

YPF SOCIEDAD ANONIMA
Form F-3
February 20, 2008

As filed with the Securities and Exchange Commission on February 20, 2008

Registration No. 333—

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form F-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

YPF Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Argentina

*(State or other jurisdiction of
incorporation or organization)*

Not Applicable

*(I.R.S. Employer
Identification No.)*

Avenida Pte. R. Sáenz Peña 777
C1035AAC Ciudad Autónoma de Buenos Aires, Argentina
(011-5411) 4329-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

CT Corporation System

111 Eighth Avenue
New York, NY 10011
212-894-8940

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

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Argentina

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, please check the following box. [x]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. [x]

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. []

CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Class D shares(1)(3)	98,328,198	\$	\$3,749,254,190	\$147,345.69

(1) This registration statement on Form F-3 registers 98,328,198 shares of Class D common stock, par value Ps.10 per share, of YPF Sociedad Anónima, including in the form of American depositary shares (“ADSs”), that may be offered by certain selling shareholders.

(2) Estimated solely for purposes of calculating the amount of the registration fee pursuant to Rule 457(c) under the Securities Act based on the average of the high and low prices of the ADSs as reported by the New York Stock Exchange on February 15, 2008.

(3) A separate registration statement on Form F-6 was filed on June 17, 1993 for the registration of the ADSs issued upon deposit of the Class D shares registered hereby.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

Subject to Completion

YPF Sociedad Anónima

American Depositary Shares, each representing one share of Class D Common Stock

This prospectus relates to up to 98,328,198 issued and outstanding shares of our Class D common stock (the “Class D shares”), including in the form of American depositary shares, or ADSs, that may be offered and sold from time to time by certain selling shareholders. Each ADS represents one Class D share. This prospectus describes the terms of these securities and the general manner in which these securities may be offered. Each time these securities are offered or sold using this prospectus, we will provide a supplement to this prospectus that contains more specific information about the offering, the number of securities being offered and the identities of the selling shareholders.

The ADSs trade on the New York Stock Exchange (“NYSE”) under the symbol “YPF.” Our Class D shares trade on the Buenos Aires Stock Exchange under the symbol “YPFD.”

Investing in the ADSs involves significant risks. **See “Risk Factors” on page 13 of this prospectus and any additional risk factors included in the applicable prospectus supplement under the heading “Risk Factors”.**

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus dated , 2008

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form F-3 that we filed with the Securities and Exchange Commission (the “SEC”) utilizing a “shelf” registration process. As allowed by the SEC rules, this prospectus does not contain all of the information included in the registration statement. For further information, we refer you to the registration statement, including its exhibits. Statements contained in this prospectus about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC’s rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

This prospectus provides you with a general description of our Class D shares and ADSs. Each time such securities are offered and sold by selling shareholders, we will provide a prospectus supplement that will contain specific information about the terms of the offering and the identity of the selling shareholders. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information” beginning on page 177 of this prospectus. Any information in a prospectus supplement or information incorporated by reference after the date of this prospectus is considered part of this prospectus and may add, update or change information contained in this prospectus. Any information in such subsequent filings that is inconsistent with this prospectus will supercede the information in this prospectus.

You should rely only on the information contained in this prospectus. Neither we nor the selling shareholders have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the selling shareholders are making an offer to sell the Class D shares or ADSs in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

YPF Sociedad Anónima is a stock corporation organized under the laws of the Republic of Argentina (“Argentina”). As used in this prospectus, “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” refer to Repsol YPF, S.A. and its consolidated companies, including YPF, unless otherwise specified. We maintain our financial books and records and publish our financial statements in Argentine pesos. In this prospectus, references to “pesos” or “Ps.” are to Argentine pesos, and references to “dollars,” “U.S. dollars” or “U.S.\$” are to United States dollars.

SUMMARY

This summary highlights certain relevant information included elsewhere in this prospectus. This summary does not purport to be complete and may not contain all of the information that is important or relevant to you. Before investing in the Class D shares or ADSs, you should read this entire prospectus carefully for a more complete understanding of our business and the offering, including our audited and unaudited financial statements and related notes, the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus, and the information incorporated by reference herein.

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, liquid petroleum gas 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 2006, we had consolidated net sales of Ps.25,635 million (U.S.\$8,138 million) and consolidated net income of Ps.4,457 million (U.S.\$1,415 million) and, in the nine months ended September 30, 2007, we had consolidated net sales of Ps.20,869 million (U.S.\$6,625 million) and consolidated net income of Ps.2,980 million (U.S.\$946 million).

Privatized in 1993, most of our predecessors were state-owned companies with operations dating back to the 1920s. Since 1999, we have been controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. On December 21, 2007, Petersen Energía, S.A. (“Petersen Energía”), an Argentine-owned holding company, signed a memorandum of understanding with Repsol YPF pursuant to which it will enter into an agreement to purchase approximately 14.9% of our capital stock and will acquire an option to purchase an additional 10.1% of our capital stock. We believe that Petersen Energía’s participation in our capital stock and management will strengthen our Argentine ties and expertise.

Upstream Operations

- We operate more than 70 oil and gas fields in Argentina, accounting for approximately 42% of the country’s total production of oil and approximately 42% of its total gas production, including NGL, in 2007, according to the Argentine Secretariat of Energy.
- We had proved reserves, as estimated as of September 30, 2007, of approximately 646 mmbbl of oil and 3,728 bcf of gas, representing aggregate reserves of 1,311 mmboe.
- In 2006, we produced 126 mmbbl of oil (346 mbbbl/d) and 651 bcf of gas (1,779 mmcf/d) and, in the nine months ended September 30, 2007, we produced 89 mmbbl of oil (327 mbbbl/d) and 485 bcf of gas (1,778 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”), a jointly controlled entity 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 September 30, 2007 consisted of 1,698 YPF-branded service stations, which we believe represented approximately 30.9% of all service stations in Argentina.

The Argentine Market

Argentina is the second largest producer of natural gas and the fourth largest producer of crude oil in Latin America based on 2006 production, according to the BP Statistical Review.

Argentina's gross domestic product, or GDP, has grown at an average annual rate of approximately 9% from 2003 to 2006, after declines during the economic crisis of 2001 and 2002. Driven by this economic expansion and low 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 6.5% and 6.9%, respectively, during this period, 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, declined steadily over this period. At the same time, Argentina has increased hydrocarbon imports, becoming a net importer of certain products, such as diesel. Significant investments in the energy sector are expected to be required in order to support continued economic growth, as the industry is currently operating near capacity.

In 2002, in response to the economic crisis, 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, local prices for oil and natural gas products have remained significantly below those prevalent in neighboring countries and international commodity exchanges, heightening domestic demand for such products. For example, in January 2008, diesel import prices were approximately U.S.\$700/cubic meter, while the average domestic sales prices were approximately U.S.\$350/cubic meter before government subsidies. In addition, the price at which Bolivia exports natural gas to Argentina was approximately U.S.\$6/mmBtu in December 2007, while the price at which we purchase such gas from ENARSA was approximately U.S.\$1.8/mmBtu and our average sales price for such gas in Argentina was approximately U.S.\$2.29/mmBtu.

As the largest integrated oil and gas company in Argentina, we believe that we are well positioned to benefit from potential reform in the energy sector, although we cannot assure that reforms will be implemented or, if implemented, that they will be advantageous to our business. We also believe that, as a result of constraints on the prices of our products, our margins will be less sensitive if international prices of oil and gas decline.

Competitive Strengths

Largest producer, refiner and marketer of crude oil, natural gas and refined products in Argentina

Our upstream operations benefit from concessions providing access to 29% of the total proved oil reserves and 33% of total proved gas reserves, including NGL, in Argentina as of December 31, 2006, according to the Argentine Secretariat of Energy. In 2007, we had an attributable production share, which represents our share of the total production from the fields in which we have an interest, of approximately 42% of the total crude oil extracted (more than the next seven largest producers combined) and approximately 42% of total gas extracted, including NGL, (more than the next four largest producers combined) in Argentina, according to the Argentine Secretariat of Energy.

Our downstream operations refine and distribute more refined products than any other company in Argentina. In 2006, we estimate that we had over 50% of the country's refining capacity and distributed more diesel, gasoline, lubricants, asphalts and compressed natural gas than any other distributor. As of September 30, 2007, we had 1,698 YPF-branded service stations (including proprietary and franchised service stations), which we believe represented approximately 30.9% of the country's service stations. We are also a leading Argentine petrochemical company in

terms of sales.

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Favorably positioned as an integrated player

We participate in all phases of the oil and gas value chain, including production, refining, marketing and distribution, with the potential to capture margin at all levels. In 2006, we delivered approximately 92% of our crude oil production to our own refineries, corresponding to 90% of the total crude oil processed by our refineries. In addition, in 2006, we directly marketed 62% of our refining production (including through YPF-branded service stations).

Substantial portfolio of operated oil and gas concessions

As of December 31, 2006, we held interests in 106 production concessions and exploration permits in Argentina, with 100% ownership interest in 60 of these. Many of our production concessions are among the most productive in Argentina, including concessions in the Neuquina and Golfo de San Jorge basins, which accounted for approximately 84% of our total production in 2006. Our concessions are not scheduled to expire until 2017 and in December 2000, we extended our concession to the Loma La Lata field, Argentina's largest natural gas deposit, through 2027. We have a portfolio of mature fields with geologic characteristics that are similar in many respects, including reservoirs under secondary recovery processes and tight gas reservoirs, to those in other regions (such as those in the United States) which have been successfully rejuvenated through the use of advanced oil recovery technologies to increase reserve recovery factors.

A majority of our fields have been in operation for several years and, as a result, approximately 70% of our total proved reserves of 1,311 mmbbl were categorized as developed as of September 30, 2007.

Extensive refining and logistics assets

We have extensive refining assets which we believe represent more than 50% of the country's refining capacity. Our refining assets operate at the highest utilization rates in Argentina (almost 100% in 2006). Our refining system has high complexity, giving us flexibility to shift some of our production resources toward higher value-added products. Our refining assets also benefit from large scale (our La Plata refinery is the largest in Argentina with a capacity of 189,000 bpd) and convenient location, and rank highly in terms of availability and maintenance.

We manage a large scale logistics network, consisting of 1,801 km of multi-product pipelines for the distribution of our refined products, connecting our two main refineries to our most important depots, of which we have 16 with a total storage capacity of approximately 983,620 cubic meters. We also have 53 airport facilities with a total storage capacity of 24,000 cubic meters and 27 company-owned tanker trucks.

All of our refineries are connected to pipelines that we own or in which we have a significant stake. Oil is piped to our Luján de Cuyo refinery from Puerto Hernández by a 528 km pipeline and to our La Plata refinery from Puerto Rosales by another 585 km pipeline. We also have a 37% stake in Oldelval (the company operating the oil pipeline from the Neuquina basin to Puerto Rosales).

Strong marketing brand

The "YPF" brand is widely recognized in the Argentine consumer market. Our 1,698 YPF-branded service stations are located throughout Argentina's urban and suburban areas, and we have more than 3.7 million cardmembers in our marketing loyalty programs. We also leverage our marketing and branding power to sell industrial products, such as LPG, for which we held a 22% market share, and lubricants, for which we held a 37% market share in 2006.

Strong financial position

We have achieved a solid financial position through operating cash flow generation and effective financial management. We also have a history of returning value to shareholders through dividend payment. In each year

from 2002 through 2008, we distributed over 85% of our net income in dividends to our shareholders. In addition, we have the highest credit rating of any Argentine company and our senior corporate debt is currently rated slightly higher than the Argentine sovereign ceiling.

Access to Repsol YPF expertise and experienced management team

We are led by a highly regarded and experienced team of professionals. Most of the members of the senior management team have long tenures with us and significant experience in the Argentine energy sector.

We benefit from Repsol YPF's experience and know-how in the upstream and downstream businesses. Repsol YPF is an integrated international oil and gas company with significant activity along the hydrocarbon product value chain. It holds one of the largest refining and marketing asset portfolios in Europe and owns significant refining and marketing assets in other Latin American countries, including a market-leading position in Peru. Repsol YPF conducts exploration and production activities in more than 30 countries and has developed its offshore expertise through its participation in offshore areas and assets in the Gulf of Mexico, Brazil and West Africa.

Repsol YPF is responsible for group-wide research and development activities. We have a research and development facility in La Plata, Argentina, which works in cooperation with the research and development activities of Repsol YPF.

Business Strategy

As the largest integrated oil and gas company in Argentina, we seek to improve margins and to maximize profitability through the most efficient utilization of resources and assets along our entire value chain. Our key strategies are the following:

Upstream

Improve our reserve recovery. In 2006, we developed a new integrated strategy aimed at rejuvenating mature fields through the use of advanced technologies, which we began to implement in 2007. This strategy seeks to increase recovery factors in our mature fields through infill drilling and secondary and tertiary recovery, and is subject to prevailing economic and regulatory conditions. Many of the technologies that we plan to implement have been successfully employed in large mature basins such as those in the United States, although no assurances can be given that we will achieve recovery factors resembling those achieved in the United States. Additionally, we have planned several potential projects to develop unconventional resources, including tight gas and heavy oil, that may offer significant potential under favorable economic and regulatory conditions. As of September 30, 2007, we had a recovery factor of approximately 22% and 64% of oil and gas in place, respectively. We estimate, based on internal studies that reference the international experience of others, that every one percentage point increase in our recovery factor of oil reserves may allow us to increase our reserves by approximately 180 mmbbl of oil, although no assurance can be given that we will be able to achieve such reserve increases in practice. During the nine months ended September 30, 2007, we incorporated new proved reserves of 55 million barrels of oil and 198 bcf of gas through extensions, discoveries, improved recovery and revisions of previous estimates. As of September 30, 2007, 68.4% of our proved reserves had been audited by external auditors.

Improve the operational efficiency of our exploration and production. Our exploration and production business unit is carrying out a comprehensive operational improvement and cost reduction program with over 100 initiatives that we expect to have a positive impact on our business. These include initiatives seeking to improve well productivity through better water management, enhancing facilities maintenance, optimizing the fracturing process and reducing energy costs, among others.

Invest in onshore and offshore exploration in Argentina. Onshore, we plan to carry out targeted exploration for conventional and unconventional resources. For example, we intend to access new onshore exploratory properties in under-explored areas within currently producing basins. To support this initiative, in 2007 we began to add new drilling and fracturing equipment and hired additional technical personnel. We have entered into three agreements with ENARSA, the state-owned energy company, and other companies, for the joint exploration of Argentine offshore properties, which we believe positions us well to explore potentially lucrative offshore areas in Argentina. Offshore

acreage is largely unexplored in Argentina and constitutes the largest area for green field developments in the country and we intend to actively participate in the tender process for new offshore properties in Argentina. Our strategy for new exploration depends on favorable economic and regulatory conditions.

Optimize value of non-core fields. We are seeking to optimize our portfolio of exploration and production assets through active management of various non-core fields, including through potential associations with smaller operators in certain fields in order to improve their operational effectiveness. Given the current demand for exploration and production assets in the Argentine market, we are also evaluating the possibility of selling certain non-core fields to third parties.

Downstream

Continue to improve production and cost efficiencies in downstream businesses. We are seeking to optimize our refining assets to improve their flexibility to shift capacity among certain categories of products, adapt our refineries to new low-sulfur regulations and develop our logistics network and assets to meet the continued growth in demand we expect. In addition, we are in the process of implementing various cost reduction programs throughout our refining and logistics assets (including internal consumption reduction and centralized purchasing), marketing network (including back-office integration, loyalty program reductions and selective expansion of our company-owned and operated service station network while continuing to eliminate dealer-operated service stations with lower operating efficiency) and chemical division (including the reduction of maintenance-related production stoppages).

Maximize production and marketing of high-value products. We plan to maximize the production and marketing of our highest margin products as well to gradually introduce new high-value products into the market. For example, we have recently commenced selling higher value fuels with bio-additives at a small number of our service stations in anticipation of Argentine regulatory measures that mandate a minimum bio-content by 2010.

Increase value creation from petrochemicals. Our chemicals business unit will carry out a significant upgrade of its aromatics plant by migrating to state-of-the-art technology. We believe our investments will facilitate the integration with our refining and marketing business unit through a significant increase in aromatics production, much of which will be used by our refining and marketing business unit to increase gasoline octane levels and to produce hydrogen to improve refining plant productivity.

Our principal executive offices are located at Avenida Pte. R. Sáenz Peña 777, C1035AAC Ciudad Autónoma de Buenos Aires, Argentina, and our general telephone number is (011-5411) 4329-2000. Our website address is www.repsolypf.com and our website is available in Spanish and English. Information contained on our website is not incorporated by reference in, and shall not be considered a part of, this prospectus.

SUMMARY FINANCIAL AND OPERATING DATA

The following tables present our summary financial and operating data. You should read this information in conjunction with our audited and unaudited financial statements and related notes, and the information under “Selected Financial and Operating Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. All financial data included in this prospectus as of September 30, 2007 and for the nine-month periods ended September 30, 2007 and 2006 is unaudited. Results for the nine-month period ended September 30, 2007 are not necessarily indicative of results to be expected for the full year 2007 or any other period.

The financial data as of December 31, 2006, 2005 and 2004 and for the years then ended is derived from our audited consolidated financial statements (the “Audited Consolidated Financial Statements”), which are included in our annual report on Form 20-F for the year ended December 31, 2006 incorporated by reference in this prospectus. The financial data as of September 30, 2007 and for the nine-month periods ended September 30, 2007 and 2006 is derived from our unaudited individual and consolidated interim financial statements (the “Unaudited Individual and Consolidated Interim Financial Statements”) included elsewhere in this prospectus. The Unaudited Individual and Consolidated Interim Financial Statements reflect all adjustments which, in the opinion of our management, are necessary to present the financial statements for such periods on a consistent basis with the Audited Consolidated Financial Statements. Our audited and unaudited 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 13, 14 and 15 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, 2006, 2005 and 2004 and for the years then ended. Notes 5, 6 and 7 to our Unaudited Individual and Consolidated Interim Financial Statements included elsewhere in this prospectus provide a description of the significant differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income for the nine-month periods ended September 30, 2007 and 2006 and shareholders’ equity as of September 30, 2007 and December 31, 2006.

In this prospectus, except as otherwise specified, references to “\$,” “U.S.\$” and “dollars” are to U.S. dollars, and references to “Ps.” and “pesos” are to Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the nine months ended September 30, 2007 and as of and for the year ended December 31, 2006 have been translated into U.S. dollars at the exchange rate quoted by Banco Central de la República Argentina (Banco Central) on September 28, 2007 of Ps.3.15 to U.S.\$1.00 (the last rate quoted in September 2007), unless otherwise specified. The buying exchange rate quoted by Banco Central on February 15, 2008 was Ps.3.15 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 and Controls.”

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

As of and for Nine-Month Period Ended
September 30,

	2007 (in millions of U.S.\$, except for per share and per ADS data)	2007 (in millions of pesos, except for per share and per ADS data)	2006
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Consolidated Income Statement Data:*Argentine GAAP*(1)

Net sales(2)(3)	6,625	20,869	19,172
Gross profit	2,207	6,952	7,644
Administrative expenses	(178)	(561)	(490)
Selling expenses	(489)	(1,541)	(1,356)
Exploration expenses	(113)	(356)	(318)
Operating income	1,427	4,494	5,480
Income (Loss) on long-term investments	12	38	27
Other expenses, net	(54)	(171)	(33)
Interest expense	(69)	(216)	(151)
Other financial income (expenses) and holding gains (losses), net	195	615	676
Impairment of other current assets	22	69	—
Income before income tax	1,533	4,829	5,999
Income tax	(587)	(1,849)	(2,264)
Net income from continuing operations	946	2,980	3,735
Net income	946	2,980	3,735
Earnings per share and per ADS(4)	2.41	7.58	9.50
Dividends per share and per ADS(4) (in pesos)	n.a.	6.00	6.00
Dividends per share and per ADS(4)(5) (in U.S. dollars)	n.a.	1.93	1.97

U.S. GAAP

Operating income	1,180	3,716	4,855
Net income	748	2,356	3,253
Earnings per share and per ADS(4)	1.90	5.99	8.27

Other Consolidated Financial Data:*Argentine GAAP*(1)

Fixed assets depreciation	986	3,105	2,628
Cash used in fixed asset acquisitions	1,294	4,076	3,460

Non-GAAP

EBITDA(6)	2,505	7,891	8,528
EBITDA margin(7)	n.a.	0.38	0.44

As of September 30,
2007

(in (in
millions of millions of
U.S.\$) pesos)

Consolidated Balance Sheet Data:*Argentine GAAP*(1)

Cash	34	106
Working capital	1,317	4,147
Total assets	11,475	36,146
Total debt(8)	341	1,074
Shareholders' equity(9)	7,922	24,955

U.S. GAAP

Total assets	12,257	38,610
Shareholders' equity(9)	8,889	28,000

(1) The financial statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Technical Resolution No. 6 of the F.A.C.P.C.E. and taking into

consideration General Resolution No. 441 of the CNV, which established the discontinuation of the restatement of financial statements in constant Argentine pesos as from March 1, 2003. See Note 1 to YPF S.A.'s individual financial statements included in the Unaudited Individual and Consolidated Interim Financial Statements.

- (2) Includes Ps.999 million for the nine-month period ended September 30, 2007 and Ps.1,053 million for the nine-month period ended September 30, 2006 corresponding to the proportional consolidation of the net sales of investees jointly controlled by us and third parties.
- (3) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on hydrocarbon exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales (see Note 2(g) to YPF Sociedad Anónima's individual financial statements included in the Unaudited Individual and Consolidated Interim Financial Statements).
- (4) Information has been calculated based on outstanding capital stock of 393,312,793 shares. Each ADS represents one Class D share. There were no differences between basic and diluted earnings per share and ADS for any of the periods disclosed.
- (5) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of payment. For periods in which more than one dividend payment was made, the amounts expressed in U.S. dollars are based on exchange rates at the date of each payment.
- (6) EBITDA is calculated by excluding interest gains on assets, interest losses on liabilities, income tax and depreciation of fixed assets from our net income. For a reconciliation of EBITDA to net income, see "—EBITDA reconciliation."
- (7) EBITDA margin is calculated by dividing EBITDA by our net sales.
- (8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.523 million as of September 30, 2007.
- (9) Our subscribed capital as of September 30, 2007 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.

As of and for Year Ended December 31,

	2006 (in millions of U.S.\$, except for per share and per ADS data)	2006(1)	2005(1) (in millions of pesos, except for per share and per ADS data)	2004(1)
Consolidated Income Statement Data:				
<i>Argentine GAAP</i> (2)				
Net sales(3)(4)	8,138	25,635	22,901	19,931
Gross profit	3,116	9,814	11,643	10,719

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Administrative expenses	(214)	(674)	(552)	(463)
Selling expenses	(570)	(1,797)	(1,650)	(1,403)
Exploration expenses	(146)	(460)	(280)	(382)
Operating income	2,185	6,883	9,161	8,471
Income (Loss) on long-term investments	58	183	39	154
Other expenses, net	(65)	(204)	(545)	(981)
Interest expense	(68)	(213)	(459)	(221)
Other financial income (expenses) and holding gains (losses), net	212	667	561	359
Income (Loss) from sale of long-term investments	3	11	15	—
Impairment of other current assets	(22)	(69)	—	—
Income before income tax	2,304	7,258	8,772	7,782
Income tax	(889)	(2,801)	(3,410)	(3,017)
Net income from continuing operations	1,415	4,457	5,362	4,765
Income (Loss) on discontinued operations	—	—	—	3
Income from sale of discontinued operations	—	—	—	139
Net income	1,415	4,457	5,362	4,907
Earnings per share and per ADS(5)	3.60	11.33	13.63	12.48
Dividends per share and per ADS(5) (in pesos)	n.a.	6.00	12.40	13.50
Dividends per share and per ADS(5)(6) (in U.S. dollars)	n.a.	1.97	4.25	4.70

As of and for Year Ended December 31,

	2006 (in millions of U.S.\$, except for per share and per ADS data)	2006(1)	2005(1) (in millions of pesos, except for per share and per ADS data)	2004(1)
<i>U.S. GAAP</i>				
Operating income	1,786	5,626	8,065	6,550
Net income	1,164	3,667	5,142	4,186
Earnings per share and per ADS(5) (in pesos)	n.a.	9.32	13.07	10.64
Consolidated Balance Sheet Data:				
<i>Argentine GAAP</i>				
Cash	37	118	122	492
Working capital	1,557	4,905	2,903	3,549
Total assets	11,236	35,394	32,224	30,922
Total debt(7)	452	1,425	1,453	1,930
Shareholders' equity(8)	7,729	24,345	22,249	21,769
<i>U.S. GAAP</i>				
Total assets	11,761	37,046	34,748	32,540
Shareholders' equity	8,330	26,241	24,254	23,506
Other Consolidated Financial Data:				
<i>Argentine GAAP(2)</i>				
Fixed assets depreciation	1,180	3,718	2,707	2,470
Cash used in fixed asset acquisitions	1,588	5,002	3,722	2,867
<i>Non-GAAP</i>				
EBITDA(9)	3,445	10,851	11,717	10,449
EBITDA margin(10)	n.a.	0.42	0.51	0.52

(1) Consolidated income and balance sheet data for the years ended December 31, 2006, 2005 and 2004 set forth above include the retroactive effect from the application of new accounting rules in Argentina (see Note 1(b) to the Audited Consolidated Financial Statements).

(2) The financial statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Technical Resolution No. 6 of the F.A.C.P.C.E. and taking into consideration General Resolution No. 441 of the CNV, which established the discontinuation of the restatement of financial statements in constant Argentine pesos as from March 1, 2003. See Note 1 to the Audited Consolidated Interim Financial Statements.

(3) Includes Ps.1,451 million for the year ended December 31, 2006, Ps.1,216 million for the year ended December 31, 2005 and Ps.1,122 million for the year ended December 31, 2004 corresponding to the proportional consolidation of the net sales of investees in which we hold joint control with third parties (see Note 13 (b) to the Audited Consolidated Financial Statements).

- (4) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on hydrocarbon exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales (see Note 2(g) to the Audited Consolidated Financial Statements).
- (5) 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.
- (6) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of payment. For periods in which more than one dividend payment was made, the amounts expressed in U.S. dollars are based on exchange rates at the date of each payment.
- (7) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.510 million as of December 31, 2006, Ps.1,107 million as of December 31, 2005 and Ps.1,684 million as of December 31, 2004.
- (8) Our subscribed capital as of December 31, 2006 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.

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

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

EBITDA reconciliation

EBITDA is calculated by excluding interest gains on assets, interest losses on liabilities, income tax and depreciation of fixed assets from our net income. Our management believes that EBITDA is meaningful for investors because it is one of the principal measures used by our management. EBITDA allows us to compare our results and efficiency with those of other similar companies in the oil and gas industry, excluding the effect on comparability of variations in depreciation and amortization resulting from differences in the maturity of their oil and gas assets. EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in the oil and gas industry. EBITDA is not an explicit measure of financial performance under Argentine GAAP or U.S. GAAP and may not be comparable to similarly titled measures used by other companies. EBITDA should not be considered an alternative to operating income as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity.

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

	For the Nine-Month Period Ended September 30,		For the Year Ended December 31,		
	2007	2006	2006	2005	2004
			(in millions of pesos)		
Net income	2,980	3,735	4,457	5,362	4,907
Interest gains on assets	(259)	(250)	(338)	(221)	(166)
Interest losses on liabilities	216	151	213	459	221
Depreciation of fixed assets	3,105	2,628	3,718	2,707	2,470
Income tax	1,849	2,264	2,801	3,410	3,017
EBITDA	7,891	8,528	10,851	11,717	10,449

Proved reserves, production and other operating data

The following table presents certain of our reserves, production and other operating data as of or for the periods indicated.

	Nine-Month Period Ended September 30, 2007	Year Ended December 31,		
		2006	2005	2004
Revisions, extensions, discoveries and improved recovery of proved reserves as of period end(1)				
Oil (mmbbl)	55	29	(153)	13
Gas (bcf)	198	(17)	(325)	(22)
Total (mmboe)	91	27	(212)	10
Proved reserves as of period end				
Oil (mmbbl)	646	680	777	1,064(2)
Gas (bcf)	3,728	4,015	4,683	5,676(2)
Total (mmboe)	1,311	1,396	1,611	2,076(2)
Proved developed reserves as of period end				
Oil (mmbbl)	483	521	604	863(2)
Gas (bcf)	2,430	2,571	3,201	4,045(2)
Total (mmboe)	916	979	1,174	1,582(2)
Average daily production for the period				
Oil (mmbbl)	327	346	366	399
Gas (mmcf)	1,778	1,779	1,827	1,926
Total (mboe)	644	663	691	742
Refining capacity				
Capacity (mmbbl/d)(3)	320	320	320	320
Retail distribution network as of period end				
Service stations	1,698	1,731	1,794	1,832

(1) See "Business—Exploration and Production—Reserves" for more information about our reserves.

(2) As restated.

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

RISK FACTORS

An investment in our Class D shares and the ADSs involves risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Class D shares or the ADSs could decline due to any of these risks, and you may lose all or part of your investment. The risks described below are those known to us and that we currently believe may materially affect us or investors in our Class D shares and the ADSs. Additional risks not presently known to us or that we currently consider immaterial may also impair our business.

Risks Relating to Argentina

Argentina's economy may not continue to grow at current rates or may contract in the future

The Argentine economy has experienced significant volatility in recent 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, the Argentine economy has grown at a rapid pace during recent years, with GDP increasing by 8.7% in 2003, 9% in 2004, 9.2% in 2005, 8.5% in 2006 and 5.8% through September 30, 2007. However, no assurances can be given that current rates of growth will continue. The Argentine economy remains susceptible to, among other things, a decline in commodity prices, limited international financing and investment in infrastructure and an increase in inflation. Sustained inflation in Argentina could increase our costs of operation, in particular labor costs, and without a corresponding increase in the price of our products, may negatively impact our results of operations and financial condition. 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. If economic conditions in Argentina were to deteriorate, it would likely have an adverse effect on our financial condition and results of operations.

Political and regulatory developments in Argentina may affect our domestic operations

The Argentine government exercises significant influence over the economy. In particular, the oil and gas industry is subject to extensive 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 materially and adversely affected by regulatory and political changes in Argentina. We currently 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 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), gasoline and diesel;
 - high 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;

- the import of certain hydrocarbon fuels at international market prices to satisfy domestic demand at significantly lower domestic prices;
- the implementation or imposition of stricter requirements about the quality of our products; and
 - high taxes on domestic fuel sales not compensated by price increases.

The Argentine government has made certain changes in regulations and policies governing the energy sector to give absolute priority to domestic supply at low, stable prices in order to sustain economic recovery. We cannot assure that changes in applicable laws and regulations, or adverse judicial or administrative interpretations of such laws and regulations, will not affect our results of operations. See “Regulatory Framework and Relationship with the Argentine Government.”

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. We cannot assure you that future government policies aimed at sustaining economic recovery or in response to domestic needs will not adversely affect the oil and gas industry.

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 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.

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 lagged substantially behind prevailing international and regional market prices for such products, and our ability to increase prices has been limited. For example, in January 2008, diesel import prices were approximately U.S.\$700/cubic meter, while the average domestic sales prices were approximately U.S.\$350/cubic meter before government subsidies. 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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Our Operations—Differences between Argentine and international prices for hydrocarbon products” and “Regulatory Framework and Relationship with the Argentine Government—Market Regulation.” We cannot assure you that we will be able to increase the prices of our products sufficiently in the future, and our inability to do so would adversely affect our financial condition and results of operations. Similarly, we cannot assure you that hydrocarbon prices in Argentina will reach prevailing international or regional levels.

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 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 the substantial restriction of exports of natural gas from Argentina and the Argentine government’s current policy is not to allow any exports of natural gas other than to the residential sector in certain other countries.

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. See “Business—Exploration and Production—The Argentine natural gas market” and “Business—Legal Proceedings.”

In addition, the effectiveness after certain specific dates of certain of our natural gas export authorizations is subject to an analysis by the Secretariat of Energy of natural gas reserves in the Noroeste basin. The result of such analysis is uncertain and may have an adverse impact upon our performance of the export gas sales agreements

related to such export authorizations should the Secretariat determine that reserves are inadequate. See “Business—Legal Proceedings—Argentina.”

Crude oil exports, as well as the export of most of our hydrocarbon products, currently require prior authorization from the 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 significantly lower prices.

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

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 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.

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

In recent years, new duties have been imposed on exports. In March 2002, oil and gas companies were levied with a five-year, 20% tax on proceeds from the export of crude oil and a five-year, 5% tax on proceeds from the export of oil products. These duties on exports were increased on May 11, 2004 to the following taxation rates: 25% on exports of crude oil, 20% on exports of butane, methane and LPG, and 5% on exports of gasoline and diesel. On May 26, 2004, a 20% duty on natural gas and natural gas liquids exports was imposed. On August 4, 2004, the Ministry of Economy and Production issued a resolution 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 export and thereby modifying the fixed 25% tax rate established in May of that year.

In July 2006, the Ministry of Economy and Production issued Resolution 534/06, which increased to 45% the export duty on natural gas. This resolution also required the Customs General Administration to apply the natural gas price set by the Framework Agreement between Argentina and Bolivia (approximately U.S.\$6/mmBtu in December 2007) as the valuation basis for calculating export duties on natural gas sales, irrespective of the actual price of such sales. In 2006, exports from the Tierra del Fuego province, which were previously exempted from taxes, were made subject to export duties at the prevailing rates. Moreover, in May 2007 the Ministry of Economy and Production increased to 25% the export duty on exports of butane, propane and LPG.

Additionally, Resolution 394/2007 of the Ministry of Economy and Production, published on November 16, 2007, amends the export duties on crude oil and other crude derivative 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 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 “Regulatory Framework and Relationship with the Argentine Government—Market Regulation.”

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 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. Under current Argentine law, exporters are required to convert proceeds from export operations into domestic currency, subject to certain exceptions applicable to the oil and gas industry that permit us to retain abroad 70% of export proceeds. See “Regulatory Framework and Relationship with the Argentine Government—Repatriation of Foreign Currency.” There can be no assurances regarding future modifications to exchange and capital controls. The imposition of stricter 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 is influenced by the perception of risk in Argentina and other emerging economies, which may affect our ability to finance our operations and the trading values of our securities.

International investors consider Argentina to be an emerging market. As a result, 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.

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

Oil and gas prices could affect our level of capital expenditures

The prices that we are able to obtain for our hydrocarbon products affect the viability of investments in new exploration and development, refining as a result the timing and amount of our projected capital expenditures for such purposes. 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 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 declining as reserves are depleted. In the last two years our proved reserves declined by approximately 33%, and we replaced 11% of our production with new proved reserves during 2006; production in 2007 declined by approximately 2.9% from 2006. We are engaged in efforts to mitigate these declines by adding reserves through technological enhancements aimed at improving our recovery rates as well as through deepwater offshore exploration. These efforts are subject to material risks and may prove unsuccessful due to risks inherent to the oil and gas industry.

Our oil and natural gas reserves are estimates, in accordance with the guidelines established by the SEC

Our oil and gas proved reserves are estimated in accordance with the guidelines established by the SEC. 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, among which the most important are:

- the results of drilling, testing and production after the date of the estimates, which may require substantial revisions;
- the quality of available geological, technical and economic data and the interpretation and judgment of such data;

- the production performance of our reservoirs;
- developments such as acquisitions and dispositions, new discoveries and extensions of existing fields and the application of improved recovery techniques;
- changes in oil and natural gas prices, which could have an effect on the size of our proved reserves because the estimates of reserves are based on prices and costs at the date when such estimates are made, and a decline in the price of oil or gas could make reserves no longer economically viable to exploit and therefore not classifiable as proved; and
- whether the prevailing tax rules, other government regulations and contractual conditions will remain the same as on the date estimates are made: (as changes in tax rules and other government regulations could make reserves no longer economically viable to exploit).

Many of the factors, assumptions and variables involved in estimating proved reserves are beyond our control and are subject to change over time. See “Business—Exploration and Production—Reserves.” Consequently, 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, 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, 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. 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.

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

The Federal 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 expiration of a substantial part of our and other Argentine oil companies’ concessions and occurs in 2017. 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 Federal 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 Federal 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. We cannot provide assurances that our 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 could have a material adverse effect on our business and results of our operations.

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. Considering such competition, the entry of ENARSA, an Argentine state-owned energy company, and other companies owned by Argentine provinces into the market, and the transfer of hydrocarbon properties to ENARSA and the provinces in Argentina, 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 “Business – Legal Proceedings” for a description of our pending environmental litigation. 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.

The cessation of natural gas deliveries from Bolivia may have a material adverse effect on our long-term natural gas supply commitments

We rely on imports of natural gas from Bolivia pursuant to the framework agreement between the Bolivian and Argentine governments (the “Framework Agreement”). See “Business – Production—Natural gas marketing.” The current delivery capacity from Bolivia is 7.7mmcm/d, and the delivery of volumes exceeding 7.7mmcm/d is subject to the construction of the North East Pipeline, which has not yet commenced. Bolivian natural gas imports pursuant to the Framework Agreement are performed under a gas supply agreement between YPFB and ENARSA, that establishes a guaranteed delivery volume of 4.6mmcm/d. The price charged by Bolivia pursuant to the Framework Agreement was approximately U.S.\$6/mmBtu in December 2007. We have entered into a gas supply contract with ENARSA to buy a portion of such gas (with a guaranteed volume of 2.6mmcm/d) through December 31, 2009 at a price of approximately U.S.\$1.8/mmBtu. The difference between our contractual price and cost of the natural gas purchased pursuant to the Framework Agreement is currently absorbed by ENARSA, and financed by the Argentine government with the collection of export duties on natural gas.

Any suspension of natural gas deliveries from Bolivia under these contracts, or an increase in the subsidized price of gas currently charged by ENARSA, could have a material adverse effect on our financial condition and results of operations, including our inability to provide gas to certain clients, since we plan to fulfill our supply contracts of natural gas in part through import volumes from Bolivia.

We are party to a number of legal proceedings

As described under “Business—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 reserves we have established.

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

Our oil and natural gas field facilities, our refineries and our 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 such facilities 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, we have experienced 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.

Risks Relating to Our Class D Shares and ADSs

Repsol YPF may continue to control the majority of our shares and voting rights

Repsol YPF may continue to control a majority of our shares and voting rights. So long as it does so, Repsol YPF will be able to determine substantially all matters requiring approval by a majority of our shareholders, including the declaration of dividends, the election of a majority of our directors, changes in issued share capital and the adoption of amendments to our bylaws. Repsol YPF will also direct our day to day operation and be able to cause or prevent a change in our control. Repsol YPF's interests may differ from those of our other shareholders. The matters described in this risk factor may be affected by agreements to be entered into in connection with Repsol's sale of 14.9% of our share capital to the Petersen Energía. See "Selling Shareholders".

The approval of the holder of our Class A shares is required to undertake certain strategic transactions

Under our bylaws, the approval of the holder of our Class A shares is required to undertake certain strategic transactions, including a merger, an acquisition that results in the purchaser holding more than 15% of our capital stock or 20% of our Class D shares or an acquisition that results in the purchaser holding a majority of our capital stock. The interests of our Class A shareholder, the Argentine government, may differ from those of our other shareholders, and, as result, we may not be able to undertake certain transactions, on terms that are advantageous to our other shareholders, or at all.

Active markets may not develop for our Class D shares or the ADSs

As of the date of this prospectus, less than 1% of our capital stock is held by non-affiliates. As a result, the public markets for our Class D shares and ADSs have had limited trading volume. Although the ADSs will continue to be listed on the NYSE and the underlying Class D shares will continue to be listed on the BASE, we cannot assure you that more active and liquid markets will develop or of the price at which the Class D shares or the ADSs may be sold.

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 such as those that previously

existed during the recent economic crisis could, if reinstated, 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. We cannot assure you that the Argentine government will not take such measures in the future.

Under the terms of our deposit agreement with the depository for the ADSs, the depository 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 restrictions of the type described in the preceding paragraph, the deposit agreement allows the depository 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 depository 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 bylaws 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 ADSs

Following the sale of 14.9% of our share capital, in the form of ADSs, to Petersen Energía (see “Selling Shareholders”), Repsol YPF may continue to hold Class D shares, including in the form of ADSs, representing a significant majority of our common stock (which may be reduced by 10.1% if the Option described under “Selling Shareholders” is exercised). Sales of a substantial number of Class D shares by Repsol YPF or any other significant shareholder, or the anticipation of such sales, could decrease the trading price of the Class D shares and the ADSs.

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 “Description of Capital Stock—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 depository 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 depository 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 depository 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 bylaws that limit the exercise by ADS holders of their voting rights through the depository 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 Buenos Aires Stock Exchange, 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.

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 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.

USE OF PROCEEDS

We will not receive any proceeds from the sale of any ADSs by the selling shareholders.

EXCHANGE RATES AND CONTROLS

Exchange Rates

From April 1, 1991 until the end of 2001, the Convertibility Law 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, 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, 2008, 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 *Banco Central de la República Argentina (Banco Central)*. The Federal Reserve Bank of New York does not report a noon buying rate for Argentine pesos.

	Low	High (pesos per U.S. dollar)	Average	Period End
Year ended December 31,				
2003	2.76	3.35	2.94(1)	2.93
2004	2.80	3.06	2.94(1)	2.98
2005	2.86	3.04	2.90(1)	3.03
2006	3.03	3.10	3.07(1)	3.06
2007	3.05	3.18	3.12(1)	3.15
Month				
August 2007	3.13	3.17	3.15	3.16
September 2007	3.13	3.17	3.15	3.15
October 2007	3.15	3.18	3.16	3.15
November 2007	3.12	3.15	3.14	3.15
December 2007	3.13	3.15	3.14	3.15
January 2008	3.13	3.16	3.14	3.16
February 2008(2)	3.15	3.17	3.16	3.15

Source: *Banco Central de la República Argentina*

- (1) Represents the average of the exchange rates on the last day of each month during the period.
- (2) Through February 15, 2008.

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 further restrictions 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.

MARKET INFORMATION**Shares and ADSs***New York Stock Exchange*

The ADSs, each representing one Class D Share, are listed on the NYSE under the trading symbol “YPF.” The ADSs began trading on the NYSE on June 28, 1993, and were issued by The Bank of New York as depositary (the “Depositary”).

The following table sets forth, for the five most recent full financial years and for the current financial year, the high and low closing prices in U.S. dollars of our ADSs on the NYSE:

	High	Low
2003	37.35	12.99
2004	44.00	35.95
2005	69.20	43.20
2006	57.38	37.00
2007	50.10	34.37
2008(1)	43.80	37.75

(1) Through February 15.

The following table sets forth, for each quarter of the most recent two financial years and the high and low closing prices in U.S. dollars of our ADSs on the NYSE.

	High	Low
2006:		
First Quarter	57.38	51.92
Second Quarter	55.00	37.00
Third Quarter	45.45	40.01
Fourth Quarter	51.49	42.75
2007:		
First Quarter	50.10	41.14
Second Quarter	46.41	41.42
Third Quarter	45.91	34.37
Fourth Quarter	44.97	37.02
2008:		
First Quarter(1)	43.80	37.75

(1) Through February 15.

The following table sets forth, for each of the most recent six months and for the current month, the high and low closing prices in U.S. dollars of our ADSs on the NYSE.

	High	Low
2007:		
August	43.30	34.37
September	39.54	36.60

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October	44.97	38.70
November	43.88	37.32
December	43.15	37.02
2008:		
January	43.80	37.76
February(1)	38.27	37.75

(1) Through February 15.

As of December 31, 2007 there were approximately 224.7 million ADSs outstanding and approximately 93 holders of record of ADSs. Such ADSs represented approximately 57.10% of the total number of issued and outstanding Class D shares as of December 2007. Repsol YPF was the holder of 222.8 million of our ADSs at that date.

Buenos Aires Stock Market

The Buenos Aires Stock Market is the principal Argentine market for trading the ordinary shares.

The Buenos Aires Stock Market (*Mercado de Valores de Buenos Aires*, or “MERVAL”), is the largest stock market in Argentina and is affiliated with the BASE. MERVAL is a corporation consisting of 133 shareholders who are the sole individuals or entities authorized to trade, either as principals or agents, in the securities listed on the BASE. Trading on the BASE is conducted either through the traditional auction system from 11 a.m. to 6 p.m. on trading days, or through the Computer-Assisted Integrated Negotiation System (*Sistema Integrado de Negociación Asistida por Computación*, or “SINAC”). SINAC is a computer trading system that permits trading in both debt and equity securities and is accessed by brokers directly from workstations located in their offices. Currently, all transactions relating to listed negotiable obligations and listed government securities can be effectuated through SINAC. In order to control price volatility, MERVAL imposes a 15-minute suspension on trading when the price of a security registers a variation in price between 10% and 15% and between 15% and 20%. Any additional 5% variation in the price of a security will result in an additional 10-minute successive suspension period.

Investors in the Argentine securities market are mostly individuals and companies. Institutional investors, which are responsible for a growing percentage of trading activity, consist mainly of institutional pension funds created under the amendments to the social security laws, enacted in late 1993.

Certain information regarding the Argentine equities market is set forth in the table below.

	2007	2006	2005	2004	2003
Market capitalization (in billions of pesos)(1)		1,229	771	690	542
As percent of GDP(1)		183.4%	163%	152%	205%
Volume (in millions of pesos)		131,984	145,535	82,099	84,496
Average daily trading volume (in millions of pesos)		574.83	577.52	376.26	339.34
Number of listed companies(1)		106	106	106	110

(1) End-of-period figures for trading on the BASE.

Source: CNV and Instituto Argentino de Mercado de Capitales.

The following table sets forth, for the five most recent full financial years and for the current financial year, the high and low prices in Argentine pesos of our Class D shares on the Buenos Aires Stock Market:

	High	Low
2003	110.00	43.75
2004	130.00	103.00
2005	205.00	128.00

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2006	177.50	115.00
2007	153.00	110.90
2008(1)	140.00	118.00

(1) Through February 15.

The following table sets forth, for each quarter of the most recent two financial years and the high and low prices in Argentine pesos of our Class D shares on the Buenos Aires Stock Market.

	High	Low
2006:		
First Quarter	177.50	159.50
Second Quarter	168.00	115.00
Third Quarter	141.00	123.50
Fourth Quarter	152.95	131.00
2007:		
First Quarter	153.00	126.00
Second Quarter	143.50	127.00
Third Quarter	143.50	107.80
Fourth Quarter	142.00	118.00
2008:		
First Quarter(1)	140.00	118.00

(1) Through February 15.

The following table sets forth, for each of the most recent six months and for the current month, the high and low prices in Argentine pesos of our Class D shares on the Buenos Aires Stock Market.

	High	Low
2007:		
August	139.50	107.80
September	127.80	117.00
October	145.00	122.25
November	141.25	118.50
December	121.00	116.00
2008:		
January	140.00	118.00
February(1)	125.00	121.00

(1) Through February 15.

As of December 31, 2007, there were approximately 8,336 holders of Class D shares.

Stock Exchange Automated Quotations System International

The ADSs are also quoted on the Stock Exchange Automated Quotations System International.

Argentine Securities Market

The securities market in Argentina is composed of 10 stock exchanges, which are located in the City of Buenos Aires, Bahía Blanca, Corrientes, Córdoba, La Plata, La Rioja, Mendoza, Rosario, Santa Fe, and Tucumán. Five of these exchanges (the BASE, Rosario, Córdoba, Mendoza, and Santa Fe) have affiliated stock markets and, accordingly, are authorized to quote publicly offered securities. Securities listed on these exchanges include corporate equity and bonds and government securities.

The BASE is the principal and longest-established exchange in Argentina and is currently the fourth largest exchange in Latin America in terms of market capitalization. The BASE began operating in 1854 and accounts for approximately 95% of all equity trading in Argentina. Bonds listed on the BASE may simultaneously be listed on the Argentine over-the-counter market (*Mercado Abierto Electrónico*, or “MAE”), pursuant to an agreement between BASE and MAE which stipulates that equity securities are to be traded exclusively on the BASE, while debt securities (both public and private) may be traded on both the MAE and the BASE. In addition, through separate agreements with the BASE, all of the securities listed on the BASE may be listed and subsequently traded on the Córdoba, Rosario, Mendoza, La Plata and Santa Fe exchanges, by virtue of which many transactions originating on these exchanges relate to BASE-listed companies and are subsequently settled in Buenos Aires. Although companies may list all of their capital stock on the BASE, controlling shareholders in Argentina typically

retain the majority of a company's capital stock, resulting in a relatively small percentage of active trading of the companies' stock by the public on the BASE.

Argentina's equity markets have historically been composed of individual investors, though in recent years, there has been an increase in the level of investment by banks and insurance companies in these markets. The participation of Argentine pension funds represents an increasing percentage of the BASE market; however, Argentine mutual funds (*fondos comunes de inversión*) continue to have very low participation. As of December 31, 2007, 109 companies had equity securities listed on the BASE, of which the 10 most traded companies accounted for approximately 78.1% of the total market capitalization during 2007.

Regulation of the Argentine securities market

The Argentine securities market is regulated and overseen by the CNV, pursuant to Law No. 17,811, as amended, which in addition to having created the CNV, governs the regulation of security exchanges, as well as stockbroker transactions, market operations, the public offering of securities, corporate governance matters relating to public companies and the trading of futures and options. Argentine pension funds and insurance companies are regulated by separate government agencies, whereas financial institutions are regulated primarily by the Central Bank.

In Argentina, debt and equity securities traded on an exchange or the over-the-counter market must, unless otherwise instructed by their shareholders, be deposited with Stock Exchange Incorporated (*Caja de Valores S.A.*), a corporation owned by the BASE, Merval and certain provincial exchanges. The Stock Exchange Incorporated is the central securities depository of Argentina and provides central depository facilities, as well as acting as a clearinghouse for securities trading and as a transfer and paying agent for securities transactions. Additionally, it handles the settlement of securities transactions carried out by the BASE and operates SINAC.

Despite a change in the legal framework of Argentine securities trading in the early 1990s, which permitted the issuance and trading of new financial products in the Argentine capital markets, including commercial paper, new types of corporate bonds and futures and options, there is still a relatively low level of regulation of the market for Argentine securities and investors' activities in such markets and enforcement of them has been extremely limited. Because of the limited exposure and regulation in these markets, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the CNV has taken significant steps to strengthen disclosure and regulatory standards for the Argentine securities market, including the issuance of regulations prohibiting insider trading and requiring insiders to report on their ownership of securities, with associated penalties for noncompliance.

In order to improve Argentine securities market regulation, the Argentine government issued Decree No. 677/01 on June 1, 2001 (the "Transparency Decree"), which provided certain guidelines and provisions relating to capital markets transparency and best practices. The Transparency Decree applies to individuals and entities that participate in the public offering of securities, as well as to stock exchanges. Among its key provisions, the decree broadens the definition of a "security," governs the treatment of negotiable securities, obligates publicly listed companies to form audit committees composed of three or more members of the Board of Directors (the majority of whom must be independent under CNV regulations), authorizes market stabilization transactions under certain circumstances, governs insider trading, market manipulation and securities fraud and regulates going-private transactions and acquisitions of voting shares, including controlling stakes in public companies.

Before offering securities to the public in Argentina, an issuer must meet certain requirements established by the CNV with regard to the issuer's assets, operating history and management. Only securities approved for a public offering by the CNV may be listed on a stock exchange. However, CNV approval does not imply any kind of certification as to the quality of the securities or the solvency of the issuer, even though issuers of listed securities are required to file

unaudited quarterly financial statements and audited annual financial statements and various other periodic reports with the CNV and the stock exchange on which their securities are listed, as well as to report to the CNV and the relevant stock exchange any event related to the issuer and its shareholders that may affect materially the value of the securities traded.

Money laundering regulations

Recent modifications to Argentine money laundering regulations have resulted in their application to increasing numbers and types of securities transactions.

Argentine Law No. 25,246 (as amended by Law No. 26,087 and Law 26,119) categorizes money laundering as a crime under the Argentine Criminal Code and created the *Unidad de Información Financiera* (“UIF”), an agency of the Ministry of Justice and Human Rights of Argentina responsible for investigating questionable transactions. The Argentine Criminal Code defines money laundering as the exchange, transfer, management, sale or any other use of money or other assets obtained through a crime, by a person who did not take part in such crime, with the possible result that such original assets (or new asset resulting from such original asset) have the appearance of having been obtained through legitimate sources, provided that the aggregate value of the assets exceeded Ps.50,000, whether such amount results from one or more connected transactions.

The money laundering legal framework assigns control and information reporting duties to certain private sector entities, including banks, broker-dealers, trading companies and insurance companies, in many cases according to highly general criteria. According to the rules of the Guide to Unusual or Questionable Financial and Foreign Exchange Transactions (*Guía de Transacciones Inusuales o Sospechosas en la Órbita del Sistema Financiero y Cambiario*) approved by Resolution No. 2/2002 of the UIF (as amended), such entities have an obligation to notify the UIF of transactions falling into the following general categories: (a) investments in securities in amounts significantly exceeding the amounts normally invested by a particular investor, taking the business of the investor into account; (b) deposits or back-to-back loans in jurisdictions known as tax havens; (c) requests for asset management services where the origin of funds is not certain, is unclear or does not relate to the business of the investor; (d) unusual transfers of large amounts of securities or interests; (e) unusual and frequent use of special investment accounts; and (f) frequent purchases and sales of securities during the same day for the same amount and volume, when such transactions seem unusual and inadequate considering the business of the investor.

CAPITALIZATION

The following table sets forth our indebtedness, shareholders' equity and total capitalization as of September 30, 2007. You should read this table in conjunction with the information under "Selected Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus.

	As of September 30, 2007	
	(in millions of U.S. dollars)(1)	(in millions of pesos)
Short-term indebtedness	175	551
Long-term indebtedness	166	523
Total shareholders' equity	7,922	24,955
Total capitalization	8,263	26,029

(1) U.S. dollar amounts are based on the buying exchange rate at September 28, 2007 of Ps.3.15 to U.S.\$1.00 (the last rate quoted in September 2007).

SELECTED FINANCIAL AND OPERATING DATA

The following tables present our selected financial and operating data. You should read this information in conjunction with our audited and unaudited financial statements and related notes, and the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. All financial data included in this prospectus as of September 30, 2007 and for the nine-month periods ended September 30, 2007 and 2006 is unaudited. Results for the nine-month period ended September 30, 2007 are not necessarily indicative of results to be expected for the full year 2007 or any other period.

The financial data as of December 31, 2006, 2005 and 2004 and for the years then ended is derived from our audited consolidated financial statements (the “Audited Consolidated Financial Statements”), which are included in our annual report on Form 20-F for the year ended December 31, 2006 incorporated by reference in this prospectus. The financial data as of September 30, 2007 and for the nine-month periods ended September 30, 2007 and 2006 is derived from our unaudited individual and consolidated interim financial statements (the “Unaudited Individual and Consolidated Interim Financial Statements”) included elsewhere in this prospectus. The Unaudited Individual and Consolidated Interim Financial Statements reflect all adjustments which, in the opinion of our management, are necessary to present the financial statements for such periods on a consistent basis with the Audited Consolidated Financial Statements. The financial data as of and for the years ended December 31, 2003 and 2002 is derived from our audited financial statements, which are neither included nor incorporated by reference in this prospectus. Our audited and unaudited 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 13, 14 and 15 to our Audited 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, 2006, 2005 and 2004 and for the years then ended. Notes 5, 6 and 7 to our Unaudited Individual and Consolidated Interim Financial Statements included elsewhere in this prospectus provide a description of the significant differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income for the nine-month periods ended September 30, 2007 and 2006 and shareholders’ equity as of September 30, 2007 and December 31, 2006.

In this prospectus, except as otherwise specified, references to “\$,” “U.S.\$” and “dollars” are to U.S. dollars, and references to “Ps.” and “pesos” are to Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the nine months ended September 30, 2007 and as of and for the year ended December 31, 2006 have been translated into U.S. dollars at the exchange rate quoted by Banco Central de la República Argentina (Banco Central) on September 28, 2007 of Ps.3.15 to U.S.\$1.00 (the last quoted rate in September 2007), unless otherwise specified. The exchange rate quoted by Banco Central on February 15, 2008 was Ps.3.15 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 and Controls.”

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

**As of and for Nine-Month Period
Ended September 30,**

	2007	2007	2006
	(in	(in millions of pesos,	except for per share
	millions	except for per share	and per ADS data)
	of U.S.\$,	and per	ADS
	except	data)	data)
	for per	share	and per
	share	and per	ADS
	and per	ADS	data)
	ADS	data)	data)
	data)	data)	data)

Consolidated Income Statement Data:*Argentine GAAP*(1)

Net sales(2)(3)	6,625	20,869	19,172
Gross profit	2,207	6,952	7,644
Administrative expenses	(178)	(561)	(490)
Selling expenses	(489)	(1,541)	(1,356)
Exploration expenses	(113)	(356)	(318)
Operating income	1,427	4,494	5,480
Income (Loss) on long-term investments	12	38	27
Other expenses, net	(54)	(171)	(33)
Interest expense	(69)	(216)	(151)
Other financial income (expenses) and holding gains (losses), net	195	615	676
Impairment of other current assets	22	69	—
Income before income tax	1,533	4,829	5,999
Income tax	(587)	(1,849)	(2,264)
Net income from continuing operations	946	2,980	3,735
Net income	946	2,980	3,735
Earnings per share and per ADS(4)	2.41	7.58	9.50
Dividends per share and per ADS(4) (in pesos)	n.a.	6.00	6.00
Dividends per share and per ADS(4)(5) (in U.S. dollars)	n.a.	1.93	1.97

U.S. GAAP

Operating income	1,180	3,716	4,855
Net income	748	2,356	3,253
Earnings per share and per ADS(4) (in pesos)	1.90	5.99	8.27

Other Consolidated Financial Data:*Argentine GAAP*(1)

Fixed assets depreciation	986	3,105	2,628
Cash used in fixed asset acquisitions	1,294	4,076	3,460

Non-GAAP

EBITDA(6)	2,505	7,891	8,528
EBITDA margin(7)	n.a.	0.38	0.44

**As of September 30,
2007**

(in (in
millions of millions of
U.S.\$) pesos)

Consolidated Balance Sheet Data:*Argentine GAAP*(1)

Cash	34	106
Working capital	1,317	4,147
Total assets	11,475	36,146
Total debt(8)	341	1,074
Shareholders' equity(9)	7,922	24,955

U.S. GAAP

Total assets	12,257	38,610
Shareholders' equity(9)	8,889	28,000

(1) The financial statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Technical Resolution No. 6 of the F.A.C.P.C.E. and taking into consideration General Resolution No. 441 of the CNV, which established the discontinuation of the restatement of financial statements in constant Argentine pesos as from March 1, 2003. See Note 1 to YPF S.A.'s individual financial statements included in the Unaudited Individual and Consolidated Interim Financial Statements.

- (2) Includes Ps.999 million for the nine-month period ended September 30, 2007 and Ps.1,053 million for the nine-month period ended September 30, 2006 corresponding to the proportional consolidation of the net sales of investees controlled jointly by us and third parties.
- (3) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on hydrocarbon exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales (see Note 2(g) to YPF Sociedad Anónima’s individual financial statements included in the Unaudited Individual and Consolidated Interim Financial Statements).
- (4) Information has been calculated based on outstanding capital stock of 393,312,793 shares. Each ADS represents one Class D Share. There were no differences between basic and diluted earnings per share and ADS for any of the years disclosed.
- (5) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of payment. For periods in which more than one dividend payment was made, the amounts expressed in U.S. dollars are based on exchange rates at the date of each payment.
- (6) EBITDA is calculated by excluding interest gains on assets, interest losses on liabilities, income tax and depreciation of fixed assets from our net income. For a reconciliation of EBITDA to net income, see “—EBITDA reconciliation.”
- (7) EBITDA margin is calculated by dividing EBITDA by our net sales.
- (8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.523 million as of September 30, 2007.
- (9) Our subscribed capital as of September 30, 2007 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.

As of and for Year Ended December 31,

	2006 (in millions of U.S.\$, except for per share and per ADS data)	2006(1)	2005(1)	2004(1)	2003(2)	2002(2)
				(in millions of pesos, except for per share and per ADS data)		
Consolidated Income Statement						
Data:						
<i>Argentine GAAP(3)</i>						
Net sales(4)(5)	8,138	25,635	22,901	19,931	17,514	17,050
Gross profit	3,116	9,814	11,643	10,719	9,758	8,424
Administrative expenses	(214)	(674)	(552)	(463)	(378)	(411)
Selling expenses	(570)	(1,797)	(1,650)	(1,403)	(1,148)	(1,077)

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Exploration expenses	(146)	(460)	(280)	(382)	(277)	(240)
Operating income	2,185	6,883	9,161	8,471	7,955	6,696
Income (Loss) on long-term investments	58	183	39	154	150	(450)
Amortization of goodwill	—	—	—	—	—	(13)
Other expenses, net	(65)	(204)	(545)	(981)	(152)	(245)
Interest expense	(68)	(213)	(459)	(221)	(252)	(679)
Other financial income (expenses) and holding gains (losses), net	212	667	561	359	202	(2,312)
Income (Loss) from sale of long-term investments	3	11	15	—	—	690
Impairment of other current assets	(22)	(69)	—	—	—	—
Income before income tax	2,304	7,258	8,772	7,782	7,903	3,687
Income tax	(889)	(2,801)	(3,410)	(3,017)	(3,290)	(58)
Net income from continuing operations	1,415	4,457	5,362	4,765	4,613	3,629
Income (Loss) on discontinued operations	—	—	—	3	15	(13)
Income from sale of discontinued operations	—	—	—	139	—	—
Net income	1,415	4,457	5,362	4,907	4,628	3,616
Earnings per share and per ADS(6)	3.60	11.33	13.63	12.48	11.77	9.19
Dividends per share and per ADS(6) (in pesos)	n.a.	6.00	12.40	13.50	7.60	4.00
Dividends per share and per ADS(6)(7) (in U.S. dollars)	n.a.	1.97	4.24	4.70	2.62	1.12
<i>U.S. GAAP</i>						
Operating income	1,786	5,626	8,065	6,550	7,567	5,173
Net income	1,164	3,667	5,142	4,186	4,435	3,498
Earnings per share and per ADS(6) (in pesos)	n.a.	9.32	13.07	10.64	11.28	8.89

As of and for Year Ended December 31,

	2006 (in millions of U.S.\$, except for per share and per ADS data)	2006(1)	2005(1)	2004(1)	2003(2)	2002(2)
Consolidated Balance Sheet Data:						
<i>Argentine GAAP(3)</i>						
Cash	37	118	122	492	355	309
Working capital	1,557	4,905	2,903	3,549	4,001	4,063
Total assets	11,236	35,394	32,224	30,922	32,944	31,756
Total debt(8)	452	1,425	1,453	1,930	2,998	5,552
Shareholders' equity(9)	7,729	24,345	22,249	21,769	22,534	20,896
<i>U.S. GAAP(3)</i>						
Total assets	11,761	37,046	34,748	32,540	34,125	36,280
Shareholders' equity(2)	8,330	26,241	24,254	23,506	24,334	26,303
Other Consolidated Financial Data:						
<i>Argentine GAAP</i>						
Fixed assets depreciation	1,180	3,718	2,707	2,470	2,307	2,161
Cash used in fixed asset acquisitions	1,588	5,002	3,722	2,867	2,418	2,898
<i>Non-GAAP</i>						
EBITDA(10)	3,445	10,851	11,717	10,449	10,245	6,255
EBITDA margin(11)	n.a.	0.42	0.51	0.52	0.58	0.37

(1) Consolidated income and balance sheet data for the years ended December 31, 2006, 2005 and 2004 set forth above include the retroactive effect from the application of new accounting rules in Argentina (see Note 1(b) to the Audited Consolidated Financial Statements).

(2) Consolidated income and balance sheet data for the years ended December 31, 2003 and 2002 set forth above do not include the retroactive effect from the application of new accounting rules in Argentina (see Note 1(b) to the Audited Consolidated Financial Statements).

(3) The financial statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Technical Resolution No. 6 of the F.A.C.P.C.E. and taking into consideration General Resolution No. 441 of the CNV, which established the discontinuation of the restatement of financial statements in constant Argentine pesos as from March 1, 2003. See Note 1 to the Audited Consolidated Interim Financial Statements.

(4) Includes Ps.1,451 million for the year ended December 31, 2006, Ps.1,216 million for the year ended December 31, 2005, Ps.1,122 million for the year ended December 31, 2004, Ps.760 million for the year ended December 31, 2003 and Ps.1,019 million for the year ended December 31, 2002 corresponding to the proportional consolidation of

the net sales of investees in which we hold joint control with third parties (see Note 13(b) to the Audited Consolidated Financial Statements).

(5) Net sales are net to us after payment of a fuel transfer tax, turnover tax and, from 2002, customs duties on hydrocarbon exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(g) to the 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. For periods in which more than one dividend payment was made, the amounts expressed in U.S. dollars are based on exchange rates at the date of each payment.

(8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.510 million as of December 31, 2006, Ps.1,107 million as of December 31, 2005, Ps.1,684 million as of December 31, 2004, Ps.2,085 million as of December 31, 2003 and Ps.3,760 million as of December 31, 2002.

(9) Our subscribed capital as of December 31, 2006, 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.

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

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

EBITDA reconciliation

EBITDA is calculated by excluding interest gains on assets, interest losses on liabilities, income tax and depreciation of fixed assets from our net income. Our management believes that EBITDA is meaningful for investors because it is one of the principal measures used by our management. EBITDA allows us to compare our results and efficiency with those of other similar companies in the oil and gas industry, excluding the effect on comparability of variations in depreciation and amortization resulting from differences in the maturity of their oil and gas assets. EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in the oil and gas industry. EBITDA is not an explicit measure of financial performance under Argentine GAAP or U.S. GAAP and may not be comparable to similarly titled measures used by other companies. EBITDA should not be considered an alternative to operating income as an indicator of our operating performance, or an alternative to cash flows from operating activities as a measure of our liquidity.

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

	For the Nine-Month Period Ended September 30,		For the Year Ended December 31,		
	2007	2006	2006	2005	2004
			(in millions of pesos)		
Net income	2,980	3,735	4,457	5,362	4,907
Interest gains on assets	(259)	(250)	(338)	(221)	(166)
Interest losses on liabilities	216	151	213	459	221
Depreciation of fixed assets	3,105	2,628	3,718	2,707	2,470
Income tax	1,849	2,264	2,801	3,410	3,017
EBITDA	7,891	8,528	10,851	11,717	10,449

Reserves, production and other operating data

The following table presents certain of our reserves, production and other operating data as of or for the periods indicated.

	Nine-Month Period Ended September 30, 2007	Year Ended December 31,		
		2006	2005	2004
Revisions, extensions, discoveries and improved recovery of proved reserves as of period end(1)				
Oil (mmbbl)	55	29	(153)	13
Gas (bcf)	198	(17)	(325)	(22)
Total (mmboe)	91	27	(212)	10
Proved reserves as of period end				
Oil (mmbbl)	646	680	777	1,064(2)
Gas (bcf)	3,728	4,015	4,683	5,676(2)
Total (mmboe)	1,311	1,396	1,611	2,076(2)
Proved developed reserves as of period end				
Oil (mmbbl)	483	521	604	863(2)
Gas (bcf)	2,430	2,571	3,201	4,045(2)
Total (mmboe)	916	979	1,174	1,582(2)
Average daily production for the period				
Oil (mmbbl)	327	346	366	399
Gas (mmcf)	1,778	1,779	1,827	1,926
Total (mboe)	644	663	691	742
Refining capacity				
Capacity (mmbbl/d)(3)	320	320	320	320
Retail distribution network as of period end				
Service stations	1,698	1,731	1,794	1,832

(1) See "Business—Exploration and Production—Reserves" for more information about our reserves.

(2) As restated.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements as of December 31, 2006, 2005 and 2004 and for the years then ended (the "Audited Consolidated Financial Statements"), and our unaudited individual and consolidated interim financial statements as of September 30, 2007 and for the nine-month periods ended September 30, 2007 and 2006 (the "Unaudited Individual and Consolidated Interim Financial Statements").

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, liquid petroleum gas 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 2006, we had consolidated net sales of Ps.25,635 million (U.S.\$8,138 million) and consolidated net income of Ps.4,457 million (U.S.\$1,415 million) and, in the nine months ended September 30, 2007, we had consolidated net sales of Ps.20,869 million (U.S.\$6,625 million) and consolidated net income of Ps.2,980 million (U.S.\$946 million).

Privatized in 1993, most of our predecessors were state-owned companies with operations dating back to the 1920s. Since 1999, we have been controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. On December 21, 2007, Petersen Energía, S.A. ("Petersen Energía"), an Argentine-owned holding company, signed a memorandum of understanding with Repsol YPF pursuant to which it will enter into an agreement to purchase approximately 14.9% of our capital stock and will have an option to purchase an additional 10.1% of our capital stock. We believe that Petersen Energía's participation in our capital stock and management will strengthen our Argentine ties and expertise.

Upstream Operations

- We operate more than 70 oil and gas fields in Argentina, accounting for approximately 42% of the country's total production of oil and approximately 42% of its total gas production, including NGL, in 2007, according to the Argentine Secretariat of Energy.
- We had proved reserves, as estimated as of September 30, 2007, of approximately 646 mmbbl of oil and 3,728 bcf of natural gas, representing aggregate reserves of 1,311 mmoeb.
- In 2006, we produced 126 mmbbl of oil (346 mbbbl/d) and 651 bcf of gas (1,779 mmcf/d) and, in the nine months ended September 30, 2007, we produced 89 mmbbl of oil (327 mbbbl/d) and 485 bcf of gas (1,778 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"), a jointly controlled entity 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 September 30, 2007 consisted of 1,698 YPF-branded service stations, which we believe represented approximately 30.9% of all service stations in Argentina.

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 13, 14 and 15 to the Audited Consolidated Financial Statements and Notes 5, 6 and 7 to the Unaudited Individual and Consolidated Interim Financial Statements provide a summary of the effect of these significant differences on net income and shareholders' equity under Argentine GAAP and U.S. GAAP.

We fully consolidate the results of subsidiaries in which we have a sufficient number of voting shares to control corporate decisions and proportionally consolidate the results of companies that we control jointly. The financial information corresponding to Refinor and Profertil, both jointly controlled entities, includes the last financial information approved by those companies, which in each case corresponds to a date and period ending three months prior to the date of our consolidated financial statements; however, such information, if material, is adjusted according to applicable accounting principles to reflect these companies' results as of the date of the issuance of our consolidated financial statements.

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 restate 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 7.9% in 2004, 10.6% in 2005, 7.1% in 2006 and 11.7% during the first nine months of 2007. As a result, our results of operations and financial position may not be directly comparable from period to period. 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 prospectus) in constant pesos, which may affect the comparability of our results of operations and financial position to those recorded in prior periods. See "—Critical Accounting Policies—U.S. GAAP Reconciliation" for an explanation of how the effect of inflation is treated under U.S. GAAP.

Additionally, certain oil and gas disclosures are included in the Audited Consolidated Financial Statements under the heading "Supplemental information on oil and gas producing activities (unaudited)."

Segment Reporting

We organize our business into the following four segments: (i) exploration and production, which includes exploration and production activities, natural gas and crude oil purchases and sales (including purchases from and sales 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 refined products ("Refining and Marketing"); (iii) the production, transport and marketing of petrochemical products ("Chemical"); and (iv) other activities not falling into the previously-described categories ("Corporate and other"), principally including corporate administration costs and assets, construction activities and environmental remediation activities related to YPF Holdings Inc.

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

	For the Nine-Month Period Ended September 30,		Ended December 31,		
	2007	2006	2006	2005	2004
	(in millions of pesos)				
Net sales	20,869	19,172	25,635	22,901	19,931
Cost of sales	(13,917)	(11,528)	(15,821)	(11,258)	(9,212)

	For the Nine-Month Period Ended September 30,		For the Year Ended December 31,		
	2007	2006	2006	2005	2004
	(in millions of pesos)				
Gross profit	6,952	7,644	9,814	11,643	10,719
Administrative expenses	(561)	(490)	(674)	(552)	(463)
Selling expenses	(1,541)	(1,356)	(1,797)	(1,650)	(1,403)
Exploration expenses	(356)	(318)	(460)	(280)	(382)
Operating income	4,494	5,480	6,883	9,161	8,471
Income on long-term investments	38	27	183	39	154
Other expenses, net	(171)	(33)	(204)	(545)	(981)
Financial income, net and holding gains	399	525	454	102	138
Income from sale of long-term investments	—	—	11	15	—
Impairment of other assets	69	—	(69)	—	—
Net income before income tax	4,829	5,999	7,258	8,772	7,782
Income tax	(1,849)	(2,264)	(2,801)	(3,410)	(3,017)
Net income from continuing operations	2,980	3,735	4,457	5,362	4,765
Income on discontinued operations	—	—	—	—	3
Income from sale of discontinued operations	—	—	—	—	139
Net income	2,980	3,735	4,457	5,362	4,907

Factors Affecting Our Operations

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

- the volume of crude oil, oil byproducts and natural gas we produce and sell;
 - domestic price limitations;
- export restrictions and domestic supply requirements;
 - international prices of crude oil and oil products;
 - our capital expenditures;
 - inflation and cost increases;
- domestic market demand for hydrocarbon products;
 - operational risks;
- taxes, including export taxes;

- capital controls;
- the Argentine peso/U.S. dollar exchange rate;
- dependence on the infrastructure and logistics network used to deliver our products;
- laws and regulations affecting our operations; and
- interest rates.

Our consolidated operating profits and margins have recently trended downwards. This has principally been the result of: production declines and increased asset depreciation principally due to the increasing maturity of our oil and gas fields; increases in other operating costs, due in part to higher domestic demand and local market supply

obligations (which required us to purchase certain inputs from third parties); inflation and higher labor costs; and our inability to offset those increased costs due to, among other things, domestic limitations on the prices at which we sell gas and refined products.

Our operating profit in the nine-month period ended September 30, 2007 decreased 18.0% compared to the corresponding period in 2006 mainly as a result of: our continuing decline in production; increased export taxes; and increasing domestic fuel demand, which, as a result of regulatory requirements, obliged us to decrease exports and import certain products (such as diesel) in order to satisfy domestic demand at substantially lower prices. Domestic prices for diesel, for example, in January 2008, were approximately U.S.\$250/cubic meter lower, after tax refunds, than international market prices, ensuring a loss on diesel imports that are used to satisfy domestic diesel demand.

Our operating profit in 2006 decreased 24.9% compared to 2005 mainly as a result of: our decline in production, which led us to purchase more crude oil from third parties in order to maintain our pace of refining activity; increased depreciation of fixed assets resulting from declines in our proved reserves; the imposition of higher export taxes on most refined products; and significant increases in imports of diesel at international market prices in order to satisfy domestic demand at substantially lower prices.

Our operating profit in 2005 increased 8.1% compared to 2004 mainly because of an increase in domestic prices for our products.

Macroeconomic conditions

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth and high variable levels of inflation. Inflation reached its peak in the late 1980s and early 1990s. The annual inflation rate as measured by the consumer price index was approximately 388% in 1988, 4,924% in 1989 and 1,344% in 1990. 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 by 3.4% in 1999, 0.8% in 2000 and 4.4% in 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. GDP declined by 10.9% in 2002, annual inflation rose to 41%, the exchange rate continued to be highly volatile, and the unemployment rate rose to more than 20%. The political and economic instability not only curtailed commercial and financial activities in Argentina but also severely restricted the country's access to international financing.

Strong economic growth in the world's developed economies and favorable raw material pricing from 2003 through 2007 paved the way for Argentina's economic recovery. GDP grew by 8.7% in 2003, 9.0% in 2004, 9.2% in 2005, 8.5% in 2006 and 5.8% through September 2007. Public finances both at national and provincial levels recorded a consolidated primary surplus of approximately 5.5% of GDP in 2004, 4.5% in 2005 and 3.5% in 2006. Argentina has also maintained a trade surplus, which from 2003 to 2007 averaged approximately 7% of GDP.

The annual wholesale price index, according to the INDEC, increased by 2% in 2003, 7.9% in 2004, 10.6% in 2005, 7.1% in 2006 and 11.7% through September 2007. The government's main strategy to fight increasing inflation has been the establishment of agreed price controls with private companies.

With its economic recovery well under way, in 2005, Argentina successfully completed the restructuring of a substantial portion of its bond indebtedness and cancelled all of its debt with the International Monetary Fund

(“IMF”). The country is actively working to renegotiate the remaining portion of its external public debt and to resolve the claims brought before international courts by foreign companies affected during the crisis.

Global macroeconomic conditions have a direct effect on economic conditions in Argentina and, in particular, on Argentine domestic energy consumption trends. Global economic growth remained solid during the first half of 2007, but the downside risks and uncertainty surrounding growth prospects have recently increased. Latin America continued to expand vigorously, driven by strong commodity prices and growing domestic demand. However, there are some signs that the improved fundamentals may erode if certain regulatory policies are not strengthened. Fiscal and external surpluses are forecast to weaken in many countries, and inflation has been rising, exacerbated by rising international food prices, as output has come closer to potential.

According to the IMF, world output is expected to expand by 4.8% in 2008. The global economy is being supported by the expansion in emerging market countries. In particular, the economies of the leading emerging Asian countries, China and India, are expected to grow by approximately 10% and 8.5%, respectively, in 2008. United States growth is projected at 1.9% in 2008, reflecting the continuing housing correction and the negative impact on confidence of the recent financial turmoil. The rate of expansion is expected to slow to 2.1% and 1.7% in the euro area and Japan, respectively. The U.S. dollar has continued to depreciate against the euro and a broad range of other currencies, including those of emerging market countries. The exchange market pressures in emerging economies have generally been reflected in exchange rate appreciation, rapid accumulation of international reserves and strong domestic credit growth.

Worldwide oil prices continued to increase during 2007, reaching a maximum of almost U.S.\$100 per barrel (WTI) in November 2007 and again in early January 2008, driven by strong demand, the decrease in the United States’ reserves, and social and political conflicts in producing areas.

Within the above-mentioned international and regional context, the economic growth rate of Argentina remained strong during the first nine months of 2007. GDP increased 8.4% compared with the same period of 2006, driven by fixed investment and private consumption.

Total exports from Argentina increased by 20% year over year (YoY) to U.S.\$55,933 million in 2007, mainly driven by an increase in exports of agricultural products, while imports increased by 31% in the same period due to higher growth in consumption and investment. The trade surplus decreased by 9.4%, falling from U.S.\$12,306 million in 2006 to U.S.\$11,154 million in 2007.

The unemployment rate continued to fall, consistent with economic growth. The data corresponding to the third quarter of 2007 showed that 7.3% of the active population was unemployed, 1.1 percentage points lower than the 8.4% rate in the prior year. Average real wages of the economy increased by 12.6% (YoY) between December 2006 and November 2007, according to the INDEC’s inflation rate (7.5%).

The Central Bank continued its policy of accumulating international reserves and maintaining a competitive exchange rate during 2007. Central Bank reserves were at U.S.\$46 billion at the end of the year, and the peso / dollar buying exchange rate increased to Ps 3.15 per dollar, a 2.9% (YoY) nominal depreciation. The real exchange rate of the Argentine peso against a basket of currencies, measured using the official domestic inflation index, showed a 10% real depreciation throughout the year.

Fiscal revenues increased by 33% (YoY) in 2007, but an even higher rise in public expenditures (46%) led to a reduction in the national primary fiscal surplus from 3.5% of GDP in 2006 to 2.2% of GDP in 2007. In relation to public debt, two issues are still pending: (i) a portion of the defaulted debt which was not included in the 2005 debt swap (the so-called “Paris Club”) has not yet been resolved and (ii) certain government bondholders have not accepted

the government's debt restructuring proposal.

The Argentine economy has begun 2008 with favorable prospects in terms of economic growth, but with significant concerns over inflation, energy supply and the international economic context in the near future. However, 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 "Risk Factors—Risks Relating to Argentina."

Energy consumption in Argentina has increased significantly since 2003, driven in part by price limitations that have kept Argentine energy prices substantially below international prices. Continued growth in demand and a particularly harsh winter in 2007 have recently 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 hydrocarbon imports.

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

	Nine months ended September 30, 2007	Year ended December 31,		
		2006	2005	2004
Crude Oil in Argentina				
Production (mmbbl)	176.4	240.6	242.8	254.8
Exports (mmbbl)	15.2	32.0	54.6	64.4
Imports (mmbbl)	0.2	0.6	1.6	3.7
Natural Gas in Argentina				
Sales (mmcm)(2)	25,845.6	36,362.0	34,685.0	33,472.7
Production (mmcm)	38,523.1	51,665.5	51,329.2	52,207.5
Exports (mmcm)	1,128.2	3,067.5	6,600.1	7,348.1
Imports (mmcm)	1,088.8	1,428.5	1,610.5	804.1
Diesel in Argentina				
Sales (mcm)(1)	10,927.4	13,903.4	13,074.4	12,450.1
Production (mcm)	9,708.5	12,570.3	11,673.4	12,011.9
Exports (mcm)	37.9	108.8	276.4	1,067.5
Imports (mcm)	570.4	446.9	678.7	400.2
Gasoline in Argentina				
Sales (mcm)(1)	3,890.3	4,646.2	4,061.5	3,766.4
Production (mcm)	4,483.5	5,889.3	6,043.1	5,964.0
Exports (mcm)	1,137.2	2,041.4	2,955.2	2,740.9
Imports (mcm)	4,483.5	5,889.3	6,043.1	5,964.0

(1) Includes domestic market sales.

(2) Includes total domestic market deliveries.

Sources: Argentine Secretariat of Energy and ENARGAS

Political and regulatory developments in Argentina

The Argentine oil and gas industry is currently subject to certain governmental policies and regulations that have resulted in: domestic prices that are substantially lower than prevailing international market prices; export restrictions; 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 increasingly higher export duties on the volumes of hydrocarbons allowed to be exported. See “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 at prices below international market prices. As discussed in

“Risk Factors” and elsewhere in this prospectus, 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 limitations.* 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, Argentina’s domestic hydrocarbon prices have not increased at the pace of international and regional prices, as described in “—Differences between Argentine and international prices for hydrocarbon products.”
- *Export restrictions.* Since 2004, the Argentine government has prioritized domestic demand and adopted policies and regulations restricting the export of certain hydrocarbon products. These restrictions 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 “—Increasing cost of sales.”

Declining export volumes

The exported volumes of many of our hydrocarbon products have declined significantly in recent years, driven mainly by export restrictions, domestic supply requirements and increasing export duties, as well as 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 limitations, generally not kept pace with international and regional prices.

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

Product	Nine-Month Period Ended		Year Ended		
	September 30, 2007	2006	2006	2005	2004
	Units Sold				
Natural gas (mmcm)	1,204	2,142	3,090	3,071	3,176
Diesel (mcm)	99	111	149	327	1,103
Gasoline (mcm)	1,084	1,288	1,695	2,385	2,408
Fuel oil (mtn)	833	679	903	696	650
Petrochemicals (mtn)	498	549	700	749	821

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 between 2004 and the nine months ended September 30, 2007. Exports accounted for 29.6%, 35.0%, 33.7%, 37.7% and 39.5% of our consolidated net sales in the nine-month periods ended

September 30, 2007 and 2006, and in 2006, 2005 and 2004, respectively.

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, see “Regulatory Framework and

Relationship with the Argentine Government—Taxation.” These export taxes have significantly 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/import parity prices.

The average export sales price per barrel of oil realized by us from Argentina was U.S.\$48.16 in the nine-month period ended September 30, 2007, U.S.\$53.11 in 2006, U.S.\$41.31 in 2005 and U.S.\$33.65 in 2004.

On November 16, 2007, the Ministry of Economy and Production published Resolution 394/07, modifying the duties on exports of crude oil and other crude oil derivative 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 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 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 “Regulatory Framework and Relationship with the Argentine Government—Market Regulation.”

In addition, Resolution 534/06 of the Ministry of Economy and Production increased the tax on natural gas export sales to 45% and required the Customs General Administration to apply this tax rate to the price for natural gas set by the Framework Agreement between Argentina and Bolivia (approximately U.S.\$6/mmBtu in December 2007), irrespective of the actual price of such natural gas export sales. Because we entered into certain long-term natural gas supply contracts several years ago, our average natural gas export prices are generally substantially lower than the price set by the Framework Agreement between Argentina and Bolivia, although higher than the price at which we purchase gas from ENARSA (approximately U.S. \$1.8/mmBtu in December 2007).

Taxes for a number of other hydrocarbon products have also increased in recent months. See “Regulatory Framework and Relationship with the Argentine Government—Taxation.”

Certain of these recent export tax increases, for example those pursuant to Resolution 394/07, which was passed in November 2007, were not yet in effect during the nine-month period ended September 30, 2007. While some parts of the Resolution have yet to be definitively interpreted, we expect their recent export tax increases to adversely affect our export net sales and margins in future financial periods, especially with respect to any exports of diesel, gasoline and petrochemical products. We exported 99 mcm of diesel, 1,084 mcm of gasoline and 498 mtn of petrochemical products in the nine months ended September 30, 2007 and our exports accounted for 29.6% of our consolidated net sales in this period.

Differences between Argentine and international prices for hydrocarbon products

Over the last five years, domestic prices for our products have fallen significantly below international prices as a result of regulatory policies that have resulted in our inability to increase domestic prices sufficiently to keep pace with international market prices. The following table sets forth the average prices at which we sold our principal products in the domestic market for the periods indicated:

For the Nine-Month Period Ended September 30, 2007	2006	For the Year Ended December 31, 2005	2004
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	Peso	U.S.\$(1)	Peso	U.S.\$(1)	Peso	U.S.\$(1)	Peso	U.S.\$(1)
Natural gas(2)(3)	150	49	156	51	127	44	99	34
Diesel(4)	974	315	862	282	839	289	788	270
Gasoline products(5)	932	302	887	291	879	302	862	295

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

(2) Per thousand cubic meters.

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

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

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

The disparity between the prices at which hydrocarbon products are sold in Argentina and the prevailing international prices for such products has been mainly due to limitations on our ability to pass increases in international prices of crude oil and hydrocarbon fuels and adverse exchange rate movements through to domestic prices or to increase local prices of natural gas (in particular for residential customers), gasoline and diesel. In a framework of increasing international prices, and notwithstanding our leading market position, domestic liquid fuel prices are still well below the level consistent with export / import parity prices.

The table below shows the prices of diesel and super grade gasoline in Argentina and in certain other Latin American countries (including applicable taxes) for the periods indicated. This comparison does not mean, and should not be read to imply, that we may be able to increase the prices of our products to levels prevailing in other countries.

	As of September 30, 2007		2006		As of December 31, 2007		2006	
	Gasoline (super)	Diesel	Gasoline (super)	Diesel	Gasoline (super)	Diesel	Gasoline (super)	Diesel
	(U.S.\$ per cubic meter)							
	(all prices including applicable taxes)							
Buenos Aires(1)	620.70	509.24	620.70	509.24	620.70	509.24	620.70	509.24
Peru	1,372.67	886.83	1,372.67	886.83	1,372.67	886.83	1,372.67	886.83
Brazil	1,324.19	966.67	1,324.19	966.67	1,324.19	966.67	1,324.19	966.67
Chile	1,288.82	940.23	1,288.82	940.23	1,288.82	940.23	1,288.82	940.23
Uruguay	1,287.04	1,109.23	1,287.04	1,109.23	1,287.04	1,109.23	1,287.04	1,109.23
Paraguay	979.96	783.57	979.96	783.57	979.96	783.57	979.96	783.57
Bolivia	606.33	470.89	606.33	470.89	606.33	470.89	606.33	470.89
Ecuador	560.00	274.00	560.00	274.00	560.00	274.00	560.00	274.00

(1) Reflects our prices in the City of Buenos Aires.

Source: Internal company information

In addition, pursuant to Resolution 599/2007 of the Secretariat of Energy dated June 14, 2007 (see “Regulatory Framework and Relationship with the Argentine Government—Market Regulation—Natural gas”), the Argentine government and gas producers, including us, entered into an agreement for the supply of certain volumes of gas to each segment of the domestic market during the period 2007 through 2011. Under this agreement, we have supplied a total volume of 2,674 million cubic meters of gas between August through December 2007 (representing 34% of our total gas volume sales for the same period), to domestic residential and small commercial consumers at a price of approximately Ps.0.50/mmBtu for that period.

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 declining 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. In 2006, our estimated proved oil reserves and oil production declined by 12.5% and 6%, respectively, over the preceding year, while our estimated proved gas reserves and gas production declined by 14.3% and 2.5%, respectively, over the same period. As a result, 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. In 2006, approximately 10% of crude oil supplied to our refineries, and approximately 7% of the natural gas we sold, came from third party purchases. In 2005, our production satisfied substantially all the needs of our refineries, while approximately 8% of the natural gas we sold came from third-party purchases. We expect our oil and gas proved reserves and production rates to continue their decline. See “Business—Exploration and Production—Reserves” for more information on our proved reserves.

We are currently developing a plan to increase our recovery factors, thereby adding to our reserves. This plan includes comprehensive reviews of each field, including its development strategy, to identify opportunities in the light of new technologies. We have also become increasingly active in exploratory offshore drilling projects, as well as onshore fields through extended reach wells to find gas. We have budgeted approximately U.S.\$2 billion in total capital expenditures for 2008, a significant portion of which will be dedicated to our exploration and production activities. While our oil and gas reserves have recently declined, we increased our investment in recovery technology and exploration in 2007 and, based on our current expectations of increased prices, expect to continue to do so in the future, with the goal of improving our recovery factors. Many of our fields have characteristics similar to mature fields in other regions (including the United States) that have achieved substantially higher reserve recovery factors through the application of new technologies similar to those we are currently studying. We cannot assure you, however, that we will be able to improve our recovery factors. In addition, the financial viability of these investments and reserve recovery efforts generally will depend on the prevailing economic and regulatory conditions in Argentina.

Increasing cost of sales

Our cost of sales accounted for 66.7% and 60.1% of our consolidated net sales in the nine-month periods ended September 30, 2007 and 2006, respectively, and 61.7%, 49.2% and 46.2% of our consolidated net sales in 2006, 2005 and 2004, respectively. Our cost of sales increased significantly between 2004 and the nine-month period ended September 30, 2007 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 purchases of natural gas and diesel from third parties to fulfill our domestic supply requirements and avoid penalties under certain delivery contracts; higher labor costs; higher costs related to the renegotiation of certain service contracts; and inflation. Due to prevailing Argentine price limitations, we were unable to pass many of these cost increases to our customers in the form of higher hydrocarbon product prices.

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 and Note 1 to the Unaudited Individual and Consolidated Interim 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.

Functional currency

We have determined the U.S. dollar as our functional currency in accordance with the Statement of Financial Accounting Standards (“SFAS”) 52. For U.S. GAAP reconciliation purposes, financial statements are re-measured into U.S. dollars and the assets and liabilities are translated into

Argentine pesos (“reporting currency”) at the exchange rate prevailing at year end and revenues, expenses, gains and losses are translated at the exchange rate existing at the time of each transaction, or, if appropriate, at a weighted average of the exchange rates during the year.

In determining the functional currency, we make judgments based on the collective economic indicators affecting us. The economic indicators we review include the currency in which cash flows are denominated, how sales prices are determined, the sales markets in which we operate, how our operating costs are derived, how financing is obtained and the level of intra-group transactions with Repsol YPF, our controlling shareholder. A significant change in the facts and circumstances relating to the collective economic indicators discussed above would result in our reassessing the functional currency.

The determination of the functional currency to be applied to a business for accounting purposes is a decision that impacts, among other things, the reported results of operations, the exchange income or losses recorded and the translation differences arising from the conversion of its financial statements from the functional currency to the company’s reporting currency.

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 U.S. Securities and Exchange Commission (the “SEC”).

See “Business—Exploration and Production—Reserves” for a detailed discussion on reserves estimates internal control and audits.

We follow the “successful effort” 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.

Future costs related to hydrocarbon wells abandonment obligations are capitalized along with the related assets, and are depreciated using the unit-of-production method and a liability is recognized for this concept in the estimated value of the discounted payable amounts.

Foreign unproved properties have been valued at costs translated as detailed in Note 1 to the Audited Consolidated Financial Statements. 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, in each field 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 undeveloped oil and gas reserves, field decline rates, market demand and supply, economic regulatory climates and other factors.

Charges for impairment are 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, (iii) future investments and their amortization, taxes and costs of extraction and (iv) risk factors for unproved reserves which are in accordance with the Swanson rule (which relates to the calculation of the mean value of a lognormal distribution knowing three points), these imply risk factors of 70% and 30% for probable and possible reserves, respectively, and other factors. As such, any change in the variables used to prepare such assumptions and estimates may have, as a consequence, a significant effect on the impairment tests relating to investments in areas with oil and gas reserves.

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

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 2006, 2005 and 2004 we recorded depreciation of fixed assets associated with hydrocarbon reserves amounting to Ps.3,223 million, Ps.2,180 million and Ps.1,936 million, respectively, and also recorded Ps.2,676 million and Ps.2,266 million for the nine-month periods ended September 30, 2007 and 2006, 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 at the end of each fiscal year 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.

Environmental liabilities, litigation and other contingencies

Environmental liabilities are recorded when environmental assessments and/or remediation are probable, material 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.

Reserves 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 on 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 reserves for litigation and other contingencies recorded.

Reserves totaling Ps.1,952 million, Ps.1,561 million and Ps.1,298 million as of December 31, 2006, 2005 and 2004, respectively, and Ps.2,132 million and Ps.1,787 million as of September 30, 2007 and 2006, respectively, have been established in connection with contingencies which are probable and can be reasonably estimated. In the opinion of our management and, in certain cases, external counsel, the amount reserved reflects the best estimate, based on the information available as of the date of the issuance of our financial statements, of our contingencies and other liabilities discussed above.

U.S. GAAP reconciliation

The recurrent difference between our net income under Argentine GAAP and our net income under U.S. GAAP for the nine-month periods ended September 30, 2007 and 2006 and for the years ended December 31, 2006, 2005 and 2004 is primarily due to the remeasurement into functional currency and translation into reporting currency, the elimination of the restatement into Argentine constant pesos, the effects of the reorganization of entities under common control, the impairment of long-lived assets, capitalization of financial expenses, accounting for assets retirement obligations, proportional consolidation of investments in jointly controlled companies, and the consolidation of variable interest entities.

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

Under U.S. GAAP, a definition of the functional currency is required which may differ from the reporting currency. Management has determined, for us and certain of our subsidiaries and investees, the U.S. dollar to be the functional currency in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 52. Therefore, we have re-measured into U.S. dollars the Audited Consolidated Financial Statements as of December 31, 2006, 2005 and 2004 and the Unaudited Individual and Consolidated Interim Financial Statements as of September 30, 2007 and 2006, in each case prepared in accordance with Argentine GAAP by applying the procedures specified in SFAS No. 52. 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 on a monthly basis at the average rates of exchange in effect during the period, except for consumption of non-monetary assets, which are re-measured at the rates of exchange in effect when the respective assets were acquired. Translation gains and losses on monetary assets and liabilities arising from the re-measurement are included in the determination of net income (loss) in the period such gains and losses arise. 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 the mentioned subsidiaries into U.S. dollars are not included in determining net income and are reported in other comprehensive income, 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 SFAS No. 52. Assets and liabilities are translated at the current selling exchange rate of Ps.3.15 to U.S.\$1, as of September 28, 2007 (the last rate quoted in September 2007), and Ps.3.06, Ps.3.03 and Ps.2.98 to U.S.\$1, as of December 31, 2006, 2005 and 2004, 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 nine-month periods ended September 30, 2007 and 2006 and the years ended December 31, 2006, 2005 and 2004, the re-measurement into functional currency and the translation into reporting currency decreased net income determined according to Argentine GAAP by Ps.1,181 million, Ps.1,300 million, Ps.2,065 million, Ps.1,479 million and Ps.1,447 million, respectively.

We have proportionally consolidated, net of intercompany transactions, assets, liabilities, net revenues, cost and expenses of investees in which joint control is held, which is not allowed for U.S. GAAP purposes. The proportional consolidation generated an increase of Ps.446 million, Ps.381 million and Ps.672 million in total assets and total liabilities as of December 31, 2006, 2005 and 2004, respectively, and an increase of Ps.1,451 million, Ps.1,216 million and Ps.1,122 million in net sales and Ps.774 million, Ps.681 million and Ps.640 million in operating income for the years ended December 31, 2006, 2005 and 2004, respectively.

The proportional consolidation generated an increase of Ps.339 million and Ps.446 million in total assets and total liabilities, respectively, as of September 30, 2007 and 2006, respectively, and an increase of Ps.999 million and Ps.1,053 million in net sales and Ps.511 million and Ps.541 million in operating income for the nine-month periods ended September 30, 2007 and 2006, 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, for proved oil and gas properties, we perform the impairment review on an individual field basis. Other long-lived assets are aggregated, so that the individual cash flows produced by each group of assets may be separately analyzed. Each asset is tested following the guidelines of SFAS No. 144, "Accounting for the

Impairment of Long—Lived Assets,” by comparing the net book value of such an asset with the expected 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 fair values are not available, we estimate fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets. The accumulated adjustments under U.S. GAAP of the impairment provisions as of September 30, 2007 and as of December 31, 2006, 2005 and 2004 were Ps.574 million, Ps.491 million, Ps.611 million and Ps.773 million, respectively, mainly corresponding to our Exploration and Production segment. Impairment charges under U.S. GAAP amounted to Ps. 100 million, Ps.71 million, Ps.2 million and Ps.177 million for the nine-month period ended September 30, 2007 and for the years ended December 31, 2006, 2005 and 2004, respectively. The impairment recorded as of September 30, 2007 was mainly the result of a decrease in oil and gas reserves affecting certain long-lived assets of our Exploration and Production business segment. In 2006, the impairment recorded was mainly the result of the downward revision in reserves made by us in December 2006, as well as to certain non-strategic Exploration and Production areas that were available for sale at that time, and accordingly were valued at fair value less cost to sell (see “Business—History of YPF”). The impairment adjustment for the nine-month period ended September 30, 2007 also included Ps. 69 million for the elimination of income recorded due to the reversal of impairment under Argentine GAAP of the assets held for sale, mentioned above, as disclosed in Note 2(d) to the individual financial statements included in our Unaudited Individual and Consolidated Interim Financial Statements. The impairment recorded in 2005 was mainly the result of the downward revision in reserves made by us in December 2005. See “Business—Exploration and Production.” The impairments recorded in 2004 were the result of studies conducted that have revealed a decrease in proved reserves.

The adjusted basis after impairment resulted in lower depreciation under U.S. GAAP of Ps.100 million, Ps.197 million, Ps.170 million and Ps.122 million for the nine-month periods ended September 30, 2007 and the years ended December 31, 2006, 2005 and 2004, 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.

SFAS No. 143, Accounting for Assets Retirement Obligations, 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 SFAS No. 143, 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.

Under U.S. GAAP, results on reorganization of entities under common control are eliminated and related accounts receivables are considered as a capital (dividend) transaction. Under Argentine GAAP, results on reorganization of entities under common control and account receivables are recognized in the statement of income and the balance sheet, respectively.

Prior to the sale of our indirect subsidiary Greenstone Assurance Limited, we were a member of Oil Insurance Limited (“OIL”). OIL is owned by and operated by and for its shareholders, all of whom are engaged in energy operations. Pursuant to OIL’s Rating and Premium Plan, there is a withdrawal premium (the “Avoided Premium Surcharge”, or “APS”) to which insured members are liable under certain circumstances which include cancellation and non-renewal of the policy. The APS is calculated by OIL at its sole discretion, it is final and the amount shall not exceed the applicable future premiums that the insured would have paid absent such cancellation or non-renewal, in respect of

losses incurred before the date on which the cancellation or non-renewal takes place. Such obligation, in substance, is similar to a retrospective premium to recover past losses which is paid, either through future premium payments (if the member remains in OIL) or as a one-time payment if the member withdraws from OIL. The effect on net income under U.S. GAAP, as of December 31, 2004, was Ps.123 million, which was recorded in the subsequent year for Argentine GAAP purposes.

FIN No. 46R, Consolidation of Variable Interest Entities, (“FIN 46R”) clarifies the application of Accounting Research Bulletin No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The interpretations explain how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. These interpretations require existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Under Argentine GAAP, consolidation is based on the control of corporate decisions through shareholding (Note 1 to the Audited Consolidated Financial Statements). FIN 46R is effective for us as of January 1, 2004.

As of September 30, 2007, we had operations with one variable interest entity (“VIE”), which has been created in order to structure our future deliveries of oil (“FOS”). Additionally, up to September 2005, we had operations with a VIE related to another FOS transaction, which was settled in advance. For a further description refer to “—Transactions with unconsolidated variable interest entities” below.

The effects before taxes of such consolidation as of December 31, 2006, 2005 and 2004 was (i) an increase in loans by Ps.186 million, Ps.297 million and Ps.1,198 million, respectively, (ii) an increase in current assets by Ps.19 million, Ps.18 million and Ps.192 million, respectively, (iii) the elimination of net advances from crude oil purchasers from balance sheets by Ps.103 million, Ps.196 million and Ps.898 million respectively, and (iv) a decrease in shareholders’ equity by Ps.65 million, Ps.83 million and Ps.108 million, respectively.

The effects before taxes of such consolidation as of September 30, 2007 was (i) an increase in loans of Ps.100 million, (ii) an increase in current assets of Ps.21 million, (iii) the elimination of net advances from crude oil purchasers from balance sheets of Ps.32 million, and (iv) a decrease in shareholders’ equity of Ps.47 million.

The effects before taxes of the consolidation as of December 31, 2004 of these VIE following the provisions of FIN 46R were accounted for as a cumulative effect of a change in an accounting principle.

YPF Holdings has non-contributory defined-benefit pension plans and postretirement and postemployment benefits. On December 31, 2006, under U.S. GAAP the Company adopted SFAS No. 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132 (R).” Under provisions of SFAS No. 158 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 benefits related to the plans were valued at net present value and accrued based on the years of active service of employees. The net liability for defined-benefits plans is the amount resulting from the sum of: the present value of the obligations, net of the fair value of the plan assets and net of the unrecognized actuarial losses generated since December 31, 2003. These unrecognized actuarial losses and gains are recognized in the statement of income during the expected average remaining working lives of the employees participating in the plans and the life expectancy of retired employees. Unrecognized actuarial losses are not considered in the amount of the net liability. For a more detailed discussion of the most significant differences between Argentine GAAP and U.S. GAAP, please refer to Note 13 to the Audited Consolidated Financial Statements.

Principal Income Statement Line Items

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

Net sales

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

Cost of sales

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

	For the Nine-Month Period Ended		For the Year Ended December 31,		
	September 30, 2007	2006	2006	2005	2004
	(in millions of pesos)				
Inventories at beginning of year	1,697	1,315	1,315	1,134	806
Purchases for the period	4,902	3,370	4,351	2,755	1,708
Production costs(1)	9,499	8,305	11,458	8,440	7,629
Holding gains on inventories	313	442	394	244	203
Inventories at end of period	(2,494)	(1,904)	(1,697)	(1,315)	(1,134)
Cost of sales	13,917	11,528	15,821	11,258	9,212

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

	For the Nine-Month Period Ended		For the Year Ended December 31,		
	September 30, 2007	2006	2006	2005	2004
	(in millions of pesos)				
Salaries and social security taxes	617	477	649	492	361
Fees and compensation for services	117	69	114	63	35
Other personal expenses	199	150	215	158	130
Taxes, charges and contributions	165	133	191	158	143
Royalties and easements	1,465	1,603	2,095	1,745	1,629
Insurance	78	62	102	73	71
Rental of real state and equipment	243	188	258	212	217
Depreciation of fixed assets	2,992	2,542	3,598	2,563	2,323
Industrial inputs, consumable material and supplies	408	374	485	564	466
Operation services and other service contracts	428	370	566	315	390
Preservation, repair and maintenance	1,201	904	1,329	948	746
Contractual commitments	478	433	519	131	299
Transportation, products and charges	579	452	622	521	432
Fuel, gas, energy and miscellaneous	529	548	715	497	387
Total	9,499	8,305	11,458	8,440	7,629

Other expenses, net

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

Finance income/(expense), net and holding gains

Finance income/(expense), net and holding 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 statutory corporate income tax rate in Argentina was 35% during each of the periods presented in this prospectus. Our effective tax rates for the periods discussed in this prospectus exceed the Argentine corporate income tax rate mainly due to the non-deductibility of the amortization of the effect of inflation indexation on fixed

assets, offset in part by income on non-consolidated long-term investments (which is included in our consolidated financial statements net of corporate income tax as payable by investees) and tax-free income from the sale of hydrocarbons produced in Tierra del Fuego. See Note 3(k) to the Audited Consolidated Financial Statements.

Results of Operations

Consolidated results of operations for the nine-month periods ended September 30, 2007 and 2006

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

	Nine-Month Period Ended September 30,	
	2007	2006
	(percentage of net sales)	
Net sales	100.0%	100.0%
Cost of sales	(66.7)	(60.1)
Gross profit	33.3	39.9
Administrative expenses	(2.7)	(2.5)
Selling expenses	(7.4)	(7.1)
Exploration expenses	(1.7)	(1.7)
Operating income	21.5	28.6

The tables below present, for the nine-month periods indicated, volume and price data with respect to our consolidated sales of our principal products in the domestic and export markets, respectively. The data presented below does not include sales by Mega, Refinor or Profertil, jointly-controlled companies in which we have 38%, 50% and 50% interests, respectively, and which are proportionally consolidated in our consolidated financial statements. Mega, Refinor and Profertil contributed, after consolidation adjustments, 1.5%, 1.5% and 1.7%, respectively, of our consolidated net sales for the nine-month period ended September 30, 2007 and 1.7%, 2.2% and 1.6%, respectively, of our consolidated net sales for the nine-month period ended September 30, 2006.

Domestic Market		Nine-Month Period Ended September 30,	
		2007	2006
Product	Units sold	Average price per unit(1) (in pesos)	Average price per unit(1) (in pesos)
Natural gas	12,873 mmcm	150/m3	12,832 mmcm
Diesel	6,185 mcm	974/m3	5,692 mcm
Gasoline	1,961 mcm	932/m3	1,630 mcm
Fuel oil	708 mtn	1,080/ton	360 mtn
Petrochemicals	467 mtn	1,559/ton	409 mtn

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

Export Markets		Nine-Month Period Ended September 30,		
		2007	2006	
Product	Units sold	Average price per unit(1) (in pesos)	Units sold	Average price per unit(1) (in pesos)
Natural gas	1,204 mmcm	341/m3(2)	2,142 mmcm	235/m3
Diesel	99 mcm	1,696/m3	111 mcm	1,709/m3
Gasoline	1,084 mcm	1,693/m3	1,288 mcm	1,538/m3
Fuel oil	833 mtn	1,021/ton	679 mtn	998/ton
Petrochemicals	498 mtn	2,176/ton	549 mtn	1,989/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) Average price is based on natural gas actually delivered and does not include fixed charges collected pursuant to certain delivery contracts.

Net sales

Net sales in the nine-month period ended September 30, 2007 were Ps.20,869 million, representing an 8.9% increase compared to Ps.19,172 million in the nine-month period ended September 30, 2006. This increase was primarily attributable to the greater volume of sales of diesel, fuel oils and petrochemicals in the domestic market, as well as significant increases in domestic diesel and fuel oil prices. As a result, our domestic sales increased 18.0% to Ps.14,693 million in the nine-month period ended September 30, 2007 from Ps.12,456 million in the same period in 2006. Export sales declined by 8.0% to Ps.6,176 million in the nine-month period ended September 30, 2007 from Ps.6,716 million in the same period in 2006, driven mainly by a decline in exported volumes of natural gas, gasoline and crude oil, and was partially offset by an increase in international gasoline prices. Our export sales in both periods were made mainly to the United States, Brazil and Chile.

For further information on our net sales for the periods discussed above, see “—Results of operations by business segment for the nine-month periods ended September 30, 2007 and 2006.”

Cost of sales

Cost of sales in the nine-month period ended September 30, 2007 was Ps.13,917 million compared to Ps.11,528 million in the nine-month period ended September 30, 2006, representing a 20.7% increase, which was mainly attributable to the 55% increase in the total volume of crude oil purchases from third parties, which was necessary to offset our lower crude oil production and maintain the pace of our refinery operations, as well as to a 175% increase in the volume of diesel imports and a 14% increase in the average price of such diesel imports, which were necessary to meet domestic demand. Increased volumes of crude oil purchases adversely affect our margins because we lose the margin earned on our internal exploration and production activities and increased volumes of diesel imports adversely affect our margins because of domestic price limitations. Additionally, depreciation of fixed assets increased 18%, mainly as a result of increased asset values attributable to (i) higher well abandonment obligation costs applied to wells that have not yet been abandoned and (ii) new investments. Salaries and social security taxes, maintenance

costs, contract services and certain other production costs also increased, driven mainly by inflation and the renegotiation of certain labor and service contracts.

Selling expenses

Our selling expenses were Ps.1,541 million in the nine-month period ended September 30, 2007 compared to Ps.1,356 million in the nine-month period ended September 30, 2006, representing an increase of 13.6%.

Operating income

Operating income in the nine-month period ended September 30, 2007 was Ps.4,494 million compared to Ps.5,480 million in the nine-month period ended September 30, 2006, representing a decrease of 18.0%. Operating

income decreased primarily due to the previously mentioned increases in crude oil and diesel purchases, as well as increased depreciation and other expenses.

Our operating margins (operating income divided by net sales) were 21.5% and 28.6% in the nine-month periods ended September 30, 2007 and 2006, respectively.

Other expenses, net

Other expenses, net increased to Ps.171 million in the nine-month period ended September 30, 2007 from Ps.33 million in the nine-month period ended September 30, 2006, mainly as a result of increased provisions for lawsuits, due mainly to new developments in our existing lawsuits and our reassessment of certain environmental obligations. See Note 3 to our Unaudited Individual and Consolidated Interim Financial Statements.

Financial income (expense), net and holding gains

In the nine-month period ended September 30, 2007, financial income, net decreased 24.0% to Ps.399 million from Ps.525 million in the nine-month period ended September 30, 2006. This decrease is attributable to lower holding gains on inventories from stock revaluation for increasing production costs than in the prior period. In addition, income from short-term investments remained stable while financial expense increased due to higher accruals from our well abandonment obligations resulting from an increase in such obligations.

Taxes

Income tax expense in the nine-month period ended September 30, 2007 decreased 18.3% to Ps.1,849 million from Ps.2,264 million in the nine-month period ended September 30, 2006. The effective income tax rates for the nine-month period ended September 30, 2007 and the nine-month period ended September 30, 2006 were 38.29% and 37.74%, respectively, compared to the statutory income tax rate of 35%.

Net income

Net income for the nine-month period ended September 30, 2007 was Ps.2,980 million, compared to Ps.3,735 million in the same period in 2006, a decrease of 20.2%. This decrease is mainly attributable to the 18.0% decline in operating income, the increase in other expenses, net and the decrease in financial income, net described above.

Results of operations by business segment for the nine-month periods ended September 30, 2007 and 2006

The following table sets forth net sales and operating income for each of our lines of business for the nine-month periods ended September 30, 2007 and 2006:

	For the Nine-Month Periods Ended September 30,	
	2007	2006
	(in millions of pesos)	
Net sales(1)		
Exploration and production(2)		
To unrelated parties	2,310	2,311
To related parties	495	584
Intersegment sales and fees(3)	9,770	10,812
Total exploration and production	12,575	13,707

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Refining and marketing(4)		
To unrelated parties	14,599	13,248
To related parties	1,511	1,240
Intersegment sales and fees	1,405	1,177
Total refining and marketing	17,515	15,665
Chemical		
To unrelated parties	1,855	1,704

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	For the Nine-Month Periods Ended September 30,	
	2007	2006
	(in millions of pesos)	
Intersegment sales and fees	599	494
Total Chemical	2,454	2,198
Corporate and other		
To unrelated parties	99	85
Intersegment sales and fees	262	201
Total Corporate and others	361	286
Less intersegment sales and fees	(12,036)	(12,684)
Total net sales(5)	20,869	19,172
Operating income (Loss)		
Exploration and production	3,550	5,449
Refining and marketing	1,008	53
Chemical	379	340
Corporate and other	(480)	(391)
Consolidation adjustments	37	29
Total operating income	4,494	5,480

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

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

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

(4) Includes LPG activities.

(5) Total net sales include export sales of Ps.6,176 million and Ps.6,716 million for the nine-month periods ended September 30, 2007, and 2006, respectively.

Exploration and production

Exploration and Production net sales in the nine-month period ended September 30, 2007 were Ps.12,575, representing an 8.3% decrease from Ps.13,707 million in the nine-month period ended September 30, 2006. Crude oil sales, substantially all of which were intersegment sales, decreased Ps.1,034 million in the nine-month period ended September 30, 2007, due to a 2% decrease in average international crude oil prices that set the internal price of transfer between business segments. This effect was reinforced by an 8% decrease in the volume of crude oil sales resulting mainly from a 6% decrease in production. Additionally, in the nine-month period ended September 30, 2007, exports of natural gas declined mainly due to lower export volumes (which decreased approximately 44% compared to the same period in 2006), while the average price of natural gas sold in the domestic market decreased 1% mainly as a result of a significant increase in the portion of gas sold to the residential segment of the market, the prices from which are significantly lower than those for other segments of the market. Gas by-products and other sales remained stable.

Exploration and Production operating income declined 34.9% to Ps.3,550 million in the nine-month period ended September 30, 2007 from Ps.5,449 million in the nine-month period ended September 30, 2006 due to the above-mentioned decline in crude oil sales and to higher operating expenses. Operating expenses increased 25% due to significant increases in contract works and services, driven mainly by the renegotiation of the cost of certain service contracts in line with industry-wide cost increases in such service contracts in Argentina, as well as higher labor costs resulting from renegotiations of labor contracts with petroleum workers' unions based on higher inflation and increasing oil prices. Additionally, we recorded a Ps.416 million (18%) increase in depreciation of fixed assets mainly due to the decrease in production combined with the increase in assets related to abandonment obligations as of September 30, 2007 compared to the end of the same period in the prior year.

Average oil production during the nine-month period ended September 30, 2007 decreased 6.3% to 327 thousand barrels per day from 349 thousand barrels per day in the same period in 2006. Natural gas production in the nine-month period ended September 30, 2007 decreased 1.2% to 1,778 million cubic feet per day from 1,800 million cubic feet per day in the same period in 2006. These declines were the consequences of the natural decline in the production curve resulting from the continuing overall maturity of our fields and the cessation of production at our Magallanes field in January 2007 due to pipeline problems.

Refining and marketing

Net sales in the nine-month period ended September 30, 2007 were Ps.17,515 million, 11.8% higher than the Ps.15,665 million net sales recorded in the nine-month period ended September 30, 2006. This increase was mainly attributable to increases in the domestic volumes sold and average prices of diesel and gasoline, the segment's two principal products. Domestic diesel volumes and average prices increased by approximately 9% and 14%, respectively, while domestic gasoline volumes and average prices increased approximately 20% and 5%, respectively. In addition, the Argentine government's requirement that we fulfill domestic demand resulted in a 16% decrease in the volume of gasoline, the segment's principal export product sold in the international market, where prices were on average significantly higher than in Argentina during the nine-month period ended September 30, 2007.

Operating profit increased to Ps.1,008 million in the nine-month period ended September 30, 2007, from Ps.53 million in the same period in 2006. This increase was due to the above-mentioned increases in volumes and prices of domestic sales of diesel and gasoline, as well as declines in the cost of crude oil, which accounts for over 90% of the segment's operating costs. The segment recorded a 3% decline in the average price paid for crude oil to our Exploration and Production business unit and a 5% decline in the average price paid for crude oil to third parties. Lower crude oil costs were partially offset by a 11% increase in refining costs, mainly due to higher contract services costs as a result of the renegotiation of certain service contracts and inflation adjustments and higher crude oil volumes purchased from third parties to satisfy the increase in daily production of our refineries, as well as an increase in the volume and average price of imported diesel to satisfy domestic market demand in response to a government request, which we sold at a loss. Refining cost per barrel, which we calculate as the segment's cost of sales for the period less crude oil purchase costs and depreciation of fixed assets, divided by the number of barrels produced during the period, was Ps.10.1 in the nine-month period ended September 30, 2007 compared to Ps.9.1 in the nine-month period ended September 30, 2006.

Refinery output in the nine-month period ended September 30, 2007, including 50% of Refinor's output (we own 50% of Refinor), reached 345 thousand barrels per day, representing a utilization rate of almost 100% of the existing processing capacity of 345.6 thousand barrels per day.

Chemical

Net sales in the nine-month period ended September 30, 2007 increased by 11.6% to Ps.2,454 million from Ps.2,198 million in the nine-month period ended September 30, 2006, while operating income in the nine-month period ended September 30, 2007 increased 11.5% to Ps.379 million from Ps.340 million in the nine-month period ended September 30, 2006. These increases were attributable mainly to increased domestic sales volumes of petrochemicals, driven mainly by higher demand for fertilizers (the prices for which also increased) and certain other products, and a 10% increase in the average price of exported petrochemicals, which more than offset the 9% decrease in the volume of exported petrochemicals and an increase in maintenance and contract services costs.

Consolidated results of operations for the years ended December 31, 2006, 2005 and 2004

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

	Year Ended December 31,		
	2006	2005	2004
	(percentage of net sales)		
Net sales	100.0%	100.0%	100.0%
Cost of sales	(61.7)	(49.2)	(46.2)
Gross profit	38.3	50.8	53.8
Administrative expenses	(2.6)	(2.4)	(2.2)
Selling expenses	(7.0)	(7.2)	(7.0)
Exploration expenses	(1.8)	(1.2)	(1.9)
Operating income	26.9	40.0	42.7

The tables below present, for the years indicated, volume and price data with respect to our consolidated sales of our principal products in the domestic and export markets, respectively. The data presented below does not include sales by 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, 1.6%, 1.6% and 1.7%, respectively, of our consolidated net sales for 2006, 2005 and 2004. Refinor contributed, after consolidation adjustments, 2.0%, 1.9% and 1.6%, respectively, of our consolidated net sales for 2006, 2005 and 2004. Profertil contributed, after consolidation adjustments, 2.1%, 1.8% and 1.5%, respectively, of our consolidated net sales for 2006, 2005 and 2004.

Domestic Market		Year Ended December 31,				
		2006		2005		2004
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)		(in pesos)
Natural gas	16,686		17,609		17,575	
	mmcm	156/m3	mmcm	127/m3	mmcm	99/m3
Diesel	7,757		6,959		6,020	
	mcm	862/m3	mcm	839/m3	mcm	788/m3
Gasoline	2,246		1,854		1,582	
	mcm	887/m3	mcm	879/m3	mcm	862/m3
Fuel oil	458 mtn	939/ton	283 mtn	817/ton	55 mtn	673/ton
Petrochemicals	606 mtn	1,390/ton	595 mtn	1,187/ton	546 mtn	1,060/ton

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

Export Markets		Year Ended December 31,				
		2006		2005		2004
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)		(in pesos)

		(in pesos)		(in pesos)		(in pesos)
Natural gas	3,090 mmcm	280/m3	3,071 mmcm	196/m3	3,176 mmcm	170/m3
Diesel	149 mcm	1,686/m3	327 mcm	1,321/m3	1,103 mcm	875/m3
Gasoline	1,695 mcm	1,481/m3	2,385 mcm	1,220/m3	2,408 mcm	925/m3
Fuel oil	903 mtn	967/ton	696 mtn	818/ton	650 mtn	567/ton
Petrochemicals(2)	700 mtn	2,010/ton	749 mtn	1,497/ton	821 mtn	1,192/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.

During the year ended December 31, 2004, YPF Holdings sold its interests in Global and YPF International S.A. sold its interests in YPF Indonesia Ltd. As a result, Global and YPF Indonesia Ltd. results for year ended

December 31, 2004 were disclosed in the “Income on discontinued operations” line item of the statement of income for that year.

Net sales

Net sales for 2006 were Ps.25,635 million, representing an 11.9% increase from Ps.22,901 million in 2005. This increase was primarily attributable to the greater volume of domestic sales of diesel (which increased 11.5%) and gasoline products (which increased 21%), slight increases in the average domestic prices of these products, as well as a 16% increase in the average domestic price of natural gas attributable to the significantly increased portion of sales to industrial segments of the Argentine market, which more than offset a 5% decrease in the domestic volume of natural gas sold. As a result, domestic market sales increased 19.1% to Ps.16,986 million in 2006 from Ps.14,257 million in 2005. Exports were Ps.8,649 million in 2006 compared to Ps.8,644 million in 2005.

Net sales for the year ended December 31, 2005 were Ps.22,901 million compared to Ps.19,931 million in 2004, representing a 14.9% increase, driven mainly by higher average domestic market prices, where average natural gas prices increased 29% due to the application of the price program set forth by the Secretariat of Energy (See “Regulatory Framework and Relationship with the Argentine Government—Market Regulation”). Average domestic diesel, gasoline and fuel oil volumes sold increased by 16%, 17% and 414.5%, respectively, in 2005 compared to 2004, while the average domestic prices for these products also increased by 6%, 2% and 22%, respectively, in 2005 compared to 2004. This increase in income was partially offset by a decrease of 39% in the domestic volume of crude oil sold, due to lower crude oil production resulting from trade union strikes affecting the province of Chubut during the second half of 2005 and from the natural decline in the production curve attributable to the increasing overall maturity of our fields. As a result, domestic sales increased 18.3% to Ps.14,257 million in 2005 from Ps.12,056 million in 2004. Exports increased by 9.8% to Ps.8,644 million in 2005 from Ps.7,875 million in 2004, as increases in the international prices of crude oil, natural gas and other refined hydrocarbon products offset significant decreases in the volumes of crude oil, natural gas and diesel exported. Our principal export markets in each of 2006, 2005 and 2004 were the United States, Brazil and Chile.

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, 2006, 2005 and 2004.”

Cost of sales

Cost of sales in 2006 was Ps.15,821 million compared to Ps.11,258 million in 2005, representing a 40.5% increase, which was mainly attributable to a 21% increase in average crude oil prices and a 147% increase in crude oil volume purchased from third parties, partly in response to our declining production, to maintain the operating pace of our refineries, and a 44% increase in average natural gas prices and a 7% increase in the volume of natural gas imports to meet domestic demand, as well as sharply increasing depreciation of fixed assets due to a reduced base of proved reserves when computing depreciation rates. Additionally, maintenance costs and contract services increased, we incurred penalties resulting from our inability to deliver natural gas pursuant to our contractual commitments (for further information, see “Business—Legal Proceedings”), and royalties increased due to WTI price increases.

Cost of sales in 2005 was Ps.11,258 million compared to Ps.9,212 million in 2004, representing a 22.2% increase, mainly due to a 35% increase in crude oil volume purchases from third parties, which were necessary to offset our lower production, as well as increases in diesel fuel and natural gas imports to satisfy domestic demand and increases in royalties (driven by the increase in the price per barrel of WTI), depreciation of fixed assets and other production costs.

Selling Expenses

Our selling expenses were Ps.1,797 million in 2006 compared to Ps.1,650 million in 2005, representing an increase of 8.9%. Our selling expenses increased 17.6% in 2005 to Ps.1,650 million from Ps.1,403 million in 2004.

Operating income

Operating income in 2006 was Ps.6,883 million compared to Ps.9,161 million in 2005, representing a decrease of 24.9%. Operating income decreased primarily due to the previously mentioned increase in expenses (higher crude oil and natural gas purchases and increased depreciation of fixed assets, maintenance costs and contract services, among others) that were not offset by corresponding increases in domestic prices, which increased at a substantially slower pace compared to international prices.

Operating income in 2005 was Ps.9,161 million compared to Ps.8,471 million in 2004, representing an 8.1% increase attributable to higher international and domestic prices that increased refined product sales margins.

Our operating margins (operating income dividend by net sales) were 26.9%, 40.0% and 42.5% in 2006, 2005 and 2004, respectively.

Other expenses, net

Other expenses, net decreased 62.6% to Ps.204 million in 2006 from Ps.545 million in 2005, mainly as a result of reduced insurance premiums attributable to the non-recurrence in 2006 of payments made in 2005 attributable to the termination of our membership in OIL Insurance Ltd. (See “—Critical Accounting Policies—U.S. GAAP Reconciliation”) and a variety of other factors. The principal expenses during 2006 derived from provisions for lawsuits, environmental remediation and other contingencies. See Note 3 to the Audited Consolidated Financial Statements.

Other expenses, net decreased 44.4% to Ps.545 million in 2005 compared to Ps.981 million in 2004, resulting from a decrease in provisions for lawsuits, environmental remediation and other contingencies. See Note 3 to the Audited Consolidated Financial Statements.

Financial income (expense), net and holding gains

In 2006, financial income, net increased 345% to Ps.454 million from Ps.102 million in 2005. This increase is attributable to a sharp rise in holding gains on inventories due to stock revaluation for increasing production costs. In addition, income from short-term investment increased and interest expense from liabilities decreased.

In 2005, financial income, net decreased 26.1% to Ps.102 million from Ps.138 million in 2004, resulting from higher financial losses of Ps.36 million, mainly due to the early repayments of the debt in Mega and the FOS III transaction (See “—Liquidity and Capital Resources—Transactions with unconsolidated variable interest entities” below), partially offset by holding profits on inventories. In addition, the decrease in the value of the peso generated a translation difference net profit of Ps.96 million in 2005 compared to a Ps.10 million translation difference net loss in 2004.

Taxes

Income tax expense during 2006 decreased 17.9% to Ps.2,801 million from Ps.3,410 million in 2005. The effective income tax rates for 2006 and 2005 were 38.59% and 38.87%, respectively, compared to the statutory income tax rate of 35%.

Income tax expense during 2005 increased 13.0% to Ps.3,410 million from Ps.3,017 million in 2004. The effective income tax rates for 2005 and 2004 were 38.87% and 38.22%, respectively, compared to the statutory income tax rate of 35%.

Net income

Net income for the year ended December 31, 2006 was Ps.4,457 million, compared to Ps.5,362 million in 2005, a decrease of 16.9%. This decrease is mainly attributable to the 24.9% decline in operating income, partially offset by lower other expenses, net and improved financial income, net.

Net income for the year ended December 31, 2005 was Ps.5,362 million compared to Ps.4,907 in 2004, an increase of 9.3%. This increase mainly reflected the 8.1% increase in operating income and the 44.4% decrease in other expenses, net, offset in part by a 26.1% decrease in financial income, net, a 13.0% increase in income tax expense and a decrease in income from the sale of discontinued operations of Ps.139 million (as we did not record any income from discontinued operations in 2005).

Results of operations by business segment for the years ended December 31, 2006, 2005 and 2004

The following table sets forth net sales and operating income for each of our lines of business for the years ended December 31, 2006, 2005 and 2004:

	For the Year Ended December 31,		
	2006	2005	2004
	(in millions of pesos)		
Net sales(1)			
Exploration and production(2)(3)			
To unrelated parties	3,076	2,910	2,164
To related parties	774	626	752
Intersegment sales and fees(4)	14,033	11,659	11,225
Total exploration and production	17,883	15,195	14,141
Refining and marketing(5)			
To unrelated parties	17,651	15,791	13,144
To related parties	1,624	1,425	1,773
Intersegment sales and fees	1,526	962	891
Total refining and marketing	20,801	18,178	15,808
Chemical			
To unrelated parties	2,401	2,062	1,958
Intersegment sales and fees	647	207	188
Total chemical	3,048	2,269	2,146
Corporate and other			
To unrelated parties	109	87	140
Intersegment sales and fees	282	243	126
Total corporate and others	391	330	266
Less intersegment sales and fees	(16,488)	(13,071)	(12,430)
Total net sales(6)	25,635	22,901	19,931
Operating income (loss)			
Exploration and production	6,564	7,140	7,140
Refining and marketing	258	1,900	1,324
Chemical	572	542	564
Corporate and other	(540)	(451)	(430)
Consolidation adjustments	29	30	(127)
Total operating income	6,883	9,161	8,471

(1) Net sales are net to us after payment of a fuel transfer tax, turnover tax and custom duties on exports. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining net sales (see Note 2(g) to the Audited Consolidated Financial Statements).

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

(3) From January 1, 2005, the Natural Gas and Electricity segment operations are included in the Exploration and Production business segment. The information presented for comparative purposes was restated to give retroactive effect to this change. The net sales of these operations in 2004 were Ps.577 million, and the operating income was Ps.262 million in 2004.

(4) Intersegment sales of crude oil to Refining and Marketing are recorded at transfer prices that reflect our estimates of Argentine market prices.

(5) Includes LPG activities.

(6) Total net sales include export sales of Ps.8,649 million, Ps.8,644 million and Ps.7,875 million for the years ended December 31, 2006, 2005 and 2004, respectively. The export sales were mainly to the United States (Ps.1,603 million in 2006, Ps.2,821 million in 2005 and Ps.2,194 million in 2004), Brazil (Ps.1,125 million in 2006, Ps.659 million in 2005 and Ps.897 million in 2004) and Chile (Ps.1,153 million in 2006, Ps.1,315 million in 2005 and Ps.1,928 million in 2004).

Exploration and production

From January 1, 2005, the results of our former Natural Gas and Electricity business segment operations are included in the Exploration and Production business segment. The information presented for comparative purposes was restated to give retroactive effect to this change.

Exploration and Production net sales in 2006 were Ps.17,883, representing a 17.7% increase from Ps.15,195 million in 2005. Oil sales increased Ps.2,191 million in 2006, due to increasing international crude oil prices that contributed to the higher internal price of transfer between business segments. This effect was partially offset by a 6% decrease in the volume of crude oil sales resulting from lower production. Additionally, natural gas sales increased by Ps.292 million due to a 22% increase in our average domestic price of natural gas in 2006, the effect of which was partially offset by a 5% decrease in the domestic volumes of natural gas sold and an increased natural gas export tax rate (the effect of which more than offset a 43% increase in our average international natural gas sales prices).

Exploration and Production operating income declined 8.1% to Ps.6,564 million in 2006 from Ps.7,140 million in 2005 due to higher operating expenses. The decrease mainly reflects a Ps.1,033 million, or 46%, increase in depreciation of fixed assets attributable to a higher applicable rate resulting from a reduced base of proved reserves as well as an increase in assets resulting from a significant increase in our well abandonment obligations at the beginning of the year. Contract works and services and repair and maintenance expenses also increased due to higher costs of services rendered resulting from the renegotiation of certain of our service contracts in line with industry-wide increases in the cost of such contracts in Argentina. In addition, the volume of natural gas imported from third parties to meet previous sales commitments increased 7% while the average price of such purchases increased 44%.

Oil production during 2006 decreased 5.2% to 348 thousand barrels per day from 367 thousand barrels per day in 2005, while natural gas production in 2006 decreased 2.5% to 1,781 million cubic feet per day from 1,827 million cubic feet per day in 2005, in each case mainly as a consequence of a production decrease due to the natural decline in the production curve attributable to the continuing overall maturity of our fields, as well as a labor strike at our production facilities in southern Argentina during the early months of 2006.

Exploration and Production net sales in 2005 were Ps.15,195 million compared to Ps.14,141 million in 2004, an increase of 7.5%. Net crude oil sales increased by Ps.1,515 million mainly due to higher international oil prices that contributed to our higher internal transfer prices between business segments, partially offset by a reduction in sales volumes due to lower crude oil production resulting from trade union strikes affecting the province of Chubut during

the second half of 2005 and from a natural decline in the production curve of our fields. Additionally, during 2005, natural gas sales increased by Ps.488 million due mainly to a 29% increase in domestic natural gas prices.

Exploration and Production operating income remained unchanged at Ps.7,140 million in 2005 and 2004, as the increase in net sales described above was offset by increased purchases of crude oil from third parties to honor our prior sales commitments as well as higher depreciation of fixed assets, preservation, repair and maintenance costs and royalties.

Oil production during 2005 decreased 8.0% to 367 thousand barrels per day from 399 thousand barrels per day in 2004, while natural gas production in 2005 decreased 5.1% to 1,827 million cubic feet per day from 1,926 million

cubic feet per day in 2004, in each case as a consequence of a production decrease due to the natural decline in the production curve.

Refining and marketing

Net sales in 2006 were Ps.20,801 million, 14.4% higher than the Ps.18,178 million net sales recorded in 2005, resulting mainly from increases in the domestic volume of diesel and gasoline products sold of 11.5% and 21%, respectively, in 2006 compared to the prior year. The increases in the domestic volumes of diesel and gasoline products sold were reinforced by increases in the average domestic prices of diesel and gasoline of approximately 3% and 1%, respectively, in 2006 compared to 2005. In addition, the volumes of diesel and gasoline products sold in the international market decreased by 54% and 29%, respectively, as a result of the need to satisfy increasing domestic demand. This decrease was offset in part by increases in the international prices of all refined products and by the increase in the exported volume and price of fuel oil.

Operating profit was Ps.258 million in 2006, representing an 86.4% decrease from Ps.1,900 million in 2005. This decrease was due mainly to the higher prices of crude oil, which accounted for over 90% of the operating costs of the segment. The segment recorded a 28% increase in the average price of crude oil purchased from the Exploration and Production business unit and a 21% increase in the average price of crude oil purchased from third parties. Refining cost per barrel was Ps.9.3 in 2006 compared to Ps.7.6 in 2005.

Refinery output in 2006, including 50% of Refinor's output (we own 50% of Refinor), reached 323 thousand barrels per day, representing a utilization rate of 93.5% of the existing processing capacity of 345.6 thousand barrels per day.

Net sales in 2005 were Ps.18,178 million, a 15.0% increase from Ps.15,808 million in 2004, mainly as a result of a 16% increase in the volume of domestic diesel sales and a 6% increase in the average domestic price of diesel, as well as a 17% increase in the volume of domestic gasoline product sales and a 2% increase in the average domestic price of gasoline products. In addition, the average export prices of substantially all refined products increased significantly and more than offset declines in the exported volumes of most such products.

Operating income in 2005 was Ps.1,900 million, a 43.5% increase compared to Ps.1,324 million in 2004. This increase resulted from the increased net sales driven by higher export and domestic prices for our refined products and higher overall volumes of products sold, which more than offset a 12% increase in the price of crude oil purchased from the Exploration and Production business unit. Refining cost per barrel in 2005 was Ps.7.6, compared to Ps.7.2 in 2004, a 5.6% increase.

Refinery output in 2005, including 50% of Refinor's output, reached 319.9 thousand barrels per day, representing a utilization rate of 92.6% of the existing processing capacity of 345.6 thousand barrels per day.

Chemical

Net sales in 2006 increased 34.3% to Ps.3,048 million from Ps.2,269 million in 2005.

Operating income in 2006 was Ps.572 million, a 5.5% increase from Ps.542 million in 2005, attributable mainly to higher domestic and international prices of methanol, which on average increased 42%, which more than offset the decrease in methanol sales volumes, significant increases in raw material prices (principally virgin naphtha) and price limitations in respect of domestic sales of a certain fertilizer in the second half of 2006.

Net sales in 2005 were Ps.2,269 million, a 5.7% increase from Ps.2,146 million in 2004, resulting mainly from a 2% increase in the average domestic price of petrochemicals products and a 26% increase in the average price of exported

petrochemicals products, which more than offset a 9% decrease in the exported volume of such products.

Operating income in 2005 was Ps.542 million, a 3.9% decrease from Ps.564 million in 2004. This decrease resulted from the increased volume and prices of feedstock, as well as higher depreciation costs, partially offset by the higher sales volumes and higher prices in the domestic and export markets described above. In addition, Profertil's operating income increased (we own 50% of Profertil), but was partially offset by the sale of Petroken.

Liquidity and Capital Resources

Financial condition

Total debt outstanding, net of cash, as of September 30, 2007 and December 31, 2006 was U.S.\$307 million (Ps.968 million) and U.S.\$415 million (Ps.1,307 million), respectively, consisting of short-term debt (including the current portion of long-term debt) of U.S.\$141 million (Ps.445 million) and long-term debt of U.S.\$166 million (Ps.523 million) as of September 30, 2007, and short-term debt of U.S.\$253 million (Ps.797 million) and long-term debt of U.S.\$162 million (Ps.510 million) as of December 31, 2006. As of September 30, 2007 and December 31, 2006, almost all of our debt was denominated in U.S. dollars. The use of derivatives is detailed in “—Quantitative and Qualitative Disclosure about Market Risk.”

Since September 2001, we have repurchased certain of our publicly-traded bonds in open market transactions on an arms-length basis. As of September 30, 2007, we had repurchased approximately U.S.\$159 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 Nine-Month Period Ended September 30,		For the Year Ended December 31,		
	2007	2006	2006	2005	2004
	(in millions of pesos)				
Net cash flows provided by operating activities	6,142	5,909	8,019	8,251	8,515
Net cash flows used in investing activities	(4,089)	(3,571)	(5,109)	(3,262)	(2,584)
Net cash flows used in financing activities	(2,747)	(2,339)	(2,338)	(5,361)	(6,290)
Net increase/(decrease) in Cash and Equivalents	(694)	(1)	572	(372)	(359)
Cash and equivalents at the beginning of period	1,087	515	515	887	1,246
Cash and equivalents at the end of period	393	514	1,087	515	887

The principal uses of cash in investing and financing activities in the nine-month period ended September 30, 2007 included Ps.4,076 million in fixed asset acquisitions relating mainly to drilling equipment used by our Exploration and Production business unit, Ps.2,360 million in dividend payments and Ps.387 million in net repayments of outstanding loans.

Net cash flow provided by operating activities was Ps.6,142 million in the nine-month period ended September 30, 2007, compared to Ps.5,909 million in the nine-month period ended September 30, 2006. Additionally, net cash flow provided by operating activities was Ps.8,019 million in 2006, compared to Ps.8,251 million in 2005, a decrease of 3%, attributable mainly to lower operating income in 2006 that was partially offset by lower tax payments.

The principal uses of cash in investing and financing activities in 2006 included Ps.5,002 million in fixed asset acquisitions relating mainly to drilling equipment used by our Exploration and Production business unit and Ps.2,360

million in dividend payments. In 2005, the principal uses of cash in investing and financing activities included Ps.3,722 million in fixed asset acquisitions, Ps.4,878 million in dividend payments and Ps.483 million in net repayments of outstanding loans. The cash provided by these activities included mainly the sale of Petroken and PBB, which generated Ps.454 million.

Our current financing policy is to use cash flows provided by operating activities to fund both investing and operating activities, as well as to settle outstanding financial liabilities. Our working capital is sufficient for our present requirements. Our shareholders recently approved a U.S.\$1 billion medium-term note program in January 2008.

The following table sets forth information with regard to our commitments for the periods indicated below with regard to our debt, as of September 30, 2007:

	Expected Maturity Date						Total
	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	
	(in millions of pesos)						
Debt(1)	551	—	318	—	—	205	1,074

(1) These projected amounts include interest which, if set at a variable rate, is calculated considering the rate as of September 30, 2007.

Contractual obligations

The following table sets forth information with regard to our commitments, expressed in U.S. dollars at the exchange rate of Ps.3.15 to U.S.\$1.00, under commercial contracts for the years indicated below, as of September 28, 2007 (the last rate quoted in September 2007):

Contractual Obligations	Total	Less than			More than 5 years
		1 year	1 – 3 years	3 – 5 years	
	(in millions of U.S.\$)				
Debt(1)	506	193	129	14	170
Capital Lease Obligations	—	—	—	—	—
Operating Lease Obligations	335	80	117	84	54
Purchase Obligations(2)	2,763	430	693	522	1,118
Purchases of services	1,136	216	306	196	418
Purchases of goods	1,627	214	387	326	700
LPG	46	11	19	11	5
Electricity	395	40	71	66	218
Gas	139	25	42	42	30
Oil	787	110	195	171	311
Steam	214	6	36	36	136
Others	46	22	24	—	—
Other Liabilities(3)	2,569	1,604	324	179	462
Total(3)	6,173	2,307	1,263	799	1,804

(1) These projected amounts include interest which, if set at a variable rate, is calculated considering the rate as of September 30, 2007.

(2) Includes purchase commitments under commercial agreements that do not provide for a total fixed amount, which have been valued using our best estimates.

(3) Reserves for contingent liabilities under commercial contracts, which amounted to U.S.\$643 million as of September 30, 2007, are not included in the table above since we cannot, based on available evidence, reasonably estimate the settlement dates of such contingencies.

Sale Commitments	Total	Less than			More than 5 years
		1 year	1 – 3 years	3 – 5 years	

(in millions of U.S. dollars)

Oil sales	12	12	—	—	—
Gas sales	10,533	1,095	2,165	2,127	5,146
LPG sales	1,560	154	308	308	790
Other petroleum and petrochemical product sales	4,316	938	1,506	711	1,161
Services	269	47	93	42	87

Sale Commitments	Total	Less than	1 – 3	3 – 5 years	More than
		1 year	years		5 years
(in millions of U.S. dollars)					
Total	16,690	2,246	4,072	3,188	7,184

We have additional commitments under derivatives contracts and guarantees. For a discussion of these additional commitments see “—Guarantees provided” below and “—Qualitative and Quantitative Disclosure About Market Risk.”

Transactions with unconsolidated variable interest entities

Since 1996, we have entered into three forward oil sale agreements, which we refer to as the FOS transactions in this prospectus. These agreements were entered into in order to obtain cash to fund operations in advance of the actual sale and delivery of oil. Under these transactions, we were advanced U.S.\$381 million in 1996, U.S.\$300 million in 1998 and U.S.\$383 million in 2001, against future deliveries of oil. Our obligations under the FOS transactions are recorded as a liability in the consolidated balance sheet as customer advances and will be reduced and moved to income as the physical deliveries are made over the term of the contracts. As of September 30, 2007, the amount of FOS customer advances recorded on our consolidated balance sheet was Ps.32 million (U.S.\$10 million). The obligations to deliver crude oil under the agreements entered into in 1996 have been satisfied in their entirety, with the last delivery having taken place in October 2003. The obligations to deliver crude oil under the agreement entered into in 2001 were cancelled on September 30, 2005. The obligations to deliver crude oil under the 1998 agreement will continue through May 2008.

The structure of the remaining FOS transaction is similar to those already cancelled. We enter into a forward oil sale agreement that calls for the future delivery of oil for the life of the contract. We were paid in advance for the future delivery of oil. The fixed price of the oil to be delivered was calculated using various factors, including the expected future price and quality of the crude oil being delivered. The counterparty to the oil supply agreement is a special purpose entity incorporated in the Cayman Islands, which finances itself as described below. The oil to be delivered under the supply agreement is subsequently sold in the open market.

We are exposed to any change in the price of the crude oil we will deliver in the future under the FOS transaction. Our exposure derives from the crude oil swap agreement under which we pay a fixed price with respect to the nominal quantity of barrels of the crude oil sold, and receive the variable market price of such barrels of crude oil. See “—Qualitative and Quantitative Disclosure About Market Risk—Crude oil price exposure” and “Item 7. Major Shareholders and “Related Party Transactions.” See Note 13(i) to the Audited Consolidated Financial Statements for a description of the treatment of the FOS transactions under U.S. GAAP.

The following provides an overview of the outstanding FOS transaction:

FOS II	
Date	June 24, 1998
Net proceeds(1)	U.S.\$299,967,289
SPE	Oil Enterprises Ltd.
YPF Quantified barrels liability	U.S.\$315 million 6.239% notes
Purchaser	Oil Enterprises Ltd.
Marketer	YPF
Guarantee/hedge	

	Oil Price Hedge Agreement/Default Insurance
Total crude oil barrels to be delivered over the life of the contract	23,933,982
Average crude oil barrels per month	201,126
Term of transaction	10 years

(1) The total sale amount under the remaining FOS transaction is U.S.\$314,995,137. The difference between the net proceeds and the sale amount is deposited in a reserve account to cover certain contingencies and, absent an event of default or other events set forth in the transaction documents, will be paid to us during the last three months of the transaction term.

The series of FOS II are insured by MBIA Inc.

Our monthly crude oil delivery obligation under the remaining FOS transaction represents approximately 2.37% of our average monthly production as of September 30, 2007. Total remaining crude delivery obligations under the FOS transaction represent 2.11% of our crude oil production for the nine-month period ended September 30, 2007. If we are not able to deliver the required number of barrels from our own production, we may purchase oil of similar quality in the open market.

As described in “Business—Legal Proceedings” on March 8, 2004, the Argentine tax authorities formally communicated to us their view that the FOS transactions should have been treated as financial transactions carried out in Argentina and, as such, should have been subject to the relevant tax withholdings. We have presented our defense rejecting the claim and are currently arguing our position.

Covenants in our indebtedness

Our financial debt generally contains customary covenants for contracts of this nature, including negative pledge, material adverse change and cross-default clauses.

In the event of a default under any series of our bonds, the trustee or the holders of not less than one quarter of the bonds, depending upon the series, can declare the bonds of that series to be due and payable.

With respect to financial debt totaling U.S.\$279 million, including accrued interest (long- and short-term debt) as of September 30, 2007, we have agreed, among other things and subject to certain exceptions, not to establish liens or charges on our assets. In the event of a default, the creditors may declare due and immediately payable the principal and accrued interest on amounts owed to them (“Payments Acceleration”). Upon an event of default, in the case of outstanding negotiable obligations amounting to U.S.\$169.5 million (included in the figure above), the trustee may declare a Payments Acceleration if required by the holders of at least 25% of the total principal of the outstanding obligations.

Almost all of our total outstanding debt is subject to cross-default provisions. These provisions generally may be triggered if an event of default occurs with respect to the payment of principal amount or interest on debts equal to or exceeding U.S.\$20 million. As a result of these cross-default provisions, a default on our part or the part of any of our consolidated subsidiaries covered by such provisions could result in a substantial portion of our debt being declared in default or accelerated. We believe that none of our debt or the debt of our consolidated subsidiaries is currently in default.

Credit rating

On April 24, 2006, FITCH upgraded our long-term debt rating to BB+. Our long-term debt rating was upgraded to “Baa2” by Moody’s on November 21, 2005. Standard & Poor’s maintains its rating at “BB” with a stable outlook. Each of these ratings is in reference to foreign currency-denominated long-term debt. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

We do not have any ratings downgrade triggers that would accelerate the maturity dates of our debt or trigger any other contractual obligation on our part. However, a downgrade in our credit rating could have a material adverse effect on the cost of renewing existing credit facilities, or obtaining access to new ones in the future. In the past, our main sources of liquidity have been our cash flows from operations, bank financings, issuances of debt securities and the proceeds from our divestment plan. Any future downgrades will not preclude us from using any of our existing

credit lines.

Guarantees provided

As of September 30, 2007, we had signed guarantees in relation to the financing activities of Pluspetrol Energy S.A., Central Dock Sud S.A. and Inversora Dock Sud S.A. for which U.S.\$24 million, U.S.\$91 million and Ps.5 million were outstanding, respectively.

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Capital investments and expenditures

Capital investments in 2006 totaled approximately Ps.5,276 million. The table below sets forth our capital expenditures and investments by activity for each of the years ended 2006, 2005 and 2004.

	2006		2005		2004	
	(in millions of pesos)	(%)	(in millions of pesos)	(%)	(in millions of pesos)	(%)
Capital Expenditures and Investments						
Exploration and Production	4,230	80	3,179	81	2,480	81
Refining and Marketing	733	14	541	14	434	14
Chemical	137	3	104	2	86	3
Corporate and other	176	3	108	3	52	2
Total	5,276	100%	3,932	100%	3,052	100%

The table below sets forth our capital expenditures and investments by activity for the nine-month periods ended September 30, 2007 and 2006.

	Nine-Month Period Ended September 30,			
	2007		2006	
	(in millions of pesos)	(%)	(in millions of pesos)	(%)
Capital Expenditures and Investments				
Exploration and Production	3,555	82	2,978	82
Refining and Marketing	528	12	471	13
Chemical	79	2	84	2
Corporate and other	170	4	112	3
Total	4,332	100%	3,645	100%

Future capital expenditures and investments

We have budgeted approximately U.S.\$2 billion in investments and capital expenditures for 2008, a significant portion of which will be dedicated to our exploration and production activities, and which we intend to finance through our internally-generated cash flows and, to the extent necessary, borrowings. For a detailed description of our principal current investment projects, see “Business—Overview.”

Actual investments and capital expenditures may differ from the above estimates.

Off-Balance Sheet Arrangements

We have entered into certain off-balance sheet arrangements, as described in “—Liquidity and Capital Resources—Transactions with unconsolidated variable interest entities,” “—Guarantees provided” and “—Contractual obligations” above.

Qualitative and Quantitative Disclosure About Market Risk

The following quantitative and qualitative information is provided about financial instruments to which we are a party as of September 30, 2007, and from which we may incur future earnings or losses from changes in market, interest rates, foreign exchange rates or commodity prices. We do not enter into derivative or other financial instruments for trading purposes.

This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in “Risk Factors.”

Foreign currency exposure

We generally follow a policy of not hedging our debt obligations in U.S. dollars due to the fact that, in 1991, the Argentine government instituted a set of economic reforms known as the “Convertibility Plan,” the centerpiece of which was a fixed one-to-one rate of exchange between the Argentine peso and the U.S. dollar. Although in view of the Argentine economic crisis the Argentine authorities implemented a number of monetary and exchange control measures, including the abolishment of the Convertibility Law, we have still not hedged our U.S. dollar debt obligations to date. In addition, our costs and receipts denominated in currencies other than the Argentine peso, including the U.S. dollar, often do not match. As a result, we are currently exposed to risks associated with changes in foreign currency exchange rates. See “Risk Factors—Risks Relating to Argentina—We may be exposed to fluctuations in foreign exchange rates.”

The table below provides information about our assets and liabilities denominated in currency other than pesos (principally U.S. dollars) that may be sensitive to changes in foreign exchange rates, as of September 30, 2007.

	Expected Maturity Date				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years and undetermined	
	(in millions of U.S. dollars)				
Assets	1,587	7	—	48	1,642
Accounts payable	564	278	149	414	1,405
Debt	109	103	—	65	277
Other Liabilities	79	7	7	358(1)	451

(1) Includes U.S.\$318 million corresponding to reserves with undetermined maturity.

Crude oil price exposure

We entered into price swap agreement in June 1998 on future oil delivery commitment, covering approximately 23.9 million barrels of crude oil, for a term of ten years. This swap agreement was entered into in connection with advanced payments received by us for future crude-oil deliveries under forward crude oil sale agreement covering these same volumes of crude oil subject to the swap agreement. Under the price swap agreements, we will pay a fixed average price of U.S.\$18.24 per barrel from 2007 to 2008 and will receive variable selling prices that will depend upon market prices. The estimated price effect presented in the table below represents the difference between the prices we will pay and the forecasted prices we will receive under the contracts. See “—Liquidity and Capital Resources—Transactions with unconsolidated variable interest entities.”

	(Proceeds) Payments			Fair Value
	Fourth quarter 2007	2008	Total	
Contract volumes (mmbbl)	0.6	1.0	1.6	
Average Price of Contract (U.S.\$/bbl)(1)	18.24	18.24	18.24	
Contract amount (millions of U.S.\$)	11	18	29	102
Estimated price effect (millions of U.S.\$)(1)	(38)	(63)	(101)	(92)

(1) The expected cash flows were calculated based on a WTI oil price of U.S.\$81.66 for all periods, which was the spot price as of September 30, 2007. The estimated price effect disclosed in the chart was calculated as the difference between this price and the contractually agreed settlement price per barrel.

Interest rate exposure

We are mostly a borrower under fixed rate debt instruments that give rise to foreign exchange rate risk. Our objective in borrowing under fixed debt is to satisfy capital requirements that minimize our exposure to interest rate

fluctuations. To realize our objectives, we have borrowed under fixed rate debt instruments, based on the availability of capital and prevailing market conditions.

The table below provides information about our assets and liabilities as of September 30, 2007 that may be sensitive to changes in interest rates.

	Expected Maturity Date						Total	Fair Value
	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years		
Assets								
Variable rate								
Other Receivables (Related parties)	2,358	—	—	—	—	—	2,358	2,358
Interest rate	Libor + 0.2 - 1.5%							
Fixed rate								
Other Receivables (Related parties)	198	—	—	—	—	—	198	198
Interest rate	5.36%							
Liabilities								
Fixed rate								
YPF's Negotiable Obligations	—	—	318	—	—	205	523	573
Interest rate	9.13% 10%							
Other Short-term debt	540	—	—	—	—	—	540	540
Interest rate	1.25% - 18.25%							

REGULATORY FRAMEWORK AND RELATIONSHIP WITH THE ARGENTINE GOVERNMENT

Overview

The Argentine oil and gas industry is currently subject to certain policies and regulations that have resulted in domestic prices that are substantially lower than prevailing international market prices, export restrictions, 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 increasingly heavy export duties on the volumes of hydrocarbons allowed to be exported. These governmental pricing limitations, export controls and tax policies have been implemented in an effort to satisfy increasing domestic market demand at prices below international market prices.

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., referred to as “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 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 prospectus, 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 a 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.

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.

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.

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.

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. 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. 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.

The Hydrocarbons Law permits surface reconnaissance of territory not covered by exploration permits or production concessions, upon authorization of the 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 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 YPF 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 and has been vested in the governments of the 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. 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.

Holders of production concessions, including us, also are required to pay royalties to the province where production occurs. A 12% royalty is payable on the value at the wellhead (equal to the FOB price, 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. 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 is accounted for as a production cost. 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. See “Business—Legal Proceedings—Argentina—Niniquén royalty disputes.”

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. Executive Decree No. 1,454/07, dated October 17, 2007, which significantly 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. In all cases, the surface fee increased by at least eight times, although the effect of this increase is not material to us due to the relatively low sums involved. For example, in 2007 we paid a total of approximately Ps. 33 million in surface fees. In 2008, we expect to pay approximately Ps.90 million in such fees pursuant to Sections 57 and 58 of the Hydrocarbons Law, due to the application of the recent increases for a full year.

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 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.

Substantially all 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.

On March 16, 2006, the 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 “Business—Exploration and Production—Reserves”).

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 is currently the case, for any additional acquisition of real estate, mineral rights, oil or other Argentine government concessions located within, or with respect to, security zones.

Because approval of Class A shareholders is required for a change in control of YPF under our bylaws, and approval of the executive branch of the Argentine government or provincial governments is required for the grant or transfer of hydrocarbon permits and concessions, we believe that possible additional requirements under the security zone legislation will not have a significant impact on our operations.

Natural Gas Transportation and Distribution

In June 1992, the Natural Gas Law was passed, providing for the privatization of 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 centres 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 are currently exporting natural gas to the Chilean and Brazilian markets, to the extent permitted by the Argentine government. However, 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 Resolutions Nos. 659 and 752 (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 preferences”.

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.

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 Secretariat of Energy, for oil and petroleum pipelines, and by the Argentine natural 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 YPF 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.

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 Secretariat of Energy and compliance with safety and environmental regulations, as well as to provincial environmental legislation and municipal health and safety inspections.

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 domestic production to be insufficient to satisfy domestic demand. If the executive branch restricts the export of 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.

Refined products

In April 2002, the Argentine government and the main oil companies, 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 the fixed price and the market price through export duty credits. This agreement was extended through August 31, 2002. Through new price-stabilization agreements, the subsidy was extended through June 30, 2005 and the fixed price was increased up to Ps.0.82 per liter. After June 25, 2005, the price paid by transporters was reduced to Ps.0.42 for local public transportation and to Ps.0.62 for the rest of public transportation. On November 11, 2007, the price paid by transporters was increased to Ps.0.45 per liter. As of the date of this prospectus, a new extension of the agreement is under negotiation.

The 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 Secretariat of Energy; Resolution S.E. No. 1,879/05 established that refining companies registered by the 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; and Resolution S.E. No. 1,679/04 reinstated the registry of diesel fuel and crude oil export transactions created by Executive Decree No. 645/2002, 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 No. 645/02, including gasoline, fuel oil and its derivatives, aviation fuel, coke coal, asphalts, certain petrochemicals and certain lubricants.

Disposition S.S.C. No. 157/06 of the Under Secretariat 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 Secretary of Domestic Commerce of the situation. In that case, the Secretary 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 No. 715/2007 of the 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 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.

Resolution SE No. 459/07, of July 12, 2007, created the "Energy Substitution Program," which is intended to mitigate gas and electricity shortages during the Argentine winter of 2007. This program encourages industrial users to substitute natural gas and electricity use with diesel, fuel oil and LPG. The Argentine government allocated approximately U.S.\$310 million in subsidies to fund the gap between the price of natural gas and electricity on the one hand, and the price of the substitute fuel on the other hand.

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 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 Secretariat of Energy to negotiate with natural gas producers a pricing mechanism for natural gas supplied to industries and electric generation companies. On April 2, 2004, the Secretariat of Energy and gas producers signed an agreement which was ratified by Resolution No. 208/04 issued by the Ministry of Federal Planning, Public Investment and Services. The aim of the agreement was to implement a scheme for the normalization of natural gas prices following the 2001 crisis. The main aspects of the agreement were: (i) initial price adjustments applied exclusively to gas supplied by producers to industrial users, new direct consumers and electricity generators (to the extent that electricity was destined for the domestic market); (ii) prices were adjusted as of May 10, 2004; and (iii) the Secretariat of Energy would implement a progressive scheme for the normalization of the price of natural gas destined to residential end-users and small commercial users, which was never implemented. This agreement expired on December 31, 2006.

On June 14, 2007, Resolution No. 599/07 of the 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 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 in to the Agreement 2007-2011 in the first place.

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), which in 2007 represented approximately 72% of our production and was sold at an average price of U.S.\$1.52 per mmBtu (or approximately U.S.\$55 per cubic meter). 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 preferences”. 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 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. While the challenge is pending, we are complying with the terms of the Agreement.

Natural gas export restrictions and domestic supply priorities

In March 2004, the 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 Secretariat of Energy; and
- authorizing 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 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 Secretariat of Energy in May 2005, which further reduced the ability of producers to export natural gas, and created a mechanism under which the 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 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 has 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 “Business 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 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 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 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 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 Secretariat of Energy S.E. No. 1886/2006, 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 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 received verbal instructions from the government to cut off all exports to zero, except for certain volumes addressed to satisfy Chilean residential consumptions.

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 Secretariat of Energy shall periodically publish reference prices for LPG sold in bottles of 45 kilograms or less;
- required the 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 Antitrust Agency, make an analysis of the composition of the LPG market and its behavior, in order to establish limitations on the concentration of the market in each phase, or limitations to the vertical integration throughout the chain of the LPG industry. Such limitations must include affiliates, subsidiaries, and controlled companies; and
 - grants open access to LPG storage facilities.

The 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 Secretariat of Energy approved the method for calculating the LPG export parity to be updated monthly by the Undersecretariat of Fuels. The Secretariat of Energy in 2007 increased the LPG volumes to be sold to bottlers at the reference prices set forth in the above-mentioned resolutions.

Rule 168/04 require companies intending to export LPG to first obtain an authorization from the 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 July 12, 2007, the Argentine government enacted Resolution S.E. No.459/07, creating the “Energy Substitution Program,” to be effective during the Argentine winter of 2007, the aim of which is to mitigate natural gas and electricity shortages. This program encouraged industries to substitute diesel, LPG and fuel oil for natural gas and electricity consumption. The Argentine government allocated approximately U.S.\$310 million in subsidies to fund the gap between the price of natural gas or electricity and the price of the substitute fuel.

U.S. Environmental Regulations

In addition, 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. These laws and regulations set various standards for certain aspects of health, safety and environmental quality, provide for fines and criminal penalties and other consequences (including limits on operations and loss of applicable permits) for the

violation of such standards, and establish remedial obligations in certain circumstances. Many of 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;

- 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 address environmental issues, including siting considerations, 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.

Argentine Environmental Regulations

The enactment of articles 41 and 43 in the National Constitution, as amended in 1994, as well as new federal and provincial 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 Argentine 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 N° 24,051 on Hazardous Waste;
 - Law N° 20,284 on Clean Air;

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- Law No. 25,688 on Environmental Management of Waters;
- Law No. 25,670 on the Management and Elimination of Polychlorinated Biphenyls;
 - Criminal Code; and
 - general rules of tort law.

- various other federal, provincial and municipal regulations, including gas venting, oil spills, well abandonment, etc.

These regulations 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.

By Resolution No. 404/94, the 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. 22,145.

During 2005, the 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 hereof, and such regulations are subject to change.

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.

Pursuant to Sections 57 and 58 of the Federal 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.

Dividends distributed by us to our shareholders, regardless of their country of residence, are exempt from income tax in Argentina. However, dividends distributed in excess of the accumulated earnings, determined according to the provisions of the Argentine Income Tax Law by the end of the fiscal year prior to the year when the dividends are distributed, shall be subject to a 35% tax on such excess. The tax must be withheld by the distributing company.

Holding of our shares by individuals resident in Argentina or abroad and corporations, any type of legal entity, enterprise, permanent establishment, estate or resident abroad shall be subject to personal assets tax on the holdings by December 31st every year. The tax basis shall be the percentage net equity of each shareholder, and the tax rate is 0.5%. We shall act as a substitute obligor and pay the tax. It shall be entitled to recover the amount paid even withholding and/or foreclosing the assets that generated the tax liability.

Export taxes

In 2002, the Argentine government began to impose customs duties on the export of hydrocarbons. Export tax rates were increased on crude oil 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 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 (approximately U.S.\$6/mmBtu in December 2007) 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.

More recently, 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 international price exceeds the reference price, which is fixed at U.S.\$60.9/barrel, the producer shall be allowed to collect U.S.\$42/barrel, with the remainder being withheld by the Argentine government as an export tax. If the international price of Argentine oil exports (as defined by the regulator) 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 within 90 business days.

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.”

Antitrust Agreement

On June 16, 1999, the Argentine Ministry of Economy and Public Works delivered a letter to Repsol YPF setting forth a series of obligations that Repsol YPF was required to assume after the acquisition of the majority of our share capital.

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Repsol YPF met all of the requirements upon execution of the asset swap agreement entered into with Petrobras in December 2001.

Repsol YPF believes that the acquisition of YPF will not be subject to further antitrust scrutiny in Argentina under existing law. However, the Ministry has not stated that there will be no further antitrust scrutiny and no assurances can be given that Repsol YPF will not be required to accept additional undertakings or other measures intended to address any perceived anti-competitive effects of the YPF acquisition.

Repatriation of Foreign Currency

Executive Decree No. 1,589/89, relating to the deregulation of the upstream oil industry, allows us and other companies engaged in oil and gas production activities in Argentina to freely sell and dispose of the hydrocarbons they produce. Additionally, under Decree No. 1,589/89, we and other oil producers are entitled to keep out of Argentina up to 70% of foreign currency proceeds they 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. The Attorney General's opinion was 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, on December 5, 2002, representatives of the Central Bank of Argentina, responding formally to an inquiry from the Argentine Bankers Association, stated that the Central Bank would apply the Attorney General's opinion. On December 9, 2002, we filed a declaratory judgment action (*acción declarativa de certeza*) before a federal court requesting the judge to clarify the uncertainty generated by the opinion and statements of the Attorney General and the Central Bank of Argentina, and requesting confirmation of our right to freely dispose of up to 70% of our export receivables. On December 9, 2002, the federal judge issued an injunction ordering the Argentine government, the Central Bank and the Ministry of the Economy to refrain from interfering with our access to and use of 70% of the foreign exchange proceeds from our exports. This decision was appealed by the Central Bank and the Ministry of Economy and Production.

On December 27, 2002, the government issued Decree No. 2,703/02, effective as of January 1, 2003, setting forth a minimum repatriation limit of 30% with respect to proceeds from the export of hydrocarbons and byproducts, with the remaining portion freely disposable. However, when referring to the minimum repatriation limit of 30%, the decree only mentions the foreign exchange proceeds from freely disposable exports of crude oil and its byproducts. Although the recitals and the first part of Section 1 of Decree No. 2,703/02 mention natural gas and LPG as covered by this regime, there are no express references to natural gas or LPG in the rest of Section 1. However, taking into account the rights granted by Decree No. 1,589/89, we apply this regime to the export of crude oil, LPG and natural gas. It is worth noting that the recitals of Decree No. 2,703/02 restate the interpretation maintained by the Attorney General in the sense that Decree No. 1,589/89 has been repealed by Decree No. 530/91 and No. 1,606/01. This interpretation prompted the filing of the above-mentioned declaratory judgment action. Moreover, since Decree No. 2,703/02 is effective as from January 1, 2003, and, in light of the Attorney General's opinion, it is unclear whether hydrocarbon exporters would be required to repatriate the total amount of their 2002 export proceeds or whether the existing hydrocarbons regulatory framework will prevail, we have expanded the object of the declaratory judgment action before the federal court to request that the judge expressly state that Decree No. 530/91 did not abrogate Decree No. 1,589/89 and, thus, that the right of free disposal of export receivables was effective between the issuance of Decree No. 1,606/01 and Decree 2,703/02. On December 1, 2003, the National Administrative Court of Appeals decided that the issuance of Decree No. 2,703/02, which allows companies in the oil and gas sector to keep abroad up to 70% of the export proceeds, rendered the injunction unnecessary. On December 15, 2003, we filed a motion for clarification

asking the court to clarify whether the exemption was available to oil and gas companies during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree 2,703/02. On February 6, 2004, the Court of Appeals dismissed our motion for clarification, indicating that the regulations included in Decree 2,703/02 were sufficiently clear, and confirmed the lifting of the injunction that prohibited the Central Bank and the Ministry of Economy and Production from interfering with our access to foreign exchange proceeds, as described above. On February 19, 2004, we filed an extraordinary appeal before the Supreme Court challenging the December 1, 2003 decision of the Court of Appeals

and requesting the restatement of the injunction against the Central Bank and the Ministry of Economy and Production. The Federal Court of Appeals dismissed the extraordinary appeal. Taking into account the fact that there is a new special system in place allowing for the free disposal of up to 70% of the foreign currency proceeds from the exports of crude oil and its derivatives, it was deemed advisable to abandon the suit as a procedural strategy.

On October 12, 2007, we were notified of the initiation of an administrative summary proceeding for alleged late repatriation of foreign currency proceeds, and lack of repatriation of the remaining 70%, in connection with some hydrocarbon export transactions made in 2002. In this administrative summary proceeding, charges were brought against us in the amount of U.S.\$1.6 million, and the tribunal has advised that the conduct of a bank that handled other of our export transactions made in 2002 be investigated, which could give rise to the initiation of further proceedings. Nevertheless, a judicial judgment recently issued by a First Instance Court in Criminal Economic Matters in a similar administrative summary proceeding against a different company for an alleged violation of the criminal exchange law (lack of repatriation of 70% of foreign currency proceeds) regarding export transactions made in 2002 resolved the matter in favor of that company based on legal arguments that were not challenged by the prosecutor. See “Business—Legal Proceedings—Argentina.”

BUSINESS

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, liquid petroleum gas 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 2006, we had consolidated net sales of Ps.25,635 million (U.S.\$8,138 million) and consolidated net income of Ps.4,457 million (U.S.\$1,415 million) and, in the nine months ended September 30, 2007, we had consolidated net sales of Ps.20,869 million (U.S.\$6,625 million) and consolidated net income of Ps.2,980 million (U.S.\$946 million).

Privatized in 1993, most of our predecessors were state-owned companies with operations dating back to the 1920s. Since 1999, we have been controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. On December 21, 2007, Petersen Energía, an Argentine-owned holding company, signed a memorandum of understanding with Repsol YPF pursuant to which it will enter into an agreement to purchase approximately 14.9% of our capital stock and will have an option to purchase an additional 10.1% of our capital stock. We believe that Petersen Energía's participation in our capital stock and management will strengthen our Argentine ties and expertise.

Upstream Operations

- We operate more than 70 oil and gas fields in Argentina, accounting for approximately 42% of the country's total production of oil and approximately 42% of its total gas production, including NGL, in 2007, according to the Argentine Secretariat of Energy.
- We had proved reserves, as estimated as of September 30, 2007, of approximately 646 mmbbl of oil and 3,728 bcf of natural gas, representing aggregate reserves of 1,311 mmbbl.
- In 2006, we produced 126 mmbbl of oil (346 mmbbl/d) and 651 bcf of gas (1,779 mmcf/d) and, in the nine months ended September 30, 2007, we produced 89 mmbbl of oil (327 mmbbl/d) and 485 bcf of gas (1,778 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 mmbbl/d). We also have a 50% interest in Refinor, which has a refining capacity of 26.1 mmbbl/d.
- Our retail distribution network for automotive petroleum products as of September 30, 2007 consisted of 1,698 YPF-branded service stations, which we believe represented approximately 30.9% of all service stations in Argentina.

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

The map below illustrates the location of our refineries, terminals and crude oil and refined product pipeline networks.

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. 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. As of December 31, 2007, Repsol YPF controlled 99.04% of our share capital.

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

On December 21, 2007, Repsol YPF entered into a memorandum of understanding with Petersen Energía providing for the parties to enter into a share purchase agreement pursuant to which (i) Repsol YPF will sell to Petersen Energía, and Petersen Energía will purchase from Repsol YPF, ADSs representing 14.9% of our capital stock for U.S.\$2,235 million (the "Petersen Transaction") pursuant to a share purchase agreement and (ii) Repsol YPF will grant Petersen Energía an option to purchase from Repsol YPF up to an additional 10.1% of our outstanding capital stock in the form of shares or ADSs within four years after the consummation of the Petersen Transaction. Repsol YPF will retain a majority of our capital stock and, subject to any shareholder agreement that may be entered into between Repsol YPF and Petersen Energía, will be able to determine substantially all issues decided by our shareholders. See "Selling Shareholders."

Business Segments

We organize our business along the following segments:

- Exploration and Production;
- Refining and Marketing; and
- Chemical.

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 Chemical 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, certain building construction activities and environmental remediation activities related to YPF Holdings' discontinued operations.

The following table sets forth net sales and operating income for each of our lines of business for the nine-month periods ended September 30, 2007 and 2006, respectively, and the years ended December 31, 2006, 2005 and 2004:

	For the Nine-Month Period Ended		For the Year Ended December 31,		
	September 30, 2007	2006	2006	2005	2004
	(in millions of pesos)				
Net Sales(1)					
Exploration and Production(2)(3)					
To unrelated parties	2,310	2,311	3,076	2,910	2,164
To related parties	495	584	774	626	752
Intersegment sales and fees(4)	9,770	10,812	14,033	11,659	11,225
Total Exploration and Production	12,575	13,707	17,883	15,195	14,141
Refining and Marketing(5)					
To unrelated parties	14,599	13,248	17,651	15,791	13,144
To related parties	1,511	1,240	1,624	1,425	1,773
Intersegment sales and fees	1,405	1,177	1,526	962	891
Total Refining and Marketing	17,515	15,665	20,801	18,178	15,808
Chemical					
To unrelated parties	1,855	1,704	2,401	2,062	1,958
Intersegment sales and fees	599	494	647	207	188
Total Chemical	2,454	2,198	3,048	2,269	2,146
Corporate and other					
To unrelated parties	99	85	109	87	140
Intersegment sales and fees	262	201	282	243	126
Total Corporate and others	361	286	391	330	266
Less intersegment sales and fees	(12,036)	(12,684)	(16,488)	(13,071)	(12,430)
Total net sales(6)	20,869	19,172	25,635	22,901	19,931
Operating Income (Loss)					
Exploration and Production	3,550	5,449	6,564	7,140	7,140
Refining and Marketing	1,008	53	258	1,900	1,324
Chemical	379	340	572	542	564
Corporate and other	(480)	(391)	(540)	(451)	(430)
Consolidation adjustments	37	29	29	30	(127)
Total operating income	4,494	5,480	6,883	9,161	8,471

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

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

(3) From January 1, 2005, the operations of the Natural Gas and Electricity segment have been included in the Exploration and Production business segment. The results for 2004 have been restated to reflect this.

(4) 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.

(5) Includes LPG activities.

(6) Total net sales include export sales of Ps.6,176 million and Ps.6,716 million for the nine-month periods ended September 30, 2007 and 2006, respectively. Total net sales include export sales of Ps.8,649 million, Ps.8,644 million and Ps.7,875

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million for the years ended December 31, 2006, 2005 and 2004, respectively. The export sales were mainly to the United States (Ps.1,603 million in 2006, Ps.2,821 million in 2005 and Ps.2,194 million in 2004), Brazil (Ps.1,125 million in 2006, Ps.659 million in 2005 and Ps.897 million in 2004) and Chile (Ps.1,153 million in 2006, Ps.1,315 million in 2005 and Ps.1,928 million in 2004).

Exploration and Production

Principal properties

Argentine properties

Our production is concentrated in Argentina and our domestic operations are subject to numerous risks. See “Risk Factors.”

Argentina is the fourth largest hydrocarbon producing nation in Latin America and the fourth largest in reserves after Mexico, Venezuela and Brazil. 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. There are 24 known sedimentary basins in the country. Eleven of these are located entirely onshore, six are combined onshore/offshore and seven are entirely offshore. Total onshore acreage is composed of 358 million acres, and total offshore acreage includes 98 million acres on the South Atlantic shelf within the 200-meter depth line. A substantial portion of the 456 million acres in sedimentary basins has yet to be evaluated by exploratory drilling. Commercial production is concentrated in five basins: Neuquina, Cuyana and Golfo de 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 de San Jorge basins are the most significant basins for our activities in Argentina. As of September 30, 2007, we had an interest in 18.8 million net acres onshore and offshore (within the 200-meter depth line), of which 6.4 million net acres were under production concessions and 12.4 million net acres were under exploration permits.

The following table shows our gross and net interests in productive oil and gas wells and exploration permits and production concessions in Argentina by basin, as of September 30, 2007.

	Wells				Acreage			
	Oil		Gas		Production Concessions(1)		Exploration Permits(1)	
	Gross(2)	Net(2)	Gross(2)	Net(2)	Gross(2)	Net(2)	Gross(2)	Net(2)
Onshore	(thousands of acres)							
Neuquina	3,227	2,769	569	412	4,008	3,114	1,766	1,451
Golfo de San Jorge	6,824	6,008	56	55	2,472	2,347	4,927	2,464
Cuyana	796	717	—	—	427	375	2,157	1,861
Noroeste	32	9	48	16	1,329	372	—	—
Austral	123	38	97	29	602	181	—	—
Offshore	5	2	15	8	115	63	18,920	6,625

(1) Production concessions are granted after commercially exploitable quantities of oil or gas are discovered, are based upon the estimated field size as determined by geological and geophysical techniques and are subject to adjustment based upon new information concerning the reservoir. Accordingly, not all acreage covered by production concessions is, in fact, producing. Acreage held under exploration permits is unproved and non-producing.

(2) "Gross" wells and acreage include all wells and acreage in which we have an interest. "Net" wells and acreage equals gross wells and acreage after deducting third party interests.

The table below provides certain information with respect to our principal oil and gas fields in Argentina at September 30, 2007, all of which are mature:

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**Production for the
Nine-Month Period
Ended September 30,
2007**

Reserves as of September 30, 2007

Areas(1)	Interest	Production for the Nine-Month Period Ended September 30, 2007		Reserves as of September 30, 2007			Basin/Location
		Oil (mbbl)	Gas (mmcf)	Oil (mbbl)	Gas (mmcf)	Combined (mboe)	
Barrancas	100%	1,693	56	16,901	594	17,007	Cuyana
Cerro Fortunoso	100%	1,401	—	9,757	—	9,757	Neuquina
La Ventana	(2)	1,507	203	14,468	1,963	14,817	Cuyana
Vizcacheras(3)	100%	2,704	258	25,009	2,437	25,443	Cuyana
El Portón-Chihuido							
La Salina	100%	9,323	47,219	61,754	363,086	126,418	Neuquina
Chihuido Sierra Negra	100%	8,180	1,409	48,420	8,042	49,852	Neuquina
Paso Bardas Norte	100%	176	9,665	429	48,788	9,118	Neuquina
Señal Picada(3)	100%	1,609	112	17,145	1,156	17,351	Neuquina
Aguada Toledo – Sierra Barrosa(3)	100%	622	41,097	7,765	208,858	44,961	Neuquina
Loma La Lata	100%	13,053	208,760	96,424	1,902,422	435,234	Neuquina
El Trébol	100%	1,651	234	11,766	1,158	11,973	Golfo de San Jorge
Manantiales Behr	100%	4,456	3,131	24,857	10,711	26,765	Golfo de San Jorge
Seco León	100%	2,721	3,033	20,734	16,847	23,734	Golfo de San Jorge
Barranca Baya	100%	3,111	650	21,797	3,970	22,504	Golfo de San Jorge
Lomas del Cuy	100%	2,491	1,604	14,371	7,555	15,716	Golfo de San Jorge
Los Perales	100%	6,070	16,800	36,917	51,424	46,076	Golfo de San Jorge

(1) Production concessions.

(2) 69.6% for crude oil and 60% for natural gas liquids and natural gas.

(3) The results of the audits of the reserves of the Vizcacheras, Señal Picada and Aguada Toledo – Sierra Barrosa fields by certain independent reserves auditors, which were completed and reported to us in December 2007, are not reflected in the table above. The revisions to be applied to these properties' reserves as of September 30, 2007 are as follows:

Areas	Oil (mbbl)	Gas (mmcf)	Combined (mboe)
		-227	
Vizcacheras	+1,630		+1,589
Señal Picada	+1,725	+18	+1,728
	+0,117		-3,420

Aguada Toledo – Sierra Barrosa	-19,856
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Approximately 84% of our proved crude oil reserves in Argentina are concentrated in the Neuquina (50%) and Golfo de San Jorge (34%) basins, and 96% of our proved gas reserves in Argentina are concentrated in the Neuquina (79%), Noroeste (13%) and Austral (4%) basins.

As of September 30, 2007, we held interests in 110 production concessions and exploration permits in Argentina. We directly operate 74 of them, including 61 production concessions and 13 exploration permits.

As of September 30, 2007, we held 19 exploration permits in Argentina, 12 of which are onshore exploration permits and seven of which are offshore exploration permits. We have 100% ownership of six onshore permits and one offshore permit, and our participating interests in the rest vary between 27% and 90%. Our interests in the riskier offshore permits vary between 30% and 50%.

As of September 30, 2007, we had 91 production concessions. We have a 100% ownership interest in 54 production concessions, and our participating interests in the remaining 37 production concessions vary between 12% and 70%.

Joint ventures and contractual arrangements in Argentina

We participate in 18 exploration and production joint ventures in Argentina. Our interests in these joint ventures range from 12% to 70%, and our obligations to share exploration and development costs vary 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 exploration and production joint ventures in which we participate, 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 and their conversion into production concessions and exploration permits, respectively.

International properties – United States

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

As of September 30, 2007, we had mineral rights in 56 blocks in the United States, comprised of 51 exploratory blocks, with a net surface area of 886 square kilometers and five development blocks, with a net surface area of 17 square kilometers.

Our U.S. subsidiaries’ net petroleum production in the United States for the nine-month period ended September 30, 2007 was 77 mboe, while in 2006 the net production for the year was 105 mboe.

Our U.S. subsidiaries net proved reserves in the United States as of September 30, 2007 were 7,531 mboe.

Our U.S. subsidiaries have entered into various operating agreements and capital commitments associated with the exploration and development of their oil and gas properties. Such contractual, financial and/or performance commitments are not material, except those commitments related to the development of the Neptune Field.

The Neptune Field is located in deep water in the Central Gulf of Mexico, approximately 120 miles from the Louisiana coast. The field is comprised of Atwater Blocks 573, 574, 575 and 618. The Sigsbee Escarpment is the dominant sub-sea feature of the field, with water depths ranging from 4,200 ft. to 6,500 ft. The host facility is located above the escarpment in 4,250 ft of water, in Green Canyon Block 613. BHP Billiton is the operator of the Neptune Field. The joint venture participants are BHP Billiton (35%), Marathon Oil Corp. (30%), Woodside Petroleum Ltd (20%), and our indirect subsidiary Maxus (US) Exploration (15%). The field is expected to begin to produce during the first half of 2008.

The Neptune reserves will be produced using a standalone tension leg platform (TLP). The facility will have the design capacity to produce up to 60,000 bpd and 50 mmcf/day. Sub-sea development wells will be tied back to the TLP. The oil and gas will be exported via new lateral pipelines into the existing Caesar and Cleopatra trunk lines. The new lateral pipelines will be installed, owned and operated by Enbridge Offshore LLC.

Exploration and Development Activities

The following table shows the number of wells drilled by us in Argentina, or in which we participated, and the results obtained, for the periods indicated.

For the Nine-Month Period Ended September 30, 2007	For the Year Ended December 31,		
	2006	2005	2004

Gross wells drilled(1)

Exploratory

Oil	4	1	6	5
Gas	–	1	1	4
Dry	13	17	7	19
Total	17	19	14	28

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	For the Nine-Month Period Ended September 30, 2007	For the Year Ended December 31,		
		2006	2005	2004
Oil	534	703	632	649
Gas	72	42	34	41
Dry	14	12	18	30
Total	620	757	684	720
Net wells drilled(1)				
Exploratory				
Oil	3	1	5	3
Gas	–	1	–	4
Dry	8	13	5	17
Total	11	15	10	24
Development				
Oil	420	580	485	537
Gas	47	15	17	32
Dry	8	10	16	28
Total	475	605	518	597

(1) “Gross” wells means all wells in which we have an interest. “Net” wells means gross wells after deducting interests of others.

Our principal exploration activities in 2007 focused mainly on underexplored areas within currently producing onshore regions. In 2007, we also completed all of our planned seismic acquisition and site surveys in shallow and deep water basins in Argentine offshore areas in which we plan to commence our drilling operations in 2008.

Three-dimensional seismic testing is being extensively used in several basins to increase exploratory success, improve the quality of exploratory prospects, optimize positioning of the wells and decrease development risk. In 2006, 2,960 km² of three-dimensional seismic testing were recorded and evaluated, including 2,523 km² of onshore seismic testing (1,593 km² exploratory and 930 km² for development) and 437 km² of offshore seismic testing in the Colorado Marina basin (as part of an 1,974 square kilometers survey completed in February 2007).

In the nine-month period ended September 30, 2007, 17 exploratory wells were drilled, 13 in the Neuquina basin and four in the Golfo de San Jorge basin. Four of these wells were successful: The Borde Sur del Payún (oil), Los Cavados Este (oil) and Cerro Fortunoso (oil) (located in the Neuquina basin) and Estancia Baltaza (oil) (located in the Golfo de San Jorge basin).

With respect to production initiatives, we continued to improve our facilities and focus our efforts to improve operating efficiencies at our key oil and gas properties. For example, our U.S.\$30 million Low Pressure Compression Project at the Loma La Lata natural gas field became fully operational in August 2007. In addition, a new natural gas processing and compression plant with a total capacity of 21 mmcf/d was completed at the Loma La Lata field during the first half of 2007, at a total cost of U.S.\$13 million. This plant is fed by ten high CO₂-content wells and will help

to keep the Huincul methanol plant in service for at least three years.

Our key ongoing production asset capital improvement projects include the Ramos Low Pressure Project in the northwest of Argentina, which is expected to increase compression capacity at that site from 23,680 HP to 38,500 HP (this project is expected to be completed during the first quarter of 2008 at a total cost of approximately U.S.\$22 million) and a water injection project at Rincón de los Sauces in the Neuquina basin, in the Chihuido de la Sierra Negra field, to mitigate the natural production decline attributable to the maturity of that field (this project is expected to be completed in 2009 at a total cost of approximately U.S.\$133 million). In the nine-month period

ended September 30, 2007, we also repaired 19 wells, drilled six new wells to replace collapsed wells and commenced the revamping of the water treatment plant in Chihuido de la Sierra Negra (we invested U.S.\$13 million in these projects in 2007 and expect the total cost of these investments to reach U.S.\$20 million). We also continued our work on the Water Alternating GAS (WAG) project in Chihuido de la Sierra Negra in 2007, where a pilot project is expected to be completed in the first half of 2008. Furthermore, 36 new wells were drilled in Desfiladero Bayo Este and three wells were drilled in Cañadón Amarillo in the nine-month period ended September 30, 2007.

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 contributed to production and capital project delays. For example, in 2006, a series of labor and community conflicts in the UNAS and UNAO areas resulted in production stoppages equal to approximately 2.9 million of barrels of oil equivalent. In December 2006, problems affecting the main pipeline of Magallanes UTE (in which we have an interest) forced us to halt production in the Tierra del Fuego province and has yet to resume. Our joint venture partner began to replace 18.6 km of that pipeline (17 km offshore and 1.6 km onshore), which connects the A3 platform and the storage battery in early 2007, among other required pipeline replacements, though the necessary works were long-delayed by unfavorable weather conditions and are expected to be completed in the first half of 2008. The total contribution by us for this improvement project is currently estimated to be U.S.\$20.9 million.

We are engaged in efforts to mitigate the decline in our reserves and production by adding reserves through technological enhancements aimed at improving our recovery factors. In 2006, we began to implement a plan to add reserves through better reserve delineation, secondary and tertiary recovery, and infill drilling. The project, known by its Spanish acronym "PLADA," was implemented under the Front End Loading ("FEL") methodology and visualization stage studies have so far been conducted on 41 areas of reserves.

Reserves

In each concession, we or the consortium of which we are a part are entitled to the reserves that can be produced over the license period, which may be the life of the field.

The following table sets forth our estimated proved reserves and proved developed reserves of crude oil and natural gas at December 31, 2004, 2005, 2006 and September 30, 2007, which are subject to the explanations and qualifications that follow.

	Oil(1) (millions of barrels)	Gas (Bcf)	Combined(2) (boe in millions)
Proved Developed and Undeveloped Reserves			
Reserves as of December 31, 2004(3)	1,064	5,676	2,076
Revisions of previous estimates(4)	(175)	(355)	(239)
Extensions, discoveries and improved recovery	22	30	27
Production for the year	(134)	(668)	(253)
Reserves as of December 31, 2005	777	4,683	1,611
Revisions of previous estimates(4)	9	(63)	(2)
Extensions, discoveries and improved recovery	20	46	29
Production for the year	(126)	(651)	(242)

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Reserves as of December 31, 2006	680	4,015	1,396
Revisions of previous estimates(4)	38	189	72
Extensions, discoveries and improved recovery	17	9	19
Production for the period	(89)	(485)	(176)
Reserves as of September 30, 2007(5)	646	3,728	1,311

	Oil(1) (millions of barrels)	Gas (Bcf)	Combined(2) (boe in millions)
Proved Developed Reserves			
As of December 31, 2004(3)	863	4,045	1,582
As of December 31, 2005	604	3,201	1,174
As of December 31, 2006	521	2,571	979
As of September 30, 2007	483	2,430	916

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

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

(3) As restated.

(4) Revisions in estimates of reserves are performed at least once a year. Revision of oil and gas proved reserves are considered prospectively in the calculation of depreciation.

(5) In December 2007, as a result of the completion of our external reserves audit of our principal fields as of September 30, 2007, we added 3.5 million barrels of oil and subtracted 21.1 billion bcf of natural gas. These adjustments are not reflected in the table above, and would have reduced our combined reserves by approximately 0.1 million boe at September 30, 2007.

Net crude oil and gas proved reserves as of September 30, 2007 were 1,311 million boe (49% oil, and 51% gas), a 6% decrease compared to net crude oil and gas proved reserves of 1,396 million boe reported as of December 31, 2006.

Changes in our estimated net proved reserves

— Restatement of Previously Reported Reserves as of December 31, 2004

On January 26, 2006, we announced that we would reduce our prior proved reserve estimates by 509 million boe (55% gas), including 493 million boe corresponding to our proved developed and undeveloped reserves and 16 million boe corresponding to proved developed and undeveloped reserves of affiliated companies. The Audit and Control Committee of our parent company, Repsol YPF, undertook an independent review of the facts and circumstances of the reduction in proved reserves. The Audit and Control Committee presented the final conclusions to the Board of Directors of Repsol YPF at its meeting of June 15, 2006. According to the independent review, the process for determining reserves with respect to our fields in Argentina was flawed from 2003 to 2004, and our personnel at times failed to apply properly SEC criteria for reporting proved reserves.

The independent review reported that this was principally due to:

- lack of proper understanding of and training on the requirements of the SEC for booking proved reserves;
 - undue optimism regarding the technical performance of the fields and focus on replacement ratio;
- absence of a meaningful deliberative process for determining proved reserves and resolving disputes; and

- unwillingness to accept personal responsibility for reporting internally adverse facts regarding reserves and a corresponding tendency to view such issues as falling within another person's or department's jurisdiction. Over time, problems emerged and grew in the absence of delineation of responsibilities for booking proved reserves and in the absence of clear directives pre-2005.

This notwithstanding, no evidence was found that any personnel involved in the reporting of proved reserves were motivated by personal gain.

The tables below reflect the reconciliation of proved reserves as restated with proved reserves as originally reported for the year 2004:

Oil

	Proved developed and undeveloped reserves	Proved developed reserves
	(Millions of barrels)	
As originally reported as of December 31	1,114	908
Effect of the adjustment		
As of beginning of year	(67)	(63)
Movement during the year	17	18
Total	(50)	(45)
As restated as of December 31	1,064	863

Gas

	Proved developed and undeveloped reserves	Proved developed reserves
	(Billions of cubic feet)	
As originally reported as of December 31	6,820	5,041
Effect of the adjustment		
As of beginning of year	(1,531)	(1,383)
Movement during the year	387	387
Total	(1,144)	(996)
As restated as of December 31	5,676	4,045

As of December 31, 2004, the aggregate effect on proved reserves volumes of the reserves restatement was 254 million boe, comprising 50 million barrels of oil and 1,144 billion cubic feet of gas. This amounted to 11% of the total proved reserves originally stated at that date (2,330 million boe). Of the total aggregate effect 87% had been in the proved developed reserves category and 13% had been categorized as proved undeveloped reserves. The reserves restatement gave rise to an estimated reduction of Ps.1,132 million in the standardized measure of discounted future net cash flow for us. This effect represented approximately 3% of the total standardized measure that was originally stated at that date.

— *Changes in our estimated net proved reserves during 2005*

1. Revisions of previous estimates

As of December 31, 2004, our restated proved reserves were 2,076 million boe (5,676 billion cubic feet of gas and 1,064 million barrels of oil). The downward revision as of December 31, 2005 of the previous estimates by 239 million boe (175 million barrels of oil and 355 billion cubic feet of gas) represented 12% of our restated proved reserves as of December 31, 2004.

These negative revisions were principally due to the following factors:

-

Reserves declared as proved in previous years based on the 10-year extension of our concessions, established by the Hydrocarbons Law, were reclassified as non-proved since there was no reasonable certainty as of December 31, 2005 that concessions could indeed be renewed. This entails a negative adjustment of net proved reserves of 67 million boe (63 million barrel of oil and 23 billion cubic feet of gas) of which 47% correspond to the Chihuido de la Sierra Negra area and 42% correspond to the reserve areas of the Cuyana basin.

- Several technical revisions, such as revisions of Gas Initially in Place (“GIIP”) in gas fields because of adjustments of the pressure evolution, greater decline of the primary oil production and acceleration of the water cut in oil fields, which caused a negative adjustment of 172 million boe (112 million barrels of oil and 333 billion cubic feet of natural gas).

The principal adjustments carried out in 2005 due to the revision of previous estimates were made to:

The Chihuido de la Sierra Negra (CHSN)-Troncoso Inferior/Agrio+Avilé reservoir for which the new evaluation implies a negative revision of 40.2 million boe (37.8 million barrels of crude oil and 13.2 billion cubic feet of gas) for technical reasons relating to the production performance of the reservoir that has been adversely affected by multiple factors, including the effect of interrupted production in late 2004 and problems with the injection wells and the handling of the produced fluids, which has caused a downward deviation in short and medium-term production estimates, to which 31.6 million boe need to be added (30.4 million barrels of oil and 6.5 billion cubic feet of gas) corresponding to the 10-year contractual extension declared as proved in previous years. The total revision, taking into account both reasons, amounts to 49% of the reservoir proved reserves as of December 31, 2004. The proved reserves for this area were audited by DeGolyer and MacNaughton (“D&M”) as of December 31, 2005.

The Ramos/Chango Norte-Porcelana gas-condensate field, where the updated analysis of the pressure evolution by the material balance method resulted in a negative revision of the net proved reserves of 24.9 million boe (118 billion cubic feet of gas and 3.9 million barrels of condensate and natural gas liquids), which represent 39% of the field proved reserves as of December 31, 2004. The proved reserves for this field were audited by Gaffney, Cline & Associates (“GCA”) as of December 31, 2004.

The Portón/Chihuido of the Salina/Chihuido of the Salina Sur reserve area, where the net proved reserves were reduced by 21.7 million boe (78.9 billion cubic feet of gas and 7.7 million barrels of condensate and natural gas liquids) mainly due to the volumetric adjustments of the GIIP of the gas-caps and its corresponding liquid hydrocarbons. The mentioned revision includes the adjustment of 2.3 million boe (12.5 billion cubic feet of gas) corresponding to the gas volumes to be produced in the El Portón area during the 10-year contractual extension declared as proved in previous years. The proved reserves of this field were audited by D&M as of December 31, 2005.

The Aguada Toledo-Sierra Barrosa reservoir, for which the review of the production-reinjection history, together with the evolution of the pressures of the gas-cap and its analysis by the material balance method resulted in a negative revision of 21 million boe (119 billion cubic feet of gas), of which 28% have been reclassified as non-proved reserves. The proved reserves for this field were audited by D&M as of December 31, 2005.

The Lomas del Cuy/Los Perales reserve areas comprise oil reservoirs located in the western flank of the Golfo de San Jorge basin, where there was a global negative revision of 17.3 million barrels of crude oil, or 17% of the crude oil proved reserves as of December 31, 2004, due to the external reserve certification conducted by GCA as of December 31, 2005. The fundamental reason for the negative revision was the increased exponential decline used by GCA to estimate the proved reserves, for primary oil recovery, of wells drilled before 2001 in Los Perales and Lomas del Cuy.

2. Improved recovery

Additions of net proved reserves for improvements in the recovery were due to our Argentinean oil fields that have added 7.1 million boe (7.0 million barrels of oil and 0.5 billion cubic feet of gas) through water injection projects.

3. Extensions and discoveries

The addition of net proved reserves through extensions and discoveries was 20.0 million boe (14.7 million barrels of oil and 30 billion cubic feet of gas).

— *Changes in our estimated net proved reserves during 2006*

1. Revisions of previous estimates

During 2006, the proved reserves were revised downwards by 2.5 million boe (a decrease of 63.0 billion cubic feet of gas and an increase of 8.7 million barrels of oil).

Revision of previous estimates of proved reserves in the West Business Unit in the Neuquina and Cuyana basin (“UNAO”) assets not operated by us resulted in the removal of 53.5 billion cubic feet of proved reserves of gas and

1.5 million barrels of proved reserves of oil. Revisions were immaterial for the assets not operated by us in the minor South Business Unit in the Golfo de San Jorge basin (“UNAS”) areas. Revision on the minor UNAO areas resulted in the removal of 5.4 billion cubic feet of proved gas reserves and the inclusion of 2.7 million barrels of proved reserves of oil. The reserves of all the productive areas were externally audited by GCA and D&M over a period of two years (2005-2006).

Main changes to proved reserves have been due to:

- In the Noroeste basin, 9.2 billion cubic feet of gas were removed fundamentally due to the low production behavior of the Campo Durán (Tupambi) deposit in the Aguara güe area.
- In the Cuyana basin, except for the inclusion of 0.7 million barrels of oil due to the upgrading of recovery systems at the Estructura Cruz de Piedra deposit, all the other areas showed low production behavior and gave rise to an overall removal of 4.6 million barrels of oil.
- In the Neuquina basin, the primary upward revisions were made in the Aguada Toledo-Sierra Barrosa area, where 52.9 billion cubic feet of gas reserves were added due to the implementation of low compression, the repair of a well and the adjustment update of the material balance.
- In the Paso Bardas Norte area, 3.7 billion cubic feet of gas reserves were added due to the adjustment of the Materials Balance in the Huitrín La Tosca deposit and in the Piedras Negras area, and 3.1 billion cubic feet of gas were reclassified as proved following the signing of a gas contract for electric power generation.
- The primary downward revisions in this basin occurred in the Puesto Cortadera, Rincón del Mangrullo and Loma La Lata-Lotena deposits. Overall, 56.1 billion cubic feet of proved gas reserves were removed due to the adverse effect of some wells and the corresponding adjustment of estimates. In the Filo Morado area within the Faja Plegada, a downward revision of 23 billion cubic feet of gas and 1.6 million barrels of oil was made due to production behavior.
- In Southern Argentina, the positive results of development drilling (primarily in the areas of Manantiales Behr, Zona Cental-Bella Vista Este, Escalante, El Trébol, Las Heras and Lomas del Cuy) in locations adjacent to the production areas, classified as not proved due to their geological uncertainty and to the fields’ improved production response, resulted in the inclusion of 5.5 million barrels of oil and 4.2 billion cubic feet of gas into proved reserves.

2. Improved recovery

Additions of net proved reserves for improvements in the recovery were largely due to: the successful completion of technical/economic feasibility studies for the expansion of existing projects at UNAS, which will be implemented within the next three years; the improvement of response from ongoing projects in UNAS; and the response from physical activity performed at UNAO that have added 8.7 million barrels of oil.

3. Extensions and discoveries

In the Neuquina basin, in the Malargüe area, 1.9 million barrels were added as proved oil reserves due to the outlining activity performed at the Loma de La Mina and Loma Alta areas.

In the Rincón de los Sauces area, the outlining projects of Desfiladero Bayo Este and the Pata Mora fields, and the discoveries in the area of the CNQ7A exploration permit, resulted in the addition of 1.9 million barrels of proved oil reserves.

Proved gas reserves have been added in the Loma La Lata area as the result of offset wells in the areas Aguada Toledo-Sierra Barrosa, Lindero Atravesado, Rincón del Mangrullo and Aguada Pichana for a total of 33.8 billion cubic feet of gas.

In the Golfo de San Jorge basin, offset wells in the vicinity of proved areas (principally at Manantiales Behr, Barranca Baya, Seco León, Lomas del Cuy and Cañadon Yatel) added 6.0 million barrels of proved oil reserves.

An anticlinal structure of Tertiary sandstone which contains dry gas was discovered at the Cerro Piedra field. The production started at the end of 2006 with one well, and the field will be fully developed after working-over three other wells. Estimated proved reserves were 8.1 billion of cubic feet of gas (1.4 million boe).

— *Changes in our estimated net proved reserves during 2007 (January to September)*

1. Revisions of previous estimates

During 2007, the proved reserves were revised upwards by 72 million boe (an increase of 189 billion cubic feet of gas and 38 million barrels of oil).

Main changes to proved reserves have been due to:

- In the Noroeste basin, in the Acambuco area, 74.7 billion cubic feet of natural gas and 1.5 million barrels of oil, condensate and natural gas liquids were added to proved reserves by the production performance of well Mac-1001-bis in Macueta reservoir, which in turn provided a basis for considering the two neighboring wells, Mac.x-1002 and Mac.e-1003, as proved undeveloped reserves. According to the results of a material-balance study, the reserves of San Pedrito reservoir were revised downwards as a result of a more extensive material-balance study performed by Repsol YPF and 28.4 billion cubic feet of gas and 0.1 million barrels of condensate were removed from proved reserves.
- In the Aguaragüe area, 23.7 billion cubic feet of gas were added to proved reserves in Santa Rosa-Icla reservoir. The increase was mainly in proved undeveloped reserves and is related to volumetric studies conducted in areas where new drilling activity is to be performed in 2009 and 2010.
 - In the Loma La Lata-Sierras Blancas reservoir, the revision of the development plan for the southeastern and northeastern parts of the field, in conjunction with a general improvement in production performance, resulted in the addition of 168.8 billion cubic feet of gas and 9.1 million barrels of associated liquids to proved reserves.
- In the San Roque area, in accordance with a new evaluation of the fields, 54.0 billion cubic feet of gas and 3.0 million barrels of associated liquids in Aguada San Roque reservoir, as well as 50.0 billion cubic feet of gas and 3.2 million barrels of associated liquids in Loma las Yeguas reservoir, were added to proved reserves. The addition was mostly to proved undeveloped reserves and in both cases was related to the planned installation of compression facilities scheduled for mid 2008.
- In the CNQ7A area, proved reserves were increased by 6.7 million barrels of oil because of the general revaluation of reserves performed in conformity with the development plans for the four reservoirs. These plans, which include the drilling and workover of more than 350 wells, are being implemented by the operator.
 - In Golfo de San Jorge basin fields, the positive results of development drilling (primarily in the areas of Manantiales Behr, Cañadón Vasco and Cañadón Perdido) in locations adjacent to the production areas, previously classified as non-proved due to their geological uncertainty, and to the fields' improved production response, resulted in the inclusion of 2.3 million barrels of oil in proved reserves.
 - The production performance in some of the south areas has been adversely affected by the closing of injection wells due to corrosion problems which has caused a downward deviation in current production estimates. Secondary production decreased for that reason in some areas, but primary production increased in others, mainly in Barranca Baya, Escalante and Tierra del Fuego areas, with these effects practically

offsetting one another. The temporary closing of injector wells resulted in the recategorization of certain proved developed production oil reserves into proved developed non-productive and proved undeveloped oil reserves. The downward revisions resulted in a reduction of 1.2 million barrels of oil in proved reserves.

- Those reserves that were booked since 2003, without a development program for the next two years, were taken out, resulting in the removal of 4.0 million barrels from proved oil reserves, mainly in Los Perales, Barranca Baya and Manantiales Behr fields.

- The anti-clinical structure of Tertiary sandstone discovered in 2006 in the Cerro Piedra field in the Southern region has been in production throughout 2007. The new pressure analysis shows that dry gas reserves increased by 4.2 billion cubic feet.
- The delay in various development plans resulted in the removal of 1.6 million barrels of proved oil reserves because production would be beyond the concession expiration date.
- The offshore Magallanes area continues to be out of production because of pipeline problems. Repair work has taken longer than planned and production is expected to resume in the first half of 2008. As a provision for the long production delay, 30.7 million boe of net proved reserves has been removed.
- In Austral basin, in CAM 2 A Sur area, the well Poseidón-112 was flooded and thus closed down, resulting in a net proved reserve decrease of 0.6 million boe.

2. Improved recovery

In the Cuyana basin, in the Barrancas area 0.3 million barrels of oil were added to proved reserves as a result of the successful drilling of wells B-499 and B-501 as part of the secondary recovery project for the Cabras/Brecha Verde reservoir.

In the Neuquina basin, in the Desfiladero Bayo area, 2.2 million barrels of oil were added to proved reserves due to the drilling of 14 new wells as part of the Centro Infill Project in the Agrio + Troncoso and Rayoso reservoirs.

In the Chihuido de la Sierra Negra area, 1.3 million barrels of oil were added to proved reserves due to the commencement of drilling during 2007 and the establishment of drilling plans for 2008 for the Lomita-Rayoso reservoir.

In the CNQ7A area, definition for a secondary recovery project in the Jaguel Casa de Piedra reservoir as part of the overall development plan established for the field resulted in the addition of 1.0 million barrels of oil to proved reserves based on the successful results of a pilot injection project started in November 2005.

In the Señal Picada area, 0.7 million barrels of oil were added to proved reserves because of the expansion of the secondary recovery project to the eastern part of the SP-Quintuco reservoir.

In the Golfo de San Jorge oil fields, 1.8 million barrels of oil were added to net proved reserves as a result of improvements in recovery through water injection projects.

3. Extensions and discoveries

In the Cuyana basin, in the area La Ventana Central, 0.2 million barrels of oil were added to proved reserves as a result of the extension of well RV-35 in the Rio Viejas reservoir.

In the Neuquina basin, the most important upward revision was in the Aguada Toledo-Sierra Barrosa area, where 3.4 billion cubic feet of gas were added to proved reserves in the Cupén Mahuida Precuyano reservoir as a result of the appraisal of well CuM.a-13.

In the Loma Alta Sur area, 1.4 million barrels of oil and 1.1 billion cubic feet of gas were added to proved reserves as a result of the appraisal of wells LA.a-16 and LA.a-17.

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In the Desfiladero Bayo area, 0.3 million barrels of oil were added to proved reserves in the reservoir Agrio + Troncoso as a result of the appraisal of well DB.a-185 and 0.5 million barrels of oil in the Desfiladero Bayo Este reservoir as a result of the appraisal of well DBE.a-90.

In the Cañadón Amarillo area, 0.5 million barrels of oil were added to proved reserves in the reservoir Barda Negra + Tordillo as a result of the appraisal of well Cam.x-1002.

In the Señal Picada area, 0.3 million barrels of oil were added to proved reserves in the reservoir SP-Quintuco as a result of the appraisal of well SP.a-299 together with the definition of a development plan for the eastern part of the field.

In the Golfo de San Jorge basin, offset wells in the vicinity of proved areas (principally at Manantiales Behr, Barranca Baya and Cañadon Yatel) added 4.2 million of barrels of proved oil reserves.

In the Manantiales Behr area, 1.6 million barrels of oil were added to proved reserves in the Grimbeek field as a result of several appraisals of wells in the Grimbeek north zone.

A new small anticlinal structure of Tertiary sandstone which contains dry gas was discovered at the Cerro Piedra field in the south last year. Estimated proved reserves were 0.6 billion cubic feet of gas and the field was connected to existing facilities and is currently in production.

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.

All the assumptions made, and the basis for the technical calculations used, in the estimates regarding our oil and gas proved reserves are based on the guides and definitions established by the SEC's Rule 4-10(a) of Regulation S-X. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Oil and gas reserves" for a detailed discussion of the methods and techniques used to estimate our reserves.

In order to meet the high standard of "reasonable certainty," reserves evaluations are stated taking into consideration additional guidance as to reservoir economic productivity requirements, acceptable proved area extensions, recovery factors 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 efficiency factors to the original quantities of petroleum in place. These factors are based on the type of energy inherent in the reservoir, analysis of the fluid and rock properties, the structural position of the properties and their 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 recovery factors. 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 recovery efficiency used in determining gross ultimate recovery.

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

Proved reserves are limited to:

- a. the portion of the reservoir delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and in the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir; and
- b. the economic limit, the expiration data of a production license or, in the case of gas reserves, the expiration of applicable gas sales contracts.

All proved reserves estimates are also evaluated and tested based on all technical constraints and restrictions, including, but not limited to:

- For depletion-type reservoir or other reservoirs where performance has disclosed a reliable decline in production-rate trends or other diagnostic characteristics, reserves are estimated by the application of appropriate decline curves or other performance relationships. In analyzing decline curves, reserves are estimated to the calculated economic limits based on current economic conditions.
- Reserves on undrilled acreage are limited to those drilling units offsetting productive units that were reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it could be demonstrated with certainty that there was continuity of production from the existing productive formation.
- The reserves estimated are typically expressed as gross and net reserves. Gross reserves are defined as the total estimated petroleum to be produced from the properties at the year end. Net reserves are defined as that portion of the gross reserves attributable to our interest after deducting interests owned by third parties.
- Historical cost of operations and development of the properties evaluated, as well as product prices, including agreements affecting revenues and future operations, form an integral part of the estimates and form the basis for the economic evaluation for the engineer to assist in its estimates.

To control the quality of reserves booking, we and Repsol YPF have established a process that is integrated into the internal control system of Repsol YPF. Repsol YPF's process to manage reserves booking is centrally controlled and has the following components:

- a) The Quality Reserve Coordinator (QRC), which is a professional assigned at each Exploration and Production Business Unit of Repsol YPF to ensure that there are effective controls in the proved reserves estimation and approval process of the estimates of the Group (Repsol YPF and its consolidated subsidiaries, which include us) and the timely reporting of the related financial impact of proved reserves changes. These QRCs are responsible for reviewing proved reserves estimates and ensuring integrity and accuracy of reporting.
- b) A formal review through technical review committees to ensure that both technical and commercial criteria are met prior to the commitment of capital to projects.
- c) The Internal Audit, which examines the effectiveness of the Group's financial controls, designed to assure the reliability of reporting and safeguarding of all the assets and examining the Group's compliance with the law, regulations and internal standards.
- d) A quarterly internal review from the Reserves Control Direction of Repsol YPF which is separate and independent from the operating business units, over the movement of proved reserves submitted by the Business Unit and associated with properties where technical, operational or commercial issues have arisen.
- e) Booking proved reserves in any given property at any given time requires central authorization. Furthermore, the volumes booked are externally audited on a periodic basis. The initial selection of the properties for external audit is performed by the Reserves Control Direction with the approval of Repsol YPF's Audit and Control Committee. The properties for external audit in any given year are selected on the following basis:
 - i. all properties on a three year cycle, with properties audited in the first year of the cycle corresponding to those audited in the first year of the previous cycle;

- ii. recently acquired properties not audited in the previous cycle and properties with respect to which there is new information which could materially affect prior reserves estimates; and
- iii. approximately one-third of the volume of the net proved reserves at the end of the year of the audit.

The properties to be externally audited in any given year may be modified for various reasons, such as the presence of new technical or production information or legal, tax or regulatory changes.

For those areas audited by independent firms, Repsol YPF's proved reserves figures have to be within 7% or 10 million boe of the independent auditor figures for Repsol YPF to declare that the volumes have been ratified by an external auditor. In the event that the difference, above or below, is greater than the tolerance, Repsol YPF will reestimate its proved reserves to achieve this tolerance level or should disclose the figures of the external auditor.

For external audit purposes, the reserves areas in Argentina are grouped into three segments: "main areas" to refer to those areas with greater volumes of reserves for each economic unit, so as to achieve a total amount audited equivalent to one-third of the total reserves of Repsol YPF, in accordance with the objective of auditing 100% of Repsol YPF group reserves in a three-year cycle. The amount of one-third of Repsol YPF's total reserves equals approximately 80% of our total reserves in Argentina. We refer to the rest of the areas operated by us in Argentina as "minor areas" and "non-operated areas," which represent the remaining approximately 20%.

The reserves in all our production areas in Argentina were externally audited by independent engineers GCA over a three-year cycle (2002-2004).

On January 1, 2005, a second external auditing cycle began. D&M audited the "main areas," operated by us in the Cuyana and Neuquina basins, and GCA audited the "main areas" operated by us in the Golfo de San Jorge basin and the reserves in the Loma La Lata-Sierras Blancas gas condensate reservoir. External audits covered 69.5% of YPF's proved reserves in Argentina at December 31, 2005. In 2006, GCA audited all the "non-operated areas" and the "minor areas," operated by us in the Golfo de San Jorge basin. D&M audited the minor areas operated by us in the Cuyana and Neuquina basins. All these external audits in 2006 were performed as of September 30, 2006.

Our total estimated proved reserves as of September 30, 2006 were 1,469 million boe. At September 30, 2006, external reservoir engineers audited fields which, in our estimates as of such date, contained proved reserves of 459 million boe in the aggregate. Of the total audited by the external reservoir engineers, approximately 28% corresponded to the figures of the external auditor in order to comply with the tolerance criteria mentioned above.

In 2007, a third external auditing cycle began. D&M audited the "main areas" operated by us in the Noroeste, Cuyana and Neuquina basins, and GCA audited the "main areas" operated by us in the Golfo de San Jorge basin. All these external audits in 2007 were performed as of September 30, 2007, and cumulatively covered 68.4% of our proved reserves in Argentina as of that date.

Our total estimated proved reserves as of September 30, 2007 were 1,311 million boe. As of September 30, 2007, external reservoir engineers audited fields which, in our estimates as of such date, contained proved reserves of 896.7 million boe in the aggregate.

We are required, in accordance with Resolution S.E. No. 324/06 of the Secretariat of Energy, to file annually and by March 31 of every year, details of our estimates of reserves of oil and gas and resources with the Argentine Secretariat of Energy, as defined in that resolution and certified by an independent reserves auditor. The aforementioned certification only has the meaning established by Resolution S.E. No. 324/06, and is not to be interpreted as a certification of oil and gas reserves under the SEC rules. We last filed such a report for the year ended December 31, 2006 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 prospectus mainly because: i) information filed with the 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 Secretariat of Energy includes other categories of reserves and resources different to proved reserves that are not included in this prospectus, 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)(2) of Regulation S-X. Accordingly, all proved oil and gas reserve estimates included in this prospectus reflect only proved oil and gas reserves consistent with the rules and disclosure requirements of the SEC.

Production

The following table shows our historical average net daily oil (including crude oil, condensate and natural gas liquids) and gas production in Argentina by basin and average sales prices for the years indicated, as well as total average daily oil and gas production.

**For the
Nine-Month
Period
Ended
September
30,
2007**

**For the Year Ended December 31,
2006 2005 2004**

(thousands of barrels per day)

	For the Nine-Month Period Ended September 30, 2007	For the Year Ended December 31, 2006	2005	2004
Oil production(1)(2)				
Neuquina	191	201	213	239
Golfo de San Jorge	102	105	108	112
Cuyana	27	28	31	32
Noroeste	5	7	9	9
Austral	2	5	5	7
Total oil production	327	346	366	399

(millions of cubic feet per day)

Gas production(1)				
Neuquina	1,418	1,392	1,439	1,539
Golfo de San Jorge	129	112	112	107
Cuyana	2	3	11	3
Noroeste	167	172	163	172
Austral	62	100	102	105
Total gas production	1,778	1,779	1,827	1,926

Average sales price				
Oil (U.S.\$ per barrel)(3)	42.16	42.81	35.53	31.39
Gas (U.S.\$ per mcf)	1.54	1.63	1.34	1.07

(1) Oil and gas production amounts are stated before making any deductions with respect to royalties. Royalties are accounted for as a cost of production and are not deducted in determining net sales (see Note 2 (g) to the Audited Consolidated Financial Statements).

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

(3) The average sales price per barrel of oil represents the transfer price established by us, which approximates the Argentine market price.

In 2006, crude oil and natural gas production, on a boe basis, decreased by 4.2% compared to 2005. As compared to 2005, crude oil (including condensate and natural gas liquids production) decreased by 5.5% in 2006. With respect to natural gas, the production decreased by 2.6% in 2006 compared to 2005.

The crude oil produced by us in Argentina varies by geographic area. Almost all the 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 line. 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.

Our lifting cost per boe amounted to Ps.13.7, Ps. 8.4 and Ps. 7.2 in 2006, 2005 and 2004, respectively. We calculate our lifting costs based on the figures presented in the results of operations of oil and gas producing activities under

“Supplemental information on oil and gas producing activities (unaudited)” in the Audited Consolidated Financial Statements. We calculate lifting cost as the quotient of production costs (excluding royalties, local taxes, and other costs) divided by annual production (in terms of boe). In 2006, production costs amounted to Ps. 6,175; royalties, local taxes, and other costs amounted to Ps. 2,856; and our annual production was 242 mmboe.

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 TGN (Transportadora Gas del Norte), whose capacity increased by 1.8 million cubic meters per day (63.6 mmcf/d) in 2005, and an expansion of the San Martín Pipeline operated by TGS (Transportadora Gas del Sur), whose capacity increased by 2.9 million cubic meters per day (102.4 mmcf/d) in 2005. Both expansions are currently operating. We contributed approximately U.S.\$100 million in loans to the expansion of TGN's North Pipeline. We believe this expansion will enable us to obtain an increased volume of Bolivian gas imports. Our loans have since been fully repaid.

Natural gas is delivered by us through our own gathering systems to the trunk lines from each of the major basins. The firm capacity of the natural gas transportation pipelines in Argentina is mainly used by the distribution companies under long-term firm transportation contracts. All of the available capacity of the transportation pipelines is taken by firm customers mainly during the winter, leaving capacity available for interruptible customers in varying degrees throughout the rest of the year.

We have continued to analyze the possible utilization of natural underground structures located near 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. The most advanced gas storage project undertaken by us in Argentina is "Diadema," which is located in the Patagonia region, near Comodoro Rivadavia City. The injection of natural gas into the reservoir started in January 2001, and we have now completed our fourth season of gas withdrawal. We have recently abandoned a gas injection/withdrawal pilot project in Lunlunta Carrizal, located 60 kilometers southeast of Mendoza, because of an inadequate gas cap. Accordingly, the assets corresponding to this project have been reduced to their recovery value.

Natural gas supply contracts and exports

As a consequence of the energy crisis in Argentina, since 2002 the Argentine government has established resolutions and regulations which regulate both the export and internal market. These regulations have affected Argentine producers' ability to export natural gas. We have appealed the validity of the aforementioned regulations and resolutions and have invoked the occurrence of a *force majeure* event under certain export natural gas purchase and sales agreements, although certain counterparties to such agreements have rejected our position. See "Regulatory Framework and Relationship with the Argentine Government—Market Regulation" and "—Legal Proceedings."

We have entered into a number of natural gas purchase and sale agreements pursuant to which we are frequently required to "deliver or pay" or under which our customers are required to "take or pay." Such contracts have been entered into only with domestic industrial users and power plants and in the export markets, while the domestic residential market is served through the injection of natural gas into the Argentine pipeline system, often pursuant to regulatory requirements (and not on a contractual basis with customers).

We have recently had trouble meeting certain of our principal contractual supply obligations as a result of export restrictions imposed by the government. See "—Legal Proceedings—Argentina." The principal contracts among these are described briefly below.

We are currently committed to supply a daily quantity of 49 mmcf/d to the Methenex plant in Cabo Negro, Punta Arenas, in Chile (under a 20-year agreement entered into in 1996 (as well as certain subsequent agreements)). In 2010, we are scheduled to begin to supply an additional 21 mmcf/d of natural gas to the plant.

We have a 12-year contract (entered into in 1999 and subsequently modified) to supply 26 mmcf/d of natural gas to the Termoandes power plant located in Salta, Argentina. The natural gas comes from the Noroeste basin. This power

plant provides power to a high voltage line running from Salta to Región II in Chile.

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), including a 15-year contract (signed in 1998) to provide 63 mmcf/d to the San Isidro Electricity Company (Endesa) in Quillota,

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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. We also have an 18-year contract (entered into in 1999) to deliver 99 mmcf/d of natural gas to a Chilean distribution company 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 utilizing two natural gas pipelines (with a carrying capacity of 300 mmcf/d each) connecting Salta, Argentina, to Northern Chile (Región II).

In Brazil, we have a 20-year supply contract (entered into in 2000) to provide 99 mmcf/d of natural gas to AES's thermal power plant through pipeline linking Aldea Brasileira, Argentina, to Uruguayana, Brazil (with a capacity of 560 mmcf/d). We also have a contract to supply Petrobras with natural gas for its planned natural gas pipeline from Uruguayana to Porto Alegre, although the project has been delayed as a result of the excess of energy currently offered in the Southern and South-eastern parts of Brazil.

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 1,010 Bcf in 2007. We estimate that the number of users connected to distribution systems throughout Argentina amounted to approximately 6.9 million as of September 30, 2007. The domestic natural gas market has grown significantly over recent years, driven by the forces of economic growth and domestic price and export constraints, although we do not believe that the natural gas market will continue to grow at the same rate as it has recently unless significant new discoveries are made or more gas is imported.

For the nine months ended September 30, 2007, we sold approximately 40% of our natural gas to local residential distribution companies, approximately 51% to industrial users (including Mega and Profertil) and power plants, and approximately 9% in exports to foreign markets (principally Chile). Approximately 70% of our natural gas sales were produced in the Neuquina basin.

Demand for natural gas is currently driven by domestic constraints on natural gas prices that commenced in 2002 following the currency devaluation, which created very low prices for natural gas as compared to alternative fuels. Consequently, demand for natural gas has soared.

In January 2004, Decree No. 181/04 authorized the Secretariat of Energy to negotiate with 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. Subsequently, the Argentine government has taken a number of additional steps aimed at satisfying domestic natural gas demand, including pricing regulations, export controls and higher export taxes and domestic market injection requirements. See "Regulatory Framework and Relationship with 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 injection orders pursuant to Resolutions No. 659 and No. 752 (which require exporters to increase supply of natural gas into 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.

These restrictions were imposed on all Argentine exporting producers, affecting natural gas exports from every producing basin. Exporting producers, such as us, have no choice but to comply with the 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. The above-mentioned Resolutions 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.

The government began suspending natural gas export permits pursuant to Rule 27 in April 2004, and in June 2004 the 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 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 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.

Because of the Argentine government's restrictions, we could not meet our export commitments and were forced to declare *force majeure* under our natural gas export sales agreements. As a result of actions taken by the Argentine authorities, through actions described in greater detail under "Regulatory Framework and Relationship with Argentine Government," 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) (in million cubic meters)	Restricted Volumes(2) (in million cubic meters)	Percentage of Restricted Volumes vs MCV
2005	5,995.2	875	14.5%
2006	6,015.1	1,240	20.6%
2007 (as of September 30)	4,472.1	2,374	53.1%

(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 and Brazil.

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

In June 2007, we were compelled pursuant to Resolution No. 599/07 of the Secretariat of Energy to enter into an agreement with the government regarding the supply of natural gas to the domestic market during the period 2007 through 2011 (the "Agreement 2007-2011"). 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 signed the Agreement 2007-2011, such as us, would commit to supply a part of the agreed demand levels according to certain shares determined for each producer based upon such producers' shares of total Argentine 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), which in 2007 represented approximately 72% of our daily production, and was sold at an average price of U.S.\$1.52 per mmBtu (or approximately U.S.\$55 per cubic meter). 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.

Argentine natural gas supplies

Most of our proved natural gas reserves in Argentina are situated in the Neuquina basin (approximately 75% as of September 30, 2007), 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 1993, local pipeline companies have added capacity allowing for approximately an additional 63 million cubic meters per day of natural gas to be provided, 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.

On June 29, 2006, the Bolivian and Argentine governments executed the Framework Agreement, pursuant to which they agreed that the natural gas imports from Bolivia to Argentina should be managed by ENARSA. The Framework Agreement establishes a 20-year delivery plan of between 7.7 and 27.7 mmcm/d of Bolivian gas to Argentina. The delivery of volumes exceeding 7.7 mmcm/d is subject to the construction of the North East Pipeline, with an expected capacity of 20 mmcm/d. The agreed upon price was approximately U.S.\$6/mmBtu in December

2007, and is periodically adjusted according to a formula based upon a basket of fuels. The increased cost of the natural gas purchased pursuant to the Framework Agreement is currently absorbed by ENARSA and financed by the Argentine government with the collection of export duties on natural gas. In the context of the Framework Agreement, on April 25, 2007, we accepted the offer made by ENARSA for the sale of natural gas obtained by ENARSA from the Republic of Bolivia through December 31, 2009. The principal terms and conditions of our agreement with ENARSA are as follows: (i) maximum contracted quantity of up to 4.4 mmcm/d; (ii) guaranteed quantity equal to 60% of the maximum contracted quantity; (iii) take-or-pay quantity equal to 80% of the guaranteed quantity; (iv) price of U.S.\$1.6/mmBtu for the natural gas plus U.S.\$0.237/mmBtu for the liquid components contained therein; (v) price reopening at any time in relation to changes in Argentine government's compensation to ENARSA; and (vi) limited allowed curtailments or interruptions of supply due to operative conditions and scheduled maintenance. This agreement is effective through December 31, 2009. See "Risk Factors—Risks Relating to the Argentine Oil and Gas Business and Our Business—The cessation of natural gas deliveries from Bolivia may have a material adverse effect on our long-term natural gas supply commitments."

During the nine-month period ended September 30, 2007, our domestic natural gas sales volumes were basically unchanged from the volumes sold in the same period in 2006. The customer mix in the two periods was also similar, although we have had to increase our provisions to the domestic residential market segment in 2007.

Other investments and activities

Natural gas liquids

We participated in the development of Compañía Mega S.A. ("Mega"), a jointly controlled entity, to increase its ability to separate liquid petroleum products from natural gas. Mega allowed us, through the fractionation of gas liquids, to increase production at the Loma La Lata gas field by approximately 5.0 million cubic meters per day 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 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 required a total investment of approximately U.S.\$715 million and commenced operations at the beginning of 2001. Mega's maximum annual production capacity is 1.35 million tons of natural gasoline, LPG and ethane. We are 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.

Electricity market

We participate in four power stations with an aggregate installed capacity of 1,685 megawatts ("MW"):

- a 45% interest in Central Térmica Tucumán (410 MW combined cycle);

- a 45% interest in Central Térmica San Miguel de Tucumán (370 MW combined cycle);
 - a 50% interest in Filo Morado (63 MW); and
- a 40% interest in Central Dock Sud (775 MW combined cycle and 67 MW gas turbines).

From January to 30 September 2007, these plants collectively generated approximately 7,668 GWh in the aggregate.

We also own and operate power plants supplied with natural gas produced by us, which produce power only 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.) a 45.33% stake in 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. From January to September 30, 2007, Metrogas distributed approximately 21.1 million cubic meters per day of natural gas to 2 million customers in comparison with approximately 21.6 million cubic meters per day of natural gas distributed to 2 million customers in 2006. 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 its outstanding debt with its creditors, GASA has reached and executed on December 7, 2005 an agreement (the Master Restructuring Agreement, or “MRA”) with its creditors, by which such creditors would exchange debt for equity in GASA and/or Metrogas. After this exchange is completed, YPF Inversora Energética S.A. will hold a 31.7% stake in GASA. The agreement has been presented to the Argentine anti-trust regulatory body (CNDC) and natural gas regulatory body (*Ente Nacional Regulador del Gas*, or ENARGAS) and is subject to their approval as condition precedent to the closing of the MRA. The MRA included a creditors’ option to terminate that agreement if, by December 7, 2006, the closing of the debt restructuring had not occurred. While ENARGAS approval has been obtained, the CNDC has not yet granted its approval, and the closing is still pending. As of the date of this prospectus, however, the creditors have not communicated their intention to terminate the MRA.

At the same time, Metrogas has 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 is 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.

Refining and Marketing

As of 2007, our Refining and Marketing activities include 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 Division;
- Logistic Division;
- Domestic Marketing Division;
- Trading 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 of oil per day. The refineries are strategically located along our crude oil pipeline and product pipeline distribution systems. In the nine-month period ended September 30, 2007 and in 2006, approximately 81% and 90%, respectively, of the crude oil processed by our refineries was supplied by our upstream operations. Through our stake in Refinor, we also own a 50% interest in a 26,100 barrels per day refinery located in the province of Salta, known as Campo Durán.

The following table sets forth the throughputs and production yields for our refineries for the nine-month periods ended September 30, 2007 and 2006 and for each of the three years ended December 31, 2006, 2005 and 2004:

	For the Nine-Month Period Ended September 30,		For the Year Ended December 31,		
	2007	2006	2006	2005	2004
	(mmboe)				
Throughput crude/Feedstock	92.1	87.9	118.1	113.1	112.0
Production	35.5	35.1	47.7	43.9	44.2
Diesel fuel	24.7	24.0	31.1	32.3	32.5
Gasoline	4.5	4.2	5.7	6.6	5.5
Jet fuel	2.3	2.1	2.8	2.7	3.0
	(thousands of tonnes)				
Base oils					
Fuel oil	1,644	1,168	1,548	1,198	935
Coke	693	696	929	967	961
LPG	451	450	595	596	617
Asphalt	159	137	186	204	207

In the nine-month period ended September 30, 2007, overall volumes of crude oil processed increased by 4.8% compared with corresponding period in 2006, and sales volumes in export markets decreased 0.3% compared to the corresponding period in 2006. In the nine-month period ended September 30, 2007, refinery capacity utilization reached over 100%, compared with 98.1% for corresponding period in 2006.

In 2006, overall volumes of crude oil processed increased by 4.4% compared with 2005, and volumes sales in export markets were 25% lower than in 2005. Refinery capacity utilization in 2006 reached 98.4%, compared with 94.4% in 2005 and 93.1% in 2004.

The La Plata refinery is the largest refinery in Argentina, with a capacity of 189,000 barrels of crude oil per day. The refinery includes three distillation units, two vacuum distillation units, two catalytic cracking units, two coking

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units, a coker naphtha hydrotreater unit, a platforming unit, a gasoline hydrotreater, a diesel fuel hydrofinishing unit, an isomerization 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. In the nine-month period ended September 30, 2007 and in 2006, the refinery processed approximately 194,400 and 179,400 barrels of crude oil per day, respectively. In the nine-month period ended September 30, 2007, the capacity utilization rate at the La Plata refinery was 8.3% higher than in the corresponding period of 2006. The capacity utilization rate at the La Plata refinery for 2006 was 3.9% higher than in 2005. The crude oil processed at the La Plata refinery comes mainly from our own production in the Neuquina and Golfo de San Jorge basins. Crude oil supplies for the La Plata refinery are transported from the Neuquina basin by pipeline and from the Golfo de San Jorge basin by vessel, in each case to Puerto Rosales, and then by pipeline from Puerto Rosales to the refinery.

In September 2003, we commenced construction of a new Fluid Cracking Catalysts (“FCC”) naphtha splitter and a desulfuration unit in the La Plata refinery, and in 2004, we commenced the construction of a new naphtha splitter in the Luján de Cuyo refinery. Both projects were completed during 2006 and have allowed us to meet higher technical requirements imposed by legislation in Argentina that limit the level of sulfur in fuels (gasoline).

The Luján de Cuyo refinery has an installed 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 and hydrocracking and hydrotreating units. In the nine-month period ended September 30, 2007 and in 2006, the refinery processed approximately 108,500 and 109,100 barrels of crude oil per day, respectively. The incremental amount of crude oil processed is a consequence of many factors, including improved operational techniques, elimination of “bottlenecks,” the use of crude oil of a different quality than that for which the facility was designed, and the fact that each unit has a margin of processing above its nominal capacity. In the nine-month period ended September 30, 2007, the capacity utilization rate was 0.5% lower than in the corresponding period in 2006. The capacity utilization rate for 2006 was 4.0% higher than in 2005. 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 88% of the crude oil processed at the Luján de Cuyo refinery is produced by us. Most of the crude oil purchased from third parties comes from oil fields in Neuquén or in Mendoza.

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. In the nine-month period ended September 30, 2007 and in 2006, the refinery processed approximately 26,900 and 26,000 barrels of crude oil per calendar day, respectively. The incremental amount of crude oil processed is a consequence of many factors like good operation, elimination of bottle necks and the use of crude oil qualities different from those for which the facilities were designed. In the nine-month period ended September 30, 2007, the capacity utilization rate was 3.5% higher than in the corresponding period of 2006. The capacity utilization rate for 2006 was 8.7% higher than in 2005. 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 the nine-month periods ended September 30, 2007 and 2006, 23% and 19% of the refinery’s crude supplies, respectively, were purchased from third parties.

During 1997 and 1998, each of our refineries and our Applied Technology Center were certified under ISO 9002 and ISO 14000 (environmental performance) and were recertified under ISO 9001 (version 2000) in 2003.

Capital expenditures in 2006 for efficiency and environmental projects and other improvements at the three refineries amounted to U.S.\$141.1 million.

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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 seven million barrels and maintain terminal facilities at five Argentinean ports.

Information with respect to our interests in our network of crude oil pipelines is set forth in the table below:

From	To	YPF Interest	Length (km)	Daily Capacity (bpd)
Puesto Hernández	Luján de Cuyo Refinery	100%	528	75,000
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/ Plaza Huincul/Allen	Puerto Rosales	37%	888(1)	232,000
Puesto Hernández	Concepción (Chile)	36%	428(2)	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) 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 (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.

As of December 31, 2007, we had a 36% 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. At present, the future of the pipeline is under evaluation and 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 connect 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 with an

approximate aggregate capacity of 983,620 cubic meters. Three of these plants are annexed to the refineries of Luján de Cuyo, La Plata and Plaza Huinul. Ten of these plants have maritime or river connections. We operate 53 airplane refueling facilities (40 of them are wholly owned) with a capacity of 24,000 cubic meters, own 27 trucks, 112 suppliers and 16 dispensers. These facilities provide a flexible country-wide 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.

Domestic marketing division

Through our Marketing Division, we market gasoline, diesel fuel and other petroleum products to retail and wholesale customers. We also sell convenience food products through our service stations, although such sales do not account for a material amount of our revenues.

In 2006, retail, wholesale, lubricants and specialties and aviation sales reached Ps.11,913 million, representing 62% of the Refining and Marketing segment's consolidated revenue, with Ps.5,656 million generated by retail customers.

As of September 30, 2007, the Marketing Division's sales network in Argentina included 1,698 retail service stations (compared to 1,731 at December 31, 2006), of which 98 are directly owned by us, and the remaining 1,600 are affiliated service stations. Operadora de Estaciones de Servicio S.A. ("OPESSA") (a wholly owned subsidiary of ours), operates 164 of our retail service stations, 77 of which are directly owned by us, 24 of which are leased to ACA (*Automovil Club Argentino*), and 63 of which are leased to independent owners. Additionally, we have a 50% interest in Refinor, which operates 76 retail service stations. We will continue our efforts to eliminate nonstrategic existing stations, and dealer-operated stations which do not comply with the level of operational efficiency that we require.

We estimate that, as of September 30, 2007 and as of December 31, 2006, our points of sale accounted for 30.9% and the 31.1% of the Argentine market, respectively. In Argentina, Shell, Petrobras and Esso are our main competitors and own approximately 15.6%, 12.0% and 10.6%, respectively, of the points of sale in Argentina, according to the latest information available to us.

During 2006, we slightly increased our market share in the diesel fuel and gasoline markets from 53.8% in 2005 to 54.8%, according to our analysis of data provided by the Secretariat of Energy.

The "Red XXI" marketing program, launched in October 1997, which has significantly improved operational efficiency and provides us with immediate performance data from each station, is aimed at connecting most of our service stations network. As of December 31, 2006, 1,461 stations were linked to the Red XXI system.

In 2007, we launched the *Escuela Comercial YPF* (YPF Business School), which focuses on performance, employability, operational excellence and customer satisfaction. The YPF Business School is aligned with our business strategy to promote a sense of belonging and common vision shared by all the members of our business chain. By September 2007, the YPF Business School had carried out 764 didactic activities, within its four branches of study, involving 1,764 of our employees or business partners (owned and branded service stations and distributors).

In order to improve the performance of the service stations, we have been increasing the standard of our services and management systems, including by certificating 211 gas stations with ISO 9001, 144 gas stations with ISO 9001 and ISO 14001, and 24 gas stations with ISO 9001, ISO 14001 and OHSAS 18001. The total number of certificated gas stations is 379. Additionally, 32 gas station stores are in the ISO 22000 (food safety management systems) certification process.

Our sales to the agricultural sector are principally conducted through a network of 124 distributors (eight of which are owned by us).

Sales to transportation, industrial, utility, and mining sectors are made primarily through our direct sales efforts. The main products sold in the domestic wholesale market include diesel fuel and fuel oil. During 2006, the direct sales unit has expanded its offering to the sale of products such as bags for storing grains, fertilizers and glyphosate.

In December 2002, the Wholesale Division obtained the ISO 9001 certification covering the design, operation, marketing, customer service and management processes. As of September 2007, there are 59 diesel fuel distributors

under ISO certification. Among them, 36 had ISO 9001 certification, 20 had ISO 9001 and 14001 certification, and 3 had ISO 9001, 14001 and OHSAS 18001 certification.

Sales to the aviation sector are made directly by us. The products sold in this market are jet fuel and aviation gasoline.

Our lubricants and specialties unit markets a wide variety of products that includes lubricants, greases, asphalt, paraffin, base lubricant, decanted oil, carbon dioxide and coke. This unit is responsible for the production, distribution and commercialization of the products in the domestic and exports markets. These operations are ISO 9001: 2000 and Tierra 16949 certified. The lubricants production facilities are also ISO 14001 certified.

During 2006, our lubricants and specialties sales to domestic markets increased by 28% from Ps.947 million in 2005 to Ps.1,216 million in 2006. We export lubricants to 20 countries, including the United States. During 2006, a new independent distributor on our behalf began operations in Canada, and we also began to study the possibility of entering the lubricants and specialties market in Mexico. Sales to export markets increased by 10% from Ps.192 million in 2005 to Ps.212 million in 2006. During 2006, total lubricants sales increased by 32%, total asphalt sales increased by 16% and total derivatives sales increased by 23%.

In a market of increasing costs, the strategy of differentiation followed by our lubricants and specialties unit allowed it to maintain its position of leadership in the Argentine market despite experiencing a slightly decreased market share, from 37.5% in 2005 to 36.9% in 2006. Lead domestic automotive manufacturers Ford, VW, Scania, Seat, Porsche and General Motors, which represent more than 60% of the automotive industry in Argentina, exclusively use and recommend YPF-branded lubricant products.

With respect to the development of alternative fuels, we have recently created a new business unit for bio-fuels within our Lubricants and Specialties division. Currently, our main objectives in this area are to secure our bio-fuel needs for the domestic market and create associations for the production of bio-fuels in light of Argentina's potential as a bio-fuels exporter to the European Union and other international markets. With respect to the domestic market, beginning in January 2010, every oil company in Argentina will be obligated under Argentine law (Law 26,093) to blend all fuels with 5% of bio-fuels. In addition, we have recently launched a national research and development program for alternative crops to be used in the production of bio-fuels, thereby also promoting development in regional economies in Argentina.

Trading division

Our Trading Division sells crude oil and refined products to international customers and oil to domestic oil companies. Sales to international companies for the nine-month period ended September 30, 2007 and in 2006 totaled Ps.3,362 million (U.S.\$1,080 million) and Ps.4,945 million (U.S.\$1,606 million), respectively, 91% and 80% of which, respectively, represented sales of refined products, 2% and 12% of which, respectively, represented crude oil deliveries and the remaining 7% and 8% of which, respectively, represented sales of marine fuels. On a volume basis, for the corresponding period, sales consisted of 2.19 million and 5.50 million barrels of crude oil, 17.2 million and 21.2 million barrels of refined products, and 1 million and 1.67 million barrels of marine fuels, respectively. Exports include crude oil, unleaded gasoline, diesel fuel, fuel oil, liquefied petroleum gases, light naphtha and virgin naphtha. This Division's export sales are made principally to the United States, Mexico and Brazil. Domestic sales of crude oil reached Ps.340 million (U.S.\$110 million) and Ps.677 million (U.S.\$221 million), and 2.71 million and 5.6 million barrels in the nine-month period ended September 30, 2007 and in 2006, respectively. Domestic sales of marine fuels reached Ps.196 million (U.S.\$64 million) and Ps.258 million (U.S.\$84 million), and 1 and 1.5 million barrels in the nine-month period ended September 30, 2007 and in 2006, respectively.

LPG general division

Production

We are one of the largest LPG players in Argentina, with a production of 557,263 tons in the nine-month period ended September 30, 2007 (including 169,956 tons of LPG destined for petrochemical usage). This represents approximately 20% of total LPG Argentine production (including LPG destined for petrochemical usage).

We also have a 50% interest in Refinor, a jointly-controlled company, which produced 261,464 tons of LPG in the nine-month period ended September 30, 2007.

The LPG division obtains LPG from natural gas processing plants and from its refineries and petrochemical plant. It also purchases LPG from third parties as detailed in the following table:

	Purchase (tons)
	Nine-Month Period Ended September 30, 2007
LPG from Natural Gas Processing Plants:(1)	
General Cerri	10,260
Filo Mordao	9,926
El Portón	92,107
San Sebastián	12,193
Total Upstream	124,486
LPG from Refineries and Petrochemical Plants:	
La Plata Refinery	179,269
Luján de Cuyo Refinery	68,681
Ensenada Petrochemical Plant	14,871
Total Refineries & Petrochemical Plants(2)	262,821
	88,201
LPG purchased from jointly controlled companies:(3)	88,201
LPG purchased from unrelated parties	58,270
Total	533,778

(1) The San Sebastian and Filo Morado plants are joint-ventures in which we own 30% and 50% interests, respectively; Loma La Lata and El Portón are 100% owned by us; General Cerri belongs to a third party, having a processing agreement with us.

(2) This production is net of 169,956 tons of LPG used as petrochemical feedstock (olefins derivatives, polybutenes and maleic).

(3) Purchased from Refinor.

LPG marketing

We sell LPG to the foreign market, the domestic wholesale market and to distributors that supply the domestic retail market. The LPG general division does not directly supply the retail market and such market is supplied by Repsol YPF Gas, which is not a YPF company.

Our LPG sales for 2006 and for the nine-month period ended September 30, 2007 can be broken down by market as follows:

Sales Capacity	
Nine-Month Period Ended	2006

**September
30, 2007****(tons)****Domestic market**

Retail to related parties under common control	195,565	237,362
Other bottlers/propane network distributors	84,137	105,000
Other wholesales	84,879	79,813

Foreign market/exports

Exports	163,727	359,501
Total sales	528,308	781,676

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Total sales of LPG (excluding LPG used as petrochemical feedstock) to all markets (domestic and foreign markets combined) were Ps.622 million and Ps.820 million in the nine-month periods ended September 30, 2007 and in 2006, respectively.

Chemicals

In the nine-month period ending September 30, 2007 and in 2006, our revenues from chemical sales were Ps.2,454 million and Ps.3,048 million, respectively, and our operating income of the Chemicals segment was Ps.379 million and Ps.572 million, respectively.

Petrochemicals are produced at five different facilities at our petrochemical complexes in Ensenada and Plaza Huinul.

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 others synergies.

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 Huinul:	
Methanol	411,000

Natural gas, the raw material for methanol, is supplied by our upstream unit. Production from the methanol unit during the nine-month period ended September 30, 2007 and during 2006 was destined primarily for export (69.8% and 71.0%, respectively), for our internal consumption as feedstock for MTBE and TAME (17.9% and 17.7%, respectively) and to the local market (12.3 % and 11.3%, respectively).

The use of natural gas as a raw material allows us to monetize reserves, demonstrating the integration between the petrochemical and the upstream units.

We also use high carbon dioxide-content natural gas in our methanol production. We completed a project for the treatment and conditioning of natural gas in Sierra Barrosa for this purpose. This project was completed in record time (commenced in August 2006 and completed in June 2007), allowing us to keep our methanol plant working at 50% of its production capacity during the winter period. The project enables us to process high carbon dioxide-content natural gas that could have not been otherwise commercialized.

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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.

In the nine-month period ended September 30, 2007 and in 2006, petrochemicals sales from Ensenada Industrial Complex's methanol units and fertilizer retail units were Ps.2,074 million and Ps.2,518 million, respectively, with the domestic market accounting for 62% and 61% and exports for 38% and 39%, respectively. During 2006, the exports were destined to Mercosur countries, Latin America, Europe, the United States and the Middle East.

We also participate in the fertilizer business directly and through Profertil S.A., or "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. We are Profertil's principal supplier of natural gas, supplying approximately 35.7% of Profertil's feedstock.

In January 2005, we sold our interest in PBB, a chemical company, for U.S.\$97.5 million, recording a gain of Ps.75 million.

In March 2005, we sold our interests in Petroken, a jointly controlled company, for U.S.\$58 million, equal to its carrying amount. In July 2005, this operation was approved by the CNDC.

Our Ensenada petrochemical plant was certified under ISO 9001 in 1996 and recertified in October 2007. The La Plata petrochemical plant was certified under ISO 14001 in 2001 and recertified (version 2004) in October 2007. The plant was also certified under OHSAS 18001 in 2005 and recertified in October 2007.

Our methanol plant was certified under ISO 9001 (version 2000) and under ISO 14001 (Version 2000) in October 2007. In December 2006, our methanol plant was audited by international insurance companies and received a "better than average" rating.

Repsol YPF's presence has strengthened our position in the global markets, improving our access to these markets due to a better negotiating position derived from Repsol YPF's ability to offer a more complete portfolio of products and a sales force of its own, now located in regions previously served only by distributors.

Research and Development

We have a research and development facility in La Plata, Argentina, which works in cooperation with research and development activities of Repsol YPF. To carry out research and development programs of mutual interest, Repsol YPF maintains different cooperation agreements with universities, companies and other technological centers, both public and private. In 2006, Repsol YPF spent more than U.S.\$10.6 million under these agreements (240 of which were in place).

Repsol YPF participates actively in the research and development programs sponsored by different government administrations, taking part during 2006 in 18 projects sponsored by the Spanish Administration and in six European Union projects.

The research and development projects and activities apply to the entire value chain of the business – including exploration of new deposits of crude or gas, extraction and conditioning for transportation, transformation and manufacture of products at industrial complexes, and distribution to the end customer. Repsol YPF's two technology centers, one in Spain (Móstoles) and another in Argentina (La Plata), together employ a total of 450 people. In 2006, the Repsol YPF Technology Unit allocated U.S.\$86 million to the activity, to which another U.S.\$9 million were

added in projects executed through the business units.

In the Hydrocarbon Exploration and Production area, the projects are focused towards three main objectives: (i) increasing the production of crude oil and gas towards improving the petroleum recovery factor (both for heavy and extra-heavy crudes, as well as for conventional ones); (ii) exploiting natural gas reserves through the liquefied natural gas chain and other alternatives; and (iii) reducing the environmental impact of operations and optimizing production and decreasing operating costs.

In Petroleum Product Refinery and Marketing, the Technology Unit provides specialized technological support to the refineries to produce gasoline and gas oil of the best quality, complying ahead of time with the requirements of international standards. In addition, new products are also being developed, such as bio-fuels or better performing lubricants and asphalts.

In Petrochemicals, Repsol YPF continued its significant effort with resources geared toward the consolidation of the proprietary technology developed in the last few years.

Repsol YPF develops its own technology when it has a competitive advantage and acquires available technology (optimizing and adapting them for the markets in which it competes) when it proves to be more advantageous to its business goals. Repsol YPF's goal is to increase the collaboration with the surrounding technological environment, universities and centers of public investigation, as well as with other companies, for a better use of and flexibility in the employment of resources and to decrease the risks in those areas in which it is involved. The total cost of developing its own technology in 2006, 2005 and 2004 has been U.S.\$94.7 million, U.S.\$75 million and U.S.\$78.5 million, respectively. The total cost in collaborations with universities and technological centers in 2006, 2005 and 2004 has been U.S.\$11 million, U.S.\$7 million and U.S.\$7.75 million, respectively.

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 recent transfer of hydrocarbon properties to ENARSA and the provinces described under "Regulatory Framework and Relationship with the Argentine Government—Law No. 26,197". In our Refining and Marketing and Chemicals businesses, we face competition from several major international oil companies, such as Esso (a subsidiary of ExxonMobil), 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 "Risk Factors— Risks Relating to the Argentine Oil and Gas Business and Our Business—Fluctuations in oil and gas prices could affect our level of capital expenditures."

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 emissions into the air and 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 toward 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 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 tort liabilities.

In 2006, we continued to make investments in order to comply with new Argentine fuel specifications that are expected to come into effect between 2008 and 2016, pursuant to Resolution No. 1283/06 of the Secretariat of Energy (which replaces the Resolution No. 398/03) relating, among other things, to the purity of diesel fuels. We are currently reviewing what investments we will need to make to comply with this resolution. During 2006, we invested U.S.\$23.8 million at La Plata refinery and U.S.\$9.9 million at Luján de Cuyo refinery in order to meet the above-mentioned new gasoline quality environmental specifications. The investments were mainly in the FCC fractioning and gasoline hydrotreatment units. In 2007, we made additional investments of U.S.\$3.8 million and U.S.\$1.7 million in the La Plata and Luján de Cuyo refineries, respectively, for those purposes. In addition, we have completed basic engineering studies and begun detailed engineering studies for the construction of diesel fuel oil desulfuration units at La Plata and Luján de Cuyo refineries. These projects have been delayed due to the postponement of the implementation of fuel specification regulations. We currently plan to invest a total of approximately U.S.\$795 million between 2008 and 2012 to comply with the above-mentioned gasoline quality environmental specifications.

At each of our refineries, we are performing, on a voluntary basis, remedial investigations and feasibility studies and pollution abatement projects, which are designed to address liquid effluent discharges and air emissions. In addition, we have implemented an environmental management system to assist our efforts to collect and analyze environmental data in its upstream and downstream operations.

In addition to the projects related to the new specification standards mentioned above, we have begun to implement a broad range of environmental projects in the Domestic Exploration and Production and Refining and Marketing segments. Capital expenditures for those environmental projects associated with Refining and Marketing segment's projects during 2006 were U.S.\$64.7 million. A significant portion of the environmental program is dedicated to La Plata refinery and Luján de Cuyo refinery. The primary projects at La Plata include installation of separation and water treatment systems to replace existing systems, air pollution control devices, flare gas recovery systems, hydrocarbon recovery systems, double bottoms in several tanks and site remediation. In addition, during 2006 and 2007, the storage facilities at certain service stations were replaced by new and safer technologies, such as double wall tanks, and hot oil furnaces were replaced by gas broilers.

Capital expenditures associated with Domestic Exploration and Production environmental projects during 2006 were U.S.\$61.4 million and included oil and gas recovery systems, flowlines and components construction, and remediation of well sites, tank batteries and 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 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

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.

Regarding climate change, we have been developing a strategy since 2002 to address the requirements of the Kyoto Protocol. The main elements of this plan are the following:

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- actively promote the identification and pursuit of opportunities to reduce greenhouse gas emissions within our operations. For that, we take into account the cost of carbon in our business decisions; and
- intensify the execution of internal projects for generating credit by the clean development mechanisms that help our parent company, Repsol YPF, meet its obligations. We collaborate with competent authorities from the countries in which we operate, in particular the Argentina Clean Development Mechanism Office (“OAMD”).

Our estimated capital expenditures and future investments are based on currently available information and on current laws, and future changes in laws or technology could cause a revision of such estimates. In addition, 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 of YPF Holdings’ operations in the United States. See “Legal 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 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, 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 “—Legal Proceedings—YPF Holdings” below for a description of environmental matters in connection with YPF Holdings.

Legal Proceedings

Argentina

The Privatization Law provides that the Argentine State shall be responsible, and shall hold us harmless, for any liabilities, obligations or other commitments existing as of December 31, 1990 that were not acknowledged as such in the financial statements of Yacimientos Petrolíferos Fiscales Sociedades del Estado as of that date arising out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before December 31, 1990, we have been required to advance the payment of amounts

established in certain judicial decisions, and have subsequently been reimbursed or are currently in the process of requesting reimbursement from the Argentine government of all material amounts in such cases. We are required to keep the Argentine government apprised of any claim against us arising from the obligations assumed by the Argentine government. We believe we have the right to be reimbursed for all such payments by the Argentine government pursuant to the above-mentioned indemnity, which payments in any event have to date not been material. This indemnity also covers fees and expenses of lawyers and technical consultants subject, in the case of

our lawyers and consultants, to the requirement that such fees and expenses not be contingent upon the amounts in dispute.

Provisioned, probable contingencies

In the ordinary course of our business, we are a party to various actions, including approximately 2,219 labor lawsuits as of September 30, 2007, for which provisions of Ps.43 million have been made.

Reserves totaling Ps.1,772 million, Ps.1,570 million, Ps.1,303 million and Ps.1,005 million as of September 30, 2007 and as of December 31, 2006, 2005 and 2004, respectively, have been established to provide for contingencies which are probable and can be reasonably estimated. In the opinion of our management, in consultation with our external counsel, the amount reserved reflects the best estimation, based on the information available as of the date of this prospectus, of the probable outcome of the mentioned contingencies. The most significant legal proceedings and claims reserved are described in the following paragraphs.

CNDC anti-competitive activity disputes. On March 22, 1999, we were notified of Resolution No. 189/99 from the former Department of Industry, Commerce and Mining of Argentina, which imposed a fine on us of Ps.109 million, stated Argentine pesos as of that date, based on the interpretation that we had purportedly abused our dominant position in the bulk LPG market due to the existence of different prices between the exports of LPG and the sales to the domestic market from 1993 through 1997. In July 2002, the Argentine Supreme Court confirmed the fine, and we made the claimed payment. Additionally, Resolution No. 189/99 provided for the commencement of an investigation in order to prove whether the penalized behavior continued from October 1997 to March 1999. On December 19, 2003, the CNDC completed its investigation and charged us with abuse of dominant market position during this period. On January 20, 2004, we answered the notification by (i) claiming the application of the statutes of limitations and alleging the existence of defects in the imputation procedure (absence of majority in the resolution that decided the imputation and prejudgment by its signers); (ii) arguing the absence of abuse of dominant position; and (iii) offering the corresponding evidence.

Given that the Argentine Supreme Court has previously established under Law No. 22,262 that the statute of limitations for administrative infractions is two years, our defense based on the statute of limitations having run should be successful. Since the imputed conduct occurred before September 29, 1999, which is the effective date of the new law, we believe that the law applicable to the proceeding is Law No. 22,262 instead of the new Antitrust Protection Law (No. 25,156). We filed appeals with the National Economic Criminal Court: (i) on July 29, 2003, in view of the rejection by the CNDC of the motion to overturn the resolution that ordered the opening of the preliminary investigations, without deciding in advance on the prescription claimed by us; and (ii) on February 4, 2004, in view of the rejection by the CNDC of the motion to overturn the resolution that ordered the charge because of a lack of majority and prejudgment. On April 13, 2004, the National Court of Appeals in Criminal Economic Matters sustained the appeal filed by us on the grounds of lack of majority of the CNDC in passing the objected resolution. On August 31, 2004, we appealed the resolution passed by the CNDC that rejected the claimed prescription. The CNDC accepted the appeal and referred the proceedings to Chamber II of the National Court of Appeals in Federal Civil and Commercial Matters and thereby prevented the prior intervention of Room B of the National Court of Appeals in Criminal Economic Matters. On March 3, 2006, the CNDC decided on the evidence that we shall produce during this proceeding. During August and September 2007, hearings involving the testimony of witnesses proposed by us took place. Despite the arguments expressed by us, the above-mentioned circumstances make evident that, preliminarily, the CNDC rejects the defenses filed by us and that the CNDC is reluctant to modify the doctrine provided by Resolution No. 189/99. Furthermore, Court of Appeals decisions tend to confirm the decisions made by the CNDC.

Alleged defaults under natural gas supply contracts – Innergy, et al. Based on the provisions of Rule No. 27/04, Resolution No. 659/04 and Resolution No. 752/05, the 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 exports, by means of requiring the injection of additional volumes, not contractually committed by us, to supply the domestic market. These additional volumes (additional injections, permanent additional injections and additional volumes required for distributors, pursuant to Resolutions SE No. 659/2004, 752/2005 and 1329/2006, as described in “Regulatory Framework and Relationship with the Argentine Government”) are not set forth in contractual undertakings, forcing us to make the authorized exports under the relevant agreements and permits, the performance

of which has been conditioned by the aforesaid program. We appealed these measures. However, in the absence of a favorable resolution, we were obliged to comply with them in order to avoid greater losses for us and our export customers (e.g., revocation of export permits). We informed our customers that the aforesaid resolutions and the measures set forth therein constitute an event of force majeure which releases us from any contractual or extra contractual liability deriving from the failure to deliver the volumes of gas stipulated under the relevant agreements. Some of our current customers have rejected the force majeure invoked by us and have sought to claim payment of damages and/or penalties for breach of supply commitments, reserving their rights to file future claims. Three customers sought payments from us for damages under a “deliver or pay” clause, which demands have been rejected by us. One of these customers, Innergy Soluciones Energéticas S.A., filed an arbitral claim for deliver-or-pay payments that amount to U.S.\$87.7 million at August 2007, plus interest (as calculated by Innergy in its memorial statement dated September 17, 2007). This amount will continue to increase as Innergy invoices deliver-or-pay amounts to us on a monthly basis for missed deliveries from September 2007. We have counterclaimed against Innergy for contract termination based upon statutory hardship, as provided by Article 1198 of the Argentine Civil Code. We are currently in pre-arbitral negotiations with the other two clients who have sought damages from us under the “deliver-or-pay” clause, Electroandina S.A., and Empresa Eléctrica del Norte Grande S.A., which have also claimed liquidated damages for non-delivery of natural gas. These companies have claimed liquidated damages through November 2006 in a total amount of approximately U.S.\$41 million and, from December 2006 through September 2007, for an additional total amount of U.S.\$52 million. We have rejected such claims.

Alleged defaults under natural gas supply contracts – Central Puerto. Central Puerto S.A. (“Central Puerto”) has made claims against us for cutbacks in natural gas supply pursuant to its contracts. We have formally denied such breach, based on the fact that, pending the restructuring of such contracts, we are not obligated to confirm nominations of natural gas during certain periods of the year. On March 15, 2007, Central Puerto notified us of the commencement of pre-arbitral negotiations in relation to the agreements for the supply of its plants located in Buenos Aires and Loma de La Lata, province of Neuquén. On May 29, 2007, we and Central Puerto entered into a Termination and Dispute Resolution Agreement regarding the principles of agreement for the supply of Central Puerto’s plant located in Loma de La Lata. On June 6, 2007 Central Puerto notified us of its decision to submit the controversy regarding the agreement for the supply of natural gas to its plants located in Buenos Aires (the “Buenos Aires Gas Supply Agreement”) to arbitration under the rules of the International Chamber of Commerce. On June 21, 2007, we appointed our arbitrator and notified Central Puerto of our decision to submit to arbitration the controversy regarding the amounts due by Central Puerto under the Buenos Aires Gas Supply Agreement. On July 23, 2007, Central Puerto filed an arbitral claim for: (i) our specific performance of the Buenos Aires Gas Supply Agreement by continuing to deliver volumes of natural gas of up to 3,400,000 m³/day, the applicable maximum daily requirement under the contract, to Central Puerto’s plants located in Buenos Aires; (ii) our payment of “deliver or pay” amounts for failure to deliver natural gas (totaling 1,920 mmcm through December 3, 2007), without specifying the amount claimed; and (iii) acknowledgement of Central Puerto’s right to make-up natural gas volumes. On September 24, 2007, we answered Central Puerto’s claim and filed counterclaims asking the tribunal for: (i) a declaration of the termination of the contract; or (ii) as a subsidiary claim in case the tribunal rejects the request for termination of the contract, the restructuring of the contract under the Civil Law principles of “*Teoría de la Imprevisión*” (hardship provision) and “*Sacrificio Compartido*” (both-parties-effort) and (iii) payment by Central Puerto of “*take or pay*” amounts owed by Central Puerto for certain amounts produced but not taken between 2002 and 2004. On December 3, 2007, Central Puerto submitted a presentation requesting that the tribunal reject all of our claims.

La Plata refinery environmental disputes. On June 29, 1999, a group of three neighbours of the La Plata Refinery filed claims for the remediation of alleged environmental damages in the peripheral water channels of the refinery, investments related to contamination and compensation for alleged health and property damages as a consequence of environmental pollution caused by YPF prior to and after privatization. We notified the executive branch of the Argentine government that there is a chance that the tribunal may find us responsible for the damages. In such event, due to the indemnity provided by Law No. 24,145 and in accordance with that law, we shall be allowed to request reimbursement of the expenses for liabilities existing on or prior to January 1, 1991 (before privatization) from the Argentine government.

On December 27, 2002, a group of 264 claimants who resided near the La Plata Refinery requested compensation for alleged quality of life deterioration and environmental damages purportedly caused by the operation of the La Plata Refinery. The amount claimed is approximately Ps.53.3 million. We filed a writ answering the complaint. There are two similar additional claims raised by two groups of 120 and 343 neighbors, respectively. The first group has made a claim for compensation of Ps.14 million, and the second group has made a claim for compensation of Ps.35 million, in addition to a request for environmental cleanup. As of September 30, 2007, we had established a reserve of Ps.21 million with respect to these personal or property claims.

On December 17, 1999, a group of 37 claimants who resided near La Plata Refinery, demanded the specific performance by us of different works, installation of equipment, technology and execution of work necessary to stop any environmental damage, as well as indemnification of health damages alleged to be the consequence of gaseous emissions produced by the refinery, currently under monitoring.

We have been informally notified that the Secretariat of Environmental Policy of the Province of Buenos Aires has brought criminal proceedings against us on the grounds of the purported worsening of the water quality problems in the Western Channel adjacent to La Plata Refinery, potential health damages (on account of the existence of volatile particles and/or hydrocarbon suspension), non-fulfillment of a remediation schedule of canals, and the existence of allegedly clandestine disposal sites. To our knowledge, the responsible court has not yet made any formal accusations.

AFIP tax claims. On January 31, 2003, we received a claim from the Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos*, or “AFIP”), stating that the forward oil sale agreements entered into by us (see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Transactions with unconsolidated variable interest entities”) should have been subject to an income tax withholding. On March 8, 2004, the AFIP formally communicated to us the claim for approximately Ps.45 million plus interest and fines. Additionally, on June 24, 2004, we received a new formal claim from the AFIP, asserting that the services related to these contracts should have been taxed with the Value Added Tax. Management believes, based upon the opinion of its external counsel, that the claim is without merit since those advances were received under crude oil export commitments. Consequently, during 2004, we presented our defense to the AFIP, rejecting the claims and arguing our position. However, on December 28, 2004, we received formal communication of a resolution from the AFIP confirming its original position in both claims. We have appealed such resolution in the National Fiscal Court. In 2006, we conditionally paid the amounts corresponding to periods that followed those included in the claim by the AFIP and filed reimbursement summary proceedings so as to avoid facing interest payments or a fine.

Sale of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A. to EDF. In July 2002, EDF Internacional S.A. (“EDF”), initiated an international arbitration proceeding under the Arbitration Regulations of the International Chamber of Commerce against us, among others, seeking payment from us of U.S.\$69 million which was afterward increased to U.S.\$103.2 million. EDF claims that under a Stock Purchase Agreement dated March 30, 2001 among Endesa Internacional S.A. and Astra Compañía Argentina de Petróleo S.A. (which was subsequently merged into YPF), as sellers, and EDF, as purchaser, with respect to shares of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A., EDF is entitled to an adjustment in the purchase price it paid

due to changes in the exchange rate of the Argentine peso that EDF asserts to have occurred prior to December 31, 2001. Our position is that the change in the exchange rate did not occur prior to January 2002, and, therefore, EDF is not entitled to the purchase price adjustment. We have filed a counterclaim against EDF in the amount of U.S.\$13.85 million as a purchase price adjustment. We believe that EDF's claim is without merit. The arbitral award dated October 22, 2007 accepted the claim against us awarding damages against us in the amount of

U.S.\$40 million and also accepted our counterclaim against EDF in the amount of U.S.\$11.1 million. Consequently, the amount payable by us should the award become final is U.S.\$28.9 million plus costs and interest. We have challenged the award by filing an extraordinary appeal before the Federal Supreme Court and an appeal before the Federal Appellate Court on Commercial Matters.

Non-provisioned, possible contingencies.

In addition to the probable contingencies described in the preceding paragraphs, we have received several labor, civil, commercial and environmental claims which had not been reserved since management, based on the evidence available to date and upon the opinion of our external counsel, have considered them to be possible contingencies. The most significant of such contingencies are described below.

Capital control-related proceedings. On December 9, 2002, we filed a declaratory judgment action (*Acción Declarativa de Certeza*) before an Argentine federal court requesting clarification as to the uncertainty generated by opinions and statements of several organizations providing official advice that the right of the hydrocarbon industry to freely dispose of up to 70% of foreign currency proceeds from exports of hydrocarbons products and byproducts, as provided by Executive Decree No. 1,589/89, had been implicitly abolished by the new exchange regime established by Executive Decree No. 1,606/01. On December 9, 2002, a federal judge issued an injunction ordering the Argentine government, the Central Bank and the Ministry of the Economy to refrain from interfering with our access to and use of 70% of the foreign exchange proceeds from our hydrocarbon exports. Following the enactment of Decree No. 2,703/02 in December 2002, we expanded the scope of the declaratory judgment action before the federal court to clear any doubts and uncertainty arising after the enactment of this decree. See “Regulatory Framework and Relationship with the Argentine Government—Repatriation of Foreign Currency.” On December 1, 2003, the National Administrative Court of Appeals decided that the issuance of Decree No. 2,703 in 2002, which allows companies in the oil and gas sector to keep abroad up to 70% of the export proceeds, rendered the injunction unnecessary. Nevertheless, the Court of Appeals’ decision was silent with respect to the availability of the exemption to convert proceeds from export operations carried out by oil and gas companies into domestic currency prior to the issuance of Decree 2,703. On December 15, 2003, we filed a motion for clarification asking the court to clarify whether the exemption was available to oil and gas companies during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree No. 2,703/02. On February 6, 2004, the Court of Appeals dismissed our motion for clarification, indicating that the regulations included in Decree No. 2,703/02 were sufficiently clear, and confirmed the lifting of the injunction that prohibited the Central Bank and the Ministry of Economy from interfering with our access to foreign exchange proceeds, as described above. On February 19, 2004, we filed an extraordinary appeal before the Supreme Court against the dismissal of the motion for clarification by the Court of Appeals and requested the restatement of the injunction against the Central Bank and the Ministry of Economy. The Federal Court of Appeals dismissed the extraordinary appeal. Taking into account the fact that there is a new special system in place allowing for the free disposal of up to 70% of the foreign currency proceeds from the exports of crude oil and its derivatives, it was deemed advisable to abandon the suit as a procedural strategy. If the Central Bank were to reassert and prevail before the courts in the argument that the exemption allowing oil and gas companies to keep up to 70% of export proceeds abroad during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree No. 2,703/02 was not available, we could be subject to material penalties.

On October 12, 2007, we were notified of the initiation of an administrative summary proceeding for alleged late repatriation of foreign currency proceeds, and the failure to repatriate the remaining 70%, in connection with some hydrocarbon export transactions made in 2002 (during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree No. 2,703/02). In this administrative summary proceeding, charges were brought against us in the amount of U.S.\$1.6 million, and it has been advised that the conduct of a bank that handled other of our export transactions made in 2002 be investigated, which could give rise to the initiation of further proceedings. Nevertheless, a final and unchallenged judicial judgment recently issued by a First Instance Court in Criminal Economic Matters in

a similar administrative summary proceeding against a different company for alleged violation of the criminal exchange law (lack of repatriation of 70% of foreign currency proceeds) regarding export transactions made in 2002 resolved the matter in favor of that company based on well-founded arguments that were not challenged by the prosecutor.

CNDC investigation. On November 17, 2003, CNDC requested explanations, within the framework of an official investigation pursuant to Art. 29 of the Antitrust Act, from a group of almost 30 natural gas production

companies, including us, with respect to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts and (ii) gas imports from Bolivia, in particular (a) expired contracts signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price; and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. On January 12, 2004, we submitted explanations in accordance with Art. 29 of the Antitrust Act, contending that no antitrust violations had been committed and that there had been no price discrimination between natural gas sales in the Argentine market and the export market. On January 20, 2006, we received a notification of resolution dated December 2, 2005, whereby the CNDC (i) rejected the “*non bis in idem*” petition filed by us, on the grounds that ENARGAS was not empowered to resolve the issue when ENARGAS Resolution No. 1,289 was enacted; and (ii) ordered that the preliminary opening of the proceedings be undertaken pursuant to the provisions of Section 30 of Act 25,156. On January 15, 2007, CNDC charged us and eight other producers with violations of Act 25,156. We have contested the complaint on the basis that no violation of the Act took place and that the charges are barred by the applicable statute of limitations, and have presented evidence in support of our position. On June 22, 2007, without acknowledging any conduct in violation of the Antitrust Act, we filed with the CNDC a commitment according to Article 36 of the Antitrust Act requesting that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings. We are still awaiting a formal response.

The CNDC has commenced proceedings to investigate us for using a clause in bulk LPG supply contracts that it believes prevents buyers from reselling the product to third parties and therefore restrict competition in a manner detrimental to the general economic interest. We have asserted that the contracts do not contain a prohibition against resale to third parties and have offered evidence in support of our position. On April 12, 2007, we presented to the CNDC, without acknowledging any conduct in violation of the Antitrust Act, a commitment consistent with Article 36 of the Antitrust Act not to include such clauses in future bulk LPG supply contracts, among other things, and requested that the CNDC terminate the proceedings. We are still awaiting a formal response.

Noroeste basin reserves review. The effectiveness after certain specific dates of natural gas export authorizations (related to production in the Noroeste basin) granted to us pursuant to Resolution SE Nos. 165/99, 576/99, 629/99 and 168/00, issued by the Secretariat of Energy, is subject to an analysis by the Secretariat of Energy to determine whether sufficient additional natural gas reserves have been discovered or developed by us in the Noroeste basin. The result of this ongoing review is uncertain and may have an adverse impact upon the execution of the export gas sales agreements related to such export authorizations, and may imply significant costs and liabilities for us. We have submitted to the Secretariat of Energy documentation in order to allow for the continuation of the authorized exports in accordance with Resolutions SE No. 629/1999, 565/1999, and 576/1999 (the “Export Permits”) from the Noroeste basin. These Export Permits relate to the long-term natural gas export contracts with Gas Atacama Generación, Edelnor and Electroandina, (collectively, the “Clients”) involving volumes of 900,000 m³/day, 600,000 m³/day and 1,750,000 m³/day, respectively. We have not yet received a response from the Secretariat of Energy. However, on March 29, 2007, an internal memorandum of the technical sector of the Secretariat of Energy addressed this file and concluded, without resolving the question that we have not included the necessary reserves to continue with the Export Permits. The file is currently awaiting decision from the Secretariat of Energy. If the Secretariat of Energy were to determine that the reserves are not sufficient to continue to comply with our export commitments and other commitments, it could declare the expiration or suspension of one or more of the Export Permits, which would have a direct impact on the export contracts, to the injury of the Clients. In the case in which it were determined that we did not act as a prudent and diligent operator and/or did not have sufficient reserves, we could be responsible for the damages that this situation causes to the Clients.

Alleged defaults under natural gas contracts – Mega. Mega has claimed compensation from us for failure to deliver natural gas under the contract between us and Mega. We invoked that natural gas deliveries to Mega pursuant to the contract were affected by the Argentine government’s interference. Likewise, we would not be liable for such natural

gas delivery deficiencies pursuant to the doctrines of “*force majeure*” and “contract impracticability.”

New Jersey claims. On December 13, 2005, the New Jersey Department of Environmental Protection and the New Jersey Spill Compensation Fund filed a claim with a New Jersey court against Occidental Chemical Corporation, Tierra, Maxus, Repsol YPF, YPF, YPF Holdings and CLH Holdings. The plaintiffs are claiming for

the remediation of environmental damages, including the costs and fees associated with this proceeding, based on alleged violations of the Spill Compensation and Control Act and the Water Pollution Control Act in a facility allegedly operated by the defendants and located in Newark, New Jersey that allegedly impacted the Passaic River and Newark Bay. We filed a motion to dismiss the action. See “—YPF Holdings.”

Patagonian Association of Land-Owners claims. On August 21, 2003, the Patagonian Association of Land-Owners (“ASSUPA”) sued the companies operating production concessions and exploration permits in the Neuquina basin, including us, claiming for the remediation of the general environmental damage purportedly caused in the execution of such activities or the establishment of an environmental restoration fund, and the implementation of measures to prevent environmental damages in the future. The total amount claimed against all companies is more than U.S.\$547.6 million. The plaintiff requested that the Argentine government (Secretariat of Energy), the Federal Environmental Council (*Consejo Federal de Medio Ambiente*), the provinces of Buenos Aires, La Pampa, Neuquén, Río Negro and Mendoza and the National Ombudsman be summoned. It requested, as a preliminary injunction, that the defendants refrain from carrying out activities affecting the environment. Both the Ombudsman’s summons as well as the requested preliminary injunction were rejected by the Supreme Court of Argentina. Once the complaint was notified, we and the other defendants filed a motion to dismiss for failure of the plaintiff to state a claim upon which relief may be granted. The court granted the motion, and the plaintiff had to file a supplementary complaint. We have requested that the claim be rejected because the defects of the complaint indicated by the Supreme Court of Argentina have not been corrected. However, we have also requested its rejection for other reasons, and impleaded the Argentine government, due to its obligation to indemnify us against any liability and hold the us harmless for events and claims arising prior to January 1, 1991, according to Law No. 24,145 and Decree 546/1993. Our request is currently pending.

Dock Sud claims. We have been sued in the following environmental lawsuits that have been filed by residents living near Dock Sud, province of Buenos Aires: (i) “Mendoza, Beatriz against National State et al” is a lawsuit pending before the Supreme Court of Argentina, in which the Argentine government, the province of Buenos Aires, the City of Buenos Aires and 44 companies (including us) are being sued. The plaintiffs have requested unspecified compensation for collective environmental damage of Matanza and Riachuelo river basins and for physical and property damage, which they claim to have suffered. The National Supreme Court declared itself legally competent to settle only the conflict related to the collective environmental damages, including prevention of future pollution, remediation of environmental damages already caused and monetary compensation for irreparable environmental damages; and has requested that the defendants submit specific reports. In particular, it has requested that the Argentine government, the province of Buenos Aires, the City of Buenos Aires and Cofema submit a plan with environmental objectives. We have answered the complaint and requested the impleading of the Argentine government, based on its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993; (ii) “Félix, Víctor et al against Shell C.A.P.S.A. et al for compensation” is a suit in which the province of Buenos Aires and the Municipality of Avellaneda are being sued, as are companies domiciled at Dock Sud, including us. The plaintiffs are requesting environmental remediation of Dock Sud, which they estimate at Ps.600 million, and physical and property damages. However, we have been informed that plaintiffs have left without effect their claim against us; (iii) “Cicero, María Cristina against Antivari S.A.C.I. et al for damages” in which plaintiffs residents of Villa Inflamable, Dock Sud, also demand the environmental remediation of Dock Sud and Ps.33 million in compensation for physical and property damages against many companies that have operations there, including us. We answered the complaint by requesting its rejection and asked the citation of the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993.

La Plata Refinery environmental claims. On June 6, 2007, we were served with a new complaint in which nine residents of the vicinity of the La Plata Refinery request (i) the cessation of contamination and other harms they claim are attributable to the refinery and (ii) the cleanup of the adjacent canals, Río Santiago and Río de la Plata (water, soils

and aquiferous, including within the refinery), or, if cleanup is impossible, compensation for environmental and personal damages. The plaintiffs have also requested physical and property damages of Ps.51.4 million, or an amount to be determined from evidence produced in discovery. We believe that most damages that are alleged by the plaintiff, if proven, may be attributable to events that occurred prior to YPF' s privatization and would therefore be the responsibility of the Argentine government in accordance with the Privatization Law of YPF.

Notwithstanding the foresaid, there is the possibility a judgment could order us to meet the expenses of remedying these liabilities, in which case we could ask the Argentine government to reimburse the remediation expenses for liabilities existing prior to January 1, 1991 pursuant to Law 24,145. In addition, we believe that this claim partially overlaps with the request made by a group of neighbors of the La Plata Refinery on June 29, 1999, mentioned in preceding paragraphs. Accordingly, we consider that the cases will need to be partially consolidated to the extent that the claims overlap. We answered the complaint by requesting its rejection and asked for the citation of the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993. The contamination that may exist could derive from countless sources, including from dumping of refuse over many years by other industrial facilities and by ships.

Additionally, we are aware of an action in which we have not yet been served, in which the plaintiff requests the cessation of contamination and the cleanup of the canals adjacent to the La Plata Refinery, in Río Santiago, and other sectors near the coast (removal of mud, drainage of wetlands, restoration of biodiversity, among other things), and, if such sanitation is not practicable, compensation of Ps.500 million (approximately U.S.\$161 million) or an amount to be determined from evidence produced in discovery. We believe that this claim partially overlaps with the requests made by a group of neighbors of the La Plata Refinery on June 29, 1999 and with the complaint served on June 6, 2007, mentioned in preceding paragraphs. Accordingly, we consider that if it is served in this proceeding or any other proceeding related to the same subject matters, the cases will need to be consolidated to the extent that the claims overlap. With respect to claims that would not be included in the previous proceedings, for the time being we are unable to estimate the prospects of such claims. Additionally, we believe that most damages that would be alleged by the plaintiff, if proven, may be attributable to events that occurred prior to YPF's privatization and could therefore be the responsibility of the Argentine government in accordance with the Privatization Law concerning YPF.

Non-provisioned, remote contingencies

Our management, in consultation with our external counsel, believes that the following contingencies, while individually significant, are remote:

Congressional request for investigation to CNDC. On November 7, 2003, certain members of the Argentine Congress, Arturo Lafalla, Ricardo Falu and others, filed with the CNDC a complaint against us for abuse of a dominant position in the bulk LPG market during 2002 and part of 2003. The alleged conduct consisted of selling bulk LPG in the domestic market at prices higher than the export price, thereby restricting the availability of bulk LPG in the domestic market. On December 15, 2003, the CNDC decided to forward the complaint to us, and requested explanations under Art. 29 of the Antitrust Act. On January 21, 2004, we submitted explanations in accordance with Art. 29 of the Antitrust Act, contending that no antitrust violations had been committed. At this point, the CNDC may accept our explanations or begin a criminal investigation. We contend that we did not restrict LPG supply in the domestic market during the relevant period, that during this period all domestic demand for LPG could have been supplied by our competitors and that therefore our market share could not be deemed a dominant position. As of the date of this registration statement,