

YPF SOCIEDAD ANONIMA

Form 20-F

May 16, 2012

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

**FORM 20-F**

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

**YPF Sociedad Anónima**

(Exact name of registrant as specified in its charter)

**Republic of Argentina**

(Jurisdiction of incorporation or organization)

Macacha Güemes 515

**C1106BKK Ciudad Autónoma de Buenos Aires, Argentina**

(Address of principal executive offices)

Gabriel E. Leiva

Director of Administration

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

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

Macacha Güemes 515

**C1106BKK Ciudad Autónoma de Buenos Aires, Argentina**

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

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

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

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

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

**None**

Securities  
for which

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

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

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

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

Yes  No

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

Yes  No

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

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

Yes  No

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

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

Other

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

Item 17  Item 18

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

Yes  No

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#### Conversion Table

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

1 barrel = 42 U.S. gallons

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

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

1 kilometer = 0.63 miles

1 million Btu = 252 termies

1 cubic meter of gas = 35.3147 cubic feet of gas

1 cubic meter of gas = 10 termies

1,000 acres = approximately 4 square kilometers

#### References

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

#### Disclosure of Certain Information

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

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

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

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

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

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

**Forward-Looking Statements**

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

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

### Oil and Gas Terms

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

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

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

**acreage** : The total area, expressed in acres or km<sup>2</sup>, over which YPF has interests in exploration or production. Net acreage is YPF's interest in the relevant exploration or production area.

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

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

**gas** : Natural gas.

**hydrocarbons** : Crude oil and natural gas.

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



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

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

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## PART I

### ITEM 1. Identity of Directors, Senior Managers and Advisers

Not applicable.

### ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

### ITEM 3. Key Information

#### Selected Financial Data

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

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

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

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



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by the Argentine Central Bank (*Banco Central de la República Argentina* or Central Bank) on December 31, 2011 of Ps.4.30 to U.S.\$1.00, unless otherwise specified. The exchange rate quoted by Central Bank on May 11, 2012 was Ps.4.44 to U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the peso amounts represent, or could have been or could be converted into U.S. dollars at such rates or any other rate. See [Exchange Rates](#).

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

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

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

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

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## As of and for Year Ended December 31,

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

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Cash used in fixed asset acquisitions	2,858	12,289	8,729	5,636	7,035	6,163
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- (1) As restated.
- (2) The consolidated financial statements reflect the effect of changes in the purchasing power of money by the application of the method for remeasurement in constant Argentine pesos set forth in Technical Resolution No. 6 of the Argentine Federation of Professional Councils in Economic Sciences ( F.A.C.P.C.E. ) and taking into consideration General Resolution No. 441 of the National Securities Commission ( CNV ), which established the discontinuation of the remeasurement of financial statements in constant Argentine pesos as from March 1, 2003. See Note 1(a) to the Audited Consolidated Financial Statements.
- (3) Includes Ps.2,312 million for the year ended December 31, 2011, Ps.1,684 million for the year ended December 31, 2010, Ps.1,433 million for the year ended December 31, 2009, Ps.1,770 million for the year ended December 31, 2008 and Ps.1,350 million for the year ended December 31, 2007 corresponding to the proportional consolidation of the net sales of investees in which we hold joint control with third parties.

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- (4) Net sales are net to us after payment of a fuel transfer tax, turnover tax and customs duties on hydrocarbon exports. Royalty payments required to be made to a third party, whether payable in cash or in kind, which are a financial obligation, or are substantially equivalent to a production or similar tax, are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(f) to the Audited Consolidated Financial Statements.
- (5) Argentine GAAP income tax expense, net income, earnings per ADS, accounts payable (when applicable), investments, other receivables, taxes payable and shareholders' equity at and for the years ended December 31, 2009, 2008 and 2007 have been restated to give retroactive effect to a change in Argentine GAAP introduced in 2010 requiring that a formerly off-balance sheet Ps.1,180 million deferred tax liability as of December 31, 2009, be recognized in our financial statements. This change had the effect of decreasing Argentine GAAP income tax expense and increasing Argentine GAAP net income by Ps.203 million, Ps.261 million and Ps.290 million in 2009, 2008 and 2007, respectively, and decreasing shareholders' equity by Ps.1,180 million, Ps.1,383 million and Ps.1,644 million at December 31, 2009, 2008 and 2007, respectively. Our net income and shareholders' equity under U.S. GAAP were unaffected by this change in Argentine GAAP. For a discussion of this change, see Note 1(b) to our Audited Consolidated Financial Statements.
- (6) Information has been calculated based on outstanding capital stock of 393,312,793 shares. Each ADS represents one Class D share. There were no differences between basic and diluted earnings per share and ADS for any of the years disclosed.
- (7) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of payment.
- (8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.4,654 million as of December 31, 2011, Ps.1,613 million as of December 31, 2010, Ps.2,140 million as of December 31, 2009, Ps.1,260 million as of December 31, 2008 and Ps.523 million as of December 31, 2007.
- (9) Our subscribed capital as of December 31, 2011 is represented by 393,312,793 shares of common stock and divided into four classes of shares, with a par value of Ps.10 and one vote per share. These shares are fully subscribed, paid-in and authorized for stock exchange listing.

**Exchange Rates**

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

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

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

Source: Central Bank

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

(2) Through May 11, 2012.



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

### **Exchange Controls**

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

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

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

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## Risk Factors

### Risks Relating to Argentina

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

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

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

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

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



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

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

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

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

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

***Our business is largely dependent upon economic conditions in Argentina***

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

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

***Our domestic operations are subject to extensive regulation***

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

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

higher taxes on exports of hydrocarbons;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

With respect to natural gas products, Resolution No. 127/2008 of the Ministry of Economy and Production increased export duties applicable to natural gas exports from 45% to 100%, mandating a valuation basis for the calculation of the duty as the highest price established in any contract of any Argentine importer for the import of gas. Resolution No. 127/2008 provides with respect to LPG products (including butane, propane and blends thereof) that if the international price of the relevant LPG product, as notified daily by the Argentine Secretariat of Energy, is under the reference price established for such product in the Resolution (U.S.\$338/m<sup>3</sup> for propane, U.S.\$393/m<sup>3</sup> for butane and U.S.\$363/m<sup>3</sup> for blends of the two), the applicable export duty for such product will be 45%. If the international price exceeds the reference price, the producer shall be allowed to collect the maximum amount established by the Resolution for the relevant product (U.S.\$233/m<sup>3</sup> for propane, U.S.\$271/m<sup>3</sup> for butane and U.S.\$250/m<sup>3</sup> for blends of the two), with the remainder being withheld by the Argentine government as an export tax.

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

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

***We may be exposed to fluctuations in foreign exchange rates***

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

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

***We are subject to exchange and capital controls***

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

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

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

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

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

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

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



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

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

#### *Oil and gas prices could affect our level of capital expenditures*

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

#### *Our reserves and production are likely to decline*

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

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

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

***Our oil and natural gas reserves are estimates***

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

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

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

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

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

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

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

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

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

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

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

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

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

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***We are party to a number of legal proceedings***

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

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

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

***We could be subject to organized labor action***

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

**Risks Relating to Our Class D Shares and ADSs**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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.

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#### ITEM 4. Information on the Company

##### History and Development of YPF

###### Overview

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

We are Argentina's leading energy company, operating a fully integrated oil and gas chain with leading market positions across the domestic upstream and downstream segments. Our upstream operations consist of the exploration, development and production of crude oil, natural gas and LPG. Our downstream operations include the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals, LPG and bio-fuels. Additionally, we are active in the gas separation and natural gas distribution sectors both directly and through our investments in several affiliated companies. In 2011, we had consolidated net sales of Ps.56,697 million (U.S.\$13,185 million) and consolidated net income of Ps.5,296 million (U.S.\$1,232 million).

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

Since 1999 and until the passage of the Expropriation Law (Law No. 26,741), we were controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. Repsol YPF owned approximately 99% of our capital stock from 2000 until 2008, when the Petersen Group purchased, in different stages, shares representing 15.46% of our capital stock. In addition, Repsol YPF granted certain affiliates of Petersen Energía an option to purchase up to an additional 10% of our outstanding capital stock, which was exercised in May 2011.

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

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



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

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

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

#### ***Upstream Operations***

As of December 31, 2011, we held interests in more than 90 oil and gas fields in Argentina, accounting for approximately 39% of the country's total production of crude oil, excluding natural gas liquids, and approximately 37% of its total natural gas production, including natural gas liquids, in 2011, according to information provided by the Argentine Secretariat of Energy.

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

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

#### ***Downstream Operations***

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

Our retail distribution network for automotive petroleum products as of December 31, 2011 consisted of 1,557 YPF-branded service stations, and we estimate we held approximately 31% of all gasoline service stations in Argentina.

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

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

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## Edgar Filing: YPF SOCIEDAD ANONIMA - Form 20-F

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

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## Edgar Filing: YPF SOCIEDAD ANONIMA - Form 20-F

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

### **The Argentine Market**

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

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

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

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

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

## **History of YPF**

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

In November 1992, Law No. 24,145 (referred to as the Privatization Law), which established the procedures by which we were to be privatized, was enacted. In accordance with the Privatization Law, in July 1993, we completed a worldwide offering of 160 million Class D shares that had previously been owned by the Argentine government.



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

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

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

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

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

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

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

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

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

**Business Organization**

We currently conduct our business according to the following organization:

Upstream, which consists of our Exploration and Production segment;

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

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

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

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

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

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

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

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

**For the Year Ended December 31,**

	2011	2010	2009
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(in millions of pesos)

Net Sales<sup>(1)</sup>

Exploration and Production<sup>(2)</sup>

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

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

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

**Exploration and Production**

*Principal properties*

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

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

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

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

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

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

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

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

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

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



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

(6) Relates only to the United States.

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

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

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

#### *Argentine properties*

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

*Joint ventures and contractual arrangements in Argentina.*

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

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### *International properties*

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

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

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

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

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

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

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

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

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

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

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

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

Total commitments with respect to the awarded exploration blocks during the first exploratory period includes the acquisition of 672 km<sup>2</sup> of 3D seismic data and the drilling of 8 exploratory wells. Activities are expected to begin by the end of 2012.

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

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

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

*(ii) Onshore:*

On January 19, 2012, the Arapey block was awarded entirely to YPF through a prospect agreement. The block is located onshore and has a surface area of 9,700 km<sup>2</sup>. YPF's goal in this block is to explore unconventional resources. Scheduled activity for 2012 includes seismic data reprocessing and the performance of geological studies.

**Oil and Gas Reserves**

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

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

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

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

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

*Technology used in establishing proved reserves additions*

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

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

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

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

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



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

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

\* Not material

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

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

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

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

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

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



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

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*Changes in our proved undeveloped reserves during 2011*

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

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

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

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

***Internal controls on reserves and reserves audits***

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

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

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

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

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

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

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

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

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

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

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

***Oil and gas production, production prices and production costs***

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

***Drilling and other activities in Argentina***

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

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

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

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

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

*Offshore*

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

*Deep water.* YPF currently participates in four blocks:

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

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

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

*Onshore*

*Unconventional oil and gas*

*(i) Shale oil*

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

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

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

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

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

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

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

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

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

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

(ii) *Shale gas*

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

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

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

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

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*Conventional oil and gas*

(i) *Productive basins*

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

*Incorporation of exploratory acreage.* During 2011, the Company participated actively in the bidding processes of exploratory blocks, which resulted in the incorporation of approximately 45,000 km<sup>2</sup> of surface corresponding to the Neuquina, Cuyo and San Jorge Gulf basins.

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

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

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

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

(ii) *Border areas*

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

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

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

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

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

*Argentina Exploratory Plan*

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

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

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

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

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

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

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

*Non-operated areas*

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

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

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

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

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

*Activities in rest of the world*

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

*Additional information on our present activities*

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

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





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### *Delivery commitments*

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

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

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

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

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

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

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

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

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

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

*Natural gas supply contracts*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### *The Argentine natural gas market*

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

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

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

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

See [Regulatory Framework and Relationship with the Argentine Government](#) for additional information on these and other related regulations.

*Argentine natural gas supplies*

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

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

YPF provides regasification services to ENARSA since May 2008. In 2008, YPF executed a Charter Party Agreement and a Regasification Services Agreement with Exceletrate Energy to provide and operate a 138,000 m<sup>3</sup> regasification vessel moored at the Bahía Blanca Port facilities, which initially allowed for the supply of up to 8 mmcm/d of natural gas and, since the first quarter of 2011, up to 12.5 mmcm/d. This agreement expired on October 30, 2011. Pursuant to ENARSA's request, YPF executed a new Charter Party Agreement with Exceletrate Energy, which will expire on October 31, 2015. This will allow YPF to provide and operate a 151,000 m<sup>3</sup> regasification vessel moored at the Bahía Blanca Port facilities with the capacity to supply up to 17 mmcm/d of natural gas.

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

During 2011, YPF, acting as the operator of the UTE Escobar (a joint venture formed by YPF and ENARSA), finalized the construction of a new LNG Regasification Terminal ( GNL Escobar ), which is located in the km 74.5 of the Paraná River. The GNL Escobar terminal was constructed in nine months and began operations as scheduled. The GNL Escobar terminal has a Floating, Storage and Regasification Unit permanently moored at the new port facilities, for which UTE Escobar has executed a Charter Party Agreement and a Regasification Services Agreement with Exceletrate Energy to provide and operate a 151,000 m<sup>3</sup> regasification vessel moored at the GNL Escobar terminal with the capacity to supply up to 17 mmcm/d of natural gas. The total volume injected into the network by this vessel was 1.59 bcm in 2011.

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### *Natural gas transportation and storage capacity*

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

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

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

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

### *Other investments and activities*

#### *Natural gas liquids*

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

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

Mega operates:

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

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

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

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

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

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

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

*Electricity market generation*

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

a 45% interest in Central Térmica Tucumán (410 MW combined cycle) through Pluspetrol Energy Sociedad Anónima ( Pluspetrol Energy );

a 45% interest in Central Térmica San Miguel de Tucumán (370 MW combined cycle) through Pluspetrol Energy; and