from several sources, including the Company's operating cash flows and available credit lines. See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Covenants in our indebtedness.

Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions

As of May 14, 2012, the provinces of Chubut, Santa Cruz, Mendoza, Salta, Río Negro and Neuquén had publicly announced that they would be terminating certain of our concessions there due to the Company's alleged failure to make adequate investments in exploration and production in those areas. Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions revoked in 2012 totaled approximately Ps.283 million as of December 31, 2011 (0.51% of our total assets as of such date), had a production of approximately 13.5 mmbob in 2011 (7.6% of our production in 2011) and had proved reserves totaling approximately 88.3 mmbob as of December 31, 2011 (8.8% of our total proved reserves as of such date). Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions whose revocation is currently being evaluated by the relevant authorities totaled approximately Ps.3,654 million as of December 31, 2011 (6.6% of our total assets as of such date), had a production of approximately 22.9 mmbob in 2011 (12.87% of our production in 2011) and had proved reserves totaling approximately 129.7 mmbob as of December 31, 2011 (12.92% of our total proved reserves as of such date). In addition, prior to the passage of the Expropriation Law, the provincial government of Santa Cruz stated that it may withdraw additional of the Company's concessions.

The Company has alleged that the revocation of these concessions was inappropriate. The Company has taken legal action to seek to prevent the termination of these concessions and management plans to continue to take such steps as necessary. See Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones - Provincial claim. In addition, following the passage of the Expropriation Law, the Intervenor and its delegates have initiated negotiations with the relevant provincial authorities so that the revocations and intimations referred to above are withdrawn. The governors of certain of these provinces have publicly manifested that they will reconsider the matter in view of the stated objectives of the Intervention and the Expropriation Law. However, as of the date of this annual report, we have not been notified of the withdrawal of any of these revocations or intimations. There can be no assurance that the Company will prevail in these proceedings or negotiations or that additional concessions will not be revoked by these or additional provinces. The termination of the concessions identified above would have a material adverse effect on our reserves, production and earnings. Accordingly, oil and gas information presented in this annual report as of and for the year ended December 31, 2011 may not be indicative of our current operations or of our oil and gas information as of and for the year ending December 31, 2012.

Our business is largely dependent upon economic conditions in Argentina

Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is to a large extent dependent upon economic conditions prevailing in Argentina. The Argentine economy has experienced significant volatility in past decades, including numerous periods of low or negative growth and high and variable levels of inflation and devaluation. Since the most recent crisis of 2001 and 2002, Argentina's gross domestic product, or GDP, grew at an average annual real rate of approximately 8.5% from 2003 to 2008,

[Back to Contents](#)

although the growth rate decelerated to 0.9% in 2009 as a result of the global financial crisis, but recovered in 2010 and 2011, growing at an annual real rate of approximately 9%, according to preliminary official data. No assurances can be given that the current rate of growth will continue in 2012 or subsequent years or that the economy will not contract. Increased rates of inflation in Argentina could increase our costs of operation, in particular labor costs, and may negatively impact our results of operations and financial condition. See [Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations Macroeconomic Conditions](#). If economic conditions in Argentina were to deteriorate, it would likely have an adverse effect on our financial condition and results of operations.

Our domestic operations are subject to extensive regulation

The oil and gas industry is subject to government regulation and control. As a result, our business is to a large extent dependent upon regulatory and political conditions prevailing in Argentina and our results of operations may be adversely affected by regulatory and political changes in Argentina. Therefore, we face risks and challenges relating to government regulation and control of the energy sector, including those set forth below and elsewhere in these risk factors:

limitations on our ability to pass higher domestic taxes, increases in production costs, or increases in international prices of crude oil and other hydrocarbon fuels and exchange rate fluctuations through to domestic prices, or to increase local prices of natural gas (in particular for residential customers);

higher taxes on exports of hydrocarbons;

restrictions on hydrocarbon export volumes driven mainly by the requirement to satisfy domestic demand;

in connection with the Argentine government's policy to provide absolute priority to domestic demand, regulatory orders to supply natural gas and other hydrocarbon products to the domestic retail market in excess of previously contracted amounts;

restrictions on imports of products which could affect our ability to meet our delivery commitments or growth plans, as the case may be; and

the implementation or imposition of stricter quality requirements for petroleum products in Argentina.

The Argentine government has made certain changes in regulations and policies governing the energy sector to give absolute priority to domestic supply at stable prices in order to sustain economic recovery. As a result of the above-mentioned changes, for example, on days during which a gas shortage occurs, exports of natural gas (which are also affected by other government curtailment orders) and the provision of gas supplies to industries, electricity generation plants and service stations selling compressed natural gas are interrupted for priority to be given to residential consumers at lower prices. More recently, the Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government-The Expropriation Law](#). See [Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law](#). Moreover, we cannot assure you that changes in applicable laws and regulations, or adverse judicial or administrative interpretations of such laws and regulations, will not adversely affect our results of operations. See [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government](#).

In January 2007, Law No. 26,197 was enacted, which, in accordance with Article 124 of the National Constitution, provided that Argentine provinces shall be the owners of the hydrocarbon reservoirs located within their territories. Pursuant to the law, the Argentine Congress is charged with enacting laws and regulations aimed at developing mineral resources within Argentina, while the provincial governments are responsible for enforcing

[Back to Contents](#)

these laws and administering hydrocarbon fields that fall within the territories of their respective provinces. Certain provincial governments, however, have construed the provisions of Law No. 26,197 and Article 124 to empower the provinces to enact their own regulations concerning exploration and production of oil and gas within their territories. There can be no assurance that regulations or taxes (including royalties) enacted or administered by the provinces will not conflict with federal law, and such taxes or regulations may adversely affect our operations and financial condition.

During 2012, the Argentine authorities have adopted a number of measures that have adversely affected our operations, including the revocation of certain of our concessions (see Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions), the temporary suspension of the benefits granted under the Refining Plus and Petroleum Plus programs (the effects of which extend to benefits accrued and not yet redeemed by YPF at the time of such suspension) and the implementation of a new procedure on jet fuel prices charged to certain domestic companies and fuel prices charged to public bus transportation companies (though the effects of the resolution relating to the fuel prices charged to public bus transportation companies have been temporarily suspended, see Item 8. Financial Information Legal proceedings Argentina Non-accrued, possible contingencies CNDC investigation).

Limitations on local pricing in Argentina may adversely affect our results of operations

In recent years, due to regulatory, economic and government policy factors, our domestic gasoline, diesel and other fuel prices have frequently lagged substantially behind prevailing international and regional market prices for such products. Likewise, the prices at which we sell natural gas in Argentina (particularly to the residential sector) are subject to government regulations and currently are substantially below regional market prices for natural gas. For additional information on domestic pricing for our products, see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation. We cannot assure you that we will be able to increase the domestic prices of our products, and limitations on our ability to do so would adversely affect our financial condition and results of operations. Similarly, we cannot assure you that hydrocarbon prices in Argentina will match the increases or decreases in hydrocarbon prices at the international or regional levels.

On March 13, 2012, YPF was notified of Resolution No. 17/2012, issued by the Argentine Secretariat of Domestic Commerce, pursuant to which each of YPF, Shell Compañía Argentina de Petróleo, S.A. and ESSO Petrolera Argentina S.R.L were ordered to supply jet fuel for domestic and international air transport (whose price had previously tracked international prices) at a price net of taxes not to exceed 2.7% of the price net of taxes of medium octane gasoline (not premium) offered at its closest service station to the relevant airport, while maintaining its existing supply logistics and its usual supply quantities. According to a later clarification from the Secretary of Domestic Commerce, the beneficiaries of this measure are Aerolíneas Argentinas, S.A., Andes Líneas Aéreas S.A., Austral - Cielos del Sur, LAN Argentina, S.A. and Sol S.A. Líneas Aéreas. In addition, in said resolution, the Argentine Secretariat of Domestic Commerce indicated that it considered convenient to implement a price surveillance system to be implemented by the CNDC.

We are subject to direct and indirect export restrictions, which have affected our results of operations and caused us to declare force majeure under certain of our export contracts

The Argentine Hydrocarbons Law (Law No. 17,319) allows for hydrocarbon exports as long as they are not required for the domestic market and are sold at reasonable prices. In the case of natural gas, Law 24,076 and related regulations require that the needs of the domestic market be taken into account when authorizing long term natural gas exports.

During the last several years, the Argentine authorities have adopted a number of measures that have resulted in restrictions on exports of natural gas from Argentina. Due to the foregoing, we have been obliged to sell a part of our natural gas production previously destined for the export market in the local Argentine market and have not been able to meet our contractual gas export commitments in whole or, in some cases, in part, leading to disputes with our export clients and forcing us to declare *force majeure* under our export sales agreements. We believe that the measures mentioned above constitute *force majeure* events that relieve us from any contingent liability for the failure to comply with our contractual obligations, although no assurance can be given that this position will prevail.

[Back to Contents](#)

See Item 4. Information on the Company Exploration and Production Delivery commitments-Natural gas supply contracts, Item 4. Information on the Company Exploration and Production-The Argentine natural gas market, and Item 8. Financial Information Legal Proceedings.

Crude oil exports, as well as the export of most of our hydrocarbon products, currently require prior authorization from the Argentine Secretariat of Energy (pursuant to the regime established under Resolution S.E. No. 1679/04 as amended and supplemented by other regulation). Oil companies seeking to export crude oil or LPG must first demonstrate that the local demand for such product is satisfied or that an offer to sell the product to local purchasers has been made and rejected. Oil refineries seeking to export diesel fuel must also first demonstrate that the local demand of diesel is duly satisfied. Because domestic diesel production does not currently satisfy Argentine domestic consumption needs, we have been prevented since 2005 from selling diesel production in the export market, and thereby obliged to sell in the local market at prevailing domestic prices.

We are unable to predict how long these export restrictions will be in place, or whether any further measures will be adopted that adversely affect our ability to export gas, crude oil and diesel fuel or other products and, accordingly, our results of operations.

The implementation of new export duties and other taxes could adversely affect our results

Since 2002, new duties have been implemented on exports, and have been progressively increased over the years. Resolution 394/2007 of the Ministry of Economy and Production, published on November 16, 2007, amended the export duties on crude oil and other crude derivative products imposed in previous years. The new regime provides that when the WTI international price exceeds the reference price, which is fixed at U.S.\$60.9/barrel, the producer shall be allowed to collect at U.S.\$42/barrel, with the remainder being withheld by the Argentine government as an export tax. If the WTI international price is under the reference price but over U.S.\$45/barrel, a 45% withholding rate will apply. If such price is under U.S.\$45/barrel, the applicable export tax is to be determined by the Argentine government within a term of 90 business days. The withholding rate determined as indicated above also currently applies to diesel, gasoline and other crude derivative products. In addition, the calculation procedure described above also applies to other petroleum products and lubricants based upon different withholding rates, reference prices and prices allowed to producers. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation.

With respect to natural gas products, Resolution No. 127/2008 of the Ministry of Economy and Production increased export duties applicable to natural gas exports from 45% to 100%, mandating a valuation basis for the calculation of the duty as the highest price established in any contract of any Argentine importer for the import of gas. Resolution No. 127/2008 provides with respect to LPG products (including butane, propane and blends thereof) that if the international price of the relevant LPG product, as notified daily by the Argentine Secretariat of Energy, is under the reference price established for such product in the Resolution (U.S.\$338/m³ for propane, U.S.\$393/m³ for butane and U.S.\$363/m³ for blends of the two), the applicable export duty for such product will be 45%. If the international price exceeds the reference price, the producer shall be allowed to collect the maximum amount established by the Resolution for the relevant product (U.S.\$233/m³ for propane, U.S.\$271/m³ for butane and U.S.\$250/m³ for blends of the two), with the remainder being withheld by the Argentine government as an export tax.

As a result of the aforementioned export tax increases, we may be and, in certain cases, have already been forced to seek the renegotiation of export contracts which had previously been authorized by the Argentine government. We cannot provide assurances that we will be able to renegotiate such contracts on terms acceptable to us.

The imposition of these export taxes has adversely affected our results of operations. We cannot assure you that these taxes will not continue or be increased in the future or that other new taxes will not be imposed.

We may be exposed to fluctuations in foreign exchange rates

Our results of operations are exposed to currency fluctuation and any devaluation of the peso against the U.S. dollar and other hard currencies may adversely affect our business and results of operations. The value of the peso

[Back to Contents](#)

has fluctuated significantly in the past and may do so in the future. We are unable to predict whether, and to what extent, the value of the peso may further depreciate or appreciate against the U.S. dollar and how any such fluctuations would affect our business.

We are subject to exchange and capital controls

In 2001 and 2002, as a result of the economic crisis, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. Decree No. 1722/2011, of October 26, 2011, reestablished Decree No. 2581/64 and requires oil and gas companies (including YPF), among other entities, to repatriate 100% of their foreign currency export receivables. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Repatriation of Foreign Currency. In recent months, additional foreign exchange restrictions have been imposed which restrict purchases of foreign currency and transfers of foreign currency abroad. Such restrictions include the requirement for financial institutions to inform in advance and obtain approval from the Argentine Central Bank with respect to any foreign exchange transaction to be entered into through the foreign exchange market. There can be no assurances regarding future modifications to exchange and capital controls. Exchange and capital controls could adversely affect our financial condition or results of operations and our ability to meet our foreign currency obligations and execute our financing plans.

Our access to international capital markets and the market price of our shares are influenced by the perception of risk in Argentina and other emerging economies.

International investors consider Argentina to be an emerging market. Economic and market conditions in other emerging market countries, especially those in Latin America, influence the market for securities issued by Argentine companies. Volatility in securities markets in Latin America and in other emerging market countries may have a negative impact on the trading value of our securities and on our ability and the terms on which we are able to access international capital markets.

Moreover, recent regulatory and policy developments in Argentina, including the passage of the Expropriation Law and the revocation of certain of our concessions, have led to considerable volatility in the market price of our shares and ADSs. YPF's share price has declined by approximately 50% since January 1, 2012. See The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law. These developments may have a material adverse effect on our ability to raise capital and the trading values of our securities. In addition, the recent downgrades in our credit ratings by Moody's and Fitch Ratings could further impair our capacity to raise capital in the international capital markets, in terms of access and cost, and limit the range of counterparties willing to enter into transactions with us.

A significant portion of our financial debt, totaling approximately U.S.\$1,600 million as of the date of this annual report (U.S.\$2,000 million as of December 31, 2011), provides that certain changes in control and/or nationalization events with respect to us may constitute an event of default. In addition, our outstanding financial indebtedness also contains cross-default provisions and/or cross-acceleration provisions that could cause all of our debt to be accelerated if the debt having changes in control and/or nationalization events provisions goes into default or is accelerated. While as of the date of this annual report we have not received any default notification or debt acceleration request, we may be required to repay some or all of our outstanding debt as a result of the passage of the Expropriation Law. Our management is actively pursuing formal waivers from the corresponding financial creditors. In case those waivers are not obtained and immediate repayment is required, the Company could face short-term liquidity problems. However Management expects that in such case it could obtain financing from several sources, including the Company's operating cash flows and available credit lines.

We may not be able to pay, maintain or increase dividends

Our ability to pay, maintain or increase dividends is based on many factors, including but not limited to the dividend amount distributed in respect of the previous financial year, our net income, anticipated levels of capital expenditures and expected levels of growth. A change in any such factor could affect our ability to pay, maintain or increase dividends, and the exact amount of any dividend paid may vary from year to year. Prior to the passage of the Expropriation Law, the Argentine government made repeated public statements that YPF has paid too much of

[Back to Contents](#)

its earnings in dividends and requested the Company to withhold dividend payments for 2010 and 2011 and invest the related funds in exploration and production activities in Argentina. In this context, in March 2012, our Board of Directors decided not to pay a cash dividend but rather offer a scrip dividend with respect to 2011 and remaining undistributed prior years' earnings. This proposal as well as our accounting documentation corresponding to Fiscal Year N° 35, ended December 31, 2011, are expected to be evaluated by our shareholders. On April 23, 2012 the Intervention of the Company has decided to suspend, until further notice, the call notice of the General Ordinary Shareholders' Meeting to be held on April 25, 2012, in order to guarantee the normality of the meeting and protect the interests of the Company and its shareholders and the transparency in the market. The agenda for that meeting includes the evaluation of our accounting documentation corresponding to Fiscal Year N° 35. We expect that the new members of our Board of Directors to be appointed at the General Ordinary Shareholders' Meeting of June 4, 2012 lift the aforementioned suspension. Our ability to pay cash dividend, irrespective of the level of our earnings, is uncertain in the current environment, including as a result of the passage of the Expropriation Law, and we may not pay cash dividends for the short term. See "The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law."

Risks Relating to the Argentine Oil and Gas Business and Our Business

Oil and gas prices could affect our level of capital expenditures

We budget capital expenditures related to exploration, development, refining and distribution activities by taking into account, among other things, market prices for our hydrocarbon products. In the event that current domestic prices for certain products prevail or decrease, our ability to improve our hydrocarbon recovery rates, find new reserves and carry out certain of our other capital expenditure plans is likely to be adversely affected, which in turn would have an adverse effect on our results of operations.

Our reserves and production are likely to decline

Argentina's oil and gas fields are mature and our reserves and production are likely to decline as reserves are depleted. While our efforts to replace reserves have allowed us to increase our proved reserves by 2.1% during 2011 after declining by 3.1% in 2010, our production has continued to decline in 2011 (production declined by approximately 8.4% and 5.7% in 2011 and 2010, respectively, on a boe basis). We are engaged in efforts to mitigate declines in our reserves and production by adding reserves through technological enhancements aimed at improving our recovery factors as well as through deepwater offshore exploration and development of tight gas. These efforts are subject to material risks and may prove unsuccessful due to risks inherent to the oil and gas industry.

In addition, in 2012, our reserves and production have been affected by the revocation of certain of our concessions in Argentina by the relevant provincial authorities. Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions revoked in 2012 totaled approximately Ps.283 million as of December 31, 2011 (0.51% of our total assets as of such date), had a production of approximately 13.5 mmbob in 2011 (7.6% of our production in 2011) and had proved reserves totaling approximately 88.3 mmbob as of December 31, 2011 (8.8% of our total proved reserves as of such date). In addition, the revocation of other concessions in Argentina is currently being evaluated by the relevant provincial authorities. Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions whose revocation is currently being evaluated by the relevant authorities totaled approximately Ps.3,654 million as of December 31, 2011 (6.6% of our total assets as of such date), had a production of approximately 22.9 mmbob in 2011 (12.87% of our production in 2011) and had proved reserves totaling approximately 129.7 mmbob as of December 31, 2011 (12.92% of our total proved reserves as of such date). In addition, prior to the passage of the Expropriation Law, the provincial government of Santa Cruz stated that it may withdraw additional of the Company's concessions. See "Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions" and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims. While we have initiated legal action to protect our interests and the Intervenor and its delegates are in negotiations with the relevant provincial authorities, we cannot provide assurances that such action or negotiations will be successful or that additional concessions beyond those currently identified will not be revoked. In addition, the governors of certain of these provinces have publicly manifested that they will reconsider the matter in view of the stated objectives of the Intervention and the Expropriation Law. However, as of the date of this annual report, we have not been notified of the withdrawal of any of these revocations or intimations. Accordingly, oil and

[Back to Contents](#)

gas information presented in this annual report as of and for the year ended December 31, 2011 may not be indicative of our current operations or of our oil and gas information as of and for the year ending December 31, 2012.

Our oil and natural gas reserves are estimates

Our oil and gas proved reserves are estimated using geological and engineering data to determine with reasonable certainty whether the crude oil or natural gas in known reservoirs is recoverable under existing economic and operating conditions. The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables, some of which are beyond our control. Factors susceptible to our control include drilling, testing and production after the date of the estimates, which may require substantial revisions to reserves estimates; the quality of available geological, technical and economic data used by us and our interpretation thereof; the production performance of our reservoirs and our recovery rates, both of which depend in significant part on available technologies as well as our ability to implement such technologies and the relevant know-how; the selection of third parties with which we enter into business; and the accuracy of our estimates of initial hydrocarbons in place, which may prove to be incorrect or require substantial revisions. Factors mainly beyond our control include changes in prevailing oil and natural gas prices, which could have an effect on the quantities of our proved reserves (since the estimates of reserves are calculated under existing economic conditions when such estimates are made); changes in the prevailing tax rules, other government regulations and contractual conditions after the date estimates are made (which could make reserves no longer economically viable to exploit); and certain actions of third parties, including the operators of fields in which we have an interest.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in our estimated quantities of proved reserves could adversely impact our financial results by leading to increased depreciation, depletion and amortization charges and/or impairment charges, which would reduce earnings and shareholders' equity.

The oil and gas industry is subject to particular economic and operational risks

Oil and gas exploration and production activities are subject to particular economic and industry-specific operational risks, some of which are beyond our control, such as production, equipment and transportation risks, and natural hazards and other uncertainties, including those relating to the physical characteristics of onshore and offshore oil or natural gas fields. Our operations may be curtailed, delayed or cancelled due to bad weather conditions, mechanical difficulties, oil or natural gas spills or leaks, shortages or delays in the delivery of equipment, compliance with governmental requirements, fire, explosions, blow-outs, pipe failure, abnormally pressured formations, and environmental hazards, such as oil spills, gas leaks, ruptures or discharges of toxic gases. If these risks materialize, we may suffer substantial operational losses and disruptions to our operations and harm to our reputation. Drilling may be unprofitable, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account.

We may not have sufficient insurance to cover all the operating hazards that we are subject to

As discussed under "The oil and gas industry is subject to particular economic and operational risks" and "We may incur significant costs and liabilities related to environmental, health and safety matters," our exploration and production operations are subject to extensive economic, operational, regulatory and legal risks. We maintain insurance covering us against certain risks inherent in the oil and gas industry in line with industry practice, including loss of or damage to property and equipment, control-of well incidents, loss of production or income incidents, removal of debris, sudden and accidental seepage pollution, contamination and clean up and third-party liability claims, including personal injury and loss of life, among other business risks. However, our insurance coverage is subject to deductibles and limits that in certain cases may be materially exceeded by our liabilities. In addition, certain of our insurance policies contain exclusions that could leave us with limited coverage in certain events. See "Item 4. Information on the Company Insurance." In addition, we may not be able to maintain adequate insurance at rates or on terms that we consider reasonable or acceptable or be able to obtain insurance against certain risks that materialize in the future. If we experience an incident against which we are not insured, or

[Back to Contents](#)

the costs of which materially exceed our coverage, it could have a material adverse effect on our business, financial condition and results of operations.

Argentine oil and gas production concessions and exploration permits are subject to certain conditions and may not be renewed

The Hydrocarbons Law provides for oil and gas concessions to remain in effect for 25 years as from the date of their award, and further provides for the concession term to be extended for up to 10 additional years, subject to terms and conditions approved by the grantor at the time of the extension. The authority to extend the terms of current and new permits, concessions and contracts has been vested in the governments of the provinces in which the relevant area is located (and the federal government in respect of offshore areas beyond 12 nautical miles). In order to be eligible for the extension, any concessionaire and permit holder must have complied with its obligations under the Hydrocarbons Law and the terms of the particular concession or permit, including evidence of payment of taxes and royalties, the supply of the necessary technology, equipment and labor force and compliance with various environmental, investment and development obligations. Under the Hydrocarbons Law, non-compliance with these obligations and standards may also result in the imposition of fines and in the case of material breaches, following the expiration of applicable cure periods, the revocation of the concession or permit. The expiration of part of our concessions occurs in 2017. We cannot provide assurances that these concessions will be extended or that additional investment, royalty payment or other requirements will not be imposed on us in order to obtain extensions. The termination of, or failure to obtain the extension of, a concession or permit, our its revocation, could have a material adverse effect on our business and results of operations. See Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions.

Our acquisition of exploratory acreage and crude oil and natural gas reserves is subject to heavy competition

We face intense competition in bidding for crude oil and natural gas production areas, which are typically auctioned by governmental authorities, especially those areas with the most attractive crude oil and natural gas reserves. Some provinces of Argentina, including La Pampa, Neuquén and Chubut, have created provincial government-owned companies to develop activities in the oil and gas industry. Energía Argentina S.A. (ENARSA), the Argentine state-owned energy company, has also entered the market, particularly in the context of offshore exploration. As a result, the conditions under which we are able to access new exploratory or productive areas could be adversely affected.

We may incur significant costs and liabilities related to environmental, health and safety matters

Our operations, like those of other companies in the oil and gas industry, are subject to a wide range of environmental, health and safety laws and regulations in the countries in which we operate. These laws and regulations have a substantial impact on our operations and those of our subsidiaries, and could result in material adverse effects on our financial position and results of operation. A number of events related to environmental, health and safety matters, including changes in applicable laws and regulations, adverse judicial or administrative interpretations of such laws and regulations, changes in enforcement policy, the occurrence of new litigation or development of pending litigation, and the development of information concerning these matters, could result in new or increased liabilities, capital expenditures, reserves, losses and other impacts that could have a material adverse effect on our financial condition and results of operations. See Item 8. Financial Information?Legal Proceedings, Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Argentine Environmental Regulations and Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government U.S. Environmental Regulations. Environmental, health and safety regulation and jurisprudence in Argentina is developing at a rapid pace and no assurance can be provided that such developments will not increase our cost of doing business and liabilities. In addition, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increased efficiency standards, or the adoption of cap and trade regimes. If adopted in Argentina, these requirements could make our products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources such as renewable energies.

[Back to Contents](#)

We are party to a number of legal proceedings

As described under Item 8. Financial Information Legal Proceedings, we are party to a number of labor, commercial, civil, tax, criminal, environmental and administrative proceedings that, either alone or in combination with other proceedings, could, if resolved in whole or in part adversely to us, result in the imposition of material costs, fines, judgments or other losses. While we believe that we have provisioned such risks appropriately based on the opinions and advice of our external legal advisors and in accordance with applicable accounting rules, certain loss contingencies, particularly those relating to environmental matters, are subject to change as new information develops and it is possible that losses resulting from such risks, if proceedings are decided in whole or in part adversely to us, could significantly exceed any accruals we have provided.

Our business depends to a significant extent on our production and refining facilities and logistics network

Our oil and natural gas field facilities, refineries and logistics network are our principal production facilities and distribution network on which a significant portion of our revenues depends. Although we insure our properties on terms we consider prudent and have adopted and maintain safety measures, any significant damage to, accident or other production stoppage at our facilities or network could materially and adversely affect our production capabilities, financial condition and results of operations.

We could be subject to organized labor action

Although we consider our current relations with our workforce to be good, our operations have been affected by organized work disruptions and stoppages in the past and we cannot assure you that we will not experience them in the future, which could adversely affect our business and revenues. Labor demands are commonplace in Argentina's energy sector and unionized workers have blocked access to and damaged our plants in the recent past. Our operations were affected occasionally by labor strikes in recent years. See Item 5. Operating and Financing Review and Prospects Factors Affecting Our Operations Macroeconomic Conditions.

Risks Relating to Our Class D Shares and ADSs

The market price for our shares and ADSs may be subject to significant volatility

The market price of our ordinary shares and ADSs may fluctuate significantly due to a number of factors, including, among others, our actual or anticipated results of operations and financial condition; speculation over the impact of the Expropriation Law in our business and operations, investor perceptions of investments relating to Argentina and political and regulatory developments affecting our industry or the Company. In addition, recent regulatory and policy developments in Argentina, including the passage of the Expropriation Law and the revocation of certain of our concessions, have led to considerable volatility in the market price of our shares and ADSs. YPF's share price has declined by approximately 50% since January 1, 2012. These developments, as well as concerns about the implementation of new measures or decisions which further adversely affect our interests, may have a material adverse effect on the trading values of our securities.

We are currently not in compliance with NYSE continued listing requirements regarding our Audit Committee and are at risk of being delisted from the NYSE

Since the passage of Decree No. 530/12 of the National Executive Power, which provides for the Intervention of YPF, all powers, duties and responsibilities of the Audit Committee of the Company have been transferred to the government-appointed Intervenor. See Item 6. Directors, Senior Management and Employees-Management of the Company under the Intervention and Item 6. Directors, Senior Management and Employees-The Audit Committee. Accordingly, since April 16, 2012, the Company no longer has an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended. If we fail to cure this deficiency, NYSE rules provide that the NYSE may initiate suspension and delisting procedures with respect to our securities. The delisting of our ADSs would require any trading in these securities to occur in the over-the-counter market and could adversely affect the market prices and liquidity of the markets for these securities. If our ADSs are delisted from the NYSE, there may be a limited market for our ADSs, trading in our ADSs may become more difficult and the price of our ADSs could decrease even further. Specifically, you may not be able to resell your

[Back to Contents](#)

ADSs at or above the price you paid for such ADSs or at all. In addition, if our ADSs are delisted, our ability to raise additional capital would likely be impaired.

Certain strategic transactions require the approval of the holder of our Class A shares or may entail a cash tender offer for all of our outstanding capital stock

Under our by-laws, the approval of the Argentine government, the sole holder of our Class A shares, is required to undertake certain strategic transactions, including a merger, an acquisition that results in the purchaser holding 15% or more of our capital stock or an acquisition that results in the purchaser holding a majority of our capital stock, requiring consequently the approval of the National State (the holder of our Class A share) for such decisions.

In addition, under our by-laws, an acquisition that results in the purchaser holding 15% or more of our capital stock would require such purchaser to make a public cash tender offer for all of our outstanding shares and convertible securities, which could discourage certain investors from acquiring significant stakes in our capital stock. See Item 10. Additional Information Certain Provisions Relating to Acquisitions of Shares.

Restrictions on the movement of capital out of Argentina may impair your ability to receive dividends and distributions on, and the proceeds of any sale of, the Class D shares underlying the ADSs

Argentine law currently permits the government to impose temporary restrictions on capital movements in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to foresee such an imbalance. Although the transfer of funds abroad in order to pay dividends currently does not require Central Bank approval, restrictions on the movement of capital to and from Argentina may, if imposed, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of Class D shares, as the case may be, from pesos into U.S. dollars and the remittance of the U.S. dollars abroad. The Argentine government has recently tightened U.S. dollar exchange regulations.

Under the terms of our deposit agreement with the depositary for the ADSs, the depositary will convert any cash dividend or other cash distribution we pay on the shares underlying the ADSs into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If this conversion is not possible for any reason, including regulations of the type described in the preceding paragraph, the deposit agreement allows the depositary to distribute the foreign currency only to those ADR holders to whom it is possible to do so. If the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the dividend distribution.

Under Argentine law, shareholder rights may be different from other jurisdictions

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in other jurisdictions outside Argentina. In addition, rules governing the Argentine securities markets are different and may be subject to different enforcement in Argentina than in other jurisdictions.

Actual or anticipated sales of a substantial number of Class D shares could decrease the market prices of our Class D shares and the ADSs

The Petersen Group owns ADSs representing approximately 25.46% of our capital stock. In addition, as described in greater detail under Item 7. Major Shareholders and Related Party Transactions Registration Rights and Related Agreements, we have filed and undertaken to maintain an effective shelf registration statement for the benefit of the lenders under the senior secured term loan facility provided to Petersen Energía to enable it to enter into the Petersen Transaction (as defined in Item 7. Major Shareholders and Related Party Transactions). The lenders under the senior secured term loan facility, upon the acceleration of such facility following the occurrence and continuation of an event of default under such facility, will be able to freely sell up to approximately 25% of our outstanding capital stock under the shelf registration statement. Sales of a substantial number of Class D shares or ADSs by the Petersen Group, such lenders or any other present or future significant shareholder, or the anticipation of such sales, could decrease the trading price of our Class D shares and the ADSs. See Item 7. Major Shareholders

[Back to Contents](#)

and Related Party Transactions. The Petersen Group's ability to service its indebtedness under the senior secured term loan facility may be substantially adversely affected by our inability to pay cash dividends.

You may be unable to exercise preemptive, accretion or other rights with respect to the Class D shares underlying your ADSs

You may not be able to exercise the preemptive or accretion rights relating to the shares underlying your ADSs (see Item 10. Additional Information Preemptive and Accretion Rights) unless a registration statement under the U.S. Securities Act of 1933 (the Securities Act) is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights, and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration is available, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse. As a result, U.S. holders of Class D shares or ADSs may suffer dilution of their interest in our company upon future capital increases.

In addition, under the Argentine Corporations Law, foreign companies that own shares in an Argentine corporation are required to register with the Superintendency of Corporations (*Inspección General de Justicia*, or IGJ) in order to exercise certain shareholder rights, including voting rights. If you own our Class D shares directly (rather than in the form of ADSs) and you are a non-Argentine company and you fail to register with IGJ, your ability to exercise your rights as a holder of our Class D shares may be limited.

You may be unable to exercise voting rights with respect to the Class D shares underlying your ADSs at our shareholders' meetings

The depositary will be treated by us for all purposes as the shareholder with respect to the shares underlying your ADSs. As a holder of ADRs representing the ADSs being held by the depositary in your name, you will not have direct shareholder rights and may exercise voting rights with respect to the Class D shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are no provisions under Argentine law or under our by-laws that limit the exercise by ADS holders of their voting rights through the depositary with respect to the underlying Class D shares. However, there are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our shares will receive notice of shareholders' meetings through publication of a notice in an official gazette in Argentina, an Argentine newspaper of general circulation and the bulletin of the BASE, and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide the notice to the depositary. If we ask it to do so, the depositary will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary as to voting the Class D shares represented by their ADSs. Due to these procedural steps involving the depositary, the process for exercising voting rights may take longer for ADS holders than for holders of Class D shares, and Class D shares represented by ADSs may not be voted as you desire. Class D shares represented by ADSs for which the depositary fails to receive timely voting instructions may, if requested by us, be voted as we instruct at the corresponding meeting.

In addition to the limitations referred to above, the Company has been recently notified of the preliminary injunction granted by a First Instance Labor Court in Tierra del Fuego Province, which provides for the temporal suspension of the exercise of the voting and economic rights attached to 45,215,888 of our ADSs. See Item 10. Additional Information Capital Stock.

Shareholders outside of Argentina may face additional investment risk from currency exchange rate fluctuations in connection with their holding of our Class D shares or the ADSs

We are an Argentine company and any future payments of dividends on our Class D shares will be denominated in pesos. The peso has historically fluctuated significantly against many major world currencies, including the U.S. dollar. A depreciation of the peso would likely adversely affect the U.S. dollar or other currency equivalent of any

[Back to Contents](#)

dividends paid on our Class D shares and could result in a decline in the value of our Class D shares and the ADSs as measured in U.S. dollars.

[Back to Contents](#)

ITEM 4. Information on the Company

History and Development of YPF

Overview

YPF is a limited liability company (*sociedad anónima*), incorporated under the laws of Argentina for an unlimited term. 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 2011, we had consolidated net sales of Ps.56,697 million (U.S.\$13,185 million) and consolidated net income of Ps.5,296 million (U.S.\$1,232 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 and until the passage of the Expropriation Law (Law No. 26,741), we were controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. Repsol YPF owned approximately 99% of our capital stock from 2000 until 2008, when the Petersen Group purchased, in different stages, shares representing 15.46% of our capital stock. In addition, Repsol YPF granted certain affiliates of Petersen Energía an option to purchase up to an additional 10% of our outstanding capital stock, which was exercised in May 2011.

On May 3, 2012, the Argentine Congress passed the Expropriation Law. Among other matters, the Expropriation Law provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The expropriated shares, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. See Item 3. Key Information Risk Factors-Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law, Regulatory Framework and Relationship with the Argentine Government The Expropriation Law and Item 7. Major Shareholders and Related Party Transactions.

Furthermore, on April 16, 2012, the Company was notified, through a notarial certification, of Decree No. 530/12 of the National Executive Power, which provides for the Intervention of YPF for a period of thirty (30) days (which is expected to be extended up to our next Shareholders meeting to be held on June 4, 2012), with the aim of securing the continuity of its business and the preservation of its assets and capital, securing fuel provision and the satisfaction of the country's needs, and guaranteeing that the goals of the Expropriation Law, are met. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. In accordance with Article 3 of Decree No. 530/2012, the powers conferred by YPF's bylaws on the Board and/or the President of the Company have been temporarily granted to the Intervenor. On May 7, 2012, through Decree No. 676/2012 of the

[Back to Contents](#)

National Executive Power, Mr. Miguel Matías Galuccio was appointed General Manager of the Company during the Intervention. Our next general shareholders meeting, expected to be held on June 4, 2012, will appoint the new members of our Board of Directors. See Item 6. Directors, Senior Management and Employees-Management of the Company under the Intervention. Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company. Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

The information contained in this annual report for the three years ended December 31, 2011 has been derived from our Audited Consolidated Financial Statements, which were approved by our Board of Directors on March 21, 2012, despite the fact that our Class A shareholder, the Argentine federal government, voted against such financial statements. Following the passage of the Expropriation Law, the Argentine federal government has taken control over the Company (see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law) and the shareholders meeting which had been called to approve our Audited Consolidated Financial Statements has been postponed until further notice. In furtherance of Decree No. 530/12, the Intervenor has approved the preparation and filing of this annual report with the aim of securing the continuity of the Company's business and the preservation of its assets and capital based on the Audited Consolidated Financial Statements and internal reports existing as of the date prior to the Intervention, whose content has been ratified exclusively by the Company's business areas and departments as of the date of this annual report.

In addition, certain of our concessions in Argentina have recently been revoked by the relevant authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims. Depending on the outcome of the legal action brought by YPF to challenge these revocations and the negotiations initiated by the Intervenor and its delegates with the relevant provincial authorities, our past performance may not be indicative of future trends or results of the Company and the reserves and production amounts set forth in this annual report could be substantially reduced.

Upstream Operations

As of December 31, 2011, we held 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 2011, according to information provided by the Argentine Secretariat of Energy.

We had proved reserves, as estimated as of December 31, 2011, of approximately 585 mmbbl of oil, including condensates and natural gas liquids, and approximately 2,361 bcf of gas, representing aggregate reserves of approximately 1,004 mmboe.

In 2011, we produced approximately 100 mmbbl of oil (274 mbbbl/d), including condensates and natural gas liquids, and approximately 441 bcf of gas (1,208 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 mbbbl/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 mbbbl/d.

Our retail distribution network for automotive petroleum products as of December 31, 2011 consisted of 1,557 YPF-branded service stations, and we estimate we held approximately 31% of all gasoline 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 Holdco Spain S.L. (Agrium), is one of the leading producers of urea in the Southern Cone.

The following chart illustrates our organizational structure, including our principal subsidiaries, as of the date of this annual report.

[Back to Contents](#)

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The map below illustrates the location of our productive basins, refineries, storage facilities and crude oil and multi-product pipeline networks as of December 31, 2011.

[Back to Contents](#)

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For a description of our principal capital expenditures and divestitures, see Item 5. Operating and Financial Review and Prospects-Liquidity and Capital Resources-Capital investments, expenditures and divestitures.

The Argentine Market

Argentina is the second largest producer of natural gas and the fourth largest producer of crude oil in Central and South America, based on 2010 production, according to the 2010 edition of the BP Statistical Review of World Energy, published in June 2011.

[Back to Contents](#)

In response to the economic crisis of 2001 and 2002, the Argentine government, pursuant to the Public Emergency Law (Law No. 25,561), established export taxes on certain hydrocarbon products. In subsequent years, in order to satisfy growing domestic demand and abate inflationary pressures, this policy was supplemented by constraints on domestic prices, temporary export restrictions and subsidies on imports of natural gas and diesel. As a result, until 2008, local prices for oil and natural gas products had remained significantly below those prevalent in neighboring countries and international commodity exchanges.

After declining during the economic crisis of 2001 and 2002, Argentina's gross domestic product, or GDP, grew at an average annual real rate of approximately 8.5% from 2003 to 2008, although the growth rate decelerated to 0.9% in 2009 as a result of the global financial crisis, but recovered in 2010 and 2011, growing at an annual real rate of approximately 9%, according to preliminary official data. Driven by this economic expansion and stable domestic prices, energy demand has increased significantly during the same period, outpacing energy supply (which in the case of oil declined). For example, Argentine natural gas and diesel consumption grew at average annual rates of approximately 4.7% and 2.8%, respectively, during the period 2003-2010, according to the BP Statistical Review and the Argentine Secretariat of Energy. As a result of this increasing demand and actions taken by the Argentine regulatory authorities to support domestic supply, exported volumes of hydrocarbon products, especially natural gas, diesel and gasoline, declined steadily over this period. At the same time, Argentina has increased hydrocarbon imports, becoming a net importer of certain products, such as diesel, and increased imports of gas (including NGL). In 2003, Argentina's net exports of diesel amounted to approximately 1,349 mcm, while in 2011 its net imports of diesel amounted to approximately 1,995 mcm, according to information provided by the Argentine Secretariat of Energy. Significant investments in the energy sector are being carried out, and additional investments are expected to be required in order to support continued economic growth, as the industry is currently operating near capacity.

Demand for diesel in Argentina exceeds domestic production. In addition, the import prices of refined products have been in general substantially higher than the average domestic sales prices of such products, rendering the import and resale of such products less profitable. As a result, service stations experience temporary shortages and are required to suspend or curtail diesel sales. While we are engaged in efforts to operate our refineries near their capacity, during peak demand periods we are forced to prorate supplies among our service stations according to historical sales levels.

On May 3, 2012, the Expropriation Law was passed by Congress. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

History of YPF

Beginning in the 1920s and until 1990, both the upstream and downstream segments of the Argentine oil and gas industry were effectively monopolies of the Argentine government. During this period, we and our predecessors were owned by the state, which controlled the exploration and production of oil and natural gas, as well as the refining of crude oil and marketing of refined petroleum products. In August 1989, Argentina enacted laws aimed at the deregulation of the economy and the privatization of Argentina's state-owned companies, including us. Following the enactment of these laws, a series of presidential decrees were promulgated, which required, among other things, us to sell majority interests in our production rights to certain major producing areas and to undertake an internal management and operational restructuring program.

In November 1992, Law No. 24,145 (referred to as the Privatization Law), which established the procedures by which we were to be privatized, was enacted. 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.

[Back to Contents](#)

As a result of that offering and other transactions, the Argentine government's ownership percentage in our capital stock was reduced from 100% to approximately 20% by the end of 1993.

In January 1999, Repsol YPF acquired 52,914,700 Class A shares in block (14.99% of our shares) which were converted to Class D shares. Additionally, on April 30, 1999, Repsol YPF announced a tender offer to purchase all outstanding Class A, B, C and D shares (the Offer). Pursuant to the Offer, in June 1999, Repsol YPF acquired an additional 82.47% of our outstanding capital stock. Repsol YPF acquired additional stakes in us from minority shareholders and other transactions in 1999 and 2000.

Between 2004 and 2005 we made non-strategic asset divestitures totaling U.S.\$239.5 million.

On February 21, 2008, Petersen Energía purchased 58,603,606 of our ADSs, representing 14.9% of our capital stock, from Repsol YPF for U.S.\$2,235 million. In addition, Repsol YPF granted certain affiliates of Petersen Energía options to purchase up to an additional 10.1% of our outstanding capital stock within four years. On May 20, 2008, PEISA exercised an option to purchase shares representing 0.1% of our capital stock. Additionally, PEISA launched a tender offer to purchase all of the shares of YPF that were not already owned by them at a price of U.S.\$49.45 per share or ADS. Repsol YPF, pursuant to its first option agreement with Petersen Energía, had stated that it would not tender YPF shares to PEISA. A total of 1,816,879 shares (including Class D shares and ADSs), representing approximately 0.462% of our total shares outstanding, were tendered. On May 3, 2011, PEISA exercised an option to acquire from Repsol YPF shares or ADSs representing 10.0% of our capital stock and on May 4, 2011, Repsol YPF acknowledged and accepted such exercise.

On May 3, 2012, the Argentine Congress passed the Expropriation Law. Among other matters, the Expropriation Law provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The expropriated shares, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law. As of the date of this annual report, the transfer of the expropriated shares between National Executive Office and the provinces that compose the National Organization of Hydrocarbon Producing States is still pending. According to Article 8 of the Expropriation Law, the distribution of the shares among the provinces that accept their transfer must be conducted in an equitable manner, considering their respective levels of hydrocarbon production and proved reserves. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. In addition, in accordance with Article 9 of the Expropriation Law, each of the Argentine provinces to which expropriated shares are allocated must enter a shareholder's agreement with the federal government which will provide for the unified exercise of its rights as a shareholder. See

Regulatory Framework and Relationship with the Argentine Government The Expropriation Law and Item 7. Major Shareholders and Related Party Transactions.

Furthermore, on April 16, 2012, the Company was notified, through a notarial certification, of Decree No. 530/12 of the National Executive Power, which provides for the Intervention of YPF for a period of thirty (30) days (which is expected to be extended up to our next Shareholders meeting to be held on June 4, 2012), with the aim of securing the continuity of its business and the preservation of its assets and capital, securing fuel provision and the satisfaction of the country's needs, and guaranteeing that the goals of the Expropriation Law, are met. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. In accordance with Article 3 of Decree No. 530/2012, the powers conferred by YPF's bylaws on the Board and/or the President of the Company have been temporarily granted to the Intervenor. On May 7, 2012, through Decree No. 676/2012 of the National Executive Power, Mr. Miguel Matías Galuccio was appointed General Manager of the Company during the Intervention. Our next general shareholders' meeting, expected to be held on June 4, 2012, will appoint the new members of our Board of Directors. See Item 6. Directors, Senior Management and Employees Management of the Company under the Intervention. Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company.

[Back to Contents](#)

Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

In addition, certain of our concessions in Argentina have recently been revoked by the relevant authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See Item 3. Key Information-Risk Factors-Risks Relating to Argentina-Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims. Depending on the outcome of the legal action brought by YPF to challenge these revocations and the negotiations initiated by the Intervenor and its delegates with the relevant provincial authorities, our past performance may not be indicative of future trends or results of the Company and the reserves and production amounts set forth in this annual report could be substantially reduced.

Business Organization

We currently conduct our business according to the following organization:

Upstream, which consists of our Exploration and Production segment;

Downstream, which consists of our Refining and Marketing and Chemicals segments; and

Corporate and other, which consists of our Corporate and Other segment.

The Exploration and Production segment's sales to third parties in Argentina and abroad include sales of natural gas and services fees (primarily for the transportation, storage and treatment of hydrocarbons and products). In addition, crude oil produced by us in Argentina, or received from third parties in Argentina pursuant to service contracts, is transferred from Exploration and Production to Refining and Marketing at transfer prices established by us, which generally seek to approximate Argentine market prices.

The Refining and Marketing segment purchases crude oil from the Exploration and Production segment and from third parties. Refining and Marketing activities include crude oil refining and transportation, as well as the marketing and transportation of refined fuels, lubricants, LPG, compressed natural gas and other refined petroleum products in the domestic wholesale and retail markets and the export markets.

The Chemicals segment sells petrochemical products both in the domestic and export markets.

Additionally, we record certain assets, liabilities and costs under the Corporate and Other segment, including corporate administration costs and assets and certain construction activities, mainly related to the oil and gas industry, through our subsidiary A-Evangelista S.A. and its subsidiaries.

Substantially all of our operations, properties and customers are located in Argentina. However, we carry out exploration activities in the United States and Guyana, and hold an interest in a producing field in the United States and in two exploratory areas in Uruguay (see Exploration and Production Principal properties International properties). Additionally, we market lubricants and specialties in Brazil and Chile and carry out some construction activities related to the oil and gas industry in Uruguay, Bolivia, Brazil and Peru, through our 100% owned company A-Evangelista S.A. and its subsidiaries.

The following table sets forth net sales and operating income for each of our lines of business for the years ended December 31, 2011, 2010 and 2009:

For the Year Ended December 31,

	2011	2010	2009
--	------	------	------

(in millions of pesos)

Net Sales⁽¹⁾

Exploration and Production⁽²⁾

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To unrelated parties	3,814	4,611	4,757
To related parties	1,166	981	751

[Back to Contents](#)

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of pesos)		
Intersegment sales and fees ⁽³⁾	20,129	17,428	14,473
Total Exploration and Production	25,109	23,020	19,981
Refining and Marketing ⁽⁴⁾			
To unrelated parties	46,774	34,209	25,733
To related parties	1,004	917	627
Intersegment sales and fees	1,766	1,668	1,202
Total Refining and Marketing	49,544	36,794	27,562
Chemicals			
To unrelated parties	2,632	2,445	1,932
Intersegment sales and fees	2,188	1,871	1,105
Total Chemicals	4,820	4,316	3,037
Corporate and Other			
To unrelated parties	1,307	999	520
Intersegment sales and fees	651	358	350
Total Corporate and Others	1,958	1,357	870
Less intersegment sales and fees	(24,734)	(21,325)	(17,130)
Total net sales⁽⁵⁾	56,697	44,162	34,320
Operating Income (Loss)			
Exploration and Production	4,977	6,210	5,379
Refining and Marketing	3,649	3,313	1,896
Chemicals	1,451	874	559
Corporate and Other	(1,383)	(952)	(820)
Consolidation adjustments	(131)	30	(15)
Total operating income	8,563	9,475	6,999

- (1) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on exports. Royalty payments required to be made to a third party, whether payable in cash or in kind, which are a financial obligation, or are substantially equivalent to a production or severance tax, are accounted for as a cost of production and are not deducted in determining net sales. See -Exploration and Production-Oil and gas production, production prices and production costs and Note 2 (f) to the Audited Consolidated Financial Statements.
- (2) Includes exploration costs in Argentina, Guyana and the United States and production operations in Argentina and the United States.
- (3) Intersegment sales of crude oil to Refining and Marketing are recorded at transfer prices established by us, which generally seek to approximate Argentine market prices.
- (4) Includes LPG activities.
- (5) Total net sales include export sales of Ps.6,770 million, Ps.5,678 million and Ps.4,904 million, for the years ended December 31, 2011, 2010 and 2009, respectively. The export sales were mainly to Chile and Brazil.

Exploration and Production

Principal properties

Our production is concentrated in Argentina and our domestic operations are subject to numerous risks. See Item 3. Key Information Risk Factors. Certain provinces in Argentina have recently requested YPF to submit statements of discharge in relation to the Company's alleged breach of its investment obligations with respect to

[Back to Contents](#)

certain concessions. As of the date of this annual report, certain of these concessions have been revoked by the relevant authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions revoked in 2012 totaled approximately Ps.283 million as of December 31, 2011 (0.51% of our total assets as of such date), had a production of approximately 13.5 mmbob in 2011 (7.6% of our production in 2011) and had proved reserves totaling approximately 88.3 mmbob as of December 31, 2011 (8.8% of our total proved reserves as of such date). Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions whose revocation is currently being evaluated by the relevant authorities totaled approximately Ps.3,654 million as of December 31, 2011 (6.6% of our total assets as of such date), had a production of approximately 22.9 mmbob in 2011 (12.87% of our production in 2011) and had proved reserves totaling approximately 129.7 mmbob as of December 31, 2011 (12.92% of our total proved reserves as of such date). In addition, prior to the passage of the Expropriation Law, the provincial government of Santa Cruz stated that it may withdraw additional of the Company's concessions. The Company has initiated legal action to challenge these revocations. In addition, following the passage of the Expropriation Law, the Intervenor and its delegates have initiated negotiations with the relevant provincial authorities so that the revocations and intimations referred to above are withdrawn. The governors of certain of these provinces have publicly manifested that they will reconsider the matter in view of the stated objectives of the Intervention and the Expropriation Law. However, as of the date of this annual report, we have not been notified of the withdrawal of any of these revocations or intimations. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

In addition, on May 3, 2012, the Expropriation Law was passed by Congress. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. Its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. There may be changes in our business strategy and operations as a result of the Expropriation Law or otherwise resulting from the ongoing changes in our management. See Item 3. Key Information Risk Factors-Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law and Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

The following table sets forth information with regard to YPF's developed and undeveloped acreage by geographic area as of December 31, 2011:

At December 31, 2011				
	Developed⁽¹⁾		Undeveloped⁽²⁾	
	Gross⁽³⁾	Net⁽⁴⁾	Gross⁽³⁾	Net⁽⁴⁾
(thousands of acres)				
South America	1,494	1,108	50,521	28,707
Argentina	1,494	1,108	42,520	23,419
Rest of South America ⁽⁵⁾			8,001	5,288
North America ⁽⁶⁾	17	3	282	160
Total	1,511	1,111	50,803	28,867

(1) Developed acreage is spaced or assignable to productive wells.

(2) Undeveloped acreage encompasses those leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas regardless of whether such acreage contains proved reserves.

(3) A gross acre is an acre in which YPF owns a working interest.

(4) Net acreage equals gross acreage after deducting third party interests.

(5) Relates to Guyana, Uruguay and Paraguay. In the case of Paraguay, YPF's undeveloped acreage totaled 3,825 thousand acres as of December 31, 2011 and was related to a prospecting permit granted to YPF by Resolution 1703 of the Ministry

[Back to Contents](#)

of Public Works and Communications of Paraguay (*Ministerio de Obras Públicas y Comunicaciones*). The permit will expire on September 16, 2012, prior to which date YPF will have to communicate to the Directorate of Hydrocarbons of Paraguay its decision to extend for one year the referred permit, convert the related area into an exploration block or leave the area.

(6) Relates only to the United States.

As of December 31, 2011, none of our exploratory undeveloped acreage corresponded to exploration permits which will expire in 2012 in accordance with Law 17,319. However, as a result of the expiration in 2012 of the first, second or third exploration terms of certain of our exploration permits, we will be required to relinquish a fixed portion of the acreage related to each such expiring permit, as set forth in Law 17,319, as long as exploitable quantities of oil or gas are not discovered in such areas (in which case we may seek to obtain a declaration of their commercial viability from the relevant authorities, and the related areas would then be subject to exploitation concessions). Provided no such discoveries are made in 2012, we will be required to relinquish approximately 1.9 thousand square kilometers of exploratory undeveloped acreage (approximately 2.6% of our 73 thousand square kilometers of net exploratory undeveloped acreage as of December 31, 2011) during 2012. We are entitled to decide, according to our best interest, which portions of each of the exploration permits to keep, within the required relinquishment percentage. Therefore, the areas to be relinquished consist usually of acreage where drilling has not been successful and that are considered non-core lease acreage.

We do not have any material undeveloped acreage related to our production concessions expiring in the near term.

Additionally, as of May 14, 2012, the provinces of Chubut, Santa Cruz, Mendoza, Salta, Río Negro and Neuquén had publicly announced that they would be terminating certain of our concessions there due to the Company's alleged failure to make adequate investments in exploration and production in those areas. Net acreage related to the concessions revoked in 2012 totaled approximately 259 thousands of acres as of December 31, 2011. Net acreage related to the concessions whose revocation is currently being evaluated by the relevant authorities totaled approximately 2,231 thousands of acres as of December 31, 2011.

Argentine properties

Argentina is the second largest gas and fourth largest oil producing nation in Central and South America according to the 2010 edition of the BP Statistical Review of World Energy, published in June 2011. Oil has historically accounted for the majority of the country's hydrocarbon production and consumption, although the relative share of natural gas has increased rapidly in recent years. As of the date of this annual report, a total of 24 sedimentary basins have been identified in the country, according to the Plan Exploratorio Argentina (Argentina Exploratory Plan) described below. Six of these are combined onshore/offshore and three are entirely offshore. Argentina's total onshore acreage is composed of approximately 408 million acres, and total offshore acreage consists of 194 million acres on the South Atlantic shelf within the 200-meter depth line. A substantial portion of the country's estimated 602 million acres in sedimentary basins has yet to be evaluated by exploratory drilling. Commercial production is concentrated in five basins: Neuquina, Cuyana and Golfo San Jorge in central Argentina, Austral in southern Argentina (which includes onshore and offshore fields), and the Noroeste basin in northern Argentina. The Neuquina and Golfo San Jorge basins are the most significant basins for our activities in Argentina.

The following table shows our gross and net interests in productive oil and gas wells in Argentina by basin, as of December 31, 2011:

Basin	Wells ⁽¹⁾⁽²⁾⁽³⁾			
	Oil		Gas	
	Gross	Net	Gross	Net
<i>Onshore</i>	11,559	9,818	828	529
Neuquina	3,620	3,050	681	466
Golfo San Jorge	6,975	6,119	37	37
Cuyana	797	700		

[Back to Contents](#)

Basin	Wells ⁽¹⁾⁽²⁾⁽³⁾			
	Oil		Gas	
	Gross	Net	Gross	Net
Noroeste	30	9	57	14
Austral	137	41	53	12
<i>Offshore</i>			8	4
Total	11,559	9,919	836	533

(1) In addition to productive oil and gas wells located in Argentina, we have interests in oil wells located in the United States (7 gross wells and 1 net well, as of December 31, 2011).

(2) A gross well is a well in which YPF owns a working interest. A net well is deemed to exist when the sum of fractional ownership working interests in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions of whole numbers.

(3) Gross and net wells include one oil well and three gas wells with multiple completions.

The table below provides certain information with respect to our net working interests in our principal oil and gas fields in Argentina at December 31, 2011, all of which are mature:

Areas ⁽¹⁾	Interest %	Production 2011		Proved Reserves as of December 31, 2011			Basin / Location	Development Stage of the area
		Oil (mdbl)	Gas (mmcf)	Oil (mdbl)	Gas (mmcf)	BOE (mboe)		
Loma La Lata	100%	14,870	182,496	78,813	1,083,583	271,793	Neuquina	Mature Field
Los Perales ⁽²⁾	100%	4,364	9,377	38,140	55,288	47,987	Golfo San Jorge	Mature Field
San Roque	34%	2,735	39,684	11,032	178,514	42,824	Neuquina	Mature Field
Chihuido La Salina	100%	4,569	13,921	19,604	80,733	33,982	Neuquina	Mature Field
El Portón	100%	2,612	15,362	12,902	112,673	32,968	Neuquina	Mature Field
Chihuido Sierra Negra	100%	6,523	1,702	28,616	8,838	30,190	Neuquina	Mature Field
Seco León ⁽³⁾	100%	3,302	3,007	24,758	13,161	27,102	Golfo San Jorge	Mature Field
Barranca Baya ⁽³⁾	100%	3,103	644	26,088	4,759	26,935	Golfo San Jorge	Mature Field
Puesto Hernández	79%	3,036		26,731		26,731	Neuquina	Mature Field
Acambuco	22%	371	16,994	2,296	135,226	26,379	Noroeste	Mature Field
Manantiales Behr ⁽³⁾	100%	6,841	4,467	22,815	10,717	24,723	Golfo San Jorge	Mature Field
Aguada Toledo Sierra Barrosa	100%	824	26,932	7,966	89,942	23,984	Neuquina	Mature Field
Vizcacheras	100%	2,937	437	22,396	3,176	22,962	Cuyana	Mature Field
CNQ 7A	50%	4,493		22,361		22,361	Neuquina	Mature Field
Magallanes	56%	361	5,364	4,137	97,204	21,449	Austral	Mature Field

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Barrancas	100%	2,065	114	20,167	1,057	20,356	Cuyana	Mature Field
La Ventana Central	(4)	1,498	177	19,429	2,776	19,924	Cuyana	Mature Field
Cerro Fortunoso	100%	1,657		18,848		18,848	Neuquina	Mature Field
Desfiladero Bayo	100%	2,897	126	18,094	1,578	18,375	Neuquina	Mature Field
Aguada Pichana	27%	1,986	33,021	4,166	77,985	18,055	Neuquina	Mature Field
Tierra del Fuego	30%	784	14,989	3,482	74,951	16,830	Austral	Mature Field
Chihuido La Salina Sur	100%	1,473	10,611	5,777	40,318	12,957	Neuquina	Mature Field
Lomas del Cuy ⁽³⁾	100%	2,024	630	11,627	6,528	12,790	Golfo San Jorge	Mature Field

[Back to Contents](#)

- (1) Exploitation areas.
 - (2) The concession relating to this area has been revoked by the relevant authorities. See Item 3. Key Information Risk Factors-Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.
 - (3) The revocation of the concession relating to this area is currently being evaluated by the relevant authorities. See Item 3. Key Information-Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings-Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.
 - (4) 69.6% for crude oil and 60% for natural gas liquids and natural gas.
- As of December 31, 2011, approximately 82% of our proved crude oil reserves in Argentina were concentrated in the Neuquina (48%) and Golfo San Jorge (34%) basins, and approximately 94% of our proved gas reserves in Argentina were concentrated in the Neuquina (76%), Noroeste (11%) and Austral (7%) basins.

As of December 31, 2011, YPF held 141 exploration permits and production concessions in Argentina. YPF directly operates 103 of them, including 43 exploration permits and 60 production concessions.

Exploration permits. As of December 31, 2011, YPF held 48 exploration permits in Argentina, 44 of which were onshore exploration permits and four of which were offshore exploration permits. YPF had 100% ownership of three onshore permits, and its participating interests in the rest varied between 40% and 90%. YPF had 100% ownership of one offshore permit, and its participating interests in the rest varied between 30% and 35%.

Production concessions. As of December 31, 2011, YPF had 93 production concessions in Argentina. YPF had a 100% ownership interest in 54 production concessions, and its participating interests in the remaining 39 production concessions varied between 12.2% and 98%. As of the date of this annual report, 7 of these production concessions have been revoked by the relevant authorities, and the revocation of 21 of these production concessions is currently being evaluated by the relevant authorities.

Our production declines in recent periods are attributable mainly to the continuing maturity of our fields, although work stoppages and pipeline issues have on occasion also contributed to production declines and capital project delays. During the year 2011, a series of labor and community conflicts resulted in lost production of approximately 9.6 mmbob in areas we operate.

Joint ventures and contractual arrangements in Argentina.

As of December 31, 2011, we participated in 44 exploration and 27 production joint ventures and contractual arrangements (24 of which were not operated by YPF) in Argentina. Our interests in these joint ventures and contractual arrangements ranged from 12.2% to 98%, and our obligations to share exploration and development costs varied under these agreements. In addition, under the terms of some of these joint ventures, we have agreed to indemnify our joint venture partners in the event that our rights with respect to such areas are restricted or affected in such a way that the purpose of the joint venture cannot be achieved. For a list of the main exploration and production joint ventures in which we participated as of December 31, 2011, see Note 6 to the Audited Consolidated Financial Statements. We are also a party to a number of other contractual arrangements that arose through the renegotiation of service contracts and risk contracts. The concession relating to one of our joint ventures was terminated by the authorities of Chubut. While we have initiated legal action to challenge this revocation, if we do not prevail in the relevant proceedings we expect this joint venture to terminate. Assets (net of deferred income tax liabilities and asset retirement obligations) related to such joint venture (and the related concession) totaled approximately Ps.66 million as of December 31, 2011 (0.12% of our total assets as of such date), had a production of approximately 0.9 mmbob in 2011 (0.50% of our production in 2011) and had proved reserves totaling 4.9 mmbob as of December 31, 2011 (0.49% of our total proved reserves as of such date). See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

[Back to Contents](#)

International properties

United States. As of December 31, 2011, we had mineral rights in 54 blocks in the United States, comprised of 49 exploratory blocks, with a net surface area of 647 square kilometers and five development blocks, with a net surface area of 17 square kilometers. Our U.S. subsidiaries' net proved reserves in these properties in the United States as of December 31, 2011 were 0.9 mmbbl. Our U.S. subsidiaries' net hydrocarbon production in these properties in the United States for 2011 was 0.5 mmbbl.

The Neptune Field is located approximately 120 miles from the Louisiana coast within the deepwater region of the Central Gulf of Mexico. The unitized field area comprises Atwater Valley Blocks 573, 574, 575, 617 and 618. Our indirect subsidiary, Maxus U.S. Exploration Company, has a 15% working interest in the field. The other joint venture participants are BHP Billiton (35%), Marathon Oil Corp. (30%) and Woodside Petroleum Ltd (20%). BHP Billiton is the operator of the Neptune Field and the associated production facilities. The Neptune reserves are being produced using a standalone, tension leg platform (TLP) located in Green Canyon Block 613 within 4,230 feet of water. Production began on July 8, 2008. The platform supports seven sub-sea development wells which are tied back to the TLP via a subsea gathering system.

In 2011, YPF Holdings Inc. (YPF Holdings) participated in the drilling of the Coronado exploration prospect in the Gulf of Mexico with a net interest of 15%. YPF Holdings' total net investment was U.S.\$21.2 million. The well was abandoned due to technical reasons.

In addition, YPF Holdings has entered into various operating agreements and capital commitments associated with the exploration and development of its oil and gas properties. Such contractual, financial and/or performance commitments are not material, except for commitments related to the Neptune Project located in the vicinity of the Atwater Valley Area, Blocks 573, 574, 575, 617 and 618. Total commitments remaining as of December 31, 2011 for the Neptune Project are minimum pipeline transportation payment obligations of U.S.\$9 million.

Our operations in the United States, through YPF Holdings, are subject to certain environmental claims. See Environmental Matters YPF Holdings Operations in the United States.

Guyana. As of December 31, 2011, YPF held, through YPF Guyana Ltd., a wholly-owned subsidiary of YPF International, S.A., a 30% working interest in a petroleum prospecting license (the Petroleum Prospecting License) as part of a petroleum agreement (the Petroleum Agreement) in connection with the Georgetown block, offshore Guyana. The surface exploratory area attributable to YPF Guyana Ltd.'s working interest is 2,520 square kilometers, which represents approximately 622.7 thousand undeveloped acres. The Petroleum Prospecting License expires on November 25, 2012 and, in accordance with an Addendum to the Petroleum Agreement entered into with the Guyana government on September 28, 2011, YPF agreed to begin drilling an exploration well before the end of 2011.

In October 2011, the Georgetown block consortium approved the 2012 Budget that included U.S.\$159.13 million (U.S.\$47.74 million, considering YPF Guyana Ltd.'s working interest) for the Jaguar-1 exploration well. The consortium has agreed on the location of the Jaguar-1 well, with a total depth of 21,450 ft. The Georgetown block consortium agreed to contract a jackup drilling rig (Atwood Beacon, from Atwood Oceanics), and upgrade it for a high pressure/high temperature well. The Atwood Beacon drilling jackup commenced drilling operations on December 5, 2011, fulfilling the contractual obligation of the Petroleum Agreement and the subsequent Addendum; and drilling operations are ongoing. The entire operation is expected to take approximately 180 days to complete, including hydrocarbon appraisal, plug and abandonment.

Peru. After participating in exploratory rounds, we expect that blocks 180, 182 and 184 in Huallaga basin and 176 in Ucayali basin will be officially allocated by the Peruvian Government to the Consortium to which YPF belongs. YPF holds a 25% share in the Consortium formed with Repsol YPF (which is the operator with a 25% interest) and Ecopetrol (50%). During the first two exploratory periods (30 months) following the official allocation of these blocks, the activity to be performed will consist in the re-processing of existing seismic data and the recording of 1,150 km of 2D seismic data.

[Back to Contents](#)

Colombia. Our participation in five blocks was negotiated in Colombia during 2011: Catguas A and B, Carboneras, COR12, COR14 and COR33. The first two blocks are located in Catatumbo basin, while the remaining three are located in the Cordillera Oriental basin.

As of the date of this annual report, the official allocation of these blocks and the required approvals of the competent state bodies are pending. YPF's share in these blocks will range from 10% to 60% and is expected to be the operator of four of them. The total surface of the new mining domain is 3,398 km². The exploratory activity to be performed in the two years following the official allocation of these blocks will be the acquisition of 180 km of 2D seismic and 50 km² of 3D seismic data and the drilling of two boreholes.

Paraguay. The Manduvira Prospecting Permit was awarded 100% to YPF in September 2011. It covers a total surface of 15,475 km² and is located in the Eastern area of Paraguay, within the scope of the Chacoparaná basin. YPF's goal in this area is to explore unconventional resources and the scheduled activity includes the acquisition of 100 km of 2D seismic data towards the end of 2012 and the drilling of an appraisal well in 2013.

Chile Onshore. In 2011, YPF submitted proposals to participate in the farm out arrangement offered by ENAP in connection with Chile's Magallanes basin. YPF was declared winner of the following two exploration blocks: (i) San Sebastián, where YPF (40%) will act as operator, in partnership with Wintershall (10%) and ENAP (50%), and (ii) Marazzi / Lago Mercedes, where YPF (50%) will act as operator, in partnership with ENAP (50%).

Total commitments with respect to the awarded exploration blocks during the first exploratory period includes the acquisition of 672 km² of 3D seismic data and the drilling of 8 exploratory wells. Activities are expected to begin by the end of 2012.

Uruguay (i) Deep Water Offshore- Punta del Este basin:

Area 3: YPF (40%) acts as operator, in partnership with Petrobras Uruguay(40%) and Galp (20%). Exploration is in the first geological and geophysical evaluation stage.

Area 4: YPF (40%) has two partners in this block, Petrobras Uruguay (40%), which acts as operator, and Galp (20%). Exploration is in the first geological and geophysical evaluation stage.

(ii) Onshore:

On January 19, 2012, the Arapey block was awarded entirely to YPF through a prospect agreement. The block is located onshore and has a surface area of 9,700 km². YPF's goal in this block is to explore unconventional resources. Scheduled activity for 2012 includes seismic data reprocessing and the performance of geological studies.

Oil and Gas Reserves

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible (from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations) prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within reasonable time. In some cases, substantial investments in new wells and related facilities may be required to recover proved reserves.

Information on net proved reserves as of December 31, 2011, 2010 and 2009 was calculated in accordance with the SEC rules and FASB's ASC 932 as amended. Accordingly, crude oil prices used to determine reserves were calculated at the beginning of each month, for crude oils of different quality produced by the Company. The Company considered the realized prices for crude oil in the domestic market taking into account the effect of exports taxes as in effect as of each of the corresponding years (until 2011 for the years ended December 31, 2010 and 2009, in accordance with Law No. 26,217, and until 2016 for the year ended December 31, 2011, in accordance with Law No. 26,732). For the years beyond the mentioned periods, the Company considered the unweighted average price of

[Back to Contents](#)

the first-day-of-the-month for each month within the twelve-month period ended December 31, 2011, 2010 and 2009, respectively, which refers to the WTI prices adjusted by each different quality produced by the Company. Additionally, since there are no benchmark market natural gas prices available in Argentina, the Company used average realized gas prices during the year to determine its gas reserves. Information on net proved reserves as of January 1, 2009 was calculated using year-end prices and costs, respectively.

Net reserves are defined as that portion of the gross reserves attributable to the interest of YPF after deducting interests owned by third parties. In determining net reserves, the Company excludes from its reported reserves royalties due to others, whether payable in cash or in kind, where the royalty owner has a direct interest in the underlying production and is able to make lifting and sales arrangements independently. By contrast, to the extent that royalty payments required to be made to a third party, whether payable in cash or in kind, are a financial obligation, or are substantially equivalent to a production or severance tax, the related reserves are not excluded from the reported reserves despite the fact that such payments are referred to as royalties under local rules. The same methodology is followed in reporting our production amounts.

Gas reserves exclude the gaseous equivalent of liquids expected to be removed from the gas on concessions and leases, at field facilities and at gas processing plants. These liquids are included in net proved reserves of crude oil and natural gas liquids.

Technology used in establishing proved reserves additions

YPF's estimated proved reserves as of December 31, 2011, are based on estimates generated through the integration of available and appropriate data, utilizing well-established technologies that have been demonstrated in the field to yield repeatable and consistent results. Data used in these integrated assessments include information obtained directly from the subsurface via wellbore, such as well logs, reservoir core samples, fluid samples, static and dynamic pressure information, production test data, and surveillance and performance information. The data utilized also include subsurface information obtained through indirect measurements, including high quality 2-D and 3-D seismic data, calibrated with available well control. Where applicable, surface geological information was also utilized. The tools used to interpret and integrate all these data included both proprietary and commercial software for reservoir modeling, simulation and data analysis. In some circumstances, where appropriate analog reservoir models are available, reservoir parameters from these analog models were used to increase the reliability of our reserves estimates.

For further information on the estimation process of our proved reserves, see Internal controls on reserves and reserves audits.

Net Proved Developed and Undeveloped Reserves as of December 31, 2011

The following table sets forth our estimated net proved developed and undeveloped reserves of crude oil and natural gas at December 31, 2011.

Proved Developed Reserves	Oil ⁽¹⁾	Natural Gas	Total ⁽²⁾
	(mmbbl)	(bcf)	(mmboe)
Consolidated Entities			
South America			
Argentina	436	1,758	750
North America			
United States	1	2	1
Total Consolidated Entities	437	1,760	751
Equity-Accounted Entities			
South America			
Argentina	1	37	8
North America			
United States			
Total Equity-Accounted Entities	1	37	8
Total Proved Developed Reserves⁽³⁾	438	1,797	759



[Back to Contents](#)

Proved Undeveloped Reserves	Oil ⁽¹⁾	Natural Gas	Total ⁽²⁾
	(mmbbl)	(bcf)	(mmboe)
Consolidated Entities			
South America			
Argentina	147	602	254
North America			
United States	*	*	*
<hr/>			
Total Consolidated Entities	147	602	254
Equity-Accounted Entities			
South America			
Argentina			
North America			
United States			
<hr/>			
Total Equity-Accounted Entities			
<hr/>			
Total Proved Undeveloped Reserves⁽⁴⁾	147	602	254

Total Proved Reserves ⁽⁵⁾	Oil ⁽¹⁾	Natural Gas	Total ⁽²⁾
	(mmbbl)	(bcf)	(mmboe)
Consolidated Entities			
Developed Reserves	437	1,760	751
Undeveloped Reserves	147	602	254
Total Consolidated Entities	584	2,362	1,005
<hr/>			
Equity-Accounted entities			
Developed Reserves	1	37	8
Undeveloped Reserves			
<hr/>			
Total Equity-Accounted Entities	1	37	8
<hr/>			
Total Proved Reserves⁽⁶⁾	585	2,399	1,013

* Not material

(1) Includes crude oil, condensate and natural gas liquids.

(2) Volumes of natural gas in the table above and elsewhere in this annual report have been converted to boe at 5.615 mcf per barrel.

(3) Includes approximately 59 mmboe of natural gas liquids (58 mmboe of which relate to consolidated entities).

(4) Includes approximately 14 mmboe of natural gas liquids (which relate to consolidated entities).

(5) Proved oil reserves of consolidated entities include an estimated approximately 76 mmbbl of crude oil, condensate and natural gas liquids in respect of royalty payments which, as described above, are a financial obligation, or are substantially equivalent to a production or similar tax. Proved reserves of natural gas of consolidated entities include an estimated approximately 254 bcf of natural gas in respect of such payments. Equity-accounted entities' reserves in respect of royalty payments which are a financial obligation, or are substantially equivalent to a production or similar tax, are not material.

(6) Includes approximately 74 mmboe of natural gas liquids (73 mmboe of which relate to consolidated entities).

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As of May 14, 2012, concessions representing 7.6% of our production in 2011 and 8.8% of our proved reserves as of December 31, 2011 have been revoked by the relevant authorities. In addition, the revocation of concessions representing 12.92% of our production in 2011 and 12.93% of our proved reserves as of December 31, 2011 is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

[Back to Contents](#)

Changes in our proved undeveloped reserves during 2011

YPF had estimated net proved undeveloped reserves of 254 mmboe at December 31, 2011, which represented approximately 25% of the 1,005 mmboe total reported proved reserves as of such date. This compares to estimated net proved undeveloped reserves of 231 mmboe at December 31, 2010 (approximately 24% of the 982 mmboe total reported proved reserves as of such date).

The 10% increase in net proved undeveloped reserves in 2011 is mainly attributable to the addition of new proved undeveloped reserves related to extensions and discoveries (33.0 mmboe) and new development studies for primary and secondary recovery projects (23.6 mmboe), which exceeded reductions of our proved undeveloped reserves in 2011, which primarily relate to the transfer from proved undeveloped to proved developed reserves resulting from our development activity and revisions to previous estimates. The largest transfers were associated with the drilling of new wells (17.6 mmboe), gas compression (9.2 mmboe) and improved recovery projects (6.2 mmboe).

YPF's total expenditure to advance the development of reserves was approximately U.S.\$1,510 million during 2011, of which U.S.\$454 million was allocated to projects related to proved undeveloped reserves.

As at December 31, 2011, we did not have material amounts of proved undeveloped reserves in individual fields or countries that have remained undeveloped for five years or more after being disclosed as proved undeveloped reserves.

Internal controls on reserves and reserves audits

All of our oil and gas reserves held in consolidated companies have been estimated by our petroleum engineers. In order to meet the high standard of reasonable certainty, reserves estimates are stated taking into consideration additional guidance as to reservoir economic producibility requirements, acceptable proved area extensions, drive mechanisms and improved recovery methods, marketability under existing economic and operating conditions and project maturity.

Where applicable, the volumetric method is used to determine the original quantities of petroleum in place. Estimates are made by using various types of logs, core analysis and other available data. Formation tops, gross thickness, and representative values for net pay thickness, porosity and interstitial fluid saturations are used to prepare structural maps to delineate each reservoir and isopachous maps to determine reservoir volume. Where adequate data is available and where circumstances are justified, material-balance and other engineering methods are used to estimate the original hydrocarbon in place.

Estimates of ultimate recovery are obtained by applying recovery factors to the original quantities of petroleum in place. These factors are based on the drive mechanisms inherent in the reservoir, analysis of the fluid and rock properties, the structural position of the reservoir and its production history. In some instances, comparisons are made with similar production reservoirs in the areas where more complete data is available.

Where adequate data is available and where circumstances are justified, material-balance and other engineering methods are used to estimate ultimate recovery. In these instances, reservoir performance parameters such as cumulative production, production rate, reservoir pressure, gas oil ratio behavior and water production are considered in estimating ultimate recovery.

In certain cases where the above methods could not be used, proved reserves are estimated by analogy to similar reservoirs where more complete data are available.

Prior to the Intervention and the passage of the Expropriation Law, we followed an established process to control the quality of reserves booking (including with respect to our reserves as of December 31, 2011). This process was integrated into the internal control system of YPF and had the components described below. We cannot assure you that our new management, which we expect to be appointed by our next general shareholders meeting, on June 4, 2012, will not change or replace this process.

[Back to Contents](#)

- (a) The Reserves Control Direction (RCD) was separate and independent from the Exploration and Production segment. RCD's activity was overseen by YPF's Audit Committee, which was also responsible for supervising the procedures and systems used in the recording of and internal control over the Company's hydrocarbon reserves. The primary objectives of the RCD were to ensure that YPF's proved reserves estimates and disclosure were in compliance with the rules of the SEC, the Financial Accounting Standard Board (FASB), and the Sarbanes-Oxley Act, and to review annual changes in reserves estimates and the reporting of YPF's proved reserves. The RCD was responsible for preparing the information to be publicly disclosed concerning YPF's reported proved reserves of crude oil and natural gas. In addition, the RCD was also responsible for providing training to personnel involved in the reserves estimation and reporting process within YPF. The RCD was managed by and staffed with individuals that had an average of more than 20 years of technical experience in the petroleum industry, including in the classification and categorization of reserves under the SEC guidelines. The RCD staff included several individuals who hold advanced degrees in either engineering or geology, as well as individuals who hold bachelor's degrees in various technical studies. Several members of the RCD were registered with or affiliated to the relevant professional bodies in their fields of expertise.
- (b) Until April 16, 2012, when the Company was notified of the Intervention, the Reserves Control Director, head of the RCD, was responsible for overseeing the preparation of the reserves estimates and reserves audits conducted by third party engineers. Such former director has over 30 years of experience in reservoir-engineering, geology and geophysics, reserves estimates, project development, finance and general accounting regulation and with well-rounded exposure to international operations. Over the past five years, he had been responsible for the supervision over YPF's governance and compliance procedures in respect of reserves estimates. He is an active member of the Society of Petroleum Engineers (SPE) and serves on its Editorial Committee for Reservoir Engineering and Evaluation. In addition, he holds a petroleum engineering degree from Universidad Central de Venezuela, MSc and PhD degrees in petroleum engineering from Pennsylvania State University in the United States, and an MBA from Instituto de Estudios Superiores de Administración in Venezuela. Consistent with our internal control system requirements, the Reserves Control Director's compensation was not affected by changes in reported reserves.
- (c) A quarterly internal review by the RCD of changes in proved reserves submitted by the Exploration and Production business unit and associated with properties where technical, operational or commercial issues had arisen.
- (d) A Quality Reserve Coordinator (QRC) was assigned at each Exploration and Production business unit of YPF to ensure that there were effective controls in the proved reserves estimation and approval process of the estimates of YPF and the timely reporting of the related financial impact of proved reserves changes. Our QRCs were responsible for reviewing proved reserves estimates. The qualification of each QRC was made on a case-by-case basis with reference to the recognition and respect of such QRC's peers. YPF would normally consider a QRC to be qualified if such person (i) had a minimum of 10 years of practical experience in petroleum engineering or petroleum production geology, with at least five years of such experience in charge of the estimate and evaluation of reserves information, and (ii) had either (A) obtained, from a college or university of recognized stature, a bachelor's or advanced degree in petroleum engineering, geology or other related discipline of engineering or physical science, or (B) received, and was maintaining in good standing, a registered or certified professional engineer's license or a registered or certified professional geologist's license, or the equivalent thereof, from an appropriate governmental authority or professional organization.
- (e) A formal review through technical review committees to ensure that both technical and commercial criteria were met prior to the commitment of capital to projects.
- (f) Our internal audit team, which examined the effectiveness of YPF's financial controls, designed to ensure the reliability of reporting and safeguarding of all the assets and examining YPF's compliance with the law, regulations and internal standards.

[Back to Contents](#)

- (g) All volumes booked were submitted to a third party reserves audit on a periodic basis. The properties selected for a third party reserves audit in any given year were selected on the following basis:
- i. all properties on a three year cycle, and
 - ii. recently acquired properties not submitted to a third party reserves audit in the previous cycle and properties with respect to which there is new information which could materially affect prior reserves estimates.

For those areas submitted to third party reserves audit, YPF's proved reserves figures had to be within 7% of the third party reserves audit figures for YPF to declare that the volumes have been ratified by a third party reserves audit. In the event that the difference was greater than the tolerance, YPF would reestimate its proved reserves to achieve this tolerance level or should disclose the third party figures.

In 2011, DeGolyer & MacNaughton audited areas operated by YPF in the Golfo San Jorge and Neuquina basins, Gaffney, Cline & Associates Inc. audited non-operated areas in Argentina and Ryder Scott Petroleum Consultants audited unconventional reserves in the Loma La Lata field and surrounding blocks. The audits of DeGolyer & MacNaughton and Gaffney, Cline & Associates Inc. were performed as of September 30, 2011, in fields which, according to our estimates, contained, in the aggregate, 435 mmboe proved reserves (51 mmboe of which were proved undeveloped reserves) as of such date, which represented approximately 43% of our proved reserves and 23% of our proved undeveloped reserves in Argentina as of that date. The audit of Ryder Scott Petroleum Consultants was performed as of December 31, 2011, in fields which contained, in the aggregate, 33 mmboe proved reserves (29 mmboe of which were proved undeveloped reserves) as of such date, which represented approximately 3% of our proved reserves and 11% of our proved undeveloped reserves in Argentina as of that date. A copy of the related reserves audit reports are filed as Exhibits to this annual report.

We are required, in accordance with Resolution S.E. No. 324/06 of the Argentine Secretariat of Energy, to file annually and by March 31 of every year details of our estimates of our oil and gas reserves and resources with the Argentine Secretariat of Energy, as defined in that resolution and certified by an external auditor. The aforementioned certification and external audit only have the meaning established by Resolution S.E. No. 324/06, and are not to be interpreted as a certification or external audit of oil and gas reserves under SEC rules. We last filed such a report for the year ended December 31, 2011 and the estimates of our proved oil and gas reserves filed with the Argentine Secretariat of Energy are materially higher than the estimates of our proved oil and gas reserves contained in this annual report mainly because: (i) information filed with the Argentine Secretariat of Energy includes all properties of which we are operators, irrespective of the level of our ownership interests in such properties; (ii) information filed with the Argentine Secretariat of Energy includes other categories of reserves and resources different to proved reserves that are not included in this annual report, which contains estimates of proved reserves consistent with the SEC's guidance; and (iii) the definition of proved reserves under Resolution S.E. No. 324/06 is different from the definition of proved oil and gas reserves established in Rule 4-10(a) of Regulation S-X. Accordingly, all proved oil and gas reserve estimates included in this annual report reflect only proved oil and gas reserves consistent with the rules and disclosure requirements of the SEC.

Oil and gas production, production prices and production costs

The following table shows our oil (including crude oil, condensate and natural gas liquids) and gas production on an as sold and daily basis for the years indicated. In determining net production, we exclude royalties due to others, whether payable in cash or in kind, where the royalty owner has a direct interest in such production and is able to make lifting and sales arrangements independently. By contrast, to the extent that royalty payments required to be made to a third party, whether payable in cash or in kind, are a financial obligation, or are substantially equivalent to a production or severance tax, they are not excluded from our net production amounts despite the fact that such payments are referred to as royalties under local rules. This is the case for our production in Argentina, where royalty expense is accounted for as a production cost.

[Back to Contents](#)

Oil production⁽¹⁾⁽²⁾	2011	2010	2009
	(mmbbl/d)		
Consolidated Entities			
South America			
Argentina	272	291	300
North America			
United States	1	2	2
Total Consolidated Entities	273	293	302
Equity-Accounted Entities			
South America			
Argentina	1	1	1
Total Equity-Accounted Entities	1	1	1
Total Oil Production⁽³⁾	274	294	303

Natural gas production⁽²⁾	2011	2010	2009
	(mmcf/d)		
Consolidated Entities			
South America			
Argentina	1,049	1,170	1,289
North America			
United States	3	2	2
Total Consolidated Entities	1,052	1,172	1,291
Equity-Accounted Entities			
South America			
Argentina	38	39	43
Total Equity-Accounted Entities	38	39	43
Total Natural Gas Production⁽⁴⁾⁽⁵⁾	1,090	1,211	1,335

Oil equivalent production⁽²⁾⁽⁶⁾	2011	2010	2009
	(mmboe/d)		
Consolidated Entities			
Oil	273	293	302
Natural gas	187	209	230
Equity-Accounted Entities			
Oil	*	1	1
Natural gas	7	7	8

Total Oil Equivalent Production	467	510	541
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- (1) Includes crude oil, condensate and natural gas liquids.
 - (2) Loma La Lata field in Argentina contains over 27% of our total proved reserves expressed on an oil equivalent barrel basis. Oil production in this field was 15, 16 and 17 mbbl for the years ended December 31, 2011, 2010 and 2009 respectively. Natural gas production in the Loma La Lata field was 182, 194 and 207 bcf for the years ended December 31, 2011, 2010 and 2009 respectively.
 - (3) Oil production for the years 2011, 2010 and 2009 includes an estimated approximately 12, 13 and 12 mmbbl, respectively, of crude oil, condensate and natural gas liquids in respect of royalty payments which are a financial obligation, or are substantially equivalent to a production or similar tax. Equity-accounted entities production of crude oil, condensate and natural gas liquids in respect of royalty payment which are a financial obligation, or are substantially equivalent to a production or similar tax, is not material.
 - (4) Natural gas production for the years 2011, 2010 and 2009 includes an estimated approximately 48, 50 and 54 bcf, respectively, of natural gas in respect of royalty payments which are a financial obligation, or are substantially equivalent to a production or similar tax. Equity-accounted entities production of natural gas in respect of royalty payments which are a financial obligation, or are substantially equivalent to a production or similar tax, is not material.

[Back to Contents](#)

- (5) Does not include volumes consumed or flared in operation and inventory changes (whereas sale volumes shown in the reserves table included in Supplemental Information on Oil and Gas Exploration and Production Activities-Oil and Gas Reserves include such amounts).
- (6) Volumes of natural gas been converted to an oil equivalent basis at 5.615 mcf per barrel.

As of May 14, 2012, concessions representing 7.6% of our production in 2011 and 8.8% of our proved reserves as of December 31, 2011 have been revoked by the relevant authorities. In addition, the revocation of concessions representing 12.87% of our production in 2011 and 12.92% of our proved reserves as of December 31, 2011 is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings-Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

The composition of the crude oil produced by us in Argentina varies by geographic area. Almost all crude oil produced by us in Argentina has very low or no sulfur content. We sell substantially all the crude oil we produce in Argentina to our Refining and Marketing business segment. Most of the natural gas produced by us is of pipeline quality. All of our gas fields produce commercial quantities of condensate, and substantially all of our oil fields produce associated gas.

The following table sets forth the average production costs and average sales price by geographic area for 2011, 2010 and 2009:

Production costs and sales price	Total	Argentina	United States
(Ps./boe)			
Year ended December 31, 2011			
Lifting costs	48.24	48.24	48.93
Local taxes and similar payments ⁽¹⁾	2.03	2.04	
Transportation and other costs	15.25	15.23	18.07
	<u>65.52</u>	<u>65.51</u>	<u>67</u>
Average production costs	65.52	65.51	67
Average oil sales price	245.86	244.69	412.19
Average natural gas sales price	55.24	55.21	111.74
Year ended December 31, 2010			
Lifting costs	32.94	32.85	54.89
Local taxes and similar payments ⁽¹⁾	1.42	1.43	
Transportation and other costs	11.32	11.27	21.29
	<u>45.68</u>	<u>45.55</u>	<u>76.18</u>
Average production costs	45.68	45.55	76.18
Average oil sales price	193.62	193.53	289.59
Average natural gas sales price	50.54	50.50	113.26
Year ended December 31, 2009			
Lifting costs	24.48	24.42	37.17
Local taxes and similar payments ⁽¹⁾	1.05	1.05	
Transportation and other costs	7.02	6.96	19.07
	<u>32.55</u>	<u>32.43</u>	<u>56.24</u>
Average production costs	32.55	32.43	56.24
Average oil sales price	157.28	157.05	201.12
Average natural gas sales price	46.49	46.18	109.22

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- (1) Does not include *ad valorem* and severance taxes, including the effect of royalty payments which are a financial obligation or are substantially equivalent to such taxes, in an amount of approximately Ps.19.50 per boe, Ps.15.40 per boe and Ps.12.97 per boe for the years ended December 31, 2011, 2010 and 2009, respectively.

[Back to Contents](#)**Drilling and other exploratory and development activities**

The following table shows the number of wells drilled by us or consortiums in which we had a working interest in Argentina during the periods indicated.

Wells Drilled in Argentina⁽¹⁾	For the Year Ended December 31,		
	2011	2010	2009
Gross wells drilled⁽¹⁾			
Exploratory			
Productive	18	6	3
Oil	17	5	2
Gas	1	1	1
Dry	4	8	12
Total	22	14	15
Development			
Productive	553	709	494
Oil	529	680	456
Gas	24	29	38
Dry	8	8	18
Total	561	717	512
Net wells drilled⁽²⁾			
Exploratory			
Productive	15	6	1
Oil	14	5	1
Gas	1	1	
Dry	2	6	8
Total	17	12	9
Development			
Productive	494	616	402
Oil	485	601	380
Gas	9	15	22
Dry	8	7	18
Total	502	623	420

(1) Gross wells include all wells in which we have an interest. In addition to wells drilled in Argentina, we participated in the drilling of the following gross wells in North America: one dry exploratory well in 2009, one exploratory well which was abandoned due to technical reasons in 2011, and nine development wells during the last three years, seven of which were productive.

- (2) Net wells equals gross wells after deducting third party interests. In addition to wells drilled in Argentina, net wells drilled in North America round to one well.

Drilling and other activities in Argentina

Our project portfolio, updated in May 2011, included more than 1,400 projects to develop proved, probable and possible reserves, in addition to exploration and development resources, all focused mainly on crude oil and the evaluation and development of unconventional resources in the Neuquina basin. The financial viability of these investments and reserves recovery efforts, however, will generally depend on the prevailing economic and regulatory conditions in Argentina, as well as the market prices of hydrocarbon products.

Historically, we have been fully dedicated to identifying new opportunities in both infill potential and improved sweep efficiency in our mature fields. These efforts are guided by subsurface modeling conducted by in-house multidisciplinary teams. Furthermore a strong emphasis has been placed in surveillance activities to improve current

[Back to Contents](#)

mature water injection projects. Tertiary recovery is being pursued with polymer and surfactant flooding in mature reservoirs in both Golfo San Jorge and Neuquén basins.

On May 3, 2012, the Expropriation Law was passed by Congress. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. There may be changes in our business strategy and operations as a result of the Expropriation Law or resulting from the introduction of our new management. See Item 3. Key Information Risk Factors Risks Relating to Argentina-The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law and Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

During 2011, our main exploratory activities in Argentina have had the following principal focuses:

Offshore

Shallow water. Following the drilling campaign performed during 2008 and 2009, YPF has re-evaluated the E2 block area of the Austral Basin (currently operated by ENAP Sipetrol which holds a 33% working interest and where YPF and ENARSA have a 33% working interest each), in search of new exploratory well opportunities. The Company, together with its partners, is currently carrying out the relevant regional studies in order to support the new prospects under evaluation. The Company is also evaluating the remaining areas of the Austral Basin which are not assigned by the Government to any other company with the intention of preparing its participation in future bids.

Deep water. YPF currently participates in four blocks:

CAA-40 and CAA-46. The drilling of the Malvinas well x-1 in the Malvinas basin, which reached a True Vertical Depth (TVD) of 2,000 meters, revealed no evidence of the presence of hydrocarbons. Since the well drilled was sterile, it was subsequently abandoned. In December 2011, the CAA-40 area was reverted to the Secretariat of Energy. With respect to the CAA-46 area, 50% was reverted to the Government in accordance with the law and, following the withdrawal of its partners in December 2011, YPF's share increased from 33.5% to 100%.

E-1. YPF holds a 35% working interest in this Colorado basin block, where ENARSA holds a 35% interest, Petrobras Argentina a 25% interest, and Petrouuguay a 5% interest. Geological and geophysical activity is underway to determine the probable location of a well.

E3. YPF holds a 30% working interest in this Colorado basin block, where ENARSA holds a 35% interest and Petrobras Argentina holds a 35% interest. During 2011, geological and geophysical studies were carried out in order to define the design of the seismic to be registered. The 2D seismic registration is planned for 2012.

Onshore

Unconventional oil and gas

(i) Shale oil

Neuquina Basin. Within the framework of the Exploratory and Production Development Program 2010/2014, the first development stage has been completed with 15 vertical wells in the northern area of Loma La Lata and Loma Campana, in the province of Neuquén, all of them with initial productions varying from 200 to 600 boe/d. Our main focus in this area is the shale oil in the Vaca Muerta formation. As a result of our exploratory efforts, 22.83 mmbbl (net) of oil proved reserves and 55,220 mmcf (net) of gas proved reserves were incorporated during 2011 from the Loma La Lata and the Loma Campana blocks.

[Back to Contents](#)

Furthermore, and continuing with the exploratory project in the area of the Vaca Muerta formation, the drilling of two vertical wells was completed in the Bajada de Añelo and La Amarga Chica blocks. The BAñ.x-2 well yielded an average daily high quality production of approximately 250 boe/d (48° API), while the LACH.x-3 well yielded 400 boe/d (35° API) during initial tests. The result of these wells is in line with prior results and increases the Vaca Muerta production area's potential. As a result, 41 mmbbl (net) of oil proved reserves and 51.8 mmcf (net) of gas proved reserves were incorporated during 2011 from the Bajada del Añelo and the La Amarga Chica blocks.

Concerning the activity outside the northern area of Loma La Lata and adjacent blocks, the ChSN.xp-623 well was completed in the Chihuido de la Sierra Negra block. This borehole confirmed a 300 meters thickness in the Vaca Muerta formation. The bottom 150 meters were stimulated, obtaining up to 100 boe/d of high quality oil (37° API). Currently, we are awaiting the analysis of crown data concerning this well in order to adjust future stimulation programs. Nevertheless, oil production in the lower half area of Vaca Muerta has already been tested.

Additionally, drillings continued in wells LCav.x-2 (in the Bandurria Block), MMo.x-1 (in Mata Mora) and LAm.x-2 (in the Loma Amarilla block), while drillings were initiated in Corr.x-1 (in the Corralera block).

Within the Exploratory and Production Development Program 2010/2014, the commencement of the BdT.x-3 boreholes in the Bajo del Toro block and the LoAm.x-3 well in the Loma Amarilla block, both aimed at shale oil in the Vaca Muerta formation, are planned for the first quarter of 2012.

With respect to blocks which are not operated by YPF, the drilling of boreholes LA.x-137 and LA.x-138 in the Lindero Atravesado block (which is operated by Pan American Energy) was finished. These wells are expecting completion, and are expected to enable the outline of the southern area of Loma La Lata.

San Jorge Gulf Basin. During 2011, the evaluation of the D-129 well formation was carried out in the north, south and west flanks of the San Jorge Gulf Basin, aimed at shale oil. Samples extracted from 21 existing wells in the basin were sent for analysis in order to obtain relevant geochemical data. Based on the results of these tests, three locations were selected for drilling, among which the following two commenced activity during the last quarter of 2011:

The first well drilled was ECh.xp-159 (drilled in December 2011), in the Cañadón Yatel block, which drilling stage was concluded in December 2011. The well is currently expecting stimulation and assay.

The LP.xp-2529 well (drilled started in December 2011), in the Los Perales - Las Mesetas block, was drilled subsequently. The well is currently expecting stimulation and assay.

There are plans to begin drilling well LC.xp-818, in the Lomas del Cuy block, during the first half of 2012. The stimulation of the wells referred to above involve massive hydraulic fracturing such as that performed in the Vaca Muerta formation in the Neuquina basin.

(ii) *Shale gas*

Neuquina Basin. Within the Exploratory and Production Development Program 2010/2014, the drilling of well CA.x-5 was initiated in the Cerro Arena block, and exploration is planned to start in the first half of 2012 with wells CLMi.x-1 in the Cerro Las Minas block, EOr.x-2 in El Orejano and LDMo.x-1 in the Lomas del Molle block.

At the end of 2011, the extended production assay of the LLLK.x-2h well started in the Loma La Lata block. This is the first horizontal well in the Vaca Muerta formation and has a horizontal extension of 600 m. During 2011, seven fracturing stages were performed. This well, which target is shale gas, is not in production yet.

With respect to blocks which are not operated by YPF, the drilling of the AP.x-1001 well in the Aguada Pichana block was completed.

In addition, commencement of the drilling of the well ACas.x-1, in the Aguada de Castro block (which is operated by Total Austral and contains shale gas resources) started in the first quarter of 2012.

[Back to Contents](#)

Conventional oil and gas

(i) *Productive basins*

Chachahuén block. The first exploratory boreholes were performed in the Chachahuén block. The results were positive and are now under production evaluation for potential reserves incorporation. The initial exploratory campaign consisted in the drilling of three wells with depths between 1,500 and 1,000 meters. The boreholes documented the development of an average useful thickness of 10 meters, corresponding to conventional reservoirs in the Rayoso formation (*Miembro Clástico*). After drilling and starting production in the first of the wells, initial outflows of 200 boe/d (24 API°) were recorded. The Company has also confirmed an area of extension towards the southeast of the abovementioned discovery with conditions that are similar to the evaluated area.

Incorporation of exploratory acreage. During 2011, the Company participated actively in the bidding processes of exploratory blocks, which resulted in the incorporation of approximately 45,000 km² of surface corresponding to the Neuquina, Cuyo and San Jorge Gulf basins.

Papagayos formation. During 2011, the evaluation of the Papagayos play in mature exploitation areas of the Cuyo basin was started. During January 2012, we started drilling the Vizcacheras Oeste x-2 well, which reached a TVD of 2,060 meters. The borehole documented the development of hydrocarbon-impregnated sandy layers corresponding to the Papagayos formation, which is currently expecting completion.

Liásico Inferior. The geological and structural models are under review in order to define exploratory opportunities.

Ramos xp-1012. The evaluation phase was completed producing negative results.

Quintuco Formation. The LLL No x-1 well in the Loma La Lata block and L Cav.x-2 in the Bandurria Block were completed and both are currently in production.

(ii) *Border areas*

Los Tordillos Oeste block. Based on the analysis of the 3D seismic data acquired in the last quarter of 2010, the location of two exploratory wells was established in the Los Tordillos Oeste block (in the province of Mendoza) in partnership with Sinopec Argentina (formerly Occidental Exploration and Production, Inc.), with a 50% interest each. The pertinent environmental certificates have been processed by the enforcement authorities for both of these wells. We expect the certificates to be granted by mid-2012, at which point we will be able to begin drilling. These new project should allow us to fulfill our investment commitments, the term for which was extended based on article 1 of Resolution 546/09 of the province of Mendoza.

Tamberías block. During the first quarter of 2011, the first Ansilta es-1 well was drilled in the Tamberías block (in the province of San Juan), in which YPF holds a 100% interest. Approximately 2,507 meters of the stratigraphic column of the basin were researched, with no evidence of hydrocarbons presence. Consequently, the block was returned to the Government authorities at the end of the second exploratory period on March 12, 2012.

CGSJ V/A and Gan Gan blocks. YPF operates the CGSJ V/A and the CCA-1 (Gan Gan) blocks in the Cañadón Asfalto basin (in the province of Chubut) in partnership with Wintershall, which holds a 25% working interest. With respect to CGSJ V/A, we have committed to reprocess the 724 km of existing 2D seismic data in connection with the continuation of the second exploration period. In the Gan Gan block, the Las Coloradas es-1 well was drilled in the last quarter of 2011, with the objective of investigating the Cañadón Asfalto formation at a deeper basin position than the Gorro Frigio es-1 well, which is located 70 km to the southwest and proved the existence of oil of low maturity. The Gorro Frigio es-1 well, with a final depth of 2,067 meters, confirmed the presence of volcanic rocks; however, oil was not identified in the column drilled in the Cañadón Asfalto formation and the well was abandoned. The result of the Las Coloradas es-1 well will allow us to reevaluate the exploratory potential of the rest of the block.

Río Barrancas block. In the Río Barrancas block, the drilling of the Puesto Chacaico x-1 well was completed, reaching a depth of 836 m. The well showed fresh hydrocarbon impregnations in several units of Lower Cretaceous, thus confirming the existence of an active oil system in this border area of the Neuquina basin. The completion of the well was performed in the Agrío and Huitin formation with negative results.

[Back to Contents](#)

Bolsón del Oeste block. In the Bolsón del Oeste block (in the province of La Rioja), which is operated by YPF (100%), 310 km of 2D seismic were recorded in order to enhance our knowledge of the subsurface of both the northern area of Bolsón del Bermejo and the central area of Bolsón de Pagancillo. The location of the well to be drilled during 2012 will be defined based on this information, which constitutes part of the commitment undertaken for the second exploratory period.

Argentina Exploratory Plan

During 2011, the third phase of the Argentina Exploratory Plan, announced in December 2009, was completed. Its main purpose was to perform an analysis of the exploratory play level in the existing sedimentary basins within the territories of the 12 provinces which are party to such plan: Entre Ríos, Formosa, Chaco, Córdoba, San Juan, Buenos Aires, Santa Cruz, Santa Fe, La Rioja, Tucumán, Salta and Misiones. Moreover, five new specific agreements were signed with public and private universities in order to perform surface geological studies and apply potential geophysical methods in these provinces.

During 2010, in the Loma La Lata Field, we continued implementing our comprehensive plan for the improvement and optimization of our oil and gas production facilities through the interconnection of our primary separation units by means of a low pressure gas pipe line. This seeks to minimize losses incurred in the production process and support our pipe infrastructure. We also initiated Ultra Low Pressure pilot production, through the installation of mobile motor compressors at the wellhead. Furthermore, as part of our comprehensive plan for secondary recovery, in an area comprising Aguada Toledo - Sierra Barrosa, we implemented a drilling program comprising of 10 new wells, the repair of 14 existing wells, producers and injectors, and improvements to our surface facilities. In this region we also initiated unconventional gas development activities with respect to tight gas in the Lajas formation by means of workover operations (the fracture of existing wells) and began to drill new wells in the last quarter of 2011, in conjunction with Vale do Rio Dolce, our joint venture partner at Lajas.

In the El Medanito oilfield (100% owned by YPF), subsequent to our aggressive delineation drilling campaign and second generation waterflooding pilot in the central west region, and a further drilling campaign and waterflooding pilot in the southwest region in 2010 and 2011, respectively, our drilling activities planned for 2012 include the continued extensive re-development throughout this area and the finalization of facilities we began constructing in 2010. Our waterflooding pilot in the southwest region, if successful, would facilitate the incorporation of proved reserves from secondary recovery, further to our incorporation of primary reserves in 2010 and 2011. In 2013, we plan to continue our extensive drilling project in the south region and conduct prospecting activities to assess the remaining potential throughout the rest of the region.

In 2011, in the Llançanelo field, we continued production testing and delineation activities with the drilling of two new wells in distinct areas of the field and deeper reservoirs. We completed our drilling activities planned for Loma de la Mina, completing eight new wells in distinct positions of the block. We also continued the targeted drilling of eight wells at Cerro Fortunoso and drilled two new wells in Valle del Río Grande, from one of which we have obtained data critical to our non-conventional oil exploration in 2012. Our continued development of the Desfiladero Bayo field included the drilling of five new productive wells and four water injection wells, as well as four well conversions at the Desfiladero Bayo Infill, which seek to improve the injectivity profile of this field for its prospective development. We continued our Vizcacheras Pinch Out project in Mendoza Norte drilling 10 wells, completing workovers and their associated facilities.

The Manantiales Behr Integral Development project includes the El Alba, La Carolina, Grimbeek and Sur Manantiales projects. Currently, the area has 840 oil production wells and 15 gas production wells. In 2011, we drilled 196 wells across various projects, which represented a total estimated investment of U.S.\$283 million for this period. The overall objective of this new project is the comprehensive development of new areas, to facilitate the construction of new wells, the implementation of new enhanced oil recovery projects and to provide developmental support through the relevant surface facilities. We have identified our greatest development potential at our Grimbeek, El Alba and La Carolina projects, our pilot polymer injection project at Grimbeek II, our surfactant injection project at Sur Manantiales Behr and further potential infill drilling opportunities that we have detected in some areas. The development group is formed of 15 experts comprised, among others, of geologists, geophysicists, engineers, petrophysicists, technicians and a team leader. As of May ___, 2012, the revocation of the concession relating to this area was being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors

[Back to Contents](#)

Risks Relating to Argentina—Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

At Santa Cruz in 2011, we implemented 13 integral development projects across four development areas (Las Heras, El Guadal, Los Perales and Cañadón Seco), comprising a total portfolio of 79 projects. The principal integral projects include Cerro Grande, Maurek, Seco León and Los Perales. 65 wells have been drilled in connection with these projects, which, inclusive of associated facilities costs, represent a total estimated investment of U.S.\$150 million. The main objective of these integral projects is the comprehensive development of such areas through the construction of new wells, the implementation of new enhanced oil recovery projects and the provision of development support through the appropriate surface facilities. On April 18, 2012, YPF was notified of Decree No. 575/12, which declares the expiration of the concessions relating to the areas Los Perales Las Mesetas, Cañadon Vasco y Pico Truncado El Cordón Los Monos and Cerro Piedra-Cerro Guadal Norte. On May 4, 2012, YPF filed a motion of reconsideration of Decree No. 575/12 with the governor of the Santa Cruz Province. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

Non-operated areas

In the CNQ7A block, operated by Petro Andina Resources Argentina S.A. (PAR) (in which we have a 50% working interest), the delineation of the El Corcobo Norte, Jagüel Casa de Piedra, Cerro Huanul Sur and Puesto Pinto Reservoirs was completed in 2011 and development of these reservoirs has begun. In December 2011, a pilot polymer injection project was initiated at the El Corcobo Norte reservoir.

In 2011, the drilling of exploratory wells at both JCPE-x1 and JCPE-x2 proved economically feasible. Both wells are currently in production though they did not incorporate reserves in 2011 as completion occurred at the end of such year at which time they remained under evaluation. Development plans for 2012 with respect to these wells are not finalized and remain under review.

In Aguada Pichana block, operated by Total Austral S.A. (in which we have a 27.27% working interest), the completion of the exploration and delineation phases of the Las Cárceles project has been achieved and development of the area has commenced, with 18 wells having been drilled to date.

3D seismic imaging has been undertaken in Las Cárceles Oeste, and analysis of the data is underway. An exploratory well AP.xp-1001 is being drilled to target Shale Gas in Vaca Muerta (our first shale drilling operation joint venture) and it is awaiting completion.

In the Tierra del Fuego area, operated by Apache Corp, (where YPF holds a 30% working interest), some brownfield exploration activity has been undertaken. The interpretation of the 3D seismic data retrieved has provoked numerous prospective drilling projects, mainly in the block's southern area.

Activities in rest of the world

For information regarding our exploration and development activities in the United States, Guyana, Uruguay, Colombia, Peru, Paraguay and Chile, see Principal properties International properties .

Additional information on our present activities

The following table shows the number of wells in the process of being drilled as of December 31, 2011.

Number of wells in the process of being drilled	As of December 31, 2011	
	Gross	Net
Argentina	52	51
Rest of South America		
North America	1	0.15
Total	53	51.15



[Back to Contents](#)

Delivery commitments

We are committed to providing fixed and determinable quantities of crude oil and natural gas in the near future under a variety of contractual arrangements.

With respect to crude oil, we sell substantially all of our Argentine production to our Refining and Marketing business segment to satisfy our refining requirements. As of December 31, 2011, we were not contractually committed to deliver any barrel of crude oil in the future.

As of December 31, 2011, we were contractually committed to deliver 42,485 mmcm of natural gas in the future, of which approximately 18,719, mmcm will have to be delivered in the period from 2012 through 2014. According to our estimates as of December 31, 2011, our contractual delivery commitments for the next three years could be met with our own production and, if necessary, with purchases from third parties.

However, since 2004 the Argentine government has established regulations for both the export and internal natural gas markets which have affected Argentine producers' ability to export natural gas. Consequently, since 2004 we have been forced in many instances to partially or fully suspend natural gas export deliveries that are contemplated by our contracts with export customers. Charges to income totaling Ps.88 million, Ps.411 million and Ps.139 million have been recorded in 2011, 2010 and 2009, respectively, in connection with our contractual commitments in the natural gas export market.

Among the regulations adopted by the Argentine government, on June 14, 2007, the Argentine Secretariat of Energy passed Resolution No. 599/07, according to which we were compelled to enter into an agreement with the Argentine government regarding the supply of natural gas to the domestic market during the period 2007 through 2011 (the Agreement 2007-2011). On January 5, 2012, the Official Gazette published Resolution S.E. No. 172, which temporarily extends the rules and criteria established by Resolution No. 599/07 until new legislation is passed replacing such rules and criteria. On February 17, 2012, we filed a motion for reconsideration of Resolution S.E. No. 172 with the Argentine Secretariat of Energy.

YPF has not entered into any contractual commitment to supply natural gas to the domestic market. The purpose of the Agreement 2007-2011 is to guarantee the supply of natural gas to the domestic market at the demand levels registered in 2006, plus the growth in demand by residential and small commercial customers. See Regulatory Framework and Relationship with the Argentine Government Market Regulation and Item 3. Key Information Risk Factors Risks Relating to Argentina We are subject to direct and indirect export restrictions, which have affected our results of operations and caused us to declare force majeure under certain of our export contracts. According to our estimates as of December 31, 2011, supply requirements under the Agreement 2007-2011 (which we were compelled to enter into and which was approved by a resolution that has been challenged by us) could be met with our own production and, if necessary, with purchases from third parties. Additionally, on October 4, 2010, the National Gas Regulatory Authority (ENARGAS) issued Resolution No. 1410/2010, which approves the *Procedimiento para Solicitudes, Confirmaciones y Control de Gas* setting new rules for natural gas dispatch applicable to all participants in the gas industry and imposing new and more severe priority demand gas restrictions on producers. See Regulatory Framework and Relationship with the Argentine Government Market Regulation.

We have appealed the validity of the aforementioned regulations and have invoked the occurrence of a force majeure event (government action) under our export natural gas purchase and sales agreements, although certain counterparties to such agreements have rejected our position. See Item 8. Financial Information Legal Proceedings-Argentina-Accrued, probable contingencies Alleged defaults under natural gas supply contracts , Item 8. Financial Information Legal Proceedings Argentina Non-accrued, possible contingencies Claims related to the gas market and others and Item 8. Financial Information Legal Proceedings Argentina Non-

[Back to Contents](#)

accrued, remote contingencies Arbitration with AES Uruguaiana Empreendimentos S.A. (AESU), Companhia de Gás do Estado do Rio Grande do Sul (Sulgás) and Transportadora de Gas del Mercosur S.A. (TGM).

In addition, on May 3, 2012, the Expropriation Law was passed by Congress. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. We cannot assure you that the implementation of the Expropriation Law will not further impact on our ability to meet our delivery commitments. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law and Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

Moreover, certain of our concessions in Argentina have recently been revoked by the relevant provincial authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims. Our ability to meet our delivery obligations could be affected if additional concessions were revoked.

Natural gas supply contracts

The Argentine government has established regulations for both the export and internal natural gas markets which have affected Argentine producers' ability to export natural gas under their contracts. YPF's principal supply contracts are briefly described below.

We are currently committed to supply a daily quantity of 125 mmcf/d to the Methanex plant in Cabo Negro, Punta Arenas, in Chile (under four agreements which expire between 2017 and 2025). Pursuant to instructions from the Argentine government, deliveries were interrupted from 2007.

We currently have several supply contracts with Chilean electricity producers (through the Gas Andes pipeline linking Mendoza, Argentina to Santiago, Chile, which has a transportation capacity of 353 mmcf/d (designed capacity with compression plants)), including:

a 15-year contract (signed in 1998) to provide 63 mmcf/d to the San Isidro Electricity Company (Endesa) in Quillota, Chile (all of this plant's natural gas needs);

a 15-year contract (signed in 1999) to supply 20% of the natural gas requirements of the electricity company, Colbun (approximately 11 mmcf/d); and

a 15-year contract (signed in 2003) to supply 35 mmcf/d to Gas Valpo, a distributor of natural gas in Chile. This contract has been modified, becoming an interruptible supply contract.

We also have a 21-year contract (entered into in 1999) to deliver 93 mmcf/d of natural gas to a Chilean distribution company (Innergy) that distributes natural gas to residential and industrial clients through a natural gas pipeline (with a capacity of 318 mmcf/d) connecting Loma La Lata (Neuquén, Argentina) with Chile.

Finally, in Chile we also have natural gas supply contracts with certain thermal power plants in northern Chile (Edelnor, Electroandina, Nopel and Endesa) utilizing two natural gas pipelines (with a carrying capacity of 300 mmcf/d each) connecting Salta, Argentina, to Northern Chile (Región II). The contracts with Edelnor and Electroandina have been modified, becoming interruptible supply contracts.

In Brazil, we entered into a 20-year supply contract in 2000 to provide 99 mmcf/d of natural gas to the thermal power plant of AES Uruguaiana Empreendimentos S.A. (AESU) through a pipeline linking Aldea Brasileira, Argentina, to Uruguaiana, Brazil (with a capacity of 560 mmcf/d). In May 2009, AESU notified us of the termination of the contract. We are currently in arbitration with AESU. See Item 8. Financial Information Legal

[Back to Contents](#)

Proceedings Argentina Accrued, probable contingencies Alleged defaults under natural gas supply contracts and Item 8. Financial Information Legal Proceedings-Argentina Non-accrued, remote contingencies Arbitration with AES Uruguaiana Empreendimentos S.A. (AESU), Companhia de Gás do Estado do R o Grande do Sul (Sulg s) and Transportadora de Gas del Mercosur S.A. (TGM).

Because of certain regulations implemented by the Argentine government (see The Argentine natural gas market, below), we could not meet our export commitments and were forced to declare *force majeure* under our natural gas export sales agreements, although certain counterparties have rejected our position (see Item 8. Financial Information Legal Proceedings). As a result of actions taken by the Argentine authorities, through measures described in greater detail under Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural gas , we have been forced to reduce the export volumes authorized to be provided under the relevant agreements and permits as shown in the chart below:

Year	Maximum Contracted Volumes (MCV) ⁽¹⁾ (mmcm)	Restricted Volumes ⁽²⁾ (mmcm)	Percentage of Restricted Volumes vs. MCV
2009	5,920.0	2,835.5	47.9%
2010	6,120.4	3,842.2	62.8%
2011	6,120.4	2,785.3	45.5%

(1) Reflects the maximum quantities committed under our natural gas export contracts. Includes all of our natural gas export contracts pursuant to which natural gas is exported to Chile.

(2) Reflects the volume of contracted quantities of natural gas for export that were not delivered.

The Argentine natural gas market

We estimate (based on preliminary reports of amounts delivered by transport companies) that natural gas consumption in Argentina totaled approximately 1,629 bcf in 2011. We estimate that the number of users connected to distribution systems throughout Argentina amounted to approximately 7.8 million as of December 31, 2011. The domestic natural gas market has grown significantly over recent years, driven by the forces of economic growth and domestic price constraints. We believe that the natural gas market will continue to grow, though not at the same rate as it has recently done.

In 2011, we sold approximately 41% of our natural gas to local residential distribution companies, approximately 10% to NGV (Natural Gas Vehicle), approximately 48% to industrial users (including Mega and Profertil) and power plants, and approximately 1% in exports to foreign markets (Chile). Sales are affected by increased consumption by residential consumers during winter months (June-August). During 2011, approximately 80% of our natural gas sales were produced in the Neuquina basin. In 2011, our domestic natural gas sales volumes were 4 % less than those in 2010, primarily as a result of the decrease in our production. See Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations Relative maturity of our oil and gas assets.

The Argentine government has taken a number of steps aimed at satisfying domestic natural gas demand, including pricing regulations, export controls and higher export taxes and domestic market injection requirements. These regulations were applied to all Argentine exporting producers, affecting natural gas exports from every producing basin. See Delivery commitments Natural gas supply contracts . Exporting producers, such as us, complied with the Argentine government's directions to curtail exports in order to supply gas to the domestic market, whether such directions are issued pursuant to resolutions or otherwise. Resolutions adopted by the Argentine government provide penalties for non-compliance. Rule SSC No. 27/2004 issued by the Undersecretary of Fuels (Rule 27), for example, punishes the violation of any order issued thereunder by suspending or revoking the production concession. Resolutions No. 659 and No. 752 also provide that producers not complying with injection orders will have their concessions and export permits suspended or revoked and state that pipeline operators are prohibited from shipping any natural gas injected by a non-complying exporting producer.

[Back to Contents](#)

The Argentine government began suspending natural gas export permits pursuant to Rule 27 in April 2004, and in June 2004 the Argentine government began issuing injection orders to us under Resolution No. 659. Thereafter, the volumes of natural gas required to be provided to the domestic market under the different mechanisms described above have continued to increase substantially. The regulations pursuant to which the Argentine government has restricted natural gas export volumes in most cases do not have an express expiration date. Likewise, we have not received any documentation indicating that the Argentine government will suspend or withdraw these actions. Accordingly, we are unable to predict how long these measures will be in place, or whether such measures or any further measures adopted will affect additional volumes of natural gas.

See Regulatory Framework and Relationship with the Argentine Government for additional information on these and other related regulations.

Argentine natural gas supplies

Most of our proved natural gas reserves in Argentina are situated in the Neuquina basin (approximately 76% as of December 31, 2011), which is strategically located in relation to the principal market of Buenos Aires and is supported by sufficient pipeline capacity during most of the year. Accordingly, we believe that natural gas from this region has a competitive advantage compared to natural gas from other regions. The capacity of the natural gas pipelines in Argentina has proven in the past to be inadequate at times to meet peak-day winter demand, and there is no meaningful storage capacity in Argentina. Since privatization, local pipeline companies have added capacity, improving their ability to satisfy peak-day winter demand but no assurances can be given that this additional capacity will be sufficient to meet demand.

In order to bridge the gap between supply and demand, especially with respect to peak-day winter demand, the Argentine government has entered into gas import agreements. The Framework Agreement between the Bolivian and the Argentine governments (executed on June 29, 2006) provides for natural gas imports from Bolivia to Argentina to be managed by ENARSA. In May 2010, we accepted the offer made by ENARSA for the sale to us of a minimum amount of 2.5 mmcm/d of natural gas obtained by ENARSA from the Republic of Bolivia through May 1, 2011. During 2011, quantity and price conditions were renegotiated with ENARSA. According to the new conditions, which are set to expire in May 2012, ENARSA undertook to sell us a minimum amount of 1.5 mmcm/d of natural gas during the winter of 2011 and 1.0 mmcm/d of natural gas during the summer of 2011 and 2012, at two different fixed prices based on the customers to which YPF subsequently sells the natural gas bought under the agreement.

YPF provides regasification services to ENARSA since May 2008. In 2008, YPF executed a Charter Party Agreement and a Regasification Services Agreement with Exceletrate Energy to provide and operate a 138,000 m³ regasification vessel moored at the Bahía Blanca Port facilities, which initially allowed for the supply of up to 8 mmcm/d of natural gas and, since the first quarter of 2011, up to 12.5 mmcm/d. This agreement expired on October 30, 2011. Pursuant to ENARSA's request, YPF executed a new Charter Party Agreement with Exceletrate Energy, which will expire on October 31, 2015. This will allow YPF to provide and operate a 151,000 m³ regasification vessel moored at the Bahía Blanca Port facilities with the capacity to supply up to 17 mmcm/d of natural gas.

Since beginning its operations, the vessel referred to above has converted liquefied natural gas (LNG) into its gaseous state (natural gas) in a approximate amount of 5.46 bcm, which has been injected into a pipeline which feeds the Argentine national network. Most of this volume was supplied during the peak demand period, i.e., winter. In 2011, natural gas injected into the network amounted to approximately 2.42 bcm.

During 2011, YPF, acting as the operator of the UTE Escobar (a joint venture formed by YPF and ENARSA), finalized the construction of a new LNG Regasification Terminal (GNL Escobar), which is located in the km 74.5 of the Paraná River. The GNL Escobar terminal was constructed in nine months and began operations as scheduled. The GNL Escobar terminal has a Floating, Storage and Regasification Unit permanently moored at the new port facilities, for which UTE Escobar has executed a Charter Party Agreement and a Regasification Services Agreement with Exceletrate Energy to provide and operate a 151,000 m³ regasification vessel moored at the GNL Escobar terminal with the capacity to supply up to 17 mmcm/d of natural gas. The total volume injected into the network by this vessel was 1.59 bcm in 2011.

[Back to Contents](#)

Natural gas transportation and storage capacity

Decree No. 180/2004 created two trust funds to help finance an expansion of the North Pipeline operated by Transportadora Gas del Norte S.A. (TGN), whose capacity increased by 1.8 mmcm/d (63.6 mmcf/d) in 2005, and an expansion of the San Martín Pipeline operated by Transportadora Gas del Sur S.A. (TGS), whose capacity increased by 2.9 mmcm/d (102.4 mmcf/d) in 2005. Both expansions are currently operating. In 2008, there was an additional expansion of approximately 67 mmcf/d in the pipelines operated by TGS, and additional works were completed in 2009. Additionally, during 2010, a new expansion of the San Martín pipeline (located in the Strait of Magellan and connected to compression plants in the mainland) with an increase in capacity of 5 mmcm/d (176.6 mmcf/d) was completed and is currently in operation.

Natural gas is delivered by us through our own gathering systems to the trunk lines from each of the major basins. The capacity of the natural gas transportation pipelines in Argentina is mainly used by distribution companies. A major portion of the available capacity of the transportation pipelines is booked by firm customers, mainly during the winter, leaving capacity available for interruptible customers to varying extents throughout the rest of the year.

We have utilized natural underground structures located close to consuming markets as underground natural gas storage facilities, with the objective of storing natural gas during periods of low demand and selling the natural gas stored during periods of high demand. Our principal gas storage facility, Diadema, is located in the Patagonia region, near Comodoro Rivadavia City. The injection of natural gas into the reservoir started in January 2001.

On July 1, 2011, the Gasoducto de Integración Juana Azurduy (Juana Azurduy Integration Gas Pipeline) started transporting gas produced in the Tarija Department's main gas fields, in Bolivia, and delivered by YPFB (the Bolivian state-owned oil company) to ENARSA under the Framework Agreement. The 32-inches pipeline extends 20 miles and delivers Bolivian gas either to the Campo Duran refinery, operated by Refinor, or the Gasoducto Norte, operated by TGN. Its initial transmission capacity is 35 mmcf/d and it will be increased according to the ramp up in contracted volumes set forth in the Framework Agreement.

Other investments and activities

Natural gas liquids

We participated in the development of Mega to increase its ability to separate liquid petroleum products from natural gas. Mega allowed YPF, through the fractionation of gas liquids, to increase production at the Loma La Lata gas field by approximately 5.0 mmcm/d in 2001.

We own 38% of Mega, while Petrobras and Dow Chemical have stakes of 34% and 28%, respectively.

Mega operates:

A separation plant, which is located in the Loma La Lata, in the province of Neuquén.

A natural gas liquids fractionation plant, which produces ethane, propane, butane and natural gasoline. This plant is located in the city of Bahía Blanca in the province of Buenos Aires.

A pipeline that links both plants and that transports natural gas liquids.

Transportation, storage and port facilities in the proximity of the fractionation plant.

Mega commenced operations at the beginning of 2001. Mega's maximum annual production capacity is 1.35 million tons of natural gasoline, LPG and ethane. YPF is Mega's main supplier of natural gas. The production of the fractionation plant is used mainly in the petrochemical operations of Petroquímica Bahía Blanca (PBB) and is also exported by tanker to Petrobras facilities in Brazil.

Pursuant to resolutions No. 1982/2011 and 1991/2011 of ENARGAS, since December 1, 2011, Mega is required to pay, on a monthly basis, a fee of Ps.0.405 per cubic meter of natural gas it purchases. This requirement

[Back to Contents](#)

has a significant impact on the operations of Mega and has been challenged by the company. If the appeal is not favorably resolved to Mega, this fee could significantly adversely affect Mega's ability to continue operating. The Audited Consolidated Financial Statements included elsewhere in this annual report do not include any impairment of assets to be accrued if Mega were to cease its activity.

Electricity market generation

We participate in three power stations with an aggregate installed capacity of 1,622 megawatts (MW):

- a 45% interest in Central Térmica Tucumán (410 MW combined cycle) through Pluspetrol Energy Sociedad Anónima (Pluspetrol Energy);
- a 45% interest in Central Térmica San Miguel de Tucumán (370 MW combined cycle) through Pluspetrol Energy; and
- a 40% interest in Central Dock Sud (775 MW combined cycle and 67 MW gas turbines), directly and through Inversora Dock Sud S.A.

In 2011 Central Dock Sud generated 5,151 GWh and Pluspetrol Energy generated 4,302 GWh. The total energy collectively generated by both power plants was 9,453 GWh (5,5% higher than in 2010), which represented 8.1% of Argentina's electricity generation in 2011.

Additionally, we own assets that are part of Filo Morado Partnership, which has an installed capacity of 63 MW. However the relevant facilities have not been in operation since November 2008.

We also own and operate power plants supplied with natural gas produced by us, which produce power for use by us in other business units:

- Los Perales power plant (74 MW), which is located in the Los Perales natural gas field;
- Chihuido de la Sierra Negra power plant (40 MW); and
- the power plant located at the Plaza Huincul refinery (40 MW).

Natural gas distribution

We currently hold through our subsidiary YPF Inversora Energética S.A. (YPF Inversora Energética) a 45.33% stake in Gas Argentino S.A. (GASA), which in turn holds a 70% stake in Metrogas S.A. (Metrogas), which is a natural gas distributor in southern Buenos Aires and one of the main distributors in Argentina. During 2011, Metrogas distributed approximately 20.6 mmcm of natural gas per day to 2.2 million customers in comparison with approximately 19.6 mmcm of natural gas per day distributed to 2.2 million customers in 2010.

GASA's debt issues. The economic crisis that affected the country at the end of 2001 and beginning of 2002 caused a severe deterioration of the financial and operational situation of GASA. Thus the decision was made on March 25, 2002 to suspend payment of principal and interest on its entire financial debt. From then on, Metrogas' management has focused on an efficient and rational use of its cash flow in order to be able to comply with all of the legal requirements agreed with the Argentine government with respect to its services. After negotiating a restructuring of the outstanding debt with its creditors, GASA reached and executed on December 7, 2005 an agreement (the Master Restructuring Agreement, or MRA) with its creditors, by which they would exchange debt for equity in GASA and/or Metrogas. The MRA was presented to the Argentine National Antitrust Protection Board (*Comisión Nacional de Defensa de la Competencia* or CNDC) and ENARGAS, and was subject to their approval as a condition precedent to the closing of the MRA. The MRA included a creditors' option to terminate the agreement if the closing of the debt restructuring had not occurred by December 7, 2006. The MRA obtained ENARGAS' approval but the CNDC's approval was pending. On May 15, 2008, certain bond holders communicated to YPF Inversora Energética that they were terminating the MRA. After the termination of the MRA, three different entities claiming to be bond holders of GASA commenced four different judicial proceedings against GASA aiming to collect a total of U.S.\$46 million, including interest and fees, and one of them, Coolbrand LLC,

[Back to Contents](#)

started a separate proceeding (*Coolbrand c/Gasa s/acción subrogatoria*). On May 11, 2009, GASA was notified of a bankruptcy petition brought by Continental Energy Investment LLC, and on May 19, 2009, GASA filed a voluntary reorganization petition (*concurso preventivo*), which was approved on June 8, 2009. The period to verify credits ended on October 7, 2009. On February 10, 2010, the judge declared all the credits verified but for one presented by one of GASA's advisors. GASA was given an exclusivity period to negotiate with verified creditors. On March 12, 2010, GASA filed motions for review (*incidentes de revisión*) of credits verified by Coolbrand LLC, Amanda Venture, Latam Energy and Continental Energy. The filing of these motions does not suspend the voluntary reorganization petition.

On August 9, 2010 the judge decided, taking into consideration Metrogas S.A.'s voluntary reorganization petition, to modify and extend the date to present GASA's proposal to the creditors to March 9, 2012. On February 10, 2012, GASA presented a draft scheme of arrangement addressed to verified unsecured creditors who have been declared admissible. Additionally, GASA requested the judge an extension of the exclusivity period to negotiate with verified creditors, which was resolved favorably. Such period will end on August 16, 2012.

Metrogas' debt issues. In 2006, Metrogas reached an agreement with its main creditors in order to restructure its financial debt and align its future financial commitments to the expected generation of funds. The main objective of the restructuring process was to modify certain terms and conditions included in its outstanding loans and negotiable agreements by adjusting interest rates and the amortization period so as to align them with the expected cash flow required for repayment of the indebtedness. Accordingly, on April 20, 2006, Metrogas entered into an out-of-court preventive agreement with creditors representing approximately 95% of its unsecured indebtedness, which became effective in May 2006. In October 2008, Metrogas executed an interim agreement (*Acuerdo Transitorio*) with the Unit for the Renegotiation and Analysis of Public Service Contracts (*Unidad de Renegociación y Análisis de Contratos de Servicios Públicos*, or UNIREN), including a limited tariff increase that is intended to fund certain projects that Metrogas is required to undertake. The government approved this agreement, which was published in the Official Gazette on April 14, 2009, but it has not been implemented since the new tariff chart has not yet been issued. The negotiation of the general tariff of Metrogas (*Acta Acuerdo de Renegociación Contractual Integral*) with the UNIREN remains pending.

Metrogas' financial condition continued to deteriorate in 2009. On June 17, 2010, the board of directors of Metrogas, following the advice of Metrogas' external legal advisors and considering Metrogas' inability to fulfill certain payment obligations, decided that Metrogas should file a voluntary reorganization petition (*concurso preventivo*), which was filed on such date.

On the same date, Metrogas was notified of the Resolution No. I-1260 dictated by ENARGAS, which determined the judicial intervention of the company for a 120 days term. Antonio Gómez was named Intervenor of Metrogas. The resolution justifies the intervention decision on the filing of a voluntary reorganization petition by Metrogas, and states that the intervention shall control administration and disposition acts of Metrogas which can in any manner affect the regular gas distribution. Moreover, it orders the execution of due diligence and the determination of the value of all Metrogas assets. Metrogas appealed such resolution and asked for a preliminary order to cease the effects of the intervention. The request for a preliminary order was rejected on September 8, 2010. Subsequent resolutions of ENARGAS extended the judicial intervention, which is still in effect as of the date of this annual report.

On July 15, 2010, the judge approved the commencement of Metrogas' voluntary reorganization proceedings. The period to provide evidence on claimed credits ended on November 10, 2010. On April 20, 2011 the judge issued a report regarding the acceptance or rejection of the creditors listed by the official receiver. On May 3, 2011, Metrogas proposed to treat all of its creditors as general creditors (*acreedores quirografarios*), i.e., creditors without any privileges. On June 24, 2011 the official receiver issued a report explaining the reasons for Metrogas' economic insolvency, providing information on its assets and liabilities, time and causes of the insolvency, actions of the company subject to review and an opinion about the categorization of the creditors, among others.

On July 2011, Metrogas filed with the court a Debt Restructuring Proposal, which was subsequently amended by Metrogas on December 1, 2011. The proposal includes a debt haircut of 46.8% of the credit claims admitted by the court and the issuance of new debt securities, with a maturity date of December 31, 2018 and an interest rate of 8.875%. Current bond holders are set to vote on such proposal on June 18, 2012.

[Back to Contents](#)

As of both December 31, 2011 and December 31, 2010, YPF had an allowance for the total value of its investment in YPF Inversora Energética.

Refining and Marketing

During 2011, our Refining and Marketing activities included crude oil refining and transportation, and the marketing and transportation of refined fuels, lubricants, LPG, compressed natural gas and other refined petroleum products in the domestic wholesale and retail markets and certain export markets.

The Refining and Marketing segment is organized into the following divisions:

Refining and Logistic Division;

Refining Division

Logistic Division

Trading Division

Domestic Marketing Division; and

LPG General Division.

We market a wide range of refined petroleum products throughout Argentina through an extensive network of sales personnel, YPF-owned and independent distributors, and a broad retail distribution system. In addition, we export refined products, mainly from the port at La Plata. The refined petroleum products marketed by us include gasoline, diesel, jet fuel, kerosene, heavy fuel oil and other crude oil products, such as motor oils, industrial lubricants, LPG and asphalts.

Refining division

We wholly own and operate three refineries in Argentina:

La Plata refinery, located in the province of Buenos Aires;

Luján de Cuyo refinery, located in the province of Mendoza; and

Plaza Huincul refinery, located in the province of Neuquén (together referred as the refineries).

Our three wholly-owned refineries have an aggregate refining capacity of approximately 319,500 barrels per calendar day. The refineries are strategically located along our crude oil pipeline and product pipeline distribution systems. In 2011, our crude oil production, substantially all of which was destined to our refineries, represented approximately 77% of the total crude oil processed by our refineries. Through our stake in Refinor, we also own a 50% interest in a 26,100 barrel-per-calendar-day refinery located in the province of Salta, known as Campo Durán.

The following table sets forth the throughputs and production yields for our three wholly-owned refineries for each of the three years ended December 31, 2011, 2010 and 2009:

For the Year Ended December 31,		
2011	2010	2009
(mmboe)		

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Throughput crude/Feedstock(1)	107	112.4	114.0
<i>Production</i>			
Diesel fuel	43.5	44.1	46.0
Gasoline	30.8	31.8	32.5
Jet fuel	6.4	6.9	6.5

[Back to Contents](#)**For the Year Ended December 31,**

	2011	2010	2009
Base oils	1.2	1.3	1.1
(thousands of tons)			
Fuel oil	991	1,440	1,214
Coke	897	906	875
LPG	620	586	550
Asphalt	195	205	228

(1) Does not include throughput for Refinor. During 2011, 2010 and 2009, Refinor processed approximately 3.9, 4.5 and 5.2 mmbbl, respectively (1.9, 2.2 and 2.6 mmbbl, respectively, attributable to YPF's interest in Refinor).

During 2011, overall volumes of crude oil/feedstock processed decreased by 4.2% compared with 2010 (our refinery capacity utilization was 89.0%, compared with 93.2% in 2010) due mainly to overhauls at our refineries, as well as the lower availability in the market of some specific crude oil (Medanito) used by our refineries as well as for lubricants production in our La Plata refinery. Additionally, union conflicts affected the operations in the Golfo San Jorge basin, resulting in a lack of crude during the first months of 2011. On the other hand, improvements in operation processes resulted in an increase in the yields of naphtha and distillates. During 2010, overall volumes of crude oil/feedstock processed decreased by 1.8% compared with 2009 (our refinery capacity utilization was 93.2%, compared to 94.9% in 2009) due mainly to factors similar to those that affected volumes of crude oil/feedstock processed in 2011. In particular, in 2010, we experienced overhauls at our refineries, lower availability of Medanito than in 2009 and union conflicts with fishing workers which affected the operations of Puerto Rosales, and resulted in limited crude oil availability from the Golfo San Jorge basin.

The La Plata refinery is the largest refinery in Argentina, with a nominal capacity of 189,000 barrels of crude oil per calendar day. The refinery includes three distillation units, two vacuum distillation units, two catalytic cracking units, two coking units, a coker naphtha hydrotreater unit, a platforming unit, a gasoline hydrotreater, a diesel fuel hydrofinishing unit, an isomerization unit, an FCC (fluid cracking catalysts) naphtha splitter and desulfuration unit, and a lubricants complex. The refinery is located at the port in the city of La Plata, in the province of Buenos Aires, approximately 60 kilometers from the City of Buenos Aires. During 2011, the refinery processed approximately 161 mmbbl/d. The capacity utilization rate at the La Plata refinery for 2011 was 85.0%. As mentioned above, capacity utilization was affected by maintenance overhauls (including the overhaul of one of the atmospheric towers, Topping D), lack of Medanito oil and union strikes, which affected the availability of crude oil from the Golfo San Jorge basin. In 2010, the refinery processed approximately 175 mmbbl/d. The capacity utilization rate at the La Plata refinery for 2010 was 92.7%. The crude oil processed at the La Plata refinery comes mainly from our own production in the Neuquina and Golfo San Jorge basins. Crude oil supplies for the La Plata refinery are transported from the Neuquina basin by pipeline and from the Golfo San Jorge basin by vessel, in each case to Puerto Rosales, and then by pipeline from Puerto Rosales to the refinery.

In October 2009, we commenced developing a detailed engineering project for a new Gasoil Hydrotreater Unit (HTG B), seeking to comply with Resolution 478/09, which requires that diesel fuel that will be sold in large cities be produced with a maximum level of sulfur of 500 parts per million. The civil work in the refinery began in September 2010. Start up is expected by mid-2012.

The construction of a new coker unit in La Plata refinery has been approved to increase the coking capacity by 30% and to replace an old unit. This will allow higher utilization rates of the refinery. The development of a detailed engineering began during the second half of 2010. The construction of the coke drums, fractionation columns and furnace has commenced, and the compressor, feed pumps and most important equipments have been bought. The civil work in the refinery began during the first months of 2011. Start up is expected by 2014.

The Luján de Cuyo refinery has a nominal capacity of 105,500 barrels per calendar day, the third largest capacity among Argentine refineries. The refinery includes two distillation units, a vacuum distillation unit, two coking units, one catalytic cracking unit, a platforming unit, a Methyl TerButil Eter (MTBE) unit, an isomerization unit, an alkylation unit, a naphtha splitter, and hydrocracking and hydrotreating units. During 2011, the refinery processed approximately 103 thousand barrels of crude oil per calendar day. During 2011, the capacity utilization rate was 2.1% higher than in 2010 (mainly as a result of the maintenance overhaul performed at the FCC),

[Back to Contents](#)

reaching a rate of 97.7%. During 2010, the refinery processed approximately 101 thousand barrels of crude oil per calendar day. Because of its location in the western province of Mendoza and its proximity to significant distribution terminals owned by us, the Luján de Cuyo refinery has become the primary facility responsible for providing the central provinces of Argentina with petroleum products for domestic consumption. The Luján de Cuyo refinery receives crude supplies from the Neuquina and Cuyana basins by pipeline directly into the facility. Approximately 89.7% of the crude oil processed at the Luján de Cuyo refinery in 2011 (and 87.0% of the crude oil processed in this refinery in 2010) was produced by us. Most of the crude oil purchased from third parties comes from oil fields located in the provinces of Neuquén or Mendoza.

In November 2010, we started up a new furnace in Topping III (in the Luján de Cuyo refinery) replacing the three furnaces previously in operation. Provided other upgrades are made in certain installations, this will allow us to increase the nominal capacity of the unit by 2,500 barrels per calendar day. In order to comply with government regulations on sulfur specifications for fuels, which will become effective during 2012, the Luján de Cuyo refinery is constructing a naphtha Hydrotreater Unit (HTN II) and upgrading an existing gasoil Hydrotreater Unit (HDS III). The start up of the first project will begin during the second half of 2012, while the second project, which relates to an existing unit (bought in the Philippines) that will be upgraded with a new reactor constructed in Argentina, will commence at the end of 2012.

The Plaza Huincul refinery, located near the town of Plaza Huincul in the province of Neuquén, has an installed capacity of 25,000 barrels per calendar day. During 2011, the refinery processed approximately 20.9 thousand barrels of crude oil per calendar day. In this period, the capacity utilization rate was 2.9% lower than in 2010, reaching a rate of 83.6%. This decrease was mainly due to the maintenance overhaul performed at the distillation unit in September 2011. During 2010, the refinery processed approximately 22 thousand barrels of crude oil per calendar day. In this period, the capacity utilization rate was 86.5%. The only products currently produced commercially at the refinery are gasoline, diesel fuel and jet fuel, which are sold primarily in nearby areas and in the southern regions of Argentina. Heavier products, to the extent production exceeds local demand, are blended with crude oil and transported by pipeline from the refinery to La Plata refinery for further processing. The Plaza Huincul refinery receives its crude supplies from the Neuquina basin by pipeline. Crude oil processed at the Plaza Huincul refinery is mostly produced by us. In 2011, 21.7% of the refinery's crude supplies were purchased from third parties, while in 2010, such purchases reached 23.7% of the refinery's crude supplies.

During 1997 and 1998, each of our refineries were certified under ISO (International Organization for Standardization) 9001 (quality performance) and ISO 14001 (environmental performance). The Luján de Cuyo and Plaza Huincul refineries were also certified under OHSAS 18001 (security performance) in 1999 and 2009, respectively. Between 2007 and 2010, our refineries were recertified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007.

Logistic division*Crude oil and products transportation and storage*

We have available for our use a network of five major pipelines, two of which are wholly-owned by us. The crude oil transportation network includes nearly 2,700 kilometers of crude oil pipelines with approximately 640,000 barrels of aggregate daily transportation capacity of refined products. We have total crude oil tankage of approximately 7 mmbbl and maintain terminal facilities at five Argentine ports.

Information with respect to YPF's interests in its network of crude oil pipelines is set forth in the table below:

From	To	YPF Interest	Length (km)	Daily Capacity (barrels per day)
Puesto Hernández	Luján de Cuyo refinery	100%	528	85,200
Puerto Rosales	La Plata refinery	100%	585	316,000
La Plata refinery	Dock Sud	100%	52	106,000
Brandsen	Campana	30%	168	120,700
Puesto Hernández/ P. Huincul/Allen	Puerto Rosales	37%	888 ⁽¹⁾	232,000

[Back to Contents](#)

From	To	YPF Interest	Length (km)	Daily Capacity (barrels per day)
Puesto Hernández	Concepción (Chile)	(2)	428 ⁽³⁾	114,000

(1) Includes two parallel pipelines of 513 kilometers each from Allen to Puerto Rosales, with a combined daily throughput of 232,000 barrels.

(2) We hold a 36% interest in Oleoducto Transandino Argentina S.A., which operated the Argentine portion of the pipeline, and a 18% interest in Oleoducto Transandino Chile S.A., which operated the Chilean portion of the pipeline.

(3) This pipeline ceased operating on December 29, 2005.

We own two crude oil pipelines in Argentina. One connects Puesto Hernández to the Luján de Cuyo refinery (528 kilometers), and the other connects Puerto Rosales to the La Plata refinery (585 kilometers) and extends to Shell's refinery in Dock Sud at the Buenos Aires port (another 52 kilometers). We also own a plant for the storage and distribution of crude oil in the northern province of Formosa with an operating capacity of 19,000 cubic meters, and two tanks in the city of Berisso, in the province of Buenos Aires, with 60,000 cubic meters of capacity. We own 37% of Oleoductos del Valle S.A., operator of an 888-kilometer pipeline network, its main pipeline being a double 513 kilometer pipeline that connects the Neuquina basin and Puerto Rosales.

We hold, through Oleoducto Transandino Argentina S.A. and Oleoducto Transandino Chile S.A., an interest in the 428-kilometer Transandean pipeline, which transported crude oil from Argentina to Concepción in Chile. This pipeline ceased operating on December 29, 2005, as a consequence of the interruption of oil exports resulting from decreased production in the north of the province of Neuquén. The assets related to this pipeline were reduced to their recovery value.

We also own 33.15% of Terminales Marítimas Patagónicas S.A., operator of two storage and port facilities: Caleta Córdova (province of Chubut), which has a capacity of 314,000 cubic meters, and Caleta Olivia (province of Santa Cruz), which has a capacity of 246,000 cubic meters. We also have a 30% interest in Oiltanking Ebytem S.A., operator of the maritime terminal of Puerto Rosales, which has a capacity of 480,000 cubic meters, and of the crude oil pipeline that connects Brandsen (60,000 cubic meters of storage capacity) to the ESSO refinery in Campana (168 km), in the province of Buenos Aires.

In Argentina, we also operate a network of multiple pipelines for the transportation of refined products with a total length of 1,801 kilometers. We also own 16 plants for the storage and distribution of refined products and seven LPG plants with an approximate aggregate capacity of 1,641,415 cubic meters. Three of our storage and distribution plants are annexed to the refineries of Luján de Cuyo, La Plata and Plaza Huincul. Ten of our storage and distribution plants have maritime or river connections. We operate 54 airplane refueling facilities (40 of them are wholly-owned) with a capacity of 24,000 cubic meters, own 27 trucks, 116 suppliers and 16 dispensers. These facilities provide a flexible countrywide distribution system and allow us to facilitate exports to foreign markets, to the extent allowed pursuant to government regulations. Products are shipped mainly by truck, ship or river barge.

In 2010 and 2011, we completed the construction of tanks and facilities for the reception and blending of ethanol in the storage plants of Luján de Cuyo, Monte Cristo, La Matanza, San Lorenzo and Barranqueras, in order to facilitate compliance with the new specifications for gasoline set forth by Law 26,093. YPF is currently blending ethanol in the Luján de Cuyo, Monte Cristo, San Lorenzo and La Matanza storage plants. In 1998, our logistic activities were certified under ISO (International Organization for Standardization) 9001 (quality performance) and ISO 14001 (environmental performance), and recertified in 2008 under ISO 9001:2008 and ISO 14001:2004. In 2010, logistics activities were also certified under OHSAS 18001 (security performance).

Trading division

Our Trading Division sells refined products and crude oil to international customers and oil to domestic oil companies. Exports include crude oil, unleaded gasoline, diesel fuel, fuel oil, LPG, light naphtha and virgin naphtha.

[Back to Contents](#)

This Division's export sales are made principally to Brazil and the rest of South America. Sales to international customers for the years 2011 and 2010 totaled Ps.3,333 million and Ps.3,325 million, respectively, 54% and 69% of which, respectively, represented sales of refined products and 46% and 31% of which, respectively, represented sales of marine fuels. On a volume basis, in 2011 and 2010 sales to international customers consisted of 4.4 mmbbl and 6.3 mmbbl of refined products, respectively, and 3.68 mmbbl and 3.32 mmbbl of marine fuels, respectively. Domestic sales of crude oil totaled Ps.524 million and Ps.467 million and 1.9 mmbbl and 2.3 mmbbl in 2011 and 2010, respectively. Domestic sales of marine fuels totaled Ps.755 million and Ps.511 million and 1.8 mmbbl and 1.5 mmbbl in 2011 and 2010, respectively. In addition, imports have increased, principally of high and low sulfur diesel and octane enhancers, totaling 7.9 mmbbl and 0.25 mmbbl, respectively, in 2011.

Marketing division

Our Marketing Division, through the Executive Sales Division markets gasoline, diesel fuel, LPG and other petroleum products throughout the country and countries in the region. We supply all of the fuel market segments: retail, agriculture and industry. During 2011, we achieved a leading position in the sale of the highest quality naphtha (grade 3) N-Premium, reaching a market share, according to our estimates, of 63.7% in 2011 (compared with 61.7% in 2010). Our sales volume was 1,104 mcm in 2011 (42% higher than in 2010).

With respect to diesel fuel, we have strongly promoted the sale of our premium product with a low sulfur content (D-Euro) which is recommended for all high-end engines. According to our estimates, during 2011 our market share was 62.3% (compared with 50.8% in 2010) and our sales volume was 914 mcm (102% higher than in 2010).

The strategy of promoting D-Euro, allowed us to allocate a larger portion of our Ultradiesel fuel to the industry, transport and agriculture market segments. Our three manufacturing plants located in the Ensenada Industrial Complex produce YPF's lubricant, asphalt and paraffin lines of products. Our line of automotive lubricants, including mono-grade, multi-grade and oil, has received approvals and recommendations from leading global automotive manufacturers (Ford, Volkswagen, GM, Porsche and Scania).

With respect to lubricants, we market our products through the three segments of the domestic market: retail, agriculture and industry. Concerning LPG, we are engaged in the wholesale business, which encompasses LPG storage, logistics and commercialization to the domestic and foreign markets. We obtain LPG from our fractioning plants and refineries, as well as from third parties. In addition to butane and propane, we also sell propellants which are used in the manufacturing of aerosols.

For the purpose of enhancing our international growth, in 2011 we began selling lubricants and fuel for the aviation market in Chile. This is in addition to the sale of lubricants in Brazil, which began at the end of 2010. Moreover, we currently market lubricants in four other countries outside Argentina through exclusive distributors.

Retail

At December 31, 2011, the Retail Division's sales network in Argentina included 1,557 retail service stations (compared to 1,622 at December 31, 2010), of which 95 are directly owned by us, and the remaining 1,462 are affiliated service stations. Operadora de Estaciones de Servicio S.A. (OPESSA), our wholly-owned subsidiary, operates 176 of our retail service stations, 86 of which are directly owned by us, 26 of which are leased to ACA (Automóvil Club Argentino), and 64 of which are leased to independent owners. In addition, we have a 50% interest in Refinor, a company dedicated to the refining, processing of gas and which operates 69 retail service stations.

With the aim of unifying and strengthening the network's brand image based on the concepts of modernity and rationality, in 2011, our brand image improvement strategy included enhancements in 87 service stations. In October 2011, we opened the Nordelta station. Considered an iconic landscape, this station respects its environmental surroundings and incorporates new technologies (such as digital signage, corporate TV, broadcasting of digital content on individual gas pumps and CCTV monitoring). According to our latest internal estimates, as of December 31, 2011, we were the main retailer in Argentina, with 30.1% of the country's gasoline service stations, followed by Shell, Petrobras and ESSO (recently acquired by Bidas Corporation) with shares of 15.3%, 12.8% and 10.7%, respectively. As of December 31, 2010, our points of sale accounted for 30.8% of the Argentine market. During

[Back to Contents](#)

2011, our market share in diesel fuel and gasoline, marketed in all segments, increased slightly from 57.3% as of December 31, 2010 to 57.6% as of December 31, 2011, according to our analysis of data provided by the Argentine Secretariat of Energy.

The Red XXI program, released in October 1997, has significantly improved operational efficiency in service stations. This program provides us performance data for each station online and connects most of our network of service stations. As of December 31, 2011, 1,418 stations were linked to the Red XXI network system.

Our convenience stores, Full YPF and Full Express YPF, included 359 and 29 point of sales as of December 31, 2011, respectively. Additionally, fuel sales are complemented by a modern oil change service, provide by our YPF Boxes, with 255 points of sales. Additionally, we have a marketing loyalty program called Serviclub for card members.

Our commercial training program (Escuela Comercial YPF), one of the programs held by our Know How Commercial area, is focused on performance, employability, operational excellence and customer satisfaction. Escuela Comercial YPF is aligned with our business strategy to promote a sense of belonging and common vision shared by all the members of our business chain.

With respect to training, our challenge is to reach our entire value chain (in the retail, agriculture and industry divisions and LPG business), which encompasses our employees and external distribution channels. During 2011, a total of 52,627 people, belonging to our own service stations and to independently operated service stations, attended over 706,320 hours of training, which represents approximately nine times more students and four times more hours of training than in 2010.

YPF's service stations network has sustained ongoing improvements during 2011 in terms of operational procedures. We have modified the operational procedures followed by our service stations so that they may be used by authorized retailers starting in 2012. This step seeks to establish unified standards while allowing certain flexibility in the network.

Agriculture

Through the Agriculture Division we sell fertilizers, oil, lubricants, agrochemicals, and silobolsa, among other products, offering a comprehensive portfolio to the agriculture producer. We accept as payment different types of cereal grain (especially soy) which may be processed to obtain flour and oil that we then sell mainly to the external market. The processing of cereal grain is conducted by third party companies. During 2011, we received 890,000 tons of cereal grain, primarily soy, and we expect that payment in kind will increase in coming years. Part of the oil resulting from the processing of cereal grain is used for the production of FAME, a product which is used in the production of commercial grade diesel fuel.

In collaboration with our Chemical segment, in 2011 we began selling a new herbicide: FS Glyphosate II.

Industry

Our Industry Division supplies various industries such as mining, transportation of passengers and cargo and aviation, having a comprehensive portfolio of specialized products and services according to our customers' needs. Such portfolio includes products such as gasoline, diesel fuel, lubricants, coal, LPG, aviation fuel and lubricants and services such as YPF Road Card (a loyalty program for the transportation sector), Technical Support and Quality and Services to the Mining sector, among others.

We believe that our segmented approach to the industry sector positions YPF as a strategic partner and allows us to provide comprehensive energy solutions to the industry. In line with the above, we have begun to develop a network of stations designed specifically for the transportation sector. These stations include parking facilities with adequate lighting and security for trucks, locker rooms with showers, living rooms, access to internet and telephone, among other amenities, thus increasing customer loyalty by means of our YPF Road Card and our partnership with the Argentine Truck Club (CCA or *Camión Club Argentino*). With respect to the mining industry, as of December 31, 2011, we had signed 20 contracts for the supply of diesel fuel and/or lubricants to said industry. In 2011, we opened two new facilities: YPF Mineros Valles and Montecristo.

[Back to Contents](#)*Derivatives*

During 2011, our lubricants and specialties sales to domestic markets decreased by approximately 0.8% compared to 2010. Lubricants sales to export markets increased by approximately 28.7% from Ps.198 million at December 31, 2010 to Ps.260 million in 2011. During 2011, the volume of lubricants sold increased by approximately 6.6% and total asphalt sales increased by approximately 2.6%. Our lubricants and specialties unit followed a strategy of differentiation allowing it to achieve and maintain the leading position in the Argentinean market. Our market share as of December 31, 2011 was approximately 40.1%, compared to approximately 38% as of December 31, 2010, according to our analysis of data provided by the Argentine Secretariat of Energy. As indicated above, our line of automotive lubricants has received approvals and recommendations from leading global automotive manufacturers (Ford, Volkswagen, GM, Porsche and Scania).

With respect to lubricants, the performance of the high-end light and heavy products represented by Elaion and Extravida was positive in 2011 compared with the previous year, having experienced an increase in volumes sold of 12% (with 39.5 km3 in 2011 compared to 35.4 km3 in 2010).

By the end of 2011, in response to the needs of an increasingly demanding market, we launched a new line of products specifically designed to protect motors, irrespective of the type of fuel used, using the Flexolub technology in the production process. Flexolub contains certain innovative compounds which are capable of neutralizing the effects of contaminants and guaranteeing the motor's cleanliness.

Through our LPG division we sell LPG to the foreign market, the domestic wholesale market and to distributors that supply the domestic retail market.

We are the largest LPG producer in Argentina with sales in 2011 reaching approximately 637 mtn (compared with 635 mtn in 2010), of which approximately 476 mtn (473 mtn in 2010) were sold in the domestic market. Our principal clients in the domestic market are companies that sell LPG in bottled or in bulk packing to end-consumers and the networks that distribute LPG to households in some localities. Additionally, exports in 2011 reached approximately 161 mtn (162 mtn in 2010), the main destinations being Chile, Paraguay and Bolivia. The transport of LPG to overseas customers is carried out by truck, pipeline and barges.

Total sales of LPG (excluding LPG used as petrochemical feedstock) were Ps.1,222 million and Ps.1,006 million in 2011 and 2010, respectively.

The LPG division obtains LPG from natural gas processing plants and from its refineries and petrochemical plant. We produced 532 mtn of LPG in 2011 (not including LPG destined for petrochemical usage). We also purchased LPG from third parties as detailed in the following table:

	Purchase (tons) 2011
LPG from Natural Gas Processing Plants:⁽¹⁾	
General Cerri	22,084
El Portón	127,584
San Sebastián	17,692
	<hr/>
Total Upstream	167,360
	<hr/>
LPG from Refineries and Petrochemical Plants:	
La Plata Refinery	227,401
Luján de Cuyo Refinery	114,447
Ensenada Petrochemical Plant	22,716
	<hr/>
Total Refineries & Petrochemical Plants ⁽²⁾	364,564
	<hr/>
LPG purchased from jointly controlled companies:⁽³⁾	81,731
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LPG purchased from unrelated parties	21,670
Total	<u>635,325</u>

(1) The San Sebastian plant is a joint-venture in which we own a 30% interest; El Portón is 100% owned by us; General Cerri belongs to a third party with which we have a processing agreement. In August 2009, Filo Morado stopped producing.

[Back to Contents](#)

(2) This production does not include LPG used as petrochemical feedstock (olefins derivatives, polybutenes and maleic).

(3) Purchased from Refinor.

We also have a 50% interest in Refinor, a jointly-controlled company, which produced 264 mtn of LPG in 2011.

Chemicals

Petrochemicals are produced at our petrochemical complexes in Ensenada and Plaza Huincul, as well as in Bahía Blanca, where Profertil's petrochemical complex is located.

Our petrochemical production operations in Ensenada are closely integrated with our refining activities (La Plata refinery). This close integration allows for a flexible supply of feedstock, the efficient use of byproducts (such as hydrogen) and the supply of aromatics to increase gasoline octane levels.

The main petrochemical products and production capacity per year are as follows:

	Capacity
	(tons per year)
Ensenada:	
Aromatics	
BTX (Benzene, Toluene, Mixed Xylenes)	244,000
Paraxylene	38,000
Orthoxylene	25,000
Cyclohexane	95,000
Solvents	66,100
Olefins Derivatives	
MTBE	60,000
Butene I	25,000
Oxoalcohols	35,000
TAME	105,000
LAB/LAS	
LAB	52,000
LAS	25,000
Polybutenes	
PIB	26,000
Maleic	
Maleic Anhydride	17,500
Plaza Huincul:	
Methanol	411,000
Bahía Blanca⁽¹⁾:	
Ammonia/Urea	933,000

(1) Corresponds to our 50% interest in Profertil.

Natural gas, the raw material for methanol, is supplied by our Exploration and Production business segment. The use of natural gas as a raw material allows us to monetize reserves, demonstrating the integration between the chemical and the upstream units.

We also use high carbon dioxide-content natural gas in our methanol production, allowing us to keep our methanol plant working at 50% of its production capacity during the winter period.

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The raw materials for petrochemical production in Ensenada, including virgin naphtha, propane, butane and kerosene, are supplied mainly by the La Plata refinery.

[Back to Contents](#)

In 2011 and 2010, 85.1% and 85.5%, respectively, of our petrochemicals sales (including propylene) were made in the domestic market. Petrochemicals exports are destined to Mercosur countries, the rest of Latin America, Europe and the United States.

We also participate in the fertilizer business directly and through Profertil, our 50%-owned subsidiary. Profertil is jointly controlled by us and Agrium (a worldwide leader in fertilizers), that produces urea and ammonia and started operations in 2001.

Our Ensenada petrochemical plant was certified under ISO 9001 in 1996 and recertified in June 2010 (version 2008). The La Plata petrochemical plant was certified under ISO 14001 in 2001 and last recertified (version 2004) in June 2010. The plant was also certified under OHSAS 18001 in 2005 and last recertified in June 2010 (version 2007). Since 2008, the plant verified the inventory of CO² emissions under ISO 14064:1 and, in 2011, inventories of CH₄ and N₂O emissions were verified as well. The laboratory of our Ensenada petrochemical plant was certified under ISO 17025 (Version 2005) in 2005 and recertified in 2008.

Our Methanol plant was certified under ISO 9001 (version 2000) in December 2001, and last recertified in August 2010 (version 2008). The Methanol plant was also certified under ISO 14001 in July 1998, and last recertified in August 2010 (version 2004), and it was also certified under OHSAS 18001 in December 2008 (version 2007), and recertified in June 2011.

During 2010, we have initiated the construction of a new Continuous Catalytic Reforming unit (CCR) in the Ensenada petrochemical complex. Total investment is estimated to be U.S.\$348 million. Start up is expected by the last quarter of 2012. New production is expected to meet the growing demand of high octane gasoline in the local market, while at the same time the CCR is expected to provide hydrogen to the new Hydrotreater Unit in our La Plata Refinery.

In April 2011, Profertil began the construction of a new storage plant in Puerto San Martín, in the Santa Fe province, with a storage capacity of 200,000 tons of fertilizers. The total investment is estimated to be U.S.\$60 million.

Research and Development

YPF's research and development center is located in La Plata, Argentina. Our R&D projects and activities are related to the entire hydrocarbons value chain, including exploration of new sources of oil or gas, extraction and conditioning for transportation, transformation and manufacturing of products at industrial complexes, and their distribution to the end customer. In 2011, our technology unit allocated approximately U.S.\$11 million to R&D activities, 37% of which were allocated to cooperation with external technology centers. In order to support these R&D activities, we invested U.S.\$3.3 million in new laboratory equipment.

YPF pursues an active policy of cooperation with national and international technology centers and universities in the public and private sector. Our 2011 budget for such cooperation arrangements reached approximately U.S.\$4 million, U.S.\$1 million more than in 2010. Five important research and development projects are being partially subsidized by Fontar (a technology funding organization of the Argentine Government). Four of them started in previous years and one of them was approved in 2011.

Uncertainty about which will be the main technologies in the future, prospective R&D results and business cycles led us to develop a Technology Plan which supports YPF's business strategy. The focus of the plan includes hydrocarbon's exploration and production, the natural gas value chain, oil refining and oil derivatives and petrochemicals, the future diversification of energy uses, biofuels production and electricity generation.

R&D efforts were focused on the development of enhanced oil recovery technologies in order to increase recovery of oil from mature fields, and the development of new processes and materials to reduce the operational costs of our facilities. In addition, production water optimization and reuse and unconventional hydrocarbons exploration and exploitation, remained as our most important challenges, requiring the development and application of very specific technologies.

[Back to Contents](#)

Regarding refining and marketing of petroleum products, we applied our technological knowledge to optimize refinery operations and improve product quality, with a strong focus on achieving energy efficiency and environmental improvements.

In the petrochemical business, R&D activities were mainly focused towards the development of new products with higher added value, such as special solvents, fertilizers and several agricultural products.

We also started a project to develop second generation biofuels in close collaboration with a prestigious biotechnological Argentine institute. With respect to renewable energies, along with two consortium partners, we have undertaken a research project to evaluate solar energy potential in Argentina.

Our 2011 R&D projects portfolio included 67 projects, 28 of which were under execution and 39 of which were in technical-economic feasibility evaluation phase as of December 31, 2011.

Historically, YPF has worked in close cooperation with Repsol YPF's R&D center, in order to perform R&D programs of mutual interest. We cannot assure you that our new management, which we expect to be appointed by our next general shareholders' meeting, on June 4, 2012, will not change our R&D strategy. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law.

Competition

The deregulation and privatization process created a competitive environment in the Argentine oil and gas industry. In our Exploration and Production business, we encounter competition from major international oil companies and other domestic oil companies in acquiring exploration permits and production concessions. Our Exploration and Production business may also encounter competition from oil and gas companies created and owned by certain Argentine provinces, including La Pampa, Neuquén and Chubut, as well as from ENARSA, the Argentine state-owned energy company, especially in light of the transfer of certain hydrocarbon properties to ENARSA and the Argentine provinces in 2007. See Regulatory Framework and Relationship with the Argentine Government Overview and Regulatory Framework and Relationship with the Argentine Government Law No. 26,197. It is still unclear whether we will continue to face this competition in the future, given the passage of the Expropriation Law. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. In our Refining and Marketing and Chemicals businesses, we face competition from several major international oil companies, such as ESSO (a former subsidiary of ExxonMobil which was recently acquired by Bidas Corporation), Shell and Petrobras, as well as several domestic oil companies. In our export markets, we compete with numerous oil companies and trading companies in global markets.

We operate in a dynamic market in the Argentine downstream industry and the crude oil and natural gas production industry. Crude oil and most refined products prices are subject to international supply and demand and Argentine regulations and, accordingly, may fluctuate for a variety of reasons. Some of the prices in the internal market are controlled by local authorities. See Regulatory Framework and Relationship with the Argentine Government. Changes in the domestic and international prices of crude oil and refined products have a direct effect on our results of operations and on our levels of capital expenditures. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Oil and gas prices could affect our level of capital expenditures.

On May 3, 2012, the Expropriation Law was passed by Congress. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. The Expropriation Law is expected to be the cornerstone of the new energy business map in Argentina.

[Back to Contents](#)

Environmental Matters

YPF-Argentine operations

Our operations are subject to a wide range of laws and regulations relating to the general impact of industrial operations on the environment, including air emissions and waste water, the disposal or remediation of soil or water contaminated with hazardous or toxic waste, fuel specifications to address air emissions and the effect of the environment on health and safety. We have made and will continue to make expenditures to comply with these laws and regulations. In Argentina, local, provincial and national authorities are moving towards more stringent enforcement of applicable laws. In addition, since 1997, Argentina has been implementing regulations that require our operations to meet stricter environmental standards that are comparable in many respects to those in effect in the United States and in countries within the European Community. These regulations establish the general framework for environmental protection requirements, including the establishment of fines and criminal penalties for their violation. We have undertaken measures to achieve compliance with these standards and are undertaking various abatement and remediation projects, the more significant of which are discussed below. We cannot predict what environmental legislation or regulation will be enacted in the future or how existing or future laws will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require additional expenditures in the future by us, including for the installation and operation of systems and equipment for remedial measures, and could affect our operations generally. In addition, violations of these laws and regulations may result in the imposition of administrative or criminal fines or penalties and may lead to personal injury claims or other liabilities.

In 2011, we continued making investments in order to comply with new Argentine fuel specifications that are scheduled to come into effect gradually through 2016, pursuant to Resolution No. 1283/06 (amended by Resolution No. 478/2009) of the Argentine Secretariat of Energy (which replaces Resolution No. 398/03) relating to, among other things, the purity of diesel fuels. In addition, we have completed detailed engineering packages and have invested in equipment for the construction of diesel fuel oil desulphuration units at La Plata and Luján de Cuyo refineries and the FCC naphtha desulphuration unit in Luján de Cuyo refinery, which construction has already begun. These projects must be completed by July 2012. We have adopted construction strategies oriented to meet the July 2012 deadline. Additionally, we are increasing the tankage capacity of several of our terminals in order to optimize fuel distribution logistics.

First stage projects related to biofuels, such as the addition of bioethanol to gasoline and Fatty Acid Methyl Esters (FAME) to diesel, were accomplished by the end of 2009 and were operational by the beginning of 2010. During 2010 and 2011, additional bioethanol facilities at several terminals were installed and became ready to operate. Also, during this period, further investments were made in several terminals in order to allow the increased addition of FAME to diesel and to improve the related biofuel logistics. These projects are expected to enable YPF to comply with governmental requirements and to enter into the renewable energy sources market.

The plan to comply with the above-mentioned motor fuels quality environmental specifications contemplates investments of approximately U.S.\$281 million for 2012.

At each of our refineries, we are performing, on our own initiative, remedial investigations, feasibility studies and pollution abatement projects, which are designed to address potentially contaminated sites and air emissions. In addition, we have implemented an environmental management system to assist our efforts to collect and analyze environmental data in our upstream and downstream operations.

Also, as part of our commitment to satisfying domestic demand for fuels and meeting high environmental standards, we are in the process of constructing a Plant Continuous Catalytic Reformer (CCR) which will involve an investment of approximately U.S.\$348 million. The main equipment has been purchased and part of the plant has already been constructed. Start up is expected for the second half of 2012. The plant will use the latest technology available worldwide to perform chemical processes which will involve improvements in productivity, safety and environmental standards. Additionally, the plant is expected to produce aromatics that can be used as octane enhancers for gasoline and automotive applications, as well as to increase hydrogen production that will feed the fuel hydrogenation processes that increase fuel quality and reduce sulfur content, further reducing the environmental impact of internal combustion engines.

[Back to Contents](#)

We also commenced construction of a new Coker Unit at La Plata refinery which will involve an investment of approximately U.S.\$560 million, replacing the one previously in operation. The new unit design is expected to optimize energy efficiency and minimize particulate matter emissions. We expect that this project will be completed by 2014.

In addition to the projects mentioned above, we have begun to implement a broad range of environmental projects in the domestic Exploration and Production and Refining and Marketing and Chemicals segments.

Capital expenditures associated with domestic Exploration and Production environmental projects during 2011 were approximately U.S.\$123 million and included expenditures relating to Health, Safety and Environment (HSE) management systems, waste management, energy efficiency, biodiversity plans, remediation of well sites, tank batteries integrity and remediation of oil spills in the gathering systems of fields. Expenditures will also be made to improve technical assistance and training, and to establish environmental contamination remediation plans, air emissions monitoring plans and ground water investigation and monitoring programs.

We and several other industrial companies operating in the La Plata area have entered into a community emergency response agreement with three municipalities and local hospitals, firefighters and other health and safety service providers to implement an emergency response program. This program is intended to prevent damages and losses resulting from accidents and emergencies, including environmental emergencies. Similar projects and agreements were developed at other refineries and harbor terminals as well.

In 1991, we entered into an agreement (*Convenio de Cooperación Interempresarial*, or CCI) with certain other oil and gas companies to implement a plan to reduce and assess environmental damage resulting from oil spills in Argentine surface waters to reduce the environmental impact of potential oil spills offshore. This agreement involves consultation on technological matters and mutual assistance in the event of any oil spills in rivers or at sea due to accidents involving tankers or offshore exploration and production facilities. In respect to climate change Historically, YPF has actively contributed and adhered to Repsol YPF's climate change strategies and, as such we have been committed to:

the active promotion of identification and pursuit of opportunities to reduce greenhouse gas emissions in our operations; intensifying the execution of internal projects for the obtention of credits under the relevant clean development mechanisms through the efficient use of resources, contributing to the transfer of technology and to the sustainable development of Argentina;

in December 2010, YPF obtained the approval of United Nations for an industrial project developed by YPF in Argentina defined as a Clean Development Mechanism (CDM) project, the first of its kind in the world. The project in the La Plata refinery reduces the emissions of greenhouse waste gases from fossil fuels used for process heating by replacing these fuels with recovered waste gases that were previously burned in flares. The project increases energy efficiency by reducing the demand for fuel oil and natural gas, allowing an annual emission reduction of approximately 200,000 tons of carbon dioxide. During September 2011, the first verification of emissions reduction was undertaken;

to secure the approval of the CDM project, YPF developed a new methodology, which was approved by United Nations in 2007 under the name of AM0055 Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities . At the moment, 4 projects in the world are being developed applying this methodology designed by YPF. A similar investment in flare gas recovery and utilization at the Luján de Cuyo refinery is under development as a CDM project. The project documentation was validated by a third-party accredited entity and registration with the United Nations was achieved in December 2011;

the undertaking and verification of third-party CO₂ emissions inventories for refining and chemical operations in accordance with the ISO 14064 standard. The inventory at Ensenada Industrial Complex has been verified since 2008 and, in 2011, the verification also included CH₄ and N₂O emissions. At La Plata and Luján de Cuyo refineries, the inventory of CO₂ emissions has been verified since 2010;

[Back to Contents](#)

in addition to verifying third-party CO₂ inventories, the La Plata and Luján de Cuyo refineries have shown reductions in emissions in 2009, 2010 and 2011.

Our estimated capital expenditures and future investments are based on currently available information and on current laws. Any future information or future changes in laws or technology could cause a revision of such estimates. In addition, we cannot assure you that our new management, which we expect to be appointed by our next general shareholders' meeting, on June 4, 2012, will not change our strategy in this regard. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law. Moreover, while we do not expect environmental expenditures to have a significant impact on our future results of operations, changes in management's business plans or in Argentine laws and regulations may cause expenditures to become material to our financial position, and may affect results of operations in any given year.

YPF Holdings Operations in the United States

Laws and regulations relating to health and environmental quality in the United States affect YPF Holdings' operations in the United States. See Regulatory Framework and Relationship with the Argentine Government U.S. Environmental Regulations.

In connection with the sale of Diamond Shamrock Chemicals Company (Chemicals) to a subsidiary of Occidental Petroleum Corporation (Occidental) in 1986, Maxus Energy Corporation (Maxus) agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business and activities of Chemicals prior to the September 4, 1986 closing date (the Closing Date), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, under the agreement pursuant to which Maxus sold Chemicals to Occidental (the 1986 Stock Purchase Agreement), Maxus is obligated to indemnify Chemicals and Occidental for certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used to conduct Chemicals' business as of the Closing Date and for any period of time following the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by Chemicals and as to which Chemicals provided written notice prior to September 4, 1996, irrespective of when Chemicals incurs and gives notice of such costs.

Tierra Solutions Inc. (Tierra) was formed to deal with the results of the alleged obligations of Maxus, as described above, resulting from actions or facts that occurred primarily between the 1940s and 1970s while Chemicals was controlled by other companies.

See Item 8. Financial Information Legal Proceedings YPF Holdings' below for a description of environmental matters in connection with YPF Holdings.

Offshore Operations

All of the offshore fields in which we have a working interest have in place a Health, Safety, Environmental and Community (HSEC) management plan to address risks associated with the project. In addition, all drilling projects that we operate or in which we have a working interest have in place an Emergency Response Plan (ERP), including response plans for oil spills.

The HSEC management plans in place include ERPs for an oil spill or leak, and these ERPs are regularly assessed for adequacy in light of available information and technical developments. We review our HSEC management plans for our drilling projects on a regular basis to seek to ensure that appropriate measures are in place for every phase of the project.

Malvinas

In 2011, we completed the Malvinas deep water project, located in blocks CAA40/CAA46 in Argentine waters. We obtained the required environmental permits for the related operations, including the approval of the OSRP (Oil

[Back to Contents](#)

Spill Response Plan) from the Naval Authority (*Prefectura Naval Argentina*). Well data indicated no hydrocarbon presence and the well was abandoned. The project was finalized without any environmental incident.

As in the rest of our offshore areas, we will continue to study and interpret available geological and geophysical information in order to plan our next activities.

Neptune

Under the Neptune Joint Operating Agreement, the operator of the field is required to maintain an HSEC management plan based on health and safety rules agreed upon between the operator and the non-operators. As a non-operator, we are entitled to review the operator's safety and environmental management systems for compliance with the HSEC management plan, but we do not have direct control over the measures taken by the field operator to remedy any particular spill or leak. The operator of the field is required to notify all non-operators, including us, in writing of any spill greater than 50 barrels, among other incidents.

The HSEC management plan for Neptune, which is maintained by the operator of the field, includes the following critical elements and procedures:

Emergency Shutdown (ESD) System

Fire Detection System

Combustible Gas Detection System

Ventilation Systems (Mechanical)

Spill/Leak Containment Systems

Vent/Flare System

Subsea Well Control System

Temporary Refuge

Escape Water Craft

Critical Power Systems (including electric, pneumatic, hydraulic)

Emergency Communication Systems

Hull Ballast Systems

Hull Tendons

Riser Hang-off Components

Design HSE Case Critical Procedures

Emergency Shutdown (ESD) Procedures

Evacuation Procedures

Dire Fighting Procedures

Helideck Operations Procedures

Emergency Response Procedures

[Back to Contents](#)

Additionally, the operator's Emergency, Preparedness and Response procedures include teams that generally are on call 24 hours a day, 7 days a week and are summoned based on the severity level of the emergency (1-low up to 7-extreme) through a third party London based emergency dispatcher. The operator's teams include the following:

Fire and Safety Team (FAST) Site Response (Level 1 to 2 severity): Provides initial on-scene response and incident containment in the operator's tower building including evacuation, first aid, CPR, search and rescue.

Incident Management Team (IMT) Asset/Local Response (Level 2 to 5 severity): Provides tactical, operational, HSEC, planning, logistical and regulatory notification support and other technical expertise. An Incident Management Center is established for the IMT in one room of the operator building in Houston. The IMT is also supported by a drilling-specific team from the World Wide Drilling group for any incidents during drilling and completions activities.

Emergency Management Team (EMT) Petroleum/Asset Response (Level 3 to 5 severity): Provides support to the IMT with emphasis on strategic issues affecting the Asset and Petroleum including internal and external stakeholder management, financial, legal, and communication support. An Emergency Management Room for the EMT is established in one room of the operator's building in Houston.

Crisis Management Team (CMT) Operator Response (Levels 5 to 7 severity): Provides support to the EMT with emphasis on strategic issues affecting the operator including communications with stakeholders at senior levels.

External Response Organizations: Summoned for any severity level based on needs assessed by the IMT, EMT or CMT. Includes government response groups and external oil spill response organizations and emergency management consultants.

The HSEC management plan is administered by a leading oil field services contractor contracted by the operator and includes a plan of action in the event of a spill or leak.

Property, Plant and Equipment

Most of our property, which comprises investments in assets which allow us to explore and/or exploit crude oil and natural gas reserves, as well as refineries, storage, manufacturing and transportation facilities and service stations, is located in Argentina. As of December 31, 2011, approximately 99.9% of our proved reserves were located in Argentina. We also own property mainly in the United States, Guyana and Uruguay. See Exploration and Production Principal properties.

There are several classes of property which we do not own in fee. Our petroleum exploration and production rights are in general based on sovereign grants of concession. Upon the expiration of the concession, our exploration and production assets associated with the particular property subject to the relevant concession revert to the government. In addition, as of December 31, 2011, we leased 90 service stations to third parties and also had activities with service stations that are owned by third parties and operated by them under a supply contract with us for the distribution of our products.

Insurance

The scope and coverage of the insurance policies and indemnification obligations discussed below are subject to change, and such policies are subject to cancellation in certain circumstances. In addition, the indemnification provisions of certain of our drilling, maintenance and other services contracts may be subject to differing interpretations, and enforcement of those provisions may be limited by public policy and other considerations. We may also be subject to potential liabilities for which we are not insured or in excess of our insurance coverage, including liabilities discussed in Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business. We may not have sufficient insurance to cover all the operating hazards that we are subject to, Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and

[Back to Contents](#)

Our Business The oil and gas industry is subject to particular economic and operational risks and Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business We may incur significant costs and liabilities related to environmental, health and safety matters .

Argentine operations

We insure our operations against risks inherent in the oil and gas industry, including loss of or damage to property and our equipment, control-of-well incidents, loss of production or profits incidents, removal of debris, sudden and accidental pollution, damage and clean up and third-party claims, including personal injury and loss of life, among other business risks. Our insurance policies are typically renewable annually and generally contain policy limits, exclusions and deductibles.

Our insurance policy covering our Argentine operations provides third party liability coverage up to U.S.\$400 million per incident, with varying deductibles of between U.S.\$0.1 million and U.S.\$2 million, in each case depending on the type of incident. Certain types of incidents, such as intentional pollution and gradual and progressive pollution, are excluded from the policy's coverage. The policy's coverage extends to control-of-well incidents, defined as an unintended flow of drilling fluid, oil, gas or water from the well that cannot be contained by equipment on site, by increasing the weight of drilling fluid or by diverting the fluids safely into production. Our policy provides coverage for third-party liability claims relating to pollution from a control-of-well event ranging from U.S.\$75 million for certain onshore losses and a maximum combined single limit of U.S.\$250 million for offshore losses.

Our insurance policy also covers physical loss or damage in respect of, but not limited to, onshore and offshore property of any kind and description (whether upstream or downstream), up to U.S.\$1,000 million per incident, with varying deductibles of between U.S.\$1 million and U.S.\$6.60 million, including loss of production or profits with deductibles of 60 days for downstream operations with a minimum deductible of U.S.\$20 million for upstream operations.

Argentine regulations require us to purchase from specialized insurance companies (*Aseguradoras de Riesgos de Trabajo* - ART) insurance covering the risk of personal injury and loss of life of our employees. Our insurance policies cover medical expenses, lost wages and loss of life, in the amounts set forth in the applicable regulations. These regulatory requirements also apply to all of our contractors.

We have adopted a position in agreements entered into with contractors that provide drilling services, well services or other services to our exploration and production operations (E&P Services Agreements), whereby contractors are generally responsible for indemnifying us to varying degrees for certain damages caused by their personnel and property above the drilling surface. Similarly, we are generally responsible under our drilling contracts to indemnify our contractors for any damages caused by our personnel and property above the drilling surface.

We typically assume responsibility for indemnifying our contractors for any loss or liability resulting from damages caused below the surface provided that such damages below the surface have not been caused by the negligence of the contractor in which case the contractor shall be liable up to a limited amount agreed by the parties in the E&P Services Agreements.

E&P Services Agreements usually establish that contractors are responsible for pollution or contamination including clean-up costs and third party damages caused above the surface by the spill of substances under their control, provided that the damage has been caused by the negligence or willful misconduct of the contractor. In the event of pollution or contamination produced below the surface, contractors shall also typically be liable for damages caused due to the contractor's negligence or willful misconduct. However, in this last case the damages are also usually limited to an amount agreed upon by the parties in the E&P Services Agreement.

We are also partners in several joint ventures and projects that are not operated by us. Contractual provisions, as well as our obligations arising from each agreement, can vary. In certain cases, insurance coverage is provided by the insurance policy entered into by the operator, while in others, our risks are covered by our insurance policy covering our Argentine operations. In addition, in certain cases we may contract insurance covering specific

[Back to Contents](#)

incidents or damages which are not provided for in the operator's insurance policy. We also retain the risk for liability not indemnified by the field or rig operator in excess of our insurance coverage.

With respect to downstream servicing contracts, contractors are usually responsible for damages to their own personnel and caused by them to third parties and they typically indemnify us for damages to equipment. A mutual hold-harmless provision for indirect damages such as those resulting from loss of use or loss of profits is normally included.

Gulf of Mexico operations

Our operations in the Gulf of Mexico currently include only our 15% working interest, through our subsidiary Maxus U.S. Exploration Company, in the Neptune field, which is operated by BHP Billiton. Our Gulf of Mexico operations are insured under a policy similar to that described above for our Argentine properties, with certain differences that are addressed below.

Our Gulf of Mexico operations insurance policy provides coverage for property damage, operator's extra expenses, loss of production and third party liability, subject to certain customary exclusions such as property damage resulting from wear and tear and gradual deterioration. The following limits and deductibles are applicable to our insurance coverage:

Physical loss or damage to owned property and equipment is limited to U.S.\$772 million (100%), with deductibles ranging from U.S.\$0.75 million (100%) to U.S.\$1.25 million (100%), and U.S.\$10 million (100%) in respect of windstorms;

Loss of production is covered up to a limit of U.S.\$38.8 million (15%) with a deductible of 60 days of production (90 days in respect of windstorms);

Coverage for operator's extra expenses is subject to a limit of U.S.\$250 million (100%) per incident, with a U.S.\$1 million deductible (100%) (U.S.\$10 million (100%) in respect of incidents related to windstorms). Our control-of-well insurance mainly covers expenses incurred on account of bringing or attempting to bring under control a well that is out of control or extinguishing a well fire, including but not limited to the value of materials and supplies consumed in the operation, rental of equipment, fees of individuals, firms or corporations specializing in fire fighting and/or the control of wells, deliberate well firing, and cost of drilling direction relief well(s) necessary to bring the well(s) under control or to extinguish the fire and excludes bodily injury, damage to property of others and loss of hole (except in respect of certain costs incurred in re-drilling and/or recompletion as a result of an occurrence). For the purpose of this insurance, a well shall be deemed to be out of control only when there is an unintended flow from the well of drilling fluid, oil, gas or water (1) which flow cannot promptly be (a) stopped by use of the equipment on site and/or the blowout preventor, storm chokes or other equipment; or (b) stopped by increasing the weight by volume of drilling fluid or by use of the other conditioning materials in the well; or (c) safely diverted into production; or (2) which flow is deemed to be out of control by the appropriate regulatory authority.

Coverage for third party liability arising from personal injury or loss of life, which extends to our employees, contractors and unaffiliated third party individuals, is subject to a limit of U.S.\$333.33 million (100 %) per incident, with a U.S.\$5,000 deductible (100%).

According to the procedures applicable to the Neptune field consortium, its operator shall use its best efforts to require contractors to carry insurance coverage for worker compensation, employers liability, commercial general liability and automobile liability. To our knowledge, based solely on inquiries made to the operator, this policy is applicable to all contracts and a majority of contractors carry such insurance. Contractors providing aircraft and watercraft are required to provide further insurance cover relevant to this activity. In addition, our own insurance policy covers risks of physical loss or damage incurred as a result of negligence by any contractor to supplies and equipment of every kind and description incidental to our operations, including, among others, materials, equipment, machinery, outfit and consumables, in each case as defined in our insurance contract and with the deductibles and exclusions specified therein. The consortium or operator, as applicable, is responsible for indemnifying a contractor

[Back to Contents](#)

for damages caused by its personnel and property. The operator or consortium, as applicable, is also responsible for indemnifying contractors for certain losses and liabilities resulting from pollution or contamination.

Regulatory Framework and Relationship with the Argentine Government

Overview

The Argentine oil and gas industry has been and continues to be subject to certain policies and regulations that have resulted in domestic prices that are, in some cases, lower than prevailing international market prices, export regulations, domestic supply requirements that oblige us from time to time to divert supplies from the export or industrial markets in order to meet domestic consumer demand, and incremental export duties on the volumes of hydrocarbons allowed to be exported. These governmental pricing and export regulations and tax policies have been implemented in an effort to satisfy increasing domestic market demand.

The Argentine oil and gas industry is regulated by Law No. 17,319, referred to as the Hydrocarbons Law, which was adopted in 1967 and amended by Law No. 26,197 in 2007, which established the general legal framework for the exploration and production of oil and gas, and Law No. 24,076, referred to as the Natural Gas Law, enacted in 1992, which established the basis for deregulation of natural gas transportation and distribution industries.

The executive branch of the Argentine government issues the regulations to complement these laws. The regulatory framework of the Hydrocarbons Law was established on the assumption that the reservoirs of hydrocarbons would be national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, our predecessor, would lead the oil and gas industry and operate under a different framework than private companies. In 1992, Law No. 24,145, referred to as the Privatization Law, privatized YPF and provided for transfer of hydrocarbon reservoirs from the Argentine government to the provinces, subject to the existing rights of the holders of exploration permits and production concessions.

The Privatization Law granted us 24 exploration permits covering approximately 132,735 square kilometers and 50 production concessions covering approximately 32,560 square kilometers. The Hydrocarbons Law limits to five the number of concessions that may be held by any one entity, and also limits the total area of exploration permits that may be granted to a single entity. Based on our interpretation of the law, we were exempted from such limit with regard to the exploration permits and production concessions awarded to us by the Privatization Law. Nevertheless, the National Department of Economy of Hydrocarbons (*Dirección Nacional de Economía de los Hidrocarburos*), applying a restrictive interpretation of Section 25 and 34 of the Hydrocarbons Law, has objected to the award of new exploration permits and production concessions in which we have a 100% interest. As a result, our ability to acquire 100% of new exploration permits and/or production concessions has been hindered, although this interpretation has not impeded our ability to acquire any permits or concessions where an interest is also granted to other parties. As a consequence of the transfer of ownership of certain hydrocarbons areas to the provinces, we participate in competitive bidding rounds organized since the year 2000 by several provincial governments for the award of contracts for the exploration of hydrocarbons.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating a new state-owned energy company, Energía Argentina S.A. (ENARSA). The corporate purpose of ENARSA is the exploration and exploitation of solid, liquid and gaseous hydrocarbons, the transport, storage, distribution, commercialization and industrialization of these products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. Moreover, Law No. 25,943 granted to ENARSA all exploration concessions in respect to offshore areas located beyond 12 nautical miles from the coast line up to the outer boundary of the continental shelf that were vacant at the time of the effectiveness of this law (i.e., November 3, 2004).

In addition, in October 2006, Law No. 26,154 created a regime of tax incentives aimed at encouraging hydrocarbon exploration and which apply to new exploration permits awarded in respect of the offshore areas granted to ENARSA and those over which no rights have been granted to third parties under the Hydrocarbons Law, provided the provinces in which the hydrocarbon reservoirs are located adhere to this regime. Association with ENARSA is a precondition to qualifying for the benefits provided by the regime created by Law No. 26,154. The

[Back to Contents](#)

benefits include: early reimbursement of the value added tax for investments made and expenses incurred during the exploration period and for investments made within the production period; accelerated amortization of investments made in the exploration period and the accelerated recognition of expenses in connection with production over a period of three years rather than over the duration of production; and exemptions to the payment of import duties for capital assets not manufactured within Argentina. As of the date of this annual report, we have not used the tax incentives previously mentioned.

Ownership of hydrocarbons reserves was transferred to the provinces through the enactment of the following legal provisions that effectively amended the Hydrocarbons Law:

In 1992, the Privatization Law approved the transfer of the ownership of hydrocarbons reserves to the provinces where they are located. However, this law provided that the transfer was conditioned on the enactment of a law amending the Hydrocarbons Law to contemplate the privatization of Yacimientos Petrolíferos Fiscales Sociedad del Estado.

In October 1994, the Argentine National Constitution was amended and pursuant to Article 124 thereof, provinces were granted the primary control of natural resources within their territories.

In August 2003, Executive Decree No. 546/03 transferred to the provinces the right to grant exploration permits, hydrocarbons exploitation and transportation concessions in certain locations designated as transfer areas, as well as in other areas designated by the competent provincial authorities.

In January 2007, Law No. 26,197 acknowledged the provinces' ownership of the hydrocarbon reservoirs in accordance with Article 124 of the National Constitution (including reservoirs to which concessions were granted prior to 1994) and granted provinces the right to administer such reservoirs.

The Expropriation Law

On May 3, 2012, the Expropriation Law (Law No. 26,741) was passed by the Argentine Congress and, on May 7, it was published in the Official Gazette of the Republic of Argentina. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions.

Article 3 of the Expropriation Law provides that the principles of the hydrocarbon policy of the Republic of Argentina are the following:

- (a) Promote the use of hydrocarbons and their derivatives to promote development, and as a mechanism to increase the competitiveness of the various economic sectors and that of the provinces and regions of Argentina;
- (b) Convert hydrocarbon resources to proved reserves and their exploitation and the restoration of reserves;
- (c) Integrate public and private capital, both national and international, into strategic alliances dedicated to the exploration and exploitation of conventional and nonconventional hydrocarbons;
- (d) Maximize the investments and the resources employed for the achievement of self-sufficiency in hydrocarbons in the short, medium and long term;
- (e) Incorporate new technologies and categories of management that contribute to the improvement of hydrocarbon exploration and exploitation activities and the advancement of technological development in the Republic of Argentina in this regard;
- (f) Promote the industrialization and sale of hydrocarbons with a high added-value;

[Back to Contents](#)

- (g) Protect the interests of consumers with respect to the price, quality and availability of hydrocarbon derivatives; and
- (h) Collect outstanding balances relating to exportable hydrocarbons in order to improve the trade balance, ensuring a rational exploitation of the resources and the sustainability of its exploitation for use by future generations.

According to Article 2 of the Expropriation Law, the National Executive Office will be responsible for setting forth this policy and shall introduce the measures necessary to accomplish the purpose of the Expropriation Law with the participation of the Argentine provinces and public and private capital, both national and international.

Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company. Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law.

Creation of Federal Council of Hydrocarbons

Article 4 of the Expropriation Law provides for the creation of a Federal Council of Hydrocarbons which shall include the participation of (a) the Ministry of Economy and Public Finances, the Ministry of Federal Planning, Public Investment and Services, the Ministry of Labor, Employment and Social Security and the Ministry of Industry, through their respective representatives; and (b) the provinces of Argentina and the Autonomous City of Buenos Aires, through the representatives that each may appoint. According to Article 5 of the Expropriation Law, the duties of the Federal Council of Hydrocarbons will be the following: (a) promote the coordinated action of the National and provincial governments, with the purpose of ensuring the fulfillment of the objectives of the Expropriation Law; and (b) adopt decisions regarding all questions related to the accomplishment of the objectives of the Expropriation Law and the establishment of the hydrocarbons policy of the Republic of Argentina that the National Executive Office may submit for consideration.

Expropriation of shares held by Repsol YPF

For purposes of ensuring the fulfillment of its objectives, the Expropriation Law provides for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The expropriated shares, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. In addition, the Expropriation Law provides for the expropriation of 51% of the share capital of the company Repsol YPF GAS S.A. represented by 60% of the Class A shares of such company owned, directly or indirectly, by Repsol Butano S.A. and its controlled or controlling entities.

As of the date of this annual report, the transfer of the expropriated shares between National Executive Office and the provinces that compose the National Organization of Hydrocarbon Producing States is still pending. According to Article 8 of the Expropriation Law, the distribution of the shares among the provinces that accept their transfer must be conducted in an equitable manner, considering their respective levels of hydrocarbon production and proved reserves.

Rights of new shareholders

To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. In addition, in accordance with Article 9 of the Expropriation Law, each of the Argentine provinces to which expropriated shares are allocated must enter a shareholder's agreement with the federal government which will provide for the unified exercise of its rights as a shareholder.

Any future transfer of the expropriated shares is prohibited without the permission of the National Congress by a two-thirds vote of its members.

[Back to Contents](#)

The appointment of YPF directors corresponding to the expropriated shares shall be completed proportionately considering the holdings of the federal government, provincial governments and one director shall represent the employees of the Company.

In accordance with Article 16 of the Expropriation Law, the national government and the provinces must exercise their rights pursuant to the following principles: (a) the strategic contribution of YPF to the achievement of the objectives set forth in the Expropriation Law; (b) the administration of YPF pursuant to the industry's best practices and corporate governance, safeguarding shareholders' interests and generating value on their behalf; and (c) the professional management of YPF.

Intervention

In accordance with Article 14 of the Expropriation Law, the National Executive Office and the Intervenor of YPF and Repsol YPF Gas S.A. are empowered to adopt all actions and precautions as necessary, until control of YPF and Repsol YPF Gas S.A. is assumed by their respective new managements.

Legal nature of the Company

YPF will continue to operate as a public company pursuant to Chapter II, Section V of Law N° 19,550 and its corresponding regulations, and will not be subject to any legislation or regulation applicable to the management or control of companies or entities owned by the national government or provincial governments.

In accordance with Article 17 of the Expropriation Law, for purposes of complying with such law, with respect to sources of finance, YPF must resort to internal and external, strategic alliances, joint ventures, transitory business unions, and cooperation partnerships whether public, private or mixed companies, domestic and foreign.

You can find a copy of an English translation of the Expropriation Law in the report on Form 6-K furnished by the Company to the SEC on May 9, 2012 (Item 1).

Decree No. 530/12

In connection with the Expropriation Law, Decree No. 530/12 of the National Executive Power provided for the temporary intervention of YPF for a period of thirty (30) days (which is expected to be extended until our next shareholders meeting to be held on June 4, 2012), with the aim of securing the continuity of its business and the preservation of its assets and capital, securing fuel provision and the satisfaction of the country's needs, and guaranteeing that the goals of the Expropriation Law are met. In accordance with Article 3 of Decree No. 530/2012, the powers conferred by YPF's bylaws on the Board and/or the President of the Company have been temporarily granted to Julio M. De Vido (the Intervenor). On May 7, 2012, through Decree No. 676/2012 of the National Executive Power, Mr. Miguel Matías Galuccio was appointed General Manager of the Company during the Intervention. Our next general shareholders' meeting, expected to be held on June 4, 2012, will appoint the new members of our Board of Directors. See Item 6. Directors, Senior Management and Employees' Management of the Company under the Intervention.

Law No. 26,197

Law No. 26,197, which amended the Hydrocarbons Law, transferred to the provinces and the City of Buenos Aires the ownership over all hydrocarbon reservoirs located within their territories and in the adjacent seas up to 12 nautical miles from the coast. Law No. 26,197 also provides that the hydrocarbon reservoirs located beyond 12 nautical miles from the coast to the outer limit of the continental shelf shall remain within the ownership of the federal government.

Pursuant to Law No. 26,197, the Argentine Congress shall continue to enact laws and regulations to develop oil and gas resources existing within all of the Argentine territory (including its sea), but the governments of the provinces where the hydrocarbon reservoirs are located shall be responsible for the enforcement of these laws and regulations, the administration of the hydrocarbon fields and shall act as granting authorities for the exploration permits and production concessions. However, the administrative powers granted to the provinces shall be exercised within the framework of the Hydrocarbons Law and the regulations which complement this law.

[Back to Contents](#)

Consequently, even though Law No. 26,197 established that the provinces shall be responsible for administering the hydrocarbon fields, the Argentine Congress retained its power to issue rules and regulations regarding the oil and gas legal framework. Additionally, the Argentine government retained the power to determine the national energy policy.

It is expressly stated that the transfer will not affect the rights and obligations of exploration permit and production concession holders, or the basis for the calculation of royalties, which shall be calculated in accordance with the concession title and paid to the province where the reservoirs are located.

Law No. 26,197 provides that the Argentine government shall retain the authority to grant transportation concessions for: (i) transportation concessions located within two or more provinces territory and (ii) transportation concessions directly connected to export pipelines for export purposes. Consequently, transportation concessions which are located within the territory of only one province and which are not connected to export facilities shall be transferred to the provinces.

Finally, Law No. 26,197 grants the following powers to the provinces: (i) the exercise in a complete and independent manner of all activities related to the supervision and control of the exploration permits and production concessions transferred by Law No. 26,197; (ii) the enforcement of all applicable legal and/or contractual obligations regarding investments, rational production and information and surface fee and royalties payment; (iii) the extension of legal and/or contractual terms; (iv) the application of sanctions provided in the Hydrocarbons Law; and (v) all the other faculties related to the granting power of the Hydrocarbons Law. Certain of our concessions in Argentina have recently been revoked by the relevant provincial authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

Public Emergency

On January 6, 2002, the Argentine Congress enacted Law No. 25,561, the Public Emergency and Foreign Exchange System Reform Law (Public Emergency Law), which represented a profound change of the economic model effective as of that date, and rescinded the Convertibility Law No. 23,928, which had been in effect since 1991 and had pegged the peso to the dollar on a one-to-one basis. In addition, the Public Emergency Law granted the executive branch of the Argentine government authority to enact all necessary regulations in order to overcome the economic crisis in which Argentina was then immersed. The situation of emergency declared by Law 25,561 has been extended until December 31, 2013 by Law 26,729. The executive branch is authorized to execute the powers delegated by Law 25,561 until such date.

After the enactment of the Public Emergency Law, several other laws and regulations have been enacted. The following are the most significant measures enacted to date in Argentina to overcome the economic crisis:

Conversion into pesos of (i) all funds deposited in financial institutions at an exchange rate of Ps.1.40 for each U.S.\$1.00 and (ii) all obligations (e.g., loans) with financial institutions denominated in foreign currency and governed by Argentine law at an exchange rate of Ps.1.00 for each U.S.\$1.00. The deposits and obligations converted into pesos would be thereafter adjusted by a reference stabilization index, the *Coeficiente de Estabilidad de Referencia* (CER), to be published by the Argentine Central Bank. Obligations governed by non-Argentine law have not been converted to pesos under the new laws. Substantially all of our dollar-denominated debt is governed by non-Argentine law.

Conversion into pesos at an exchange rate of Ps.1.00 for each U.S.\$1.00 of all obligations outstanding among private parties at January 6, 2002 that are governed by Argentine law and payable in foreign currency. The obligations so converted into pesos would be adjusted through the CER index, as explained above. In the case of non-financial obligations, if as a result of the mandatory conversion into pesos the resulting intrinsic value of goods or services that are the object of the obligation are higher or lower than their price expressed in pesos, either party may request an equitable adjustment of the price. If they cannot agree on such equitable price adjustment, either party may resort to the courts. Executive Decree No.

[Back to Contents](#)

689/02 established an exception to the Public Emergency Law and regulations and provides that the prices of long-term natural gas sale and transportation agreements executed before the enactment of the Decree and denominated in U.S. dollars will not be converted into pesos (Ps.1.00 for each U.S.\$1.00) when the natural gas is exported.

Conversion into pesos at an exchange rate of Ps.1.00 for each U.S.\$1.00 of all tariffs of public services, the elimination of the adjustment of tariffs by foreign indexes such as the Purchaser Price Index (PPI)/Consumer Price Index (CPI) index, and the imposition of a period of renegotiation with the governmental authorities thereafter.

Imposition of customs duties on the export of hydrocarbons with instructions to the executive branch of the Argentine government to set the applicable rate thereof. The application of these duties and the instruction to the executive branch have been extended until January 2017 by Law 26, 732. See also Taxation below.

Exploration and Production

The Hydrocarbons Law establishes the basic legal framework for the regulation of oil and gas exploration and production in Argentina. The Hydrocarbons Law empowers the executive branch of the Argentine government to establish a national policy for development of Argentina's hydrocarbon reserves, with the principal purpose of satisfying domestic demand.

Pursuant to the Hydrocarbons Law, exploration and production of oil and gas is carried out through exploration permits, production concessions, exploitation contracts or partnership agreements. The Hydrocarbons Law also permits surface reconnaissance of territory not covered by exploration permits or production concessions upon authorization of the Argentine Secretariat of Energy and/or competent provincial authorities, as established by Law No. 26,197, and with permission of the private property owner. Information obtained as a result of surface reconnaissance must be provided to the Argentine Secretariat of Energy and/or competent provincial authorities, which may not disclose this information for two years without permission of the party who conducted the reconnaissance, except in connection with the grant of exploration permits or production concessions.

Under the Hydrocarbons Law, the federal and/or competent provincial authorities may grant exploration permits after submission of competitive bids. Permits granted to third parties in connection with the deregulation and demonopolization process were granted in accordance with procedures specified in Executive Decrees No. 1055/89, 1212/89 and 1589/89 (the Oil Deregulation Decrees), and permits covering areas in which our predecessor company, Yacimientos Petrolíferos Fiscales S.A., was operating at the date of the Privatization Law and that were granted to us by such law. In 1991, the executive branch of the Argentine government established a program under the Hydrocarbons Law (known as *Plan Argentina*) pursuant to which exploration permits were auctioned. The holder of an exploration permit has the exclusive right to perform the operations necessary or appropriate for the exploration of oil and gas within the area specified by the permit. Each exploration permit may cover only unproved areas not to exceed 10,000 square kilometers (15,000 square kilometers offshore), and may have a term of up to 14 years (17 years for offshore exploration). The 14-year term is divided into three basic terms and one extension term. The first basic term is up to four years, the second basic term is up to three years, the third basic term is up to two years and the extension term is up to five years. At the expiration of each of the first two basic terms, the acreage covered by the permit is reduced, at a minimum, to 50% of the remaining acreage covered by the permit, with the permit holder deciding which portion of the acreage to keep. At the expiration of the three basic terms, the permit holder is required to revert all of the remaining acreage to the Argentine government, unless the holder requests an extension term, in which case such grant is limited to 50% of the remaining acreage.

If the holder of an exploration permit discovers commercially exploitable quantities of oil or gas, the holder has the right to obtain an exclusive concession for the production and development of this oil and gas. The Hydrocarbons Law provides that oil and gas production concessions shall remain in effect for 25 years as from the date of the award of the production concession, in addition to any remaining exploration term at the date of such award. The Hydrocarbons Law further provides for the concession term to be extended for up to 10 additional years, subject to terms and conditions approved by the grantor at the time of the extension. Under Law No. 26,197, the authority to extend the terms of current and new permits and concessions has been vested in the governments of the

[Back to Contents](#)

provinces in which the relevant block is located (and the Argentine government in respect of offshore blocks beyond 12 nautical miles). In order to be entitled to the extension, a concessionaire, such as us, must have complied with all of its obligations under the Hydrocarbons Law, including, without limitation, evidence of payment of taxes and royalties and compliance with environmental, investment and development obligations. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Argentine oil and gas production concessions and exploration permits are subject to certain conditions and may not be renewed. Upon the expiration of the 10-year extension period of the current concessions, the provinces are entitled to award new concessions or contracts in respect of the relevant blocks.

A production concession also confers on the holder the right to conduct all activities necessary or appropriate for the production of oil and gas, provided that such activities do not interfere with the activities of other holders of exploration permits and production concessions. A production concession entitles the holder to obtain a transportation concession for the oil and gas produced. See Transportation of Liquid Hydrocarbons below.

Exploration permits and production concessions require holders to carry out all necessary work to find or extract hydrocarbons, using appropriate techniques, and to make specified investments. In addition, holders are required to:

avoid damage to oil fields and waste of hydrocarbons;

adopt adequate measures to avoid accidents and damage to agricultural activities, fishing industry, communications networks and the water table; and

comply with all applicable federal, provincial and municipal laws and regulations.

Certain of our concessions in Argentina have recently been revoked by the relevant provincial authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims.

According to the Hydrocarbons Law, holders of production concessions, including us, are also required to pay royalties to the province where production occurs. A 12% royalty, and an additional 3% royalty in certain concessions for which the expiration has been extended (see Extension of Exploitation Concessions in the province of Neuquén and Extension of Exploitation Concessions in the province of Mendoza below), is payable on the value at the wellhead (equal to the price upon delivery of the product, less transportation, treatment costs and other deductions) of crude oil production and the natural gas volumes commercialized. The value is calculated based upon the volume and the sale price of the crude oil and gas produced, less the costs of transportation and storage. In addition, pursuant to Resolution S.E. 435/04 issued by the Argentine Secretariat of Energy, if a concession holder allots crude oil production for further industrialization processes at its plants, the concession holder is required to agree with the provincial authorities or the Argentine Secretariat of Energy, as applicable, on the reference price to be used for purposes of calculating royalties.

Considering, among other things, that as a result of Resolution 394/07 of the Ministry of Economy and Production, which increased duties on exports of certain hydrocarbons, Argentine companies began to negotiate the price for crude oil in the domestic market, which would in turn be used as the basis for calculation of royalties, the Undersecretariat of Fuels, which depends on the Argentine Secretariat of Energy, passed Disposition No. 1/08, which sets a minimum reference price for the calculation of royalties and does not permit downward adjustments of this price based upon the quality of crude oil. As of the date of this annual report, we have negotiated with certain third parties sale prices of crude oil that we have used as the basis for calculating and paying royalties according to the methodology set forth in the Hydrocarbons Law.

Disposition No 1/08 of the Undersecretariat of Fuels, ratified by Resolution 813/10 of the Secretariat of Energy, was successfully challenged by other companies that considered that such Disposition was contrary to the royalties calculation method set in the Hydrocarbons Law. These companies have obtained, from the Federal Supreme Court, preliminary injunctions ordering, provisionally, that Disposition 1/08 not be applied to them (e.g., *Petro Andina*

[Back to Contents](#)

Resources Argentina S.A. vs. Province of La Pampa (October 19, 2010), *Colhue Huapi S.A. vs. Chubut s/incidente de medida cautelar* (July 6, 2010), *Chevron Argentina SRL vs. Santa Cruz y otros s/ medida cautelar* (December 29, 2009) and *Enap Sipetrol Argentina S.A. vs. Chubut s/medida cautelar* (December 29, 2009)).

In addition to the above, the Public Emergency Law, which created the export withholdings, established that export withholdings were not to be deducted from the export price for purposes of calculating the 12% royalties. The royalty expense incurred in Argentina is accounted for as a production cost (as explained in *Exploration and Production Oil and gas production, production prices and production costs*). According to the Hydrocarbons Law, any oil and gas produced by the holder of an exploration permit prior to the grant of a production concession is subject to the payment of a 15% royalty.

Furthermore, pursuant to Sections 57 and 58 of the Hydrocarbons Law, holders of exploration permits and production concessions must pay an annual surface fee that is based on acreage of each block and which varies depending on the phase of the operation, i.e., exploration or production, and in the case of the former, depending on the relevant period of the exploration permit. Additionally, Executive Decree No. 1,454/07, dated October 17, 2007, increased the amount of exploration and production surface fees expressed in Argentine pesos that are payable to the provinces in which the hydrocarbon fields are located or, in the case of offshore and certain other fields, to the Argentine government.

Exploration permits and production or transportation concessions may be terminated upon any of the following events:

failure to pay annual surface taxes within three months of the due date;

failure to pay royalties within three months of the due date;

substantial and unjustifiable failure to comply with specified production, conservation, investment, work or other obligations;

repeated failure to provide information to, or facilitate inspection by, authorities or to utilize adequate technology in operations;

in the case of exploration permits, failure to apply for a production concession within 30 days of determining the existence of commercially exploitable quantities of hydrocarbons;

bankruptcy of the permit or concession holder;

death or end of legal existence of the permit or concession holder; or

failure to transport hydrocarbons for third parties on a non-discriminatory basis or repeated violation of the authorized tariffs for such transportation.

The Hydrocarbons Law further provides that a cure period, of a duration to be determined by the Argentine Secretariat of Energy and/or the competent provincial authorities, must be provided to the defaulting concessionaire prior to the termination.

When a production concession expires or terminates, all oil and gas wells, operating and maintenance equipment and facilities automatically revert to the province where the reservoir is located or to the Argentine government in the case of reservoirs under federal jurisdiction (i.e., located on the continental shelf or beyond 12 nautical miles offshore), without compensation to the holder of the concession.

Certain of our production concessions expire in 2017. The granting of an extension is an unregulated process and normally involves lengthy negotiations between the applicant and the relevant government. Although the Hydrocarbons Law provides that applications must be submitted at least six months prior to the concession expiration date, it is industry practice to commence the process far earlier, typically as soon as the technical and economic feasibility of new investment projects beyond the concession term become apparent.

[Back to Contents](#)

On March 16, 2006, the Argentine Secretariat of Energy issued Resolution S.E. No. 324/06 establishing that holders of exploration permits and hydrocarbon concessions must file with such agency details of their proved reserves existing in each of their areas, certified by an external reserves auditor, each year. Holders of hydrocarbon concessions that export hydrocarbons are obliged to certify their oil and gas proved reserves. The aforementioned certification only has the meaning established by Resolution S.E. No. 324/06, according to which it is not to be interpreted as a certification of oil and gas reserves under the SEC rules. See Exploration and Production Oil and Gas Reserves.

In March 2007, the Argentine Secretariat of Energy issued Resolution No 407/07 which approved new regulations concerning the Oil and Gas Exploration and Production Companies Registry. According to Resolution No 407/07, YPF, as a holder of Production Concessions and Exploration Permits, is banned from hiring or in any way benefiting from any company or entity which is developing or has developed oil and gas exploration activities within the Argentine continental platform without an authorization from the relevant Argentine authorities.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Extension of Exploitation Concessions in the province of Neuquén

In addition to the extension in 2002 of the expiration date of the exploitation concession of the Loma La Lata field until 2027, during the years 2008 and 2009, YPF entered into a number of agreements with the province of Neuquén, pursuant to which the exploitation concession terms of several areas located within the province were extended for a 10-year term, which now expire between 2026 and 2027. As a condition to the extension of the concession terms, YPF has undertaken to do the following under the relevant agreements: (i) to make initial payments to the province of Neuquén in an aggregate amount of approximately U.S.\$204 million; (ii) to pay the province of Neuquén an Extraordinary Production Royalty of 3% of the production of the areas affected by this extension (in addition, the parties agreed to make additional adjustments of up to an additional 3% in the event of extraordinary income, as defined in each agreement); (iii) to carry out exploration activities in the remaining exploration areas and make certain investments and expenditures until the expiration of the concessions in an aggregate amount of approximately U.S.\$3,512 million, and (iv) to make Corporate Social Responsibility contributions to the province of Neuquén in an aggregate amount of approximately U.S.\$23 million.

Extension of Exploitation Concessions in the province of Mendoza

In April 2011, YPF entered into a Memorandum of Agreement with the province of Mendoza to extend the term of the exploitation concessions identified below, and the transportation concessions located within the province, which was ratified by a decree published in July 2011.

The Memorandum of Agreement between YPF and the province of Mendoza provides, *inter alia*, the following:

Concessions involved: El Portón, Barrancas, Cerro Fortunoso, El Manzano, La Brea, Llanquanelo, Llanquanelo R, Puntilla de Huincán, Río Tunuyan, Valle del Río Grande, Vizcacheras, Cañadón Amarillo, Altiplanicie del Payún, Chihuido de la Sierra Negra, Puesto Hernández and La Ventana;

Exploitation concession terms, which were originally set to expire in 2017, are extended for a 10-year term; and

YPF has undertaken: (i) to make initial payments to the province of Mendoza in an aggregate amount of approximately of U.S.\$135 million, on the date specified in the Memorandum of Agreement; (ii) to pay the province of Mendoza an Extraordinary Production Royalty of 3% of the production of the areas affected by the Memorandum of Agreement; (iii) to carry out exploration activities in the remaining exploration areas and make certain investments and expenditures in a total amount of U.S.\$4,113 million until the expiration of the extended term, as stipulated in the Memorandum of Agreement, on the exploitation concessions affected by the Memorandum of Agreement; (iv) to contribute with U.S.\$16.2 million to a Social Infrastructure Investment Fund to satisfy community needs in the province of Mendoza, and; (v) to make payments equal to 0.3% of the annual amount paid as Extraordinary Production Royalty in order

[Back to Contents](#)

to fund the purchase of equipment and finance training activities in certain government agencies of the province of Mendoza.

Security Zones Legislation

Argentine law restricts the ability of non-Argentine companies to own real estate, oil concessions or mineral rights located within, or with respect to areas defined as, security zones (principally border areas). Prior approval of the Argentine government is required:

for non-Argentine shareholders to acquire control of us; or

if and when the majority of our shares belong to non-Argentine shareholders, such as it was recently the case (see The Expropriation Law), for any additional acquisition of real estate, mineral rights, oil or other Argentine government concessions located within, or with respect to, security zones.

Natural Gas Transportation and Distribution

In June 1992, the Natural Gas Law was passed, providing for the privatization of Gas del Estado Sociedad del Estado (Gas del Estado) and the deregulation of the price of natural gas. To effect the privatization of Gas del Estado, the five main trunk lines of the gas transmission system were divided into two systems principally on a geographical basis (the northern and the southern trunk pipeline systems). This was designed to give both systems access to gas sources and to the main centers of demand in and around Buenos Aires. These systems were transferred into two new transportation companies. The Gas del Estado distribution system was divided into eight regional distribution companies, including two distribution companies serving the greater Buenos Aires area. Shares of each of the transportation and distribution companies were sold to consortiums of private bidders. Likewise, in 1997, a distribution license for the provinces of Chaco, Formosa, Entre Ríos, Corrientes and Misiones was granted to private bidders.

The regulatory structure for the natural gas industry creates an open-access system, under which gas producers, such as us, will have open access to future available capacity on transmission and distribution systems on a non-discriminatory basis.

Cross-border gas pipelines were built to interconnect Argentina, Chile, Brazil and Uruguay, and producers such as us have been exporting natural gas to the Chilean and Brazilian markets, to the extent permitted by the Argentine government. During the last several years the Argentine authorities have adopted a number of measures restricting exports of natural gas from Argentina, including issuing domestic supply instruction pursuant to Regulation No. 27/04 and Resolutions Nos. 265/04, 659/04 and 752/05 (which require exporters to supply natural gas to the Argentine domestic market), issuing express instructions to suspend exports, suspending processing of natural gas and adopting restrictions on natural gas exports imposed through transportation companies and/or emergency committees created to address crisis situations. See Market Regulation Natural gas export restrictions and domestic supply priorities.

Transportation of Liquid Hydrocarbons

The Hydrocarbons Law permits the executive branch of the Argentine government to award 35-year concessions for the transportation of oil, gas and petroleum products following submission of competitive bids. Pursuant to Law No. 26,197, the relevant provincial governments have the same powers. Holders of production concessions are entitled to receive a transportation concession for the oil, gas and petroleum products that they produce. The term of a transportation concession may be extended for an additional ten-year term upon application to the executive branch. The holder of a transportation concession has the right to:

transport oil, gas and petroleum products; and

construct and operate oil, gas and products pipelines, storage facilities, pump stations, compressor plants, roads, railways and other facilities and equipment necessary for the efficient operation of a pipeline system.

[Back to Contents](#)

The holder of a transportation concession is obligated to transport hydrocarbons for third parties on a non-discriminatory basis for a fee. This obligation, however, applies to producers of oil or gas only to the extent that the concession holder has surplus capacity available and is expressly subordinated to the transportation requirements of the holder of the concession. Transportation tariffs are subject to approval by the Argentine Secretariat of Energy for oil and petroleum pipelines and by the National Gas Regulatory Authority (*Ente Nacional Regulador del Gas* or ENARGAS) for gas pipelines. Upon expiration of a transportation concession, the pipelines and related facilities automatically revert to the Argentine government without payment to the holder. The Privatization Law granted us a 35-year transportation concession with respect to the pipelines operated by Yacimientos Petrolíferos Fiscales S.A. at the time. Gas pipelines and distribution systems sold in connection with the privatization of Gas del Estado are subject to a different regime under the Natural Gas Law.

Additionally, pursuant to Law No. 26,197, all transportation concessions located entirely within a province's jurisdiction and not directly connected to any export pipeline are to be transferred to such province. The executive branch retains the power to regulate and enforce all transportation concessions located within two or more provinces and all transportation concessions directly connected to export pipelines.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Refining

Crude oil refining activities conducted by oil producers or others are subject to the prior registration of oil companies in the registry maintained by the Argentine Secretariat of Energy and compliance with safety and environmental regulations, as well as to provincial environmental legislation and municipal health and safety inspections.

In January 2008, the Argentine Secretariat of Domestic Commerce issued Resolution No. 14/2008, whereby the refining companies were instructed to optimize their production in order to obtain maximum volumes according to their capacity.

Executive Decree No. 2014/08 of November 25, 2008, created the Refining Plus program to encourage the production of diesel fuel and gasoline. The Argentine Secretariat of Energy, by Resolution S.E. No. 1312/08 of December 1, 2008, approved the regulations of the program. Pursuant to this program, refining companies that undertook the construction of a new refinery or the expansion of their refining and/or conversion capacity, and whose plans were approved by the Argentine Secretariat of Energy, were entitled to receive export duty credits to be applied to exports of products within the scope of Resolution No. 394/07 and Resolution No. 127/08 (Annex) issued by the Department of Economy and Production. In February 2012, by Notes Nos. 707/12 and 800/12 (the Notes) of the Argentine Secretariat of Energy, YPF was notified that the benefits granted under the Refining Plus program have been temporarily suspended. The effects of the suspension extend to benefits accrued and not yet redeemed by YPF at the time of the issuance of the Notes. The reasons alleged for such suspension are that the Refining Plus program was created in a context where domestic prices were lower than currently prevailing prices and that the objectives sought by the program have already been achieved. On March 16, 2012, YPF challenged temporary this suspension.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Market Regulation

Overview

Under the Hydrocarbons Law and the Oil Deregulation Decrees, holders of production concessions, such as us, have the right to produce and own the oil and gas they extract and are allowed to dispose of such production in the domestic or export markets, in each case subject to the conditions described below.

The Hydrocarbons Law authorizes the executive branch of the Argentine government to regulate the Argentine oil and gas markets and prohibits the export of crude oil during any period in which the executive branch finds

[Back to Contents](#)

domestic production to be insufficient to satisfy domestic demand. If the executive branch restricts the export of crude oil and petroleum products or the free disposition of natural gas, the Oil Deregulation Decrees provide that producers, refiners and exporters shall receive a price:

in the case of crude oil and petroleum products, not lower than that of imported crude oil and petroleum products of similar quality; and

in the case of natural gas, not less than 35% of the international price per cubic meter of Arabian light oil, 34° API.

Furthermore, the Oil Deregulation Decrees expressly required the executive branch to give twelve months notice of any future export restrictions. Notwithstanding the above provisions, certain subsequently-enacted resolutions (Resolution S.E. 1679/04, Resolution S.E. 532/04 and Resolution of the Ministry of Economy and Production 394/07) have modified the aforementioned price mechanism, resulting, in certain cases, in prices to producers below the levels described above.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Production of crude oil and reserves

Executive Decree No. 2014/08 of November 25, 2008, created the Petroleum Plus program to encourage the production of crude oil and the increase of reserves through new investments in exploration and development. The Argentine Secretariat of Energy, by Resolution S.E. No. 1312/08 of December 1, 2008, approved the regulations of the program. The program entitled production companies which increased their production and reserves within the scope of the program, and whose plans were approved by the Argentine Secretariat of Energy, to receive export duty credits to be applied to exports of products within the scope of Resolution No. 394/07 and Resolution No. 127/08 (Annex) issued by the Department of Economy and Production. In February 2012, by the Notes of the Argentine Secretariat of Energy, YPF was notified that the benefits granted under the Petroleum Plus program have been temporarily suspended. The effects of the suspension extend to benefits accrued and not yet redeemed by YPF at the time of the issuance of the Notes. The reasons alleged for such suspension are that the Petroleum Plus program was created in a context where domestic prices were lower than currently prevailing prices and that the objectives sought by the program have already been achieved. On March 16, 2012, YPF challenged this suspension.

Refined products

In April 2002, the Argentine government and the main oil companies in Argentina, including us, reached an agreement on a subsidy provided by the Argentine government to public bus transportation companies. The Agreement on Stability of Supply of Diesel Fuel (*Convenio de Estabilidad de Suministro de Gas Oil*) was approved by Executive Decree No. 652/02 and assured the transportation companies their necessary supply of diesel fuel at a fixed price of Ps.0.75 per liter from April 22, 2002 to July 31, 2002. Additionally, it established that the oil companies are to be compensated for the difference between this fixed price and the market price through export duty credits. Subsequent agreements entered into between the Argentine government and the main oil companies in Argentina extended the subsidy scheme until December 2009, while the aforementioned fixed price was revised from time to time, the current price being Ps.1.30 per liter.

In March 2009, Executive Decree No. 1390/09 empowered the Chief of Cabinet to sign annual agreements extending the diesel fuel subsidy to transportation companies for the fiscal year 2009 and until the end of the public emergency declared by the Public Emergency Law and its amendments, and instructed such official to incorporate the necessary modifications in order to extend the possibility to compensate with export duty credits on all hydrocarbon products currently exported, and in defect thereof, in cash. As of the date of this annual report, execution of the annual agreements for the fiscal years 2010, 2011 and 2012 is pending. Nevertheless, the subsidy scheme has continued to be in place on the basis of the monthly communications issued by the Argentine Secretariat of Transport notifying oil companies of the volumes to be delivered to each beneficiary of the scheme at the fixed price, and the Argentine government has continued to compensate oil companies for deliveries of diesel fuel made under the scheme.

[Back to Contents](#)

Over the past months, the Argentine Secretariat of Transport has substantially reduced the volumes of diesel fuel subsidized under this scheme. In addition, on January 11, 2012, the Argentine Secretary of Transport filed with the CNDC a complaint against five oil companies (including YPF) for alleged abuse of a dominant position regarding bulk sales of diesel fuel to public bus transportation companies. The alleged conduct consists of selling bulk diesel fuel to public bus transportation companies at prices higher than the retail price charged in service stations. On January 26, 2012, the Secretary of Domestic Commerce issued Resolution No. 6/2012 whereby, effective from the date of the resolution, (i) each of these five oil companies was ordered to sell diesel oil to public bus transportation companies at a price no higher than the retail price charged by its service station located in general terms nearest to the place of delivery of diesel fuel to each such transportation company, while maintaining both historic volumes and delivery conditions; and (ii) it created a price monitoring scheme of both the retail and the bulk markets to be implemented by the CNDC. YPF challenged this Resolution and requested a preliminary injunction against its implementation. YPF's preliminary injunction has been granted and the effects of the Resolution have been temporarily suspended. See Item 8. Financial Information Legal proceedings Argentina Non-accrued, possible contingencies CNDC investigation.

On March 13, 2012, YPF was notified of Resolution No. 17/2012, issued by the Argentine Secretariat of Domestic Commerce, pursuant to which YPF, Shell Compañía Argentina de Petróleo, S.A. and ESSO Petrolera Argentina S.R.L were ordered to supply jet fuel for domestic and international air transport at a price net of taxes not to exceed 2.7% of the price net of taxes of medium octane gasoline (not premium) offered at its closest service station to the relevant airport, while maintaining its existing supply logistics and its usual supply quantities. The abovementioned resolution benefits companies owning aircraft that operate in the field of commercial passenger or commercial passenger and cargo aviation which are registered under the Argentine National Aircraft Registry. According to a later clarification from the Secretary of Domestic Commerce, the beneficiaries of the measure adopted by this resolution are the following companies: Aerolíneas Argentinas, S.A., Andes Líneas Aéreas S.A., Austral Cielos del Sur, LAN Argentina, S.A. and Sol S.A. Líneas Aéreas. In addition, in said resolution, the Argentine Secretariat of Domestic Commerce indicated that it considered convenient to implement a price surveillance system to be implemented by the CNDC. YPF has challenged such resolution, which will be reviewed by a court.

The Argentine Secretariat of Energy has issued a series of resolutions affecting the fuel market. For example, Resolution S.E. No. 1,102/04 created the Registry of Liquid Fuels Supply Points, Self Consumption, Storage, Distributors and Bulk Sellers of Fuels and Hydrocarbons, and of Compressed Natural Gas; Resolution S.E. No. 1,104/04 created a bulk sales price information module as an integral part of the federal fuel information system, as well as a mechanism for communication of volumes sold by fuel manufacturers and by sellers; Resolution S.E. No. 1,834/05 compels service stations and/or supply point operators and/or self consumption of liquid fuels and hydrocarbons who have requested supply, and have not been supplied, to communicate such situation to the Argentine Secretariat of Energy; and Resolution S.E. No. 1,879/05 established that refining companies registered by the Argentine Secretariat of Energy, who are parties to contracts that create any degree of exclusivity between the refining company and the fuel seller, shall assure continuous, reliable, regular and non-discriminatory supply to its counterparties, giving the right to the seller to obtain the product from a different source, and thereupon, charging any applicable overcosts to the refining company.

Disposition S.S.C. No. 157/06 of the Undersecretariat of Fuels provides that fuel sellers who are parties to contracts that create any degree of exclusivity between the refining company and the fuel seller, and which for any reason are seeking to terminate such contract, shall report the termination in advance with the Undersecretariat of Fuels in order to inform the Argentine Secretariat of Domestic Commerce of the situation. In that case, the Argentine Secretariat of Domestic Commerce is to: (i) issue a statement regarding the validity of the termination of the contract and (ii) use all necessary means to allow the fuel seller terminating the contract to execute another agreement with a refining company and/or fuel broker in order to guarantee its fuel supply.

Resolution S.E. No. 1,679/04 reinstalled the registry of diesel fuel and crude oil export transactions created by Executive Decree No. 645/02, and mandated that producers, sellers, refining companies and any other market agent that wishes to export diesel fuel or crude oil to register such transaction and to demonstrate that domestic demand has been satisfied and that they have offered the product to be exported to the domestic market. In addition, Resolution S.E. No. 1338/06 added other petroleum products to the registration regime created by Executive Decree

[Back to Contents](#)

No. 645/02, including gasoline, fuel oil and its derivatives, aviation fuel, coke coal, asphalts, certain petrochemicals and certain lubricants. Resolution No. 715/07 of the Argentine Secretariat of Energy empowered the National Refining and Marketing Director to determine the amounts of diesel fuel to be imported by each company, in specific periods of the year, to compensate exports of products included under the regime of Resolution No. 1679/04; the fulfillment of this obligation to import diesel fuel is necessary to obtain authorization to export the products included under Decree No. 645/02 (crude, fuel oil, diesel fuel, coke coal and gasoline, among others). In addition, Resolution No. 25/06 of the Argentine Secretariat of Domestic Commerce, issued within the framework of Law No. 20,680, imposes on each Argentine refining company the obligation to supply all reasonable diesel fuel demand, by supplying certain minimum volumes (established pursuant to the resolution) to their usual customers, mainly service station operators and distributors.

On August 17, 2010, the Argentine Secretariat of Domestic Commerce issued Resolution No. 295/10, imposing that the trade price of liquid fuels should be leveled back to those prices existing on July 31, 2010. This Resolution has been successfully challenged by another company and a preliminary injunction was granted suspending the effects of such Resolution. This Resolution was later on derogated by Resolution No. 543/10 of the Argentine Secretariat of Domestic Commerce.

On February 2, 2011, the Argentine Secretariat of Domestic Commerce issued Resolution No. 13/11 stating that the retail price of liquid fuels had to be leveled back to those prices existing on January 28, 2011. This resolution also required refineries and oil companies to continue to supply amounts of fuel to the domestic market consistent with amounts supplied the prior year, as adjusted for the positive correlation between the increase in the demand of fuel and gross domestic product. On March 29, 2011, however, the Argentine Secretariat of Domestic Commerce issued Resolution No. 46/11, which derogated Resolution No. 13/11, alleging that market conditions had changed since its issuance.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Natural gas

In January 2004, Executive Decree No. 180/04 (i) created the Mercado Electrónico del Gas (MEG) for the trade of daily spot sales of gas and a secondary market of transportation and distribution services and (ii) established information duties for buyers and sellers of natural gas in relation to their respective commercial operations, required as a condition to be authorized to inject into and transport through the transportation system any volume of natural gas (further regulated by Resolution No. 1,146/04 issued on November 9, 2004 and Resolution No. 882/05 issued by the Argentine Secretariat of Energy). According to Executive Decree No. 180/04, all daily spot sales of natural gas must be traded within the MEG.

In January 2004, Executive Decree No. 181/04 authorized the Argentine Secretariat of Energy to negotiate with natural gas producers a pricing mechanism for natural gas supplied to industries and electric generation companies. Domestic market prices at the retail market level were excluded from these negotiations.

On June 14, 2007, Resolution No. 599/07 of the Argentine Secretariat of Energy approved a proposal of agreement with natural gas producers regarding the supply of natural gas to the domestic market during the period 2007 through 2011 (the *Propuesta de Acuerdo*, or Agreement 2007-2011), giving such producers a five-business-day term to enter into the Agreement 2007-2011. If within that term, the Agreement 2007-2011 was not executed by a sufficient number of producers to make it viable, the Argentine Secretariat of Energy would disregard the Agreement and enact the Procedures for Complementary Supply of the Internal Market 2007-2011 (*Procedimientos de Abastecimiento Complementario al Mercado Interno 2007-2011*) (not described in Resolution No. 599/07). We executed the agreement taking into account that natural gas exports and certain domestic sales of producers that do not enter into the Agreement 2007-2011 are to be called upon first in order to satisfy domestic demand, before the export sales of the producers that have signed the Agreement 2007-2011 are affected. While producers are authorized to withdraw from the Agreement 2007-2011 under its terms, if they do so such producers will be treated as any producer that has not entered into the Agreement 2007-2011 in the first place. On January 5, 2012, the Official Gazette published Resolution S.E. No. 172, which temporarily extends the assignment rules and other criteria established by Resolution No. 599/07 until new legislation is passed replacing such rules and criteria.

[Back to Contents](#)

On February 17, 2012, we filed a motion for reconsideration of Resolution S.E. No. 172 with the Argentine Secretariat of Energy.

The purpose of the Agreement 2007-2011 is to guarantee the supply of the domestic market demand at the levels registered in 2006, plus the growth in demand by residential and small commercial customers (the agreed demand levels). Producers that have entered into the Agreement 2007-2011 would commit to supply a part of the agreed demand levels according to certain shares determined for each producer based upon its share of production for the 36 months prior to April 2004. For this period, our share of production was approximately 36.5%, or 36.8 mmcm/d (or 1,300 mmcf/d). The Agreement 2007-2011 also provides guidelines for the terms of supply agreements for each market segment, and certain pricing limitations for each market segment of the agreed demand levels. In order to guarantee any domestic market demand of natural gas in excess of the agreed demand levels, Resolution S.E. No. 599/07 maintains the effectiveness of the Resolutions that implemented the curtailment of natural gas export commitments and the re-routing of such natural gas volumes to certain sectors of the domestic market. See Natural gas export restrictions and domestic supply priorities. The Resolution also states that the Agreement 2007-2011 does not prevent the possible suspension or termination of export permits.

We were compelled to execute the Agreement 2007-2011, among other reasons, in order to mitigate our potential damages. Producers failing to sign the Agreement 2007-2011 could be penalized and subject to other unfavorable measures by regulatory authorities. However, we expressly stated that the execution of the Agreement 2007-2011 did not entail any recognition by us of the validity of the terms and conditions of the various Resolutions of the Argentine Secretariat of Energy establishing programs for the curtailment or re-routing of exports to satisfy domestic demand. We challenged Resolution No. 599/07 and stated that we signed the Agreement 2007-2011 taking into account the potential consequences of not doing so.

The Argentine Secretariat of Energy created, by its Resolution No. 24/08 issued on March 13, 2008, a program named Gas Plus to encourage natural gas production resulting from new reserves discoveries, new fields and tight gas, among other factors. The natural gas produced under the Gas Plus program will not be subject to the Agreement 2007-2011 and will not be subject to the price conditions established under such Agreement.

The Argentine Secretariat of Energy, through Resolution No. 1031/08 issued on September 12, 2008, modified Resolution No. 24/07, establishing the specific conditions petitioners must meet in order to qualify for the Gas Plus program. Certain of such conditions were modified by Resolution No. 695/09 of the Argentine Secretariat of Energy, which demands compliance with commitments already assumed.

The Argentine Secretariat of Energy, through Resolution No. 1070/08 issued on October 1, 2008, ratified the complementary agreement entered into between Argentine natural gas producers and the Argentine Secretariat of Energy on September 19, 2008 (the Complementary Agreement), which (i) modified gas prices at the wellhead and segmented the residential sector in terms of natural gas demand, and (ii) established the requirement that natural gas producers contribute to the fiduciary fund created by Law No. 26,020. The Complementary Agreement also contains certain requirements concerning the provision of LPG to the domestic market. See Liquefied Petroleum Gas. Through Resolution No. 1417/08, the Secretariat of Energy determined the basin prices for the residential segment applicable to the producers that signed the Complementary Agreement. On January 13, 2010, the natural gas producers signed an addendum to the Complementary Agreement which extended the commitment to contribute to the fiduciary funds created by Law No. 26,020 until December 31, 2010. On January 25, 2011, the natural gas producers signed a second addendum to the Complementary Agreement which extended such commitment until December 31, 2011.

On March 19, 2012, the Official Gazette published Resolution SE No. 55/2012 of the Secretariat of Energy, which extended the Complementary Agreement for 2012 and established the following with respect to non-signing parties: (i) the natural gas price increase established by the Complementary Agreement will not be applicable to natural gas injected into the gas system by non-signing parties; (ii) natural gas injected by non-signing parties will be consumed first in the order of priority by residential users, which tariffs are in the lowest range; and (iii) non-signing parties must fulfill all of the commitments undertaken by natural gas producers under the Agreement 2007-2011, which was extended by Resolution S.E. No. 172. On April 19, 2012, YPF signed the 2012 extension of the Complementary Agreement.

[Back to Contents](#)

On March 23, 2012, Resolution SE No. 55/2012 was supplemented by Resolution ENARGAS No. 2087/2012, which sets forth, among others, the procedure that distribution companies should follow to secure amounts to be deposited with the fiduciary fund created by Law No. 26,020. Additionally, according to this resolution, producers which have not signed the 2012 extension of the Complementary Agreement are not allowed to charge the well-head price increases for gas set forth in Resolutions SE No. 1070/2008 and 1417/2008 to consumers directly supplied by distribution companies. Thus, such non-signing producers have to invoice the lower prices which were in effect prior to the adoption of these resolutions for the gas supplied to the distribution companies.

Executive Decree No. 2067/08 of December 3, 2008, created a fiduciary fund to finance natural gas imports destined for injection into the national pipeline system, when required to satisfy the internal demand. The fiduciary fund is funded through the following mechanisms: (i) various tariff charges which are paid by users of regular transport and distribution services, gas consumers that receive gas directly from producers and companies that process natural gas; (ii) special credit programs that may be arranged with domestic or international organizations; and (iii) specific contributions assessed by the Argentine Secretariat of Energy on participants in the natural gas industry. This decree has been subject to different judicial claims and judges throughout the country have issued precautionary measures suspending its effects. On November 8, 2011, ENARGAS published Resolution No. 1982/11, which supplements Decree No. 2067/08. This Resolution adjusts the tariff charges established by Executive Decree No. 2067/08 to be paid by users in the residential segment and gas processing and electric power companies, among others, starting December 1, 2011. On November 24, 2011, ENARGAS issued Resolution No. 1991/11, which extends the type of users that will be required to pay tariff charges. YPF has challenged these Resolutions. On April 13, 2012, a precautionary measure was granted regarding the processing plant El Porton, suspending the effects of these Resolutions with respect to such plant.

On July 17, 2009, the Ministry of Federal Planning, Public Investment and Services and certain natural gas producers (including YPF) signed an agreement which sets forth: (i) natural gas prices at the wellhead for the electric power generators segment from July to December 2009, and (ii) amounts to be received by natural gas producers for volumes sold to the residential segment from August 2009 onwards. These amounts are adjusted on a monthly basis so that they represent 50% of the amount collected by the fiduciary fund to finance natural gas imports.

On October 4, 2010, the Official Gazette published ENARGAS Resolution No. 1410/10, which approves the *Procedimiento para Solicitudes, Confirmaciones y Control de Gas* setting new rules for natural gas dispatch applicable to all participants in the gas industry and imposing the following new and more severe priority demand gas restrictions on producers:

Distributors remain able to solicit all the gas necessary to cover the priority demand despite such gas volumes exceeding those that the Argentine Secretariat of Energy would have allocated by virtue of the Agreement 2007-2011 ratified by the Resolution No. 599/07. See Exploration and Production Delivery commitments .

Producers are obligated to confirm all the natural gas requested by distributors in respect of the priority demand. The producers' portion of such volumes follow the allocation criterion established by the Resolution No. 599/07. We cannot predict the amount of the estimated domestic demand that a producer may be required to satisfy regardless of whether such producer signed the Agreement 2007-2011.

Once the priority demand has been satisfied, the remaining demands are fulfilled with exports last in order of priority.

In the event a producer is unable to meet the requested demand, transporters are responsible for redirecting gas until a distributor's gas demand is met. The gas deficiency is either (i) deducted from the producer suffering the deficiency if it is able to meet the demands of its other clients in the same basin or (ii) recuperated from the remainder of the gas producers in the event the deficient producer is not able to serve any of its clients in the same basin.

As a result, this regime imposes a jointly liable supply obligation on all producers in the event any producer experiences a gas supply deficiency. We have challenged the validity of the aforementioned regulation.

[Back to Contents](#)

On December 17, 2010 certain natural gas producers (including YPF) signed an agreement which set forth the percentage of regasified LNG assigned to each natural gas producer for 2011. Amounts produced under this agreement were counted towards such producers' commitments to supply natural gas to distributors under Resolution No. 599/07. As of the date of this annual report, a similar agreement has not been entered into for 2012.

Natural gas export administration and domestic supply priorities

In March 2004, the Argentine Secretariat of Energy issued Resolution S.E. No. 265/04 adopting measures intended to ensure the adequate supply of natural gas to the domestic market and regulate its consequences on electricity wholesale prices. Among the measures adopted were:

the suspension of all exports of surpluses of natural gas;

the suspension of automatic approvals of requests to export natural gas;

the suspension of all applications for new authorizations to export natural gas filed or to be filed before the Argentine Secretariat of Energy; and

the authorization to the Undersecretariat of Fuels to create a rationalization plan of gas exports and transportation capacity.

In March 2004, the Undersecretariat of Fuels, pursuant to the authority given to it under Resolution S.E. No. 265/04, issued Regulation S.S.C. No. 27/04 establishing a rationalization plan of gas exports and transportation capacity. Among other things, Regulation No. 27/04 established a limit on natural gas export authorizations, which, absent an express authorization by the Undersecretariat of Fuels, may not be executed for volumes exceeding exports registered during 2003.

In June 2004, the Argentine Secretariat of Energy issued Resolution S.E. No. 659/04, which established a new program to assure natural gas supply to the domestic market (which substitutes for the program created by Regulation No. S.S.C. 27/04). Under Resolution S.E. No. 659/04 (amended by Resolution S.E. No. 1,681/04), natural gas exports may be restricted due to shortages of natural gas in the domestic market, because exporting producers may be required to supply additional volumes of natural gas to the domestic market beyond those that they are contractually committed to supply. The export of natural gas under current export permits is conditioned on the fulfillment of additional supply requirements imposed on exporting producers by governmental authorities.

This program was further amended and supplemented by Resolution S.E. No. 752/05 issued by the Argentine Secretariat of Energy in May 2005, which further reduced the ability of producers to export natural gas, and created a mechanism under which the Argentine Secretariat of Energy may require exporting producers to supply additional volumes to domestic consumers during a seasonal period (Permanent Additional Supply), which volumes of natural gas are also not committed by the exporting producers. Based on the provisions of Rule No. 27/04, Resolution S.E. No. 659/04 and Resolution S.E. No. 752/05, the Argentine Secretariat of Energy and/or the Undersecretariat of Fuels have instructed us to re-direct natural gas export volumes to the internal market, thereby affecting natural gas export commitments. We have challenged the validity of the aforementioned regulations and resolutions, and have invoked the occurrence of a *force majeure* event under the corresponding natural gas export purchase and sale agreements. The counterparties to such agreements have rejected our position. See Item 8. Financial Information - Legal Proceedings.

Resolution S.E. No. 752/05 also establishes (i) a special market, open and anonymous, for compressed natural gas stations to purchase natural gas under regulated commercial conditions, with the demand being ensured by the Argentine Secretariat of Energy through Permanent Additional Supply required of exporting producers, and (ii) a mechanism of standardized irrevocable offers for electric power generators and industrial and commercial consumers to obtain supply of natural gas, with the demand being ensured by the Argentine Secretariat of Energy through the issuance of the Permanent Additional Supply mentioned above.

Pursuant to the standardized irrevocable offers procedure mentioned above, which operates at the MEG, any direct consumer may bid for a term gas purchase at the export average gas price net of withholdings by basin. The volume necessary to satisfy the standardized irrevocable offers which have not been satisfied will be required as a

[Back to Contents](#)

Permanent Additional Supply only until the end of the seasonal period during which the unsatisfied requests should be made (October - April or May - September). Such Permanent Additional Supply will be requested from the producers that export gas and that inject the natural gas from the basins that are able to supply those unsatisfied irrevocable offers. Resolution of the Argentine Secretariat of Energy S.E. No. 1886/06, published on January 4, 2007, extended the term of effectiveness of this mechanism of standardized irrevocable offers until 2016, and empowered the Undersecretariat of Fuels to suspend its effectiveness subject to the satisfaction of internal demand of natural gas achieved by means of regulations, agreements or due to the discovery of reserves.

By means of Resolution S.E. No. 1329/06, later supplemented by Note SSC No. 1011/07, the Argentine Secretariat of Energy forced producers to give first priority in their injections of natural gas into the gas pipelines to certain preferential consumers and obligates transportation companies to guarantee these priorities through the allocation of transportation capacity. In general, these regulations subordinate all exports of natural gas to the prior delivery of natural gas volumes that are sufficient to satisfy domestic market demand.

Also, beginning during the severe Argentine winter in 2007 and continuing thereafter, we and most of gas producers as well as the transportation companies in Argentina received instructions from the government to decrease exports, except for certain volumes addressed to satisfy Chilean residential consumptions and other specific consumptions.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Liquefied petroleum gas

Law No. 26,020 enacted on March 9, 2005 sets forth the regulatory framework for the industry and commercialization of LPG. This law regulates the activities of production, bottling, transportation, storage, distribution, and commercialization of LPG in Argentina and declares such activities to be of public interest. Among other things, the law:

creates the registry of LPG bottlers, obliging LPG bottlers to register the bottles of their property;

protects the trademarks of LPG bottlers;

creates a reference price system, pursuant to which, the Argentine Secretariat of Energy shall periodically publish reference prices for LPG sold in bottles of 45 kilograms or less;

required the Argentine Secretariat of Energy to comply with the following tasks: (i) create LPG transfer mechanisms, in order to guarantee access to the product to all the agents of the supply chain; (ii) establish mechanisms for the stabilization of LPG prices charged to local LPG bottlers; and (iii) together with the CNDC, analyze the composition of the LPG market and its behavior, in order to establish limitations on market concentration in each phase, or limitations to the vertical integration throughout the chain of the LPG industry (such limitations apply to affiliates, subsidiaries and controlled companies);

grants open access to LPG storage facilities; and

creates a fiduciary fund to finance bottled LPG consumption for low-income communities in Argentina and the extension of the natural gas distribution network to new areas, where technically possible and economically feasible. The fiduciary fund is funded through the following mechanisms: (i) penalties established by Law No. 26,020, (ii) assignments from the General State Budget, (iii) funds from special credit programs that may be arranged with national or international institutions, and (iv) funds that may be assessed by the Argentine Secretariat of Energy on participants in the LPG industry.

The Argentine Secretariat of Energy established, through several subsequent resolutions, reference prices applicable to sales of LPG bottles of less than 45 kilograms, and to sales of bulk LPG exclusively to LPG bottlers. Also, the Argentine Secretariat of Energy approved the method for calculating the LPG export parity to be updated monthly by the Undersecretariat of Fuels. In 2007, the Argentine Secretariat of Energy increased the LPG volumes to be sold to bottlers at the reference prices set forth in the above-mentioned resolutions.

[Back to Contents](#)

Disposition 168/05 of the Undersecretariat of Fuels requires companies intending to export LPG to first obtain an authorization from the Argentine Secretariat of Energy. Companies seeking to export LPG must first demonstrate that the local demand is satisfied or that an offer to sell LPG to local demand has been made and rejected.

On September 19, 2008, the Secretariat of Energy and Argentine LPG producers entered into the Complementary Agreement which, among other objectives, seeks to stabilize the price of LPG in the domestic market. The Complementary Agreement applies only to LPG sold to bottlers that declare their intention to bottle such LPG in LPG bottles of 10, 12 or 15 kilograms. The Complementary Agreement requires LPG producers to supply LPG bottlers with the same volume of LPG supplied the prior year and to accept the price per ton set forth in the Complementary Agreement. The Complementary Agreement was extended until December 31, 2010, pursuant to an addendum entered into on October 23, 2009 by YPF and Repsol YPF Gas S.A., which required LPG producers to supply LPG bottlers in 2010 with the same volume provided during 2009 plus an additional 5%.

On December 29, 2010, LPG producers signed a second addendum to the Complementary Agreement which extended the Complementary Agreement until December 31, 2011 and required LPG producers to supply LPG bottlers in 2011 with the same volume provided during 2010.

On March 16, 2012, the Official Gazette published Resolution No. 77 of the Argentine Secretariat of Energy, which ratifies the execution of the extension of the Complementary Agreement for 2012 regarding the provision of LPG bottles of 10, 12 and 15 kilograms for residential users. This Resolution also provides that all LPG producers, whether they are parties or not to the Complementary Agreement, must provide the volumes of LPG to be determined by the Argentine Secretariat of Energy at the reference prices established in the Complementary Agreement. The failure to comply with such obligations may result in the application of the penalties established in the Resolution, including the prohibition to export LPG and the limitation of LPG sales in the domestic market. On April 19, 2012, YPF signed the 2012 extension of the Complementary Agreement.

As of the date of this annual report, it is unclear what effect, if any, the Expropriation Law will have on the laws and regulations summarized above. See The Expropriation Law.

Argentine Environmental Regulations

The enactment of Articles 41 and 43 in the National Constitution, as amended in 1994, as well as new federal, provincial and municipal legislation, has strengthened the legal framework dealing with damage to the environment. Legislative and government agencies have become more vigilant in enforcing the laws and regulations regarding the environment, increasing sanctions for environmental violations.

Under the amended Articles 41 and 43 of the National Constitution, all Argentine inhabitants have both the right to an undamaged environment and a duty to protect it. The primary obligation of any person held liable for environmental damage is to rectify such damage according to and within the scope of applicable law. The federal government sets forth the minimum standards for the protection of the environment and the provinces and municipalities establish specific standards and implementing regulations.

Federal, provincial and municipal laws and regulations relating to environmental quality in Argentina affect our operations. These laws and regulations set standards for certain aspects of environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish remedial obligations in certain circumstances.

In general, we are subject to the requirements of the following federal environmental regulations (including the regulations issued thereunder):

National Constitution (Articles 41 and 43);

Law No. 25,675 on National Environmental Policy;

Law No. 25,612 on Integrated Management of Industrial and Service Industry Waste;

Law No. 24,051 on Hazardous Waste;

[Back to Contents](#)

Law No. 20,284 on Clean Air;

Law No. 25,688 on Environmental Management of Waters;

Law No. 25,670 on the Management and Elimination of Polychlorinated Biphenyls;

Criminal Code; and

Civil Code, which sets forth the general rules of tort law.

These laws address environmental issues, including limits on the discharge of waste associated with oil and gas operations, investigation and cleanup of hazardous substances, workplace safety and health, natural resource damages claims and toxic tort liabilities. Furthermore, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties in case of non-compliance.

In addition, we are subject to various other provincial and municipal regulations, including those relating to gas venting, oil spills and well abandonment, among other matters.

By Resolution No. 404/94, the Argentine Secretariat of Energy amended Resolution No. 419/93, and created the Registry of Independent Professionals and Safety Auditing Companies (*Registro de Profesionales Independientes y Empresas Auditoras de Seguridad*), which may act with respect to areas of hydrocarbons storage, oil refineries, gas stations, fuel commercialization plants and plants for fractionation of LPG in containers or cylinders. The Resolution provides that external audits of oil refineries, gas stations and all fuel storage plants must be carried out by professionals registered in the Registry. Domestic fuel manufacturing companies and companies that sell fuels are prohibited from supplying these products to any station failing to comply with its obligations. Penalties for failure to perform the audits and remedial or safety tasks include the disqualification of plants or gas stations. In addition, a set of obligations is established in relation to underground fuel storage systems, including a mechanism for instant notification in cases of loss or suspicion of loss from the storage facilities.

On July 19, 2001, the Secretariat of Environmental Policy of the province of Buenos Aires issued Resolution No. 1037/01 ordering us to clean up certain areas adjacent to the La Plata refinery. The resolution was appealed through an administrative procedure which has not yet been resolved. Nevertheless, we have commenced certain works in order to identify potential technical solutions for the treatment of the historical contamination, while reserving that the remediation must be made by the parties responsible for the environmental damage. Under current law, the Argentine government has the obligation to indemnify us against any liability and hold us harmless for events and claims arising prior to January 1, 1991, according to Law No. 24,145.

During 2005, the Argentine Secretariat of Energy, by means of Resolution No. 785/05, created the National Program of Hydrocarbons Warehousing Aerial Tank Loss Control, a measure aimed at reducing and correcting environmental pollution caused by hydrocarbons warehousing-aerial tanks. We have commenced the development and implementation of a technical and environmental audit plan as required by this Resolution.

The above description of the material Argentine environmental regulations is only a summary and does not purport to be a comprehensive description of the Argentine environmental regulatory framework. The summary is based upon Argentine regulations related to environmental issues as in effect on the date of this annual report, and such regulations are subject to change.

U.S. Environmental Regulations

Federal, state and local laws and regulations relating to health, safety and environmental quality in the United States, where YPF Holdings Inc. (YPF Holdings) operates, affect the operations of this subsidiary. YPF Holdings U.S. operations, conducted primarily through Maxus Energy Corporation (Maxus), are subject to the requirements of the following U.S. environmental laws:

Safe Drinking Water Act;

Clean Water Act;

[Back to Contents](#)

Oil Pollution Act;

Clean Air Act;

Resource Conservation and Recovery Act;

National Environmental Policy Act;

Occupational Safety and Health Act;

Comprehensive Environmental Response, Compensation and Liability Act; and

various other federal, state and local laws.

These laws and regulations set various standards for many aspects of health, safety and environmental quality (including limits on discharges associated with oil and gas operations), provide for fines and criminal penalties and other consequences (including limits on operations and loss of applicable permits) for the violation of such standards, establish procedures affecting location of facilities and other operations, and in certain circumstances impose obligations concerning reporting, investigation and remediation, as well as liability for natural resource damages and toxic tort claims.

Taxation

Holders of exploration permits and production concessions are subject to federal, provincial and municipal taxes and regular customs duties on imports. The Hydrocarbons Law grants such holders a legal guarantee against new taxes and certain tax increases at the provincial and municipal levels, except in the case of a general increase in taxes.

Pursuant to Sections 57 and 58 of the Hydrocarbons Law, holders of exploration permits and production concessions must pay an annual surface fee that is based on acreage of each block and which varies depending on the phase of the operation, i.e., exploration or production, and in the case of the former, depending on the relevant period of the exploration permit. On October 17, 2007, the *Official Gazette* published Executive Decree No. 1,454/07, which significantly increased the amount of exploration and production surface fees expressed in Argentine pesos that are payable to the different jurisdictions where the hydrocarbon fields are located. See Exploration and Production.

In addition, net profit (as defined in the Hydrocarbons Law) of holders of permits or concessions accruing from activity as such holders might be subject to the application of a special 55% income tax. This tax has never been applied. Each permit or concession granted to an entity other than us has provided that the holder thereof is subject instead to the general Argentine tax regime, and a decree of the executive branch of the Argentine government provides that we are also subject to the general Argentine tax regime.

Following the introduction of market prices for downstream petroleum products in connection with the deregulation of the petroleum industry, Law No. 23,966 established a volume-based tax on transfers of certain types of fuel, replacing the prior regime, which was based on the regulated price. Law No. 25,745, modified, effective as of August 2003, the mechanism for calculating the tax, replacing the old fixed value per liter according to the type of fuel for a percentage to apply to the sales price, maintaining the old fixed value as the minimum tax.

Export taxes

In 2002, the Argentine government began to implement customs duties on the export of hydrocarbons. Export tax rates were increased on crude oil to 20%, on butane, methane and LPG to 20% and gasoline and diesel fuel to 5%. In May 2004, Resolution No. 337/04 of the Ministry of Economy and Production increased export duties on crude oil to 25%. These export tax rates were increased again in 2004, when the Ministry of Economy and Production issued Resolution No. 532/04, establishing a progressive scheme of export duties for crude oil, with rates ranging from 25% to 45%, depending on the quotation of the WTI reference price at the time of the exportation. In addition, in May 2004, pursuant to Resolution No. 645/04 of the Ministry of Economy and Production, an export duty on natural gas and natural gas liquids was established at a rate of 20%. The export duty on natural

[Back to Contents](#)

gas was increased again in July 2006, when the Ministry of Economy and Production increased the rate to 45% and instructed the Customs General Administration to apply the price fixed by the Framework Agreement between Argentina and Bolivia as the base price to which to apply the new tax rate, irrespective of the actual sales price. In addition, on October 10, 2006, the Ministry of Economy and Production imposed prevalent export duties on exports from the Tierra del Fuego province, which were previously exempted from taxes. Moreover, in May 2007 the Ministry of Economy and Production increased to 25% the export duty on butane, propane and LPG. There can be no assurances as to future levels of export taxes.

Resolution No. 394/07 of the Ministry of Economy and Production, effective as of November 16, 2007, increased export duties on Argentine oil exports (as defined by the regulator) on crude oil and other crude derivatives products. The new regime provides that when the WTI international price exceeds the reference price, which is fixed at U.S.\$60.9/barrel, the producer shall be allowed to collect at U.S.\$42/barrel, with the remainder being withheld by the Argentine government as an export tax. If the WTI international price is under the reference price but over U.S.\$45/barrel, a 45% withholding rate will apply. If such price is under U.S.\$45/barrel, the applicable export tax is to be determined by the Argentine government within a term of 90 business days. Resolution No. 127/08 of the Ministry of Economy and Production increased export duties applicable to natural gas exports from 45% to 100%, mandating a valuation basis for the calculation of the duty as the highest price established in any contract of any Argentine importer for the import of gas (abandoning the previously applicable reference price set by the Framework Agreement between Argentina and Bolivia mentioned above). Resolution No. 127/08 provides with respect to LPG products (including butane, propane and blends thereof) that if the international price of the relevant LPG product, as notified daily by the Argentine Secretariat of Energy, is under the reference price established for such product in the Resolution (U.S.\$338/m³ for propane, U.S.\$393/m³ for butane and U.S.\$363/m³ for blends of the two), the applicable export duty for such product will be 45%. If the international price exceeds the reference price, the producer shall be allowed to collect the maximum amount established by the Resolution for the relevant product (U.S.\$233/m³ for propane, U.S.\$271/m³ for butane and U.S.\$250/m³ for blends of the two), with the remainder being withheld by the Argentine government as an export tax.

In addition, the calculation procedure described above also applies to other petroleum products and lubricants based upon different withholding rates, reference prices and prices allowed to producers. See Market Regulation.

Repatriation of Foreign Currency

Executive Decree No. 1,589/89, relating to the deregulation of the upstream oil industry, allowed us and other companies engaged in oil and gas production activities in Argentina to freely sell and dispose of the hydrocarbons we produce. Additionally, under Decree No. 1,589/89, we and other oil producers were entitled to keep out of Argentina up to 70% of foreign currency proceeds we receive from crude oil and gas export sales, but are required to repatriate the remaining 30% through the exchange markets of Argentina.

In July 2002, Argentina's Attorney General issued an opinion (Dictamen No. 235) which would have effectively required us to liquidate 100% of our export receivables in Argentina, instead of the 30% provided in Decree No. 1,589/89 based on the assumption that Decree No. 1,589/89 had been superseded by other decrees (Decree No. 530/91 and 1,606/01) issued by the government. Subsequent to this opinion, however, the government issued Decree No. 1,912/02 ordering the Central Bank to apply the 70%/30% regime set out in Decree No. 1,589/89. Nevertheless, the uncertainty generated by the opinion of Argentina's Attorney General resulted in a legal proceeding described under Item 8. Financial Information Legal proceedings Argentina Non-accrued, remote contingencies Proceedings related to foreign currency proceeds .

Decree No. 1722/2011, of October 26, 2011, reestablishes Decree No. 2581/64 and requires all oil and gas companies (including YPF), among other entities, to repatriate 100% of their foreign currency export receivables.

ITEM 4A. Unresolved Staff Comments.

YPF does not have any unresolved Staff comments.

[Back to Contents](#)

ITEM 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with our Audited Consolidated Financial Statements included in this annual report.

Overview

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 liquefied petroleum gas. 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 2011, we had consolidated net sales of Ps.56,697 million (U.S.\$13,185 million) and consolidated net income of Ps.5,296 million (U.S.\$1,232 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 and until the passage of the Expropriation Law (Law No. 26,741), we were controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. Repsol YPF owned approximately 99% of our capital stock from 2000 until 2008, when the Petersen Group purchased, in different stages, shares representing 15.46% of our capital stock. In addition, Repsol YPF granted certain affiliates of Petersen Energía an option to purchase up to an additional 10% of our outstanding capital stock, which was exercised in May 2011.

On May 3, 2012, the Argentine Congress passed the Expropriation Law. Among other matters, the Expropriation Law provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The expropriated shares, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. As of the date of this annual report, the transfer of the expropriated shares between National Executive Office and the provinces that compose the National Organization of Hydrocarbon Producing States is still pending. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law. Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law and Item 7. Major Shareholders and Related Party Transactions.

Furthermore, on April 16, 2012, the Company was notified, through a notarial certification, of Decree No. 530/12 of the National Executive Power, which provides for the Intervention of YPF for a period of thirty (30) days (which is expected to be extended up to our next Shareholders meeting to be held on June 4, 2012), with the aim of securing the continuity of its business and the preservation of its assets and capital, securing fuel provision and the satisfaction of the country's needs, and guaranteeing that the goals of the Expropriation Law, are met. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. In accordance with Article 3 of Decree No. 530/2012, the powers conferred by YPF's bylaws on the Board and/or the President of the Company have been temporarily granted to the Intervenor. On May 7, 2012, through Decree No. 676/2012 of the National Executive Power, Mr. Miguel Matias Galuccio was appointed General Manager of the Company during the Intervention. Our next general shareholders' meeting, expected to be held on

[Back to Contents](#)

June 4, 2012, will appoint the new members of our Board of Directors. See Item 6. Directors, Senior Management and Employees Management of the Company under the Intervention. Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company. Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

The information contained in this annual report for the three years ended December 31, 2011 has been derived from our Audited Consolidated Financial Statements, which were approved by our Board of Directors on March 21, 2012, despite the fact that our Class A shareholder, the Argentine federal government, voted against such financial statements. Following the passage of the Expropriation Law, the Argentine federal government has taken control over the Company (see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law) and the shareholders meeting which had been called to approve our Audited Consolidated Financial Statements has been postponed until further notice. In furtherance of Decree No. 530/12, the Intervenor has approved the preparation and filing of this annual report with the aim of securing the continuity of the Company's business and the preservation of its assets and capital based on the Audited Consolidated Financial Statements and internal reports existing as of the date prior to the Intervention, whose content has been ratified exclusively by the Company's business areas and departments as of the date of this annual report.

In addition, certain of our concessions in Argentina have recently been revoked by the relevant authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. See Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions and Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claims. Depending on the outcome of the legal action brought by YPF to challenge these revocations and the negotiations initiated by the Intervenor and its delegates with the relevant provincial authorities, our past performance may not be indicative of future trends or results of the Company and the reserves and production amounts set forth in this annual report could be substantially reduced.

Upstream Operations

As of December 31, 2011, we held 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 2011, according to information provided by the Argentine Secretariat of Energy.

We had proved reserves, as estimated as of December 31, 2011, of approximately 585 mmbbl of oil, including condensates and natural gas liquids, and approximately 2,361 bcf of gas, representing aggregate reserves of approximately 1,004 mmboe.

In 2011, we produced approximately 100 mmbbl of oil (274 mbbbl/d), including condensates and natural gas liquids, and approximately 441 bcf of gas (1,208 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 mbbbl/d). We also have a 50% interest in Refinor, an entity jointly controlled with and operated by Petrobras Energía S.A., which has a refining capacity of 26.1 mbbbl/d.

Our retail distribution network for automotive petroleum products as of December 31, 2011 consisted of 1,557 YPF-branded service stations, and we estimate we held approximately 31% of all gasoline 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, a company that we jointly control with Agrium, is one of the leading producers of urea in the Southern Cone.

Presentation of Financial Information

We prepare our audited consolidated financial statements in accordance with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. Notes 12, 13 and 14 to the Audited Consolidated 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.

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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.

[Back to Contents](#)

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 14.4% in 2007, 8.8% in 2008, 10.0% in 2009, 14.6% in 2010 and, according to preliminary data, 12.7% in 2011. 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 annual 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 (FACPCE) approved Technical Resolution No. 26 on the Adoption of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). Such resolution was approved by the CNV through General Resolution No. 562/09 on December 29, 2009 (modified by General Resolution No. 576/10 on July 1, 2010), with respect to certain publicly-traded entities subject to Law No. 17,811. Compliance with such rules is mandatory for YPF for the fiscal year beginning on January 1, 2012, with transition date of January 1, 2011. Disclosures concerning the transition from Argentine GAAP to IFRS are provided in Note 16 to our Audited Consolidated Financial Statements.

Finally, certain oil and gas disclosures are included in this annual report under the heading [Supplemental information on oil and gas producing activities](#) (unaudited).

Segment Reporting

We report our business into the following 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 intersegment sales of crude oil, natural gas and its byproducts and to a lesser extent electric power generation ([Exploration and Production](#)); (ii) the production, transport and marketing of crude oil that we sell to third parties and of refined products that we sell to third parties and other segments of our business ([Refining and Marketing](#)); and (iii) the production, transport and marketing of petrochemical products ([Chemicals](#)). Other activities not falling into the previously described categories are reported under a separate segment ([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.

Summarized Income Statement

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of pesos)		
Net sales	56,697	44,162	34,320
Cost of sales	(41,932)	(29,899)	(23,177)
Gross profit	14,765	14,263	11,143
Administrative expenses	(1,905)	(1,429)	(1,102)
Selling expenses	(3,723)	(3,015)	(2,490)
Exploration expenses	(574)	(344)	(552)
Operating income	8,563	9,475	6,999
Income (Loss) on long-term investments	92	79	(9)
(Expense)/Other income, net	(62)	(155)	159
Financial/(loss) income, net and holding gains	(347)	(379)	(1,242)
Net income before income tax	8,246	9,020	5,907
Income tax	(2,950)	(3,230)	(2,218)

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Net income	5,296	5,790	3,689
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[Back to Contents](#)

Factors Affecting Our Operations

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

the revocation of our concessions;

changes in our management and in our business strategy, including as a result of the implementation of the Expropriation Law;

the volume of crude oil, oil byproducts and natural gas we produce and sell;

regulation on domestic pricing;

export restrictions and domestic supply requirements;

international prices of crude oil and oil products;

our capital expenditures;

cost increases;

domestic market demand for hydrocarbon products;

operational risks, labor strikes and other forms of public protest 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, such as import restrictions; and

interest rates.

Our business is inherently volatile due to the influence of exogenous factors such as internal demand, market prices, and government regulations. In addition, following the Expropriation Law (see Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law) and the revocation of certain of our concessions (see Item 3. Key Information Risk Factors Risks Relating to Argentina Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions), our past financial condition, results of operations and the trends indicated by said results and financial condition may not be indicative of future financial condition, results of operations or trends in future periods. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

Our operating income in 2011 decreased by approximately 9.6% compared to 2010. This decrease was attributable to, among other things, the increased depreciation of fixed assets, increased royalties (driven mainly by the higher prices of crude oil at the wellhead), higher cost of sales as well as generalized cost increases, mainly

[Back to Contents](#)

preservation, repair and maintenance costs, salaries and social security costs and costs of services rendered by third parties. This increase in costs is attributable mainly to our increased activity and the upward price pressure in Argentina. Additionally, operating income was adversely affected by the temporary suspension of the Petroleum Plus program, whose effects extend, retroactively, to benefits accrued and not yet redeemed by YPF at the time of such suspension, which amounted to Ps.273 million, net of the related income tax effect. The impact of these developments was partially offset by the increase in volumes sold of our premium line products and to the adjustment of sale prices in the domestic market, as well as a result of the increase in the average international market price of crude oil, which affects the average price of certain products sold in the domestic market, such as fuel oil, jet fuel, and certain chemicals, which generally track international prices. Starting in 2012, jet fuel prices will be affected by Resolution No. 17/2012 of the Secretariat of Domestic Commerce. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government.

Our operating income in 2010 increased approximately by 35% compared to 2009. This increase was attributable to, among other things, the increase in the volumes sold of our premium line products and to the adjustment of sale prices in the domestic market, as well as a result of the increase in the average international market price of WTI. Commodity prices were strongly affected during 2009, with the average price of WTI approximately 29% lower than in 2010 and, as a result, the average price of certain products sold in the domestic market, such as fuel oil, jet fuel, and certain chemicals, which generally track international prices, were sold at higher prices in 2010. The impact of higher net sales was partially offset by increased depreciation of fixed assets and a higher cost of sales caused mainly by upward price pressure.

Macroeconomic conditions

The Argentine economy has experienced significant volatility in past 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, favorable raw material prices from 2003 through the first half of 2008 and the implementation of new macroeconomic policies 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 real GDP growth rate decelerated in 2009 to 0.9%, but recovered in 2010 and 2011 growing by approximately 9% each year, according to preliminary data. According to the Argentine Central Bank's December 2011 projections, the Argentine economy is expected to grow by 6% in 2012.

During 2011, the global economy continued to be affected by uncertainty regarding its recovery from the recession. Sizable fiscal and current account imbalances, as well as significant indebtedness in several euro area countries continued to hold back recovery in those economies, with potentially negative spillover effects for the rest of Europe. According to IMF's estimates, in 2011, global economic growth reached 3.8%, although the rate of growth or, in some cases, contraction, varied significantly from region to region. Additionally, according to the IMF, global output is projected to expand by approximately 3.3% in 2012; this expansion is mainly hindered by the euro area economy, which is expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation.

[Back to Contents](#)

According to IMF's estimates, growth in emerging and developing economies is also expected to slow down during 2012, mainly because of the worsening external environment and a weakening of internal demand. Inflation pressures are expected to ease as a result of a decrease in demand and commodity prices; however, inflation is also expected to remain persistent in some regions.

Despite this weak economic outlook, oil prices have increased during 2011. Following signs of recovery in 2010, oil prices responded strongly to signs of a demand rebound in China. More recently, uncertainty about the global economy brought by instability in several Middle East and African countries and the effects of natural disasters in Japan, led to significant volatility in oil prices. In addition, prices have received upward pressure as a result of the reduction of inventories in the United States and geopolitical risks in the principal oil producing countries. Consequently, the Brent reached U.S.\$108.09 at December 31, 2011, compared to U.S.\$95.8 at the end of 2010.

In Argentina, domestic fuel prices have increased over the past four years, but have not kept pace with either increases or decreases in international market prices for petroleum products due to the characteristics of, and regulations affecting the Argentine market. Nonetheless, the gap between domestic and international prices for certain products has narrowed as a result of the increase in domestic fuel prices.

In 2005, Argentina successfully completed the restructuring of a substantial portion of its bond indebtedness and settled all of its debt with the IMF. Additionally, in June 2010, Argentina completed the renegotiation of approximately 67% of defaulted bonds that were not swapped in 2005. As a result of the 2005 and 2010 debt swaps, approximately 91% of the country's bond indebtedness on which Argentina defaulted in 2002 has now been restructured. Currently, Standard & Poor's (S&P) credit rating for Argentina's sovereign debt is B-, with a stable outlook since October 2008, while Moody's, which rates Argentina's sovereign debt at B3, has maintained its credit watch of Argentina as stable since August 2008.

Between 2004 and 2008, Argentina recorded consolidated primary budget surpluses of over 3% at both national and provincial levels according to INDEC. The consolidated primary surplus fell to 1.36% through 2009 owing to a general slowdown in economic activity before recovering to 2.3% in 2010, when government fiscal revenues outpaced growth in public expenditure, according to the Argentine Central Bank. During 2011, public revenues and expenses grew at an average rate of 32% and 25%, respectively, compared to 2010. Consequently, according to preliminary data, the consolidated primary budget is estimated to remain positive for 2011. In 2012, national tax revenues are expected to continue to grow in line with the expected evolution of economic activity and trade flows, and primary expenditures are expected to slow their rate of expansion, mainly due to the partial and gradual elimination of subsidies. As a result, the consolidated primary budget surplus is expected to improve in 2012.

The annual wholesale price index, according to the INDEC, increased by 14.6% in 2007, 8.8% in 2008, 10.0% in 2009, 14.6% in 2010 and, based on preliminary data, 12.7% in 2011.

After a decline in trade in 2009, caused mainly by lower commodity prices and the effects of a severe drought, both exports and imports increased during 2010 and 2011. Industrial goods exports (in particular, related to the automotive industry) as well as agricultural exports boosted exports, while imports increased even further than exports, mainly as a result of increased economic activity, which resulted in higher demand for fuel, consumer and intermediate goods, and capital assets, according to the Argentine Central Bank. As a result, the Argentine trade balance remained in surplus, although to a lesser degree than in previous years, reaching approximately U.S.\$10.3 billion.

According to the INDEC, 7.2% of the active population was unemployed in the third quarter of 2011, 0.3 percentage points lower than the 7.5% rate in the third quarter of 2010.

The Argentine Central Bank reserves decreased by over U.S.\$6 billion in 2011 to approximately U.S.\$46 billion at the end of 2011, mainly as a result of the withdrawal of reserves to support payments to sovereign multilateral lenders and bondholders totaling U.S.\$9.6 billion. The exchange rate of the Argentine peso against the U.S. dollar as of December 31, 2011 was Ps.4.30/U.S.\$1.00, reflecting peso depreciation of approximately 8% compared to December 31, 2010.

[Back to Contents](#)

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. Key Information Risk Factors Risks Relating to Argentina.

Energy consumption in Argentina has increased significantly since 2003. It must be noted, however, that in November 2011, the Government ordered the removal of certain subsidies to gas, water and electricity consumption which benefitted companies in certain sectors, country clubs and neighborhoods with certain levels of prosperity. Continued growth in demand has led to fuel shortages and power outages, prompting the Argentine government to take additional measures to assure domestic supply. At the same time, growth in the production of certain hydrocarbon products has slowed, and in the case of crude oil production has recently declined, due to Argentina's maturing oil and gas fields. As a result of this increasing demand and actions taken by the Argentine regulatory authorities to prioritize domestic supply, exported volumes of hydrocarbon products, especially natural gas, declined steadily over this period. At the same time, Argentina has increased its hydrocarbon imports.

The table below shows Argentina's total sales, production, exports and imports of crude oil, diesel and gasoline products for the periods indicated.

	Year ended December 31,		
	2011	2010	2009
Crude Oil in Argentina			
Production (mmbbl)	208.9	222.4	227.4
Exports (mmbbl)	21.7	33.1	38.3
Imports (mmbbl)			
Diesel in Argentina			
Sales (mcm) ⁽¹⁾	14,680.2	14,121.2	13,524.0
Production (mcm)	12,091.5	12,235.2	12,009.1
Exports (mcm)			
Imports (mcm)	1,994.8	1,465.9	544.6
Gasoline in Argentina			
Sales (mcm) ⁽¹⁾	7,320.2	6,440.2	6,203.1
Production (mcm)	6,853.6	6,149.9	6,035.2
Exports (mcm)	1.3	15.0	80.4
Imports (mcm)	143.0	140.2	85.8

(1) Includes domestic market sales.

Sources:

Argentine

Secretariat

of Energy.

Revocation of concessions in Argentina

Certain provinces in Argentina have recently requested YPF to submit statements of discharge in relation to the Company's alleged breach of its investment obligations with respect to certain concessions. As of the date of this annual report, certain of these concessions have been revoked by the relevant authorities while the revocation of other concessions is currently being evaluated by the relevant authorities. Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions revoked in 2012 totaled approximately Ps.283 million as of December 31, 2011 (0.51% of our total assets as of such date), had a production of approximately 13.5 mmboe in 2011 (7.6% of our production in 2011) and had proved reserves totaling approximately 88.3 mmboe as of December 31, 2011 (8.8% of our total proved reserves as of such date). Assets (net of deferred income tax liabilities and asset retirement obligations) related to the concessions whose revocation is currently being evaluated by the relevant authorities totaled approximately Ps.3,654 million as of December 31, 2011 (6.6% of our total assets as of such date), had a production of approximately 22.9 mmboe in 2011 (12.87% of our production in 2011) and had proved reserves totaling approximately 129.7 mmboe as of December 31, 2011 (12.92% of our total proved reserves as of such date). In addition, prior to the passage of the Expropriation Law, the provincial government of Santa Cruz stated that it may withdraw additional of the Company's concessions. The

Company has initiated legal action to challenge these revocations. In addition, following the passage of the Expropriation Law, the Intervenor and its

[Back to Contents](#)

delegates have initiated negotiations with the relevant provincial authorities so that the revocations and intimations referred to above are withdrawn. The governors of certain of these provinces have publicly manifested that they will reconsider the matter in view of the stated objectives of the Intervention and the Expropriation Law. However, as of the date of this annual report, we have not been notified of the withdrawal of any of these revocations or intimations. See [Item 8. Legal Proceedings Argentina Non-accrued, possible contingencies Concessions on Hydrocarbon zones Provincial claim](#). Depending on the outcome of the legal action brought by YPF to challenge these revocations and the negotiations initiated by the Intervenor and its delegates with the relevant provincial authorities, our past performance may not be indicative of future trends or results of the Company and the reserves and production amounts set forth in this annual report could be substantially reduced. See [Item 3. Key Information Risk Factors Risks Relating to Argentina](#) Certain provinces of Argentina have commenced proceedings to terminate some of our oil and gas production concessions.

Policy and regulatory developments in Argentina, including the Expropriation Law

The Argentine oil and gas industry is currently subject to certain governmental policies and regulations that have resulted in: (i) domestic prices that have usually been lower than prevailing international market prices; (ii) export and import restrictions; (iii) domestic supply requirements that oblige us from time to time to divert supplies from the export or industrial markets in order to meet domestic consumer demand; (iv) increasingly higher export duties on the volumes of hydrocarbons allowed to be exported; (v) increasingly higher investment and costs expenditure requirements in order to satisfy domestic demand; and (vi) increasingly higher taxes. See [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government](#). These governmental pricing limitations, export controls and tax policies have been implemented in an effort to satisfy increasing domestic market demand. As discussed in [Item 3. Key Information Risk Factors](#) and elsewhere in this annual report, actions by the Argentine government have had and will continue to have a significant effect on Argentine companies, including us.

Policy and regulatory developments relating to the oil and gas industry in Argentina include, among others:

Price administration. In order to support economic growth, the Argentine government has sought to limit increases in hydrocarbons prices through a number of policies and measures. As a result, fluctuations in Argentina's domestic hydrocarbon prices have not matched the recent increases or decreases at the pace of international and regional prices.

Export administration. Since 2004, the Argentine government has prioritized domestic demand and adopted policies and regulations restricting partially the export of certain hydrocarbon products. These regulations have impacted our export sales as described in [Declining export volumes](#).

Export duties. Since the economic crisis in 2002, the Argentine government has imposed export taxes on certain hydrocarbon products. These taxes have increased substantially in the following years as international prices have surged. For a description of the most recent export duties on hydrocarbon exports, see [International oil and gas prices and Argentine export taxes](#).

Domestic supply requirements. The Argentine government has at times issued regulatory orders requiring producers to inject natural gas in excess of contractual commitments and supply other hydrocarbon products to the domestic market. As a result, we have had to limit our exports. In addition, we have imported diesel in order to satisfy domestic demand, which has increased our operating costs, as described in [Cost of sales](#).

Gas Plus program. The Argentine Secretariat of Energy, by Resolution S.E. No. 24/2008 of March 13, 2008, created the Gas Plus program to encourage the production of natural gas from newly discovered reserves, new fields and tight gas, among other sources. Natural gas produced under the Gas Plus program will not be subject to the prices set forth in the Agreement 2007-2011. See [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural Gas](#).

[Back to Contents](#)

Refining Plus and Petroleum Plus programs. Decree No. 2014/2008 of the Department of Federal Planning, Public Investment and Services of November 25, 2008, created the Refining Plus and the Petroleum Plus programs to encourage (a) the production of diesel fuel and gasoline and (b) the production of crude oil and the increase of reserves through new investments in exploration and operation. The Argentine Secretariat of Energy, by Resolution S.E. No. 1312/2008 of December 1, 2008, approved the regulation of these programs. The programs entitle refining companies that undertake the construction of a new refinery or the expansion of their refining and/or conversion capacity and production companies that increase their production and reserves within the scope of the program to receive export duty credits to be applied to exports of products within the scope of Resolution No. 394/2007 and Resolution No. 127/2008 (Annex) issued by the Department of Economy and Production. In order to be eligible for the benefits of both programs, companies' plans must be approved by the Argentine Secretariat of Energy. Our participation in the Petroleum Plus program resulted in a positive contribution to our net sales in 2009 and 2010. In February 2012, by Notes Nos. 707/12 and 800/12 of the Argentine Secretariat of Energy, YPF was notified that the benefits granted under the Refining Plus and the Petroleum Plus programs have been temporarily suspended. The effects of the suspension extend to benefits accrued and not yet redeemed by YPF as of the time of the suspension. The reasons alleged for such suspension are that the programs were created in a context where domestic prices were lower than currently prevailing prices and that the objectives sought by the programs have already been achieved. On March 16, 2012, YPF challenged this suspension.

Sworn declaration regarding imports. On January 5, 2012, the Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos* or AFIP) issued Resolution No. 3252, which requires importers to submit a sworn declaration (*Declaración Jurada Previa de Importación* or DJAI) prior to the placing of a purchasing order for all imports to Argentina, with effect from February 1, 2012. Depending on the nature of the goods to be imported as well as other criteria, certain State agencies, including the Secretariat of Domestic Commerce, may have access to this declaration and can raise objections. Importers need an approved import declaration to make the purchasing order. The criteria for the approval or rejection of the sworn declaration are not legally defined.

Cross-border services information reporting. On February 9, 2012, the AFIP issued Resolution No. 3276, which requires Argentine individuals or companies that employ the services of providers located outside of Argentina, where the fee for such services is equal to or greater than U.S.\$100,000, to submit a sworn declaration (*Declaración Jurada Anticipada de Servicios* or DJAS) in respect of such services, with effect from April 1, 2012.

More recently, the Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. Upon the passage of the Expropriation Law, the Argentine government gained control over the Company. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law.

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 administration, as well as by declines in production. 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 administration, 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.

[Back to Contents](#)**Year Ended December 31,**

	2011	2010	2009
Product	(units sold)		
Natural gas (mmcm)	91	315	630
Gasoline (mcm)	290	448	777
Fuel oil (mtn) ⁽¹⁾	490	677	828
Petrochemicals (mtn)	334	461	414

(1) Includes bunker sales of 490, 401 and 272 mtn for the years 2011, 2010 and 2009, respectively.

Due to the decreased export product volumes indicated above and increasing export duties, the portion of our net sales accounted for by exports decreased steadily in recent years. Exports accounted for 11.94%, 12.9% and 14.3%, of our consolidated net sales in 2011, 2010 and 2009, respectively.

The Argentine government currently 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.

International oil and gas prices and Argentine export taxes

Since the economic crisis in 2002, in order to prioritize domestic demand, the Argentine government has imposed export taxes on certain hydrocarbon products. These taxes have increased substantially in the following years as international prices have surged. For a description of these taxes, reference prices and prices allowed to producers, see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation and Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Taxation.

Export taxes have affected the profitability of hydrocarbon exportation. They have also contributed to a shift away from exports and towards domestic sales, as described in Declining export volumes, and reduced the export parity prices.

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. While our oil replacement ratio (excluding NGL) in 2011 was 169% due to improved recovery projects, revisions and extensions and discoveries, oil production (excluding NGL) declined by 7.6% over the preceding year and our estimated gas proved reserves and our gas production declined by 6.8% and 10.3%, 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 for more information on our proved reserves.

During 2011 we incorporated approximately 33 million of proved reserves corresponding to unconventional discoveries (see Item 4. Information on the Company-Exploration and Production-Oil and Gas Reserves for more information on our proved reserves). The continuous comprehensive technical review of our oil and gas fields allows us to identify opportunities to rejuvenate mature fields and optimize new fields developments in Argentine basins with the aim of achieving similar results that mature fields in other regions of the world which have achieved substantially higher recovery factors with new technologies application. 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.

[Back to Contents](#)

Given the recent passage of the Expropriation Law, we are developing our new business plan and the related new investment, economic and dividend policy for the Company. Our new business plan will be designed in accordance with the goals set forth in the Expropriation Law. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. We expect that unconventional developments will require higher investment in future years, principally in connection with the Vaca Muerta formation. Higher investment is expected to be required as well to increase recovery rates in our fields and our downstream upgrading capacity.

Cost of sales

Our cost of sales accounted for 74.0%, 67.7% and 67.5% of our consolidated net sales in 2011, 2010 and 2009, respectively. Our cost of sales increased between 2009 and 2011, mainly as a result of: increased purchases of crude oil from third parties, driven by our efforts to maintain our high refinery utilization rates in light of our declining production; increased royalties, driven mainly by the higher crude oil prices at the wellhead; increased purchases of diesel from third parties; higher labor costs; higher costs related to the renegotiation of certain service contracts; increased depreciation of fixed assets as a result of the higher investment in fixed assets; and inflation. Due to prevailing Argentine price limitations, we were unable to pass some of these cost increases to our customers in the form of higher hydrocarbon product prices in respect of certain of our products.

Seasonality

Historically, our results have been subject to seasonal fluctuations during the year, particularly as a result of greater natural gas sales during the winter. After the 2002 devaluation and as a consequence of the natural gas price freeze imposed by the Argentine government, the use of this fuel has diversified, generating an increase in its long-term demand throughout the year. However, sales of natural gas are still typically much higher in the winter to the residential sector of the Argentine domestic market, the prices for which are significantly lower than other sectors of the Argentine market.

Critical Accounting Policies

Our accounting policies are described in Notes 1 and 2 to the Audited Consolidated Financial Statements. Argentine GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent assets and liabilities in our financial statements. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

On March 20, 2009, the FACPCE approved the Technical Resolution No. 26 Adoption of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). Such resolution was approved by the CNV through General Resolution No. 562/09 dated December 29, 2009 (modified by General Resolution No. 576/10 on July 1, 2010), with respect to certain publicly-traded entities subject to Law No. 17,811. The application of such rules is mandatory for YPF for the fiscal year beginning on January 1, 2012. Disclosures concerning the transition from Argentine GAAP to IFRS are provided in Note 16 to our Audited Consolidated Financial Statements.

Oil and gas reserves

The estimation of oil and gas reserves is an integral part of the decision-making process about oil and gas assets, such as whether development should proceed or enhanced recovery methods should be implemented. As further explained below, oil and gas reserve quantities are used for calculating depreciation of the related oil and gas assets using the unit-of-production rates and also for evaluating the impairment of our investments in upstream assets.

At YPF, all the assumptions made and the basis for the technical calculations used in the estimates regarding oil and gas proved reserves are based on the guides and definitions established by Rule 4-10(a) of Regulation S-X promulgated by the SEC.

[Back to Contents](#)

See Item 4. Information on the Company Exploration and Production Oil and Gas Reserves for a detailed discussion on reserves estimates internal control and audits.

We follow the successful efforts method of accounting for our oil and gas exploration and production operations. Accordingly, exploratory costs, excluding the costs of exploratory wells, have been charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, have been capitalized pending determination as to whether the wells have found proved reserves that justify commercial development. If such reserves were not found, the mentioned costs are charged to expenses. Occasionally, however, an exploratory well may be determined to have found oil and gas reserves, but classification of those reserves as proved cannot be made when drilling is completed. In those cases, the cost of drilling the exploratory well continues to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If any of the mentioned conditions are not met, the cost of drilling exploratory wells is charged to expenses.

Intangible drilling costs applicable to productive wells and to developmental dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, have been capitalized.

The capitalized costs related to producing activities, including tangible and intangible costs, have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable proved and developed oil and gas reserves.

The capitalized costs related to acquisitions of properties with proved reserves have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to proved oil and gas reserves.

Revisions of crude oil and natural gas proved reserves are considered prospectively in calculating depreciation.

Capitalized costs related to unproved properties are reviewed periodically by management to ensure that their carrying value does not exceed their estimated recoverable value.

Impairment of long-lived assets

We assess the recoverability of our held-for-use assets on a business segment basis for Argentine GAAP purposes. With respect to operations that are held as pending sale or disposal, our policy is to record these assets at amounts that do not exceed net realizable value.

For Argentine GAAP, held-for-use properties, grouped by business segment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset would be impaired if the discounted cash flows were less than its carrying value.

The impairment of oil and gas producing properties is calculated as the difference between the market value or, if appropriate, the discounted estimated future cash flows from its proved reserves and unproved reserves, adjusted for risks related to such reserves, owned at the year end with the net book value of the assets relating thereto. Expected future cash flows from the sale or production of reserves are calculated considering crude oil prices based on a combination of market forward quotes and standard long-term projections. The discounted values of cash flows are determined using a reasonable and supportable discount rate based on standard WACC-CAPM (weighted average cost of capital capital asset pricing model) assumptions including, if appropriate, a risk premium related to this type of asset. The estimated cash flows are based on future levels of production, the future commodity prices, lifting and development costs, estimates of future expenditures necessary with respect to oil and gas reserves, field decline rates, market demand and supply, economic regulatory conditions and other factors.

The impairment of assets corresponding to our Refining and Marketing and Chemicals business segments is calculated as the difference between the discounted estimated future cash flows from the use of those assets and the net book value of the assets related thereto. The discounted values of cash flows are determined using a discount rate we believe to be reasonable and supportable based on standard WACC-CAPM (weighted average cost of capital capital asset pricing model) assumptions including, if appropriate, a risk premium related to the type of asset. The estimated cash flows are based on future levels of production, the future estimated prices of our products and costs,

[Back to Contents](#)

other estimates of future expenditures, estimated useful life of the respective asset, market demand and supply, economic regulatory conditions and other factors for each business segment.

Charges for impairment may be recognized in our results from time to time as a result of, among other factors, adverse changes in the recoverable reserves from oil and natural gas fields, and changes in economic regulatory conditions. If proved reserves estimates were revised downward, net income could be negatively affected by higher impairment charges on the property's book value.

Therefore, our management must make reasonable and supportable assumptions and estimates with respect to: (i) the market value of reserves, (ii) oil fields' production profiles and future production of refined and chemical products, (iii) future investments, taxes and costs, (iv) risk factors for unproved reserves which are measured based on the profile and potential of each specific exploration and production asset, (v) future capital expenditures and useful life for properties corresponding to our Refining and Marketing and Chemicals business segments, and (vi) future prices, among other factors. As such, any change in the variables used to prepare such assumptions and estimates may have a significant effect on the impairment tests.

Impact of oil and gas reserves and prices on testing for impairment

Proved oil and gas properties held and used by us are reviewed for impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable. Impairments are measured by the amount by which the carrying value exceeds its fair value.

We perform asset valuation analyses on an ongoing basis as a part of our asset management program. In general, we do not view temporarily low oil prices as a triggering event for conducting the impairment tests. Accordingly, any impairment tests that we perform make use of our long-term price assumptions for the crude oil and natural gas markets and petroleum products.

Depreciation of oil and gas producing properties

Volumes produced and asset costs are known, while proved reserves have a high probability of recoverability and are based on estimates that are subject to some variability. The impact of changes in estimated proved reserves is treated prospectively by depreciating the remaining book value of the assets over the future expected production, affecting the following year's net income. In 2011, 2010 and 2009 we recorded depreciation of fixed assets associated with hydrocarbon reserves amounting to Ps.4,542 million, Ps.4,442 million and Ps.4,019 million, respectively.

Asset retirement obligations

Future costs related to hydrocarbon wells abandonment obligations are capitalized along with the related assets, and are depreciated using the unit-of-production method. As compensation, a liability is recognized for this concept at the same estimated value of the discounted payable amounts. Future estimated retirement obligations and removal costs are based on management's best estimate of the time that the event will occur and the assertion of costs to be incurred upon the retirement or removal of the asset. Asset removal technologies and costs, as well as political, environmental, safety and other requirements and public expectations, are frequently changing. Consequently, the timing and future cost of dismantling and abandonment are subject to significant modification. As such, any change in variables used to prepare such assumptions and estimates can have, as a consequence, a significant effect on the liability and the related capitalized asset and future charges related to the retirement obligations. Future obligations are reviewed upon consideration of the current costs incurred in abandonment obligations on a field-by-field basis or other external available information if abandonment obligations were not performed. Due to the number of the wells in operation and/or not abandoned and the complexity with respect to different geographic areas where the wells are located, the current costs incurred in plugging are extrapolated to the wells pending abandonment. Management believes that current plugging costs incurred are the best source of information at the end of each fiscal year to estimate asset retirement obligations for wells.

[Back to Contents](#)

Environmental liabilities, litigation and other contingencies

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and can be reasonably estimated. Such estimates are based on either detailed feasibility studies of remediation approach and cost for individual sites, or on our estimate of costs to be incurred based on historical experience and available information for the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental standards change, we revise our estimate of costs to be incurred in environmental assessment and/or remediation.

Accruals for contingencies are established to cover litigation and other contingencies, including counsel fees and judicial expenses, which are probable and can be reasonably estimated. The final costs arising from litigation and other contingencies may vary from our estimates due to changes in laws or differing interpretations of laws, the issuance of court decisions or other opinions and final assessments of the amount of claims. Changes in the facts or circumstances related to these types of contingencies, as well as the future outcome of these disputes, can have, as a consequence, a significant effect on the accruals for litigation and other contingencies recorded.

U.S. GAAP reconciliation

The recurrent difference between our net income under Argentine GAAP and our net income under U.S. GAAP for the years ended December 31, 2011, 2010 and 2009 is primarily due to the remeasurement into functional currency and translation into reporting currency, the elimination of the inflation adjustment into Argentine constant pesos with the corresponding effect in the deferred tax liability, the impairment of long-lived assets, capitalization of financial expenses and accounting for assets retirement obligations.

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 each year.

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 Audited Consolidated Financial Statements as of December 31, 2011, 2010 and 2009 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 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 at the exchange rate in effect at the time of each transaction or, if appropriate, at the weighted average of the exchange rates 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.4.30, 3.98 and Ps.3.80 to U.S.\$1.00, as of December 31, 2011, 2010 and 2009, respectively. 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 years ended December 31, 2011, 2010 and 2009, the re-measurement into functional currency and the translation into reporting currency decreased net income determined according to Argentine GAAP by Ps.1,055 million, Ps.1,570 million and Ps.1,478 million, respectively.

[Back to Contents](#)

Under Argentine GAAP, we have proportionally consolidated, net of intercompany transactions, assets, liabilities, net sales, cost and expenses of investees in which joint control is held, and unincorporated legal entities which are not involved in extractive or construction activities. Under U.S. GAAP, these investees are accounted for by the equity method. The proportional consolidation mentioned above generated an increase of Ps.1,247 million, Ps.966 million and Ps.965 million in total assets and total liabilities as of December 31, 2011, 2010 and 2009, respectively, and an increase of Ps.2,312 million, Ps.1,684 million and Ps.1,433 million in net sales and Ps.830 million, Ps.609 million and Ps.551 million in operating income for the years ended December 31, 2011, 2010 and 2009, 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, oil properties are grouped into an 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 fiscal years ended December 31, 2011, 2010 and 2009. The accumulated adjustments under U.S. GAAP of the impairment provisions as of December 31, 2011, 2010 and 2009 were Ps.287 million, Ps.337 million and Ps.498 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.75 million, Ps.181 million and Ps.173 million for the years ended December 31, 2011, 2010 and 2009, 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 postemployment 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, the actuarial losses and gains are charged to the Other income/(expense), net account of the statement of income. For

[Back to Contents](#)

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.

Finally, as a result of YPF's transition from Argentine GAAP to IFRS, which is mandatory for YPF for the fiscal year beginning on January 1, 2012, in future filings we will present financial information prepared in accordance with IFRS as issued by the IASB. Accordingly, we will no longer include a reconciliation to U.S. GAAP.

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. Royalty payments required to be made to a third party, whether payable in cash or in kind, which are a financial obligation, or are substantially equivalent to a production or similar tax, are accounted for as a cost of production and are not deducted in determining net sales. See Item 4. Information on the Company Exploration and Production Oil and gas production, production prices and production costs and Note 2 (f) to the Audited Consolidated Financial Statements.

Cost of sales

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

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of pesos)		
Inventories at beginning of year	3,865	3,066	3,449
Purchases for the year	18,211	9,631	5,873
Production costs ⁽¹⁾	24,841	20,391	16,932
Holding (losses)/gains on inventories	1,089	676	(11)
Inventories at end of year	(6,074)	(3,865)	(3,066)
Cost of sales	41,932	29,899	23,177

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

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of pesos)		
Salaries and social security costs	2,470	1,710	1,245
Fees and compensation for services	248	222	189
Other personnel expenses	687	488	359
Taxes, charges and contributions	428	351	277
Royalties and easements	3,518	2,970	2,516

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Insurance	175	150	176
Rental of real estate and equipment	951	487	449
Depreciation of fixed assets	5,211	5,036	4,610
Industrial inputs, consumable material and supplies	1,000	825	631
Operation services and other service contracts	3,027	2,228	1,810
Preservation, repair and maintenance	4,038	2,955	2,176
Contractual commitments	88	411	139
Transportation, products and charges	1,215	1,037	927
Fuel, gas, energy and miscellaneous	1,785	1,521	1,428
	<u> </u>	<u> </u>	<u> </u>
Total	24,841	20,391	16,932
	<u> </u>	<u> </u>	<u> </u>

[Back to Contents](#)**Other income/(expense), net**

Other income/(expense), net principally include credits and charges for pending lawsuits and other claims, provisions for environmental remediation and provisions for defined benefit pension plans and other post-retirement benefits.

Finance income/(expense), net and holding (losses)/gains

Finance income/(expense), 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 annual report were similar to the statutory corporate income tax rate in Argentina which was 35% during each of the periods presented in this annual report. See Note 3(j) to the Audited Consolidated Financial Statements.

Results of Operations**Consolidated results of operations for the years ended December 31, 2011, 2010 and 2009**

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

	Year Ended December 31,		
	2011	2010	2009
	(percentage of net sales)		
Net sales	100.0	100.0	100.0
Cost of sales	(74.0)	(67.7)	(67.5)
Gross profit	26.0	32.3	32.5
Administrative expenses	(3.3)	(3.2)	(3.2)
Selling expenses	(6.6)	(6.8)	(7.3)
Exploration expenses	(1.0)	(0.8)	(1.6)
Operating income	15.1	21.5	20.4

The tables below present, for the years indicated, volume and price data with respect to our 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 contributed, after consolidation adjustments, 0.5%, 0.6% and 0.7%, respectively, of our consolidated net sales for 2011, 2010 and 2009. Refinor contributed, after consolidation adjustments, 1.4%, 1.4% and 1.7%, respectively, of our consolidated net sales for 2011, 2010 and 2009. Profertil contributed, after consolidation adjustments, 2.2%, 1.8% and 2.0%, respectively, of our consolidated net sales for 2011, 2010 and 2009.

[Back to Contents](#)

Domestic Market	Year Ended December 31,					
	2011		2010		2009	
Product	Units sold	Average price per unit ⁽¹⁾	Units sold	Average price per unit ⁽¹⁾	Units sold	Average price per unit ⁽¹⁾
				(in pesos)		(in pesos)
Natural gas	12,170 mcm	341/mcm	12,238 mcm	288/mcm	14,238 mcm	244/mcm
Diesel	8,546 mcm	2,613/m ³	8,029 mcm	2,029/m ³	7,733 mcm	1,556/m ³
Gasoline	3,884 mcm	2,400/m ³	3,514 mcm	1,922/m ³	3,382 mcm	1,545/m ³
Fuel oil	353 mtn	1,997/ton	650 mtn	1,556/ton	529 mtn	1,246/ton
Petrochemicals	665 mtn	2,669/ton	548 mtn	2,175/ton	467 mtn	1,574/ton

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

Export Market	Year Ended December 31,					
	2011		2010		2009	
Product	Units sold	Average price per unit ⁽¹⁾	Units sold	Average price per unit ⁽¹⁾	Units sold	Average price per unit ⁽¹⁾
				(in pesos)		(in pesos)
Natural gas	91 mcm	2,115/mcm	315 mcm	1,324/mcm	630 mcm	1,427/mcm
Gasoline	290 mcm	2,730/m ³	448 mcm	1,893/m ³	777 mcm	1,331/m ³
Fuel oil	490 mtn	2,507/ton	677 mtn	1,826/ton	828 mtn	1,384/ton
Petrochemicals ⁽²⁾	334 mtn	4,038/ton	461 mtn	2,813/ton	414 mtn	1,897/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. See Factors Affecting Our Operations International oil and gas prices and Argentine export taxes for more information on the export tax withholding rates applicable to our principal products.

(2) Includes exports of refined paraffinic.

Net sales

Net sales in 2011 were Ps.56,697 million, representing a 28.4% increase compared to Ps.44,162 million in 2010. This increase was attributable to, among other things, the increases in the volumes sold of gasoline and diesel, to the adequacy of sales prices in the domestic market, as well as a result of the increase in the average international market crude oil price (the average Brent price in 2011 was approximately 40% higher than in 2010), with the corresponding effect in certain products sold in the domestic market which track international prices, such as fuel oil and petrochemicals. However, net sales in 2011 were adversely affected by the temporary suspension of the Petroleum Plus program according to Notes Nos. 707/12 and 800/12 of the Argentine Secretariat of Energy. The effects of the suspension extend, retroactively, to benefits accrued and not yet redeemed by YPF at the time of such suspension, representing a negative impact of approximately U.S.\$355 million, taking into account the income recorded under the program in 2010 and the reversal of income recorded in 2011 as a result of the suspension of the program.

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Net sales in 2010 were Ps.44,162 million, representing a 28.7% increase compared to Ps.34,320 million in 2009. This increase was attributable to, among other things, the increases in the volumes sold of premium gasoline and premium diesel, to the adequacy of sales prices in the domestic market, as well as a result of the increase in the average international market price of WTI (approximately a 29% increase in the average market price in 2010 compared to 2009), with the corresponding effect in certain products sold in the domestic market which track international prices, such as LPG, jet fuel and petrochemicals. During 2010, we continued with our efforts within the scope of the Petroleum Plus program, reinforcing our commitment towards the exploitation and development of available energetic resources to fulfill domestic demand, which permitted us to record income under such Program.

For further information on our net sales for the periods discussed above, see Results of operations by business segment for the years ended December 31, 2011, 2010 and 2009.

Cost of sales

Cost of sales in 2011 was Ps.41,932 million compared to Ps.29,899 million in 2010, representing a 40.2% increase. The increase is partly attributable to the higher amounts of crude oil purchased from third parties (which

[Back to Contents](#)

increased, in part, in order to substitute our decreased production), as well as to the higher average price of crude oil purchased from third parties (which increased by approximately 22% compared to the average purchase price in 2010), and an increase in the imported volumes of low-sulfur diesel (Euro Diesel) and regular diesel (Ultra Diesel), in order to fulfill the higher demand of these products in the domestic market and to satisfy the demand for higher quality products. In 2011, there has also been an increase in the volumes purchased of biofuels (biodiesel and bioethanol), in order to comply with present regulations, as well as in the average purchase prices paid for such biofuels. Additionally, with respect to production costs, there was an increase in royalties, driven mainly by the higher crude oil prices at the wellhead, which was partially offset by the lower volumes produced, as well as generalized cost increases, mainly preservation, repair and maintenance costs, salaries and social security costs and costs of services rendered by third parties. This increase in costs is attributable mainly to our increased activity and upward price pressure in Argentina.

Cost of sales in 2010 was Ps.29,899 million compared to Ps.23,177 million in 2009, representing a 29.0% increase. The increase is partly attributable to the higher average price of crude oil purchased from third parties (which increased by approximately 25% compared to the average purchase price in 2009, whereas the volumes of oil bought from such third parties remained almost unchanged), as well as an increase in the imported volumes of our new low-sulfur diesel (Euro Diesel), gasoline and fertilizers in order to fulfill the higher demand of these products in the domestic market and to satisfy the demand for higher quality products. In 2010, we have also made purchases of biofuels (biodiesel and bioethanol) in order to comply with present regulations. Additionally, within the production expenses, there was an increase in royalties, driven mainly by the abovementioned higher crude oil prices, as well as general increases in costs, mainly in preservation, repair and maintenance, salaries and social security costs and costs related to operation services and other service contracts, caused mainly by upward price pressure, and also in charges related to contractual commitments.

Selling expenses

Our selling expenses were Ps.3,723 million in 2011, compared to Ps.3,015 million in 2010, representing an increase of 23.5%, resulting from increases in transportation expenses, due to higher prices of gasoline and diesel in the domestic market and to increases in the corresponding fees paid for these services, in line with the general upward price pressure in Argentina. Selling expenses have also been affected by increases in wages and higher publicity and promotional expenses.

Our selling expenses were Ps.3,015 million in 2010, compared to Ps.2,490 million in 2009, representing an increase of 21.1%, resulting from increases in transportation expenses, due to higher prices of gasoline and diesel in the domestic market and to increases in the corresponding fees paid for these services.

Administrative expenses

Our administrative expenses increased by Ps.476 million (33.3%) in 2011 compared to 2010 particularly due to increases in wages and social security costs, as well as by increases in fees and compensation for services, mainly related to technology information service contracts and licenses expenses.

Our administrative expenses increased by Ps.327 million (29.7%) in 2010 compared to 2009 particularly due to increases in wages and social security costs, driven mainly by a centralization process of tasks in the corporate departments that previously were carried out in the other business units, as well as by increases in fees and compensation for services, mainly related to technology information service contracts and licenses expenses and institutional publicity expenses.

Exploration expenses

Our exploration expenses increased by Ps.230 million in 2011 compared to 2010, mainly as a result of the expenses incurred in the Malvinas basin exploration campaign during 2011. In addition, in 2011 we continued our search of new energy resources in Argentina, including through the exploration of unconventional resources, which

[Back to Contents](#)

implied a significant investment from YPF, with expenditures amounting to approximately Ps.1,731 million in 2011 (Ps.1,121 million higher than in 2010).

Our exploration expenses decreased by Ps.208 million in 2010 compared to 2009, mainly as a result of the high exploration expenses incurred in connection with the offshore dry wells recognized during 2009 (in the Golfo San Jorge Marina and Austral basins), compared to our exploration expenses in 2010 (associated mainly to the Neuquina and Noroeste basins). Our expenditures on exploration activities reached approximately Ps.610 million in 2010.

Operating income

Operating income in 2011 was Ps.8,563 million, compared to Ps.9,475 million in 2010, representing a 9.6% decrease, due to the factors described above.

Operating income in 2010 was Ps.9,475 million, compared to Ps.6,999 million in 2009, representing a 35% increase, due to the factors described above.

Our operating margins (operating income divided by net sales) were 15.1%, 21.5% and 20.4% in 2011, 2010 and 2009, respectively.

Other income/(expense), net

Other expense, net amounted to Ps.62 million in 2011 compared to other expense, net of Ps.155 million in 2010, due mainly to: (i) lower expenses related to legal claims and as a result of the reassessment of certain legal proceedings in light of new developments; (ii) lower expenses related to certain defined benefits pension plans of our wholly controlled subsidiary, YPF Holdings; and (iii) income derived from our insurance coverage in compensation for certain damages that we suffered in our facilities (in the Estrecho de Magallanes platform) in 2010.

Other expense, net amounted to Ps.155 million in 2010 compared to other income, net of Ps.159 million in 2009, due mainly to: (i) higher expenses related to certain defined benefits pension plans of our wholly controlled subsidiary, YPF Holdings; (ii) recoveries related to certain claims brought in 2009, as a result of their reassessment in light of new developments in our legal proceedings; and (iii) income derived from insurance coverage in compensation for certain damages that we suffered in our facilities in 2009.

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

In 2011, financial expense, net and holding gains, decreased to Ps.347 million, from Ps.379 million in 2010. This decrease is mainly attributable to a Ps.413 million increase in holding gains on inventories valued at replacement cost, as a result of the upward cost pressure in Argentina in 2011, which was partially offset by the higher negative net exchange rate differences in 2011 (Ps.283 million), related to our net liabilities denominated in U.S. dollars, as a result of the higher depreciation of the Argentine peso against the U.S. dollar in 2011 compared to the previous year.

In 2010, financial expense, net and holding gains, decreased to Ps.379 million, from Ps.1,242 million in 2009. This material diminution is mainly attributable to a Ps.687 million increase in holding gains on inventories valued at replacement cost, mainly to reflect the aforementioned general cost increases in the economy during 2010 compared to 2009, as well as lower net negative exchange rate differences in 2010, related to our net liabilities denominated in U.S. dollars, as a result of the lower depreciation of the Argentine peso against the U.S. dollar in 2010 compared to the previous year.

Taxes

Income tax expense in 2011 decreased 8.7% to Ps.2,950 million from Ps.3,230 million in 2010 mainly as a result of the lower net income before income tax, as explained above. The effective income tax rates for 2011 and 2010 were 35.77% and 35.81%, respectively, compared to the statutory income tax rate of 35%.

[Back to Contents](#)

Income tax expense in 2010 increased 45.6% to Ps.3,230 million from Ps.2,218 million in 2009 mainly as a result of the higher net income before income tax, as explained above. The effective income tax rates for 2010 and 2009 were 35.81% and 37.55%, respectively, compared to the statutory income tax rate of 35%.

For additional information on our income tax expense see Note 3(j) to the Audited Consolidated Financial Statements.

Net income

Net income for 2011 was Ps.5,296 million, compared to Ps.5,790 million in 2010, a decrease of 8.5%. This decrease is mainly attributable to the decrease in operating income described above.

Net income for 2010 was Ps.5,790 million, compared to Ps.3,689 million in 2009, an increase of 57.0%. This increase is mainly attributable to the increase in operating income and the decrease in financial expense described above.

Results of operations by business segment for the years ended December 31, 2011, 2010 and 2009

The following table sets forth net sales and operating income for each of our lines of business for the years ended December 31, 2011, 2010 and 2009:

	For the Year Ended December 31,		
	2011	2010	2009
	(in millions of pesos)		
<i>Net sales</i> ⁽¹⁾			
Exploration and Production ⁽²⁾			
To unrelated parties	3,814	4,611	4,757
To related parties	1,166	981	751
Intersegment sales and fees ⁽³⁾	20,129	17,428	14,473
Total Exploration and Production	25,109	23,020	19,981
Refining and Marketing			
To unrelated parties	46,774	34,209	25,733
To related parties	1,004	917	627
Intersegment sales and fees	1,766	1,668	1,202
Total Refining and Marketing	49,544	36,794	27,562
Chemicals			
To unrelated parties	2,632	2,445	1,932
Intersegment sales and fees	2,188	1,871	1,105
Total Chemicals	4,820	4,316	3,037
Corporate and Other			
To unrelated parties	1,307	999	520
Intersegment sales and fees	651	358	350

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Total corporate and others	1,958	1,357	870
	<u> </u>	<u> </u>	<u> </u>
Less intersegment sales and fees	(24,734)	(21,325)	(17,130)
	<u> </u>	<u> </u>	<u> </u>
Total net sales ⁽⁴⁾	56,697	44,162	34,320
	<u> </u>	<u> </u>	<u> </u>
Operating income (loss)			
Exploration and Production	4,977	6,210	5,379
Refining and Marketing	3,649	3,313	1,896
Chemicals	1,451	874	559
Corporate and Other	(1,383)	(952)	(820)
Consolidation adjustments	(131)	30	(15)
	<u> </u>	<u> </u>	<u> </u>
Total operating income	8,563	9,475	6,999
	<u> </u>	<u> </u>	<u> </u>

[Back to Contents](#)

- (1) Net sales are net to us after payment of a fuel transfer tax, turnover tax and custom duties on exports. Royalty payments required to be made to a third party, whether payable in cash or in kind, which are a financial obligation, or are substantially equivalent to a production or similar tax, are accounted for as a cost of production and are not deducted in determining net sales. See Item 4. Information on the Company-Exploration and Production-Oil and gas production, production prices and production costs and Note 2 (f) to the Audited Consolidated Financial Statements.
- (2) Includes exploration costs in Argentina, Guyana and the United States and production operations in Argentina and the United States.
- (3) Intersegment sales of crude oil to Refining and Marketing are recorded at transfer prices that reflect our estimates of Argentine market prices.
- (4) Total net sales include export sales of Ps.6,770 million, 5,678 million and Ps.4,904 million for the years ended December 31, 2011, 2010 and 2009 respectively. The export sales were mainly to the United States, Chile and Brazil.

Exploration and Production

Exploration and Production sales increased to Ps.25,109 million in 2011 from Ps.23,020 million in 2010, representing an increase of 9.1%. Intersegment net sales (substantially all of which relate to intersegment sales of crude oil) increased by Ps.2,701 million during 2011 compared to the prior year mainly as a result of an approximately 26% increase in the average intersegment price in pesos of a barrel of oil (an approximately 20% increase in U.S. dollars), which was partially offset by an approximately 8.4% decrease in the volumes transferred. The average price of natural gas sold in the domestic market increased 18% in 2011 and was driven mainly by price increases in the industry segment of the Argentine market, especially with respect to sales to our subsidiary Mega, whose contractual prices track international prices, which increased along with crude oil international prices. Exploration and Production sales in 2011 were adversely affected by the temporary suspension of the Petroleum Plus program. The effects of the suspension extend, retroactively, to benefits accrued and not yet redeemed by YPF at the time of such suspension, representing a negative impact of approximately U.S.\$355 million, taking into account the income recorded under the program in 2010 and the reversal of income recorded in 2011 as a result of the suspension of the program.

Exploration and Production operating income reached Ps.4,977 million in 2011, a 19.9% decrease from Ps.6,210 million in 2010. Increases in crude oil sales were more than offset by an increase in operating expenses. Segment operating expenses increased by approximately 19.8% due mainly to (i) increases in expenses related to operation services and other service contracts undertaken in order to increase and improve our reserves replacement ratio, which increased substantially in 2010 and 2011, (ii) generalized cost increases, and (iii) a Ps.404 million increase in royalties paid, due mainly to the higher value, expressed in pesos, at the wellhead, of hydrocarbons produced (used as the basis for calculation of such royalties), mainly as a result of the higher product prices in 2011 as previously mentioned. The increase in operating expenses is also explained by the effect of the strikes that took place in the Santa Cruz and Chubut provinces during the second quarter of 2011 and the operational costs that we had to face despite the fact that our level of activity was substantially affected in the region during such period.

Our exploration expenses increased by Ps.230 million in 2011 compared to 2010, mainly as a result of the expenses incurred in the Malvinas basin exploration campaign during the present year. It is remarkable as well that our exploration activities in the search of new energetic resources in Argentina, including the exploration of non conventional resources, which implies the concentration of an important portion of our economic resources, continued to be one of our strategic objectives in 2011, with our expenditures on such activities reaching approximately Ps.1,731 million, Ps.1,121 million more than those incurred in 2010.

Average oil production during 2011 reached 273 thousand barrels per day, compared to 293 thousand barrels per day in 2010, decreasing by 6.8%, mainly due to the effect of the strikes referred to above. Natural gas production in 2011 decreased by 10.3% to 1,208 mmcf/d from 1,346 mmcf/d in 2010. In addition to the adverse impact of the

[Back to Contents](#)

strikes in the Santa Cruz province, this decline was mainly attributable to the natural decline in the production curve resulting from the continuing overall maturity of our fields.

Exploration and Production sales increased to Ps.23,020 million in 2010 from Ps.19,981 million in 2009, representing an increase of 15.2%. Intersegment net sales (substantially all of which relate to intersegment sales of crude oil) increased by Ps.2,955 million during 2010 compared to the prior year mainly as a result of an approximately 20% increase in the average intersegment price in pesos of a barrel of oil (an approximately 15% increase in U.S. dollars), which was partially offset by an approximately 2.5% decrease in the volumes transferred. These positive effects were reinforced by the income recorded under the Petroleum Plus program referred to above. The average price of natural gas sold in the domestic market increased 18% in 2010 and was driven mainly by price increases in the power generation and industry segments of the Argentine market, especially with respect to sales to our subsidiary Mega, whose contractual prices track international prices, which increased along with the WTI price.

Exploration and Production operating income reached Ps.6,210 million in 2010, a 15.4% increase from Ps.5,379 million in 2009, due to the aforementioned increases in crude oil sales, but was partially offset by an increase in operating expenses. Segment operating expenses increased by approximately 15.1% due mainly to (i) increases in expenses related to operation services and other service contracts undertaken in order to increase and improve our reserves replacement ratio, which increased substantially in 2010, (ii) generalized cost increases and higher contractual commitments costs required under present agreements and management estimations, and (iii) a Ps.395 million increase in royalties paid, due mainly to the higher value, expressed in pesos, at the wellhead (used as the basis for calculation of such royalties), of hydrocarbons produced, mainly as a result of higher product prices in 2010 as previously mentioned.

Our exploration expenses decreased by Ps.208 million in 2010 compared to 2009, mainly as a result of the high exploration expenses incurred in connection with the offshore dry wells recognized during 2009 (in the Golfo San Jorge Marina and Austral basins), compared to our exploration expenses in 2010 (associated mainly to the Neuquén and Noroeste basins). Our expenditures on exploration activities reached approximately Ps.610 million in 2010.

Average oil production during 2010 reached 293 thousand barrels per day, compared to 302 thousand barrels per day in 2009. Natural gas production in 2010 decreased by 7.8% to 1,346 mmcf/d from 1,460 mmcf/d in 2009. This decline was mainly attributable to the natural decline in the production curve resulting from the continuing overall maturity of our fields.

Refining and Marketing

Refining and Marketing net sales in 2011 were Ps.49,544 million, 34.7% higher than the Ps.36,794 million in net sales recorded in 2010. This increase was attributable, among other factors, to higher volumes sold in the domestic market, especially in the premium lines of diesel and gasoline, as well as to the higher average sale prices of gasoline and diesel sold in the domestic market in 2011 (the most important products in this business segment). Notwithstanding the increase in the average domestic prices of diesel and gasoline, domestic prices of our refined products remained below average international prices, except for the domestic prices of certain refined products that tend to track international prices, such as propylene, which increased in 2011.

Refining and Marketing operating profit increased to Ps.3,649 million in 2011 from Ps.3,313 million in 2010. This increase was mainly due to higher volumes and average sales prices of products sold in the domestic market, which effect was partially offset by the increased operating costs. In addition, purchases of crude oil, which account for approximately 90% of the segment's operating costs, were made at an average intersegment price (paid to the Exploration and Production business segment) which was 26% higher than in 2010. This increase reflected the adjustments made in crude oil prices in the domestic market among local producers, considering the market evolution and the differences in crude oil qualities. This increase also affected crude oil purchase prices paid to third parties. Further, refining costs (excluding crude oil purchases and transportation costs) increased by approximately 29%, mainly due to increases in operation services and service contract costs, higher energy prices, as well as salary increases. Refining costs per barrel, which we calculate as the segment's production costs for the period less crude oil purchase costs, divided by the number of barrels produced during the period, was Ps.22.9 in 2011, compared to Ps.17.8 in 2010.

[Back to Contents](#)

Refinery output in 2011, including 50% of Refinor's output (we own 50% of Refinor), reached 290 thousand barrels per day, representing a 4.6% decrease compared to 304 thousand barrels per day processed in 2010. This decrease was mainly attributable to certain programmed technical stoppages during 2011, lower crude oil availability in the domestic market and the unions conflicts previously mentioned.

Refining and Marketing net sales in 2010 were Ps.36,794 million, 33.5% higher than the Ps.27,562 million in net sales recorded in 2009. This increase was attributable, among other factors, to higher volumes sold in the domestic market, especially in the premium lines of diesel and gasoline, as well as to the higher average sale prices of gasoline and diesel sold in the domestic market in 2010 (the most important products in this business segment). Notwithstanding the increase in the average domestic prices of diesel and gasoline, domestic prices of our refined products remained below average international prices, except for the domestic prices of certain refined products that tend to track international prices, such as aviation fuel and LPG, which increased in 2010.

Refining and Marketing operating profit increased to Ps.3,313 million in 2010 from Ps.1,896 million in 2009. This increase was mainly due to higher volumes and average sales prices of products sold in the domestic market. In addition, purchases of crude oil, which account for approximately 90% of the segment's operating costs, were made at an average intersegment price (paid to the Exploration and Production business segment) which was 20% higher than in 2009. This increase reflected the adjustments made in crude oil prices in the domestic market among local producers, considering the market evolution and the differences in crude oil qualities. This increase also affected crude oil purchase prices paid to third parties. Further, refining costs (excluding crude oil purchases and transportation costs) increased by approximately 20%, mainly due to higher energy prices, increases in operation services and service contract costs, as well as salary increases. Refining costs per barrel, which we calculate as the segment's production costs for the period less crude oil purchase costs, divided by the number of barrels produced during the period, was Ps.17.8 in 2010, compared to Ps.14.8 in 2009.

Refinery output in 2010, including 50% of Refinor's output (we own 50% of Refinor), reached 304 thousand barrels per day, representing a 1.9% decrease compared to 310 thousand barrels per day processed in 2009.

Chemicals

Net sales increased 11.7% to Ps.4,820 million in 2011 compared to Ps.4,316 million in 2010. This increase was attributable mainly to higher sales prices in the domestic market, particularly with respect to methanol and aromatic products lines, and to higher volumes sold in the domestic market of these products. Additionally, higher volumes were sold and higher prices were received from the sales of octane bases and methanol, which are used in the elaboration of liquid fuels, to the Refining and Marketing business unit.

Operating income increased by 66.0% to Ps.1,451 million in 2011 compared to Ps.874 million in 2010 due mainly to the results obtained from our interest in Profertil S.A. and to the higher margins in various aromatics product lines processed at Ensenada Industrial Complex and in our Methanol Plant. With respect to the results obtained from our interest in Profertil S.A., their increase was attributable to the positive effects of higher urea and other fertilizers volumes sold in the domestic and international markets and the higher average prices of these products both at the domestic and international markets.

Net sales increased 42.1% to Ps.4,316 million in 2010 compared to Ps.3,037 million in 2009. This increase was attributable mainly to higher sales prices in the domestic market, particularly with respect to methanol and aromatic products lines, and to higher volumes of fertilizers sold in the domestic market. Additionally, higher volumes were sold and higher prices were received from the sales of aromatic additives, such as toluene and xylene, which are used in the elaboration of liquid fuels, to the Refining and Marketing business unit. In the international market, net sales rose in 2010, both in terms of volume (essentially, of parafinic refined) and in average prices for exported petrochemical products as a consequence of an upward trend in reference prices in 2010 compared to 2009, consistent with the upward trend in reference prices experienced in other segments.

Operating income increased by 56.4% to Ps.874 million in 2010 compared to Ps.559 million in 2009 due mainly to higher margins in various aromatics product lines processed at Ensenada Industrial Complex. The results obtained from our interest in Profertil S.A. remained stable compared to 2009, as the higher urea and other fertilizer volumes

[Back to Contents](#)

sold in the domestic market and the higher average prices of these products both at the domestic and international market, were offset by a sharp diminution in the volumes of urea sold in the international market.

Corporate and others

In fiscal year 2011, operating loss for administrative expenses and other expenses reached Ps.1,383 million, a 45.3% increase over the previous year. The main reasons for the increase were higher salaries and related charges, increases in fees and compensation for services, higher technology information services and licenses expenses and institutional publicity expenses. In addition, there was a slight decrease in the operating income of our controlled company A-Evangelista S.A., and in the earnings related to support services, mainly IT services, provided to related parties, compared to 2010.

In fiscal year 2010, operating loss for administrative expenses and other expenses reached Ps.952 million, a 16.1% increase over the previous year. The main reasons for the increase were higher salaries and related charges, increases in fees and compensation for services, higher technology information services and licenses expenses and institutional publicity expenses. This increase was, however, partially offset by the slight increase in operating income of our controlled company A-Evangelista S.A., and by earnings related to support services, mainly IT services, provided to related parties.

Liquidity and Capital Resources*Financial condition*

Total debt outstanding as of December 31, 2011 and 2010 was Ps.12,767 million and Ps.7,789 million, respectively, consisting of short-term debt (including the current portion of long-term debt) of Ps.8,113 million and long-term debt of Ps.4,654 million as of December 31, 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 December 31, 2011 and 2010, a major part of our debt was denominated in U.S. dollars.

Since September 2001, we have repurchased certain of our publicly-traded bonds in open market transactions on an arms-length basis. As of December 31, 2011, we had repurchased approximately U.S.\$12.6 million of our outstanding bonds. We may from time to time make additional purchases of, or affect 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 Year Ended December 31,		
	2011	2010	2009
	(in millions of pesos)		
Net cash flows provided by operating activities	12,770	12,726	9,414
Net cash flows used in investing activities	(12,278)	(8,624)	(5,603)
Net cash flows used in financing activities	(1,571)	(3,720)	(2,881)
Net increase/(decrease) in cash and equivalents	(1,079)	382	930
Cash and equivalents at the beginning of period	2,527	2,145	1,215
Cash and equivalents at the end of period	1,448	2,527	2,145

Net cash flow provided by operating activities was Ps.12,770 million in 2011, compared to Ps.12,726 million in 2010. Net cash flow provided by operating activities was Ps.12,726 million in 2010, compared to Ps.9,414 million in 2009. This 35% increase was mainly attributable to higher operating income in 2010 compared to 2009, as explained above.

The main uses of cash in investing and financing activities in 2011 involved Ps.12,289 million in fixed asset acquisitions corresponding mainly to our Exploration and Production business segment and our refineries, and Ps.5,565 million to dividend payments. These uses of cash were also afforded by Ps.3,994 million net cash flow corresponding to proceeds from loans. The main uses of cash in investing and financing activities in 2010 involved Ps.8,729 million in fixed asset acquisitions corresponding mainly to our Exploration and Production business

[Back to Contents](#)

segment and our refineries, and Ps.4,444 million to dividend payments. These uses of cash were also afforded by Ps.724 million net cash flow corresponding to proceeds from loans. The principal uses of cash in investing and financing activities in 2009 included Ps.5,636 million in fixed asset acquisitions relating mainly to exploration and development activities in our upstream operations, Ps.4,897 million in dividend payments, while net proceeds from loans reached Ps.2,016 million. Our current financing policy is to use cash flows provided by operating activities and debt to fund both our investing and operating activities. We have several domestic credit lines available from financial institutions in foreign and local currency. We believe that our level of working capital will not affect our business operations, mainly as a result of the expected net cash fl