YPF SOCIEDAD ANONIMA
Form 6-K
November 03, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of November, 2009

Commission File Number: 001-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

Macacha Güemes 515

C1106BKK Buenos Aires, Argentina

(Address of principal executive office)

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

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

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

Yes ¨ No x

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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This Form 6-K is incorporated by reference into the registration statements on Form F-3 filed by YPF Sociedad Anónima with the Securities and Exchange Commission (File Nos. 333-149313 and 333-149486).

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YPF Sociedad Anónima

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ITEM 1. UPDATE OF SELECTED FINANCIAL AND OPERATING DATA

The following tables present our selected financial and operating data. You should read this information in conjunction with our audited consolidated financial statements included in our Annual Report on Form 20-F for the year ended December 31, 2008, as filed on June 30, 2009 (the 2008 20-F), our unaudited financial statements for the six-month periods ended June 30, 2009 and 2008, included as Item 4 in this report, and their respective notes, as well as the information under Update of Management s Discussion and Analysis of Financial Condition and Results of Operations in this report. All financial data included in this report as of June 30, 2009, and for the six-month periods ended June 30, 2009 and 2008, are unaudited. Results for the six-month period ended June 30, 2009 are not necessarily indicative of results to be expected for the full year 2009 or any other period.

The financial data as of December 31, 2008, 2007 and 2006 and for the years then ended are derived from our audited consolidated financial statements included in our 2008 20-F (the Audited Consolidated Financial Statements). The financial data as of June 30, 2009 and for the six-month periods ended June 30, 2009 and 2008 are derived from our Condensed Consolidated Financial Statements for the six-month periods ended June 30, 2009 and 2008, included as Item 4 in this report (the Unaudited Interim Financial Statements). The Unaudited Interim Financial Statements reflect all adjustments which, in the opinion of our management, are necessary to present the financial statements for such periods on a consistent basis with the Audited Consolidated Financial Statements. Our Unaudited Interim Financial Statements have been prepared in accordance with generally accepted accounting principles in Argentina, which we refer to as Argentine GAAP and which differ in certain significant respects from generally accepted accounting principles in the United States, which we refer to as U.S. GAAP. Notes 6, 7 and 8 to our Unaudited Interim Financial Statements provide a description of the significant differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income for the six-month periods ended June 30, 2009 and 2008 and shareholders equity as of June 30, 2009 and December 31, 2008.

In this report, except as otherwise specified, references to $, U.S.$ and dollars are to U.S. dollars, and references to Ps. and pesos are to Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the six-month period ended June 30, 2009 have been translated into U.S. dollars at the exchange rate quoted by the Argentine Central Bank (*Banco Central de la República Argentina,* or Central Bank) on June 30, 2009 of Ps.3.80 to U.S. $1.00, unless otherwise specified. The U.S. dollar equivalent information should not be construed to imply that the peso amounts represent, or could have been or could be converted into U.S. dollars at such rates or any other rate. See Item 3. Key Information Exchange Rates in our 2008 20-F.

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

	As of and for the Six-Month Period Ended June 30,		
	2009	2009	2008
	(in millions of U.S.$, except for per share and per ADS data)	(in millions of pesos, except for per share and per ADS data)	
Consolidated Income Statement Data:			
Argentine GAAP(1)			
Net sales(2)(3)	4,149	15,767	16,443
Gross profit	1,325	5,035	5,542
Administrative expenses	(139)	(529)	(429)
Selling expenses	(315)	(1,196)	(1,102)
Exploration expenses	(85)	(322)	(218)
Operating income	786	2,988	3,793
(Loss) income on long-term investments	(1)	(4)	67
Other income (expense), net	1	3	(241)
Interest expenses	(109)	(416)	(189)
Other financial (expense) income and holding (losses) gains, net	(164)	(625)	459
Income before income tax	512	1,946	3,889
Income tax	(237)	(899)	(1,635)
Net income	276	1,047	2,254
Earnings per share and per ADS(4)	0.70	2.66	5.73

Dividends per share and per ADS(4) (in pesos)	n.a.	6.30	17.26

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Dividends per share and per ADS(4)(5) (in U.S. dollars)	n.a.	1.69	5.45
U.S. GAAP			
Operating income	371	1,411	2,777
Net income	267	1,013	1,504
Earnings per share and per ADS(4) (in pesos)	n.a.	2.58	3.82
Other Consolidated Financial Data:			
Argentine GAAP(1)			
Fixed assets depreciation	637	2,422	2,046
Cash used in fixed asset acquisitions	580	2,205	2,816
Current liquidity (Current assets divided by current liabilities)	n.a.	0.786	0.902
Solvency (Net worth divided by total liabilities)	n.a.	0.938	1.410
Capital Immobilization (Non-current assets divided by total assets)	n.a.	0.753	0.763
Non-GAAP			
EBITDA(6)	1,248	4,741	6,049
EBITDA margin(7)	30%	30%	37%

	As of June 30, 2009	
	(in millions of U.S.$)	(in millions of pesos)
Consolidated Balance Sheet Data:		
Argentine GAAP(1)		
Cash	148	562
Working capital	(688)	(2,614)
Total assets	10,261	38,993
Total debt(8)	1,711	6,500
Shareholders equity(9)	4,965	18,868
U.S. GAAP		
Total assets	12,286	46,687
Shareholders equity(9)	6,962	26,457

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

(2) Includes Ps.563 million for the six-month period ended June 30, 2009 and Ps.903 million for the six-month period ended June 30, 2008 corresponding to the proportional consolidation of the net sales of investees jointly controlled by us and third parties.

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

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

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

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

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

(8) Total debt under Argentine GAAP includes nominal amounts of long-term debt of Ps.2,339 million as of June 30, 2009.

(9) Our subscribed capital as of June 30, 2009 was represented by 393,312,793 shares of common stock and divided into four classes of shares, with a par value of Ps.10 and one vote per share. These shares are fully subscribed, paid-in and authorized for stock exchange listing.

EBITDA reconciliation

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

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

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

	For the Six-Month Period Ended June 30,	
	2009	**2008**
	(in millions of pesos)	
Net income	1,047	2,254
Interest gains on assets	(43)	(75)
Interest losses on liabilities	416	189
Depreciation of fixed assets	2,422	2,046
Income tax	899	1,635
EBITDA	4,741	6,049

Production and other operating data

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

	As of and for the Six-Month Period Ended June 30,	
	2009	**2008**
Average daily production for the period		
Oil (mbbl)(1)	315	307
Gas (mmcf)	1,545	1,653
Total (mboe)	590	601
Refining capacity		
Capacity (mbbl/d)(2)	320	320

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

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

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

Overview

We are Argentina s leading energy company, operating a fully integrated oil and gas chain with leading market positions across the domestic upstream and downstream segments. Our upstream operations consist of the exploration, development and production of crude oil, natural gas and liquefied petroleum gas. Our downstream operations include the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals, liquefied petroleum gas and bio-fuels. Additionally, we are active in the gas separation and natural gas distribution sectors both directly and through our investments in several affiliated companies. In the six-month period ended June 30, 2009, we had consolidated net sales of Ps.15,767 million (U.S.$4,149 million) and consolidated net income of Ps.1,047 million (U.S.$276 million).

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

Since 1999, we have been controlled by Repsol YPF, an integrated oil and gas company headquartered in Spain with global operations. Repsol YPF owned approximately 99% of our capital stock from 2000 until February 21, 2008, when 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 also granted options to Enrique Eskenazi, Sebastián Eskenazi, Ezequiel Eskenazi Storey and Matías Eskenazi Storey, shareholders of Petersen Energía, or to companies that are, directly or indirectly, wholly controlled by any of them (the Option Beneficiaries) to purchase up to an additional 10.1% of our outstanding capital stock within four years. On May 20, 2008, Petersen Energía Inversora S.A. (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, pursuant to its first option agreement with Petersen Energía, had stated that it would not tender YPF shares to PEISA. The offer period commenced on September 11, 2008 and expired on October 20, 2008, and a total of 1,816,879 shares (including Class D shares and ADSs), representing approximately 0.462% of our total shares outstanding, were tendered and accepted in the tender offer.

Upstream Operations

We operate more than 70 oil and gas fields in Argentina, which in 2008 accounted for approximately 41% of the country s total production of crude oil, excluding natural gas liquids, and approximately 41% of its total natural gas production, including natural gas liquids, and in the six-month period ended June 30, 2009, accounted for approximately 40% and 39.5% of the country s total crude oil and natural gas production, respectively, according to information provided by the Argentine Secretariat of Energy.

We had proved reserves, estimated as of December 31, 2008, of approximately 580 mmbbl of oil and 3,099 bcf of gas, representing aggregate reserves of 1,133 mmboe.

In 2008, we produced 115 mmbbl of oil (313 mbbl/d) and 607 bcf of gas (1,658 mmcf/d) and, in the six-month period ended June 30, 2009, we produced 57 mmbbl of oil (315 mbbl/d) and 280 bcf of gas (1,545 mmcf/d).

Downstream Operations

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

Our retail distribution network for automotive petroleum products as of June 30, 2009 consisted of 1,635 YPF-branded service stations, which we estimate represented approximately 30.7% of all service stations in Argentina.

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

Presentation of Financial Information

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

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

Under Argentine GAAP, we currently are not required to record the effects of inflation in our financial statements. However, because Argentina experienced a high rate of inflation in 2002, with the wholesale price index increasing by approximately 118%, we were required by Decree No. 1269/2002 and CNV Resolution No. 415/2002 to remeasure our financial statements in constant pesos in accordance with Argentine GAAP. On March 25, 2003, Decree No. 664/2003 rescinded the requirement that financial statements be prepared in constant currency, effective for financial periods on or after March 1, 2003. According to the Argentine statistics and census agency (*Instituto Nacional de Estadísticas y Censos*, or INDEC), the wholesale price index increased 7.9% in 2004, 10.6% in 2005, 7.1% in 2006, 14.4% in 2007, 8.8% in 2008 and, based on preliminary data, 3.1% in the six-month period ended June 30, 2009. We cannot assure you that in the future we will not be again required to record the effects of inflation in our financial statements (including those covered by the financial statements included in this report) in constant pesos. See Critical Accounting Policies U.S. GAAP Reconciliation for an explanation of how the effect of inflation is treated under U.S. GAAP.

Additionally, certain oil and gas disclosures as of December 31, 2008 are included in the Audited Consolidated Financial Statements included in our 2008 20-F under the heading Supplemental information on oil and gas producing activities (unaudited).

Segment Reporting

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

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

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Summarized Income Statement

	For the Six-Month Period Ended June 30, 2009	2008
	(in millions of pesos)	
Net sales	15,767	16,443
Cost of sales	(10,732)	(10,901)
Gross profit	5,035	5,542
Administrative expenses	(529)	(429)
Selling expenses	(1,196)	(1,102)
Exploration expenses	(322)	(218)
Operating income	2,988	3,793
(Loss) income on long-term investments	(4)	67
Other income (expense), net	3	(241)
Financial (expense) income, net and holding (losses) gains	(1,041)	270
Net income before income tax	1,946	3,889
Income tax	(899)	(1,635)
Net income	1,047	2,254

Factors Affecting Our Operations

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

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

- taxes, including export taxes;

- capital controls;

- the Argentine peso/U.S. dollar exchange rate;

- dependence on the infrastructure and logistics network used to deliver our products;

- laws and regulations affecting our operations, including in particular environmental laws and regulations and related costs and risks; and

- interest rates.

Our margins and our consolidated operating profits have recently trended downwards. This has principally been the result of: production declines and increased asset depreciation, principally due to the increasing maturity of our oil and gas fields; increases in other operating costs, due in part to higher domestic demand and local market supply obligations (which required us to purchase certain hydrocarbon inputs from third parties); inflation and higher labor costs; and limitations on our ability to offset those increased costs due to, among other things, domestic limitations on the prices at which we sell gas and refined products.

Our operating income in the six-month period ended June 30, 2009 decreased 21.2% compared to the corresponding period in 2008. This decrease was primarily attributable to lower prices and lower volumes sold of exported products, due to the negative trend which affected international commodity prices and demand starting in the second half of 2008. Commodity prices were strongly affected, with the average price of WTI decreasing by approximately 50% during the first half of 2009 compared to the same period in 2008. As a result, the average price of certain products sold in the domestic market, such as fuel oil, jet fuel, and certain chemicals, which generally track international prices, decreased as well. Furthermore, there was a strong decrease in demand for natural gas from our distributor clients that serve the domestic market, as well a significant decrease in domestic demand for fertilizers. These effects were only partially offset by higher average domestic prices for diesel and gasoline, though the prices of these products still remain below prevailing international prices and the volumes of gasoline sold in the domestic market.

Macroeconomic conditions

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

With the enactment of the Convertibility Law in 1991, inflation declined progressively and the Argentine economy enjoyed seven years of growth. In the fourth quarter of 1998, adverse international financial conditions caused the Argentine economy to enter into a recession and GDP to decrease, in real terms, by 3.4% in 1999, 0.8% in 2000 and 4.4% in 2001. By the end of 2001, Argentina suffered a profound deterioration in social and economic conditions, accompanied by high political and economic instability. The restrictions on the withdrawal of bank deposits, the imposition of exchange controls, the suspension of the payment of Argentina s public debt and the abrogation of the peso s one-to-one peg to the dollar (with the consequent depreciation of the peso against the dollar) caused a decline in economic activity. Real GDP declined by 10.9% in 2002, annual inflation rose to 41%, the exchange rate continued to be highly volatile, and the unemployment rate rose to more than 20%. The political and economic instability not only curtailed commercial and financial activities in Argentina but also severely restricted the country s access to international financing.

Strong economic growth in the world s developed economies and favorable raw material pricing from 2003 through the first half of 2008 paved the way for Argentina s economic recovery. Real GDP grew by 8.7% in 2003, 9.0% in 2004, 9.2% in 2005, 8.5% in 2006, 8.7% in 2007 and 6.8% in 2008. As a result of the crisis in the global economy, Argentina s GDP growth rate decelerated. Recent International Monetary Fund (IMF) projections estimated that the Argentine economy would contract by 2.5% in 2009, a slightly slower pace than the region as a whole. According to the Argentine Central Bank, certain economic indicators are starting to show signs of recovery in the Argentine economy, mainly due to a recovery in exports, as well as in stock levels in certain sectors. According to the IMF s October 2009 projections, the Argentine economy is expected to grow by 1.5% in 2010.

According to the IMF, the global economy is beginning to pull out of the recession, owing mainly to cuts in interest rates by central banks, continued provision of ample liquidity, credit easing, public guarantees, and bank recapitalization. Nonetheless, the pace of recovery is expected to be slow. The global economy is projected by the IMF to contract by 1.1% in 2009, while in 2010 global economic growth is projected to recover to 3.1%, although the rate of growth or, in some cases, contraction, is expected to vary significantly from region to region. The main policy priority remains restoring financial sector health, since bank lending conditions are expected to remain tight and external financing conditions constrained for a considerable time.

Weakened global demand has depressed commodity prices, but in line with the signs of recovery, oil prices have responded strongly to perceptions that the worst of the global recession is over and to signs of a demand rebound in China. This is partly attributable to Organization of Petroleum Exporting Countries (OPEC) members strict observance of lower production quotas. WTI has recently traded over U.S.$70 per barrel, compared to approximately U.S.$50 at the end of the first quarter of 2009, though it remains well below the average price of 2008 (U.S.$99.67).

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

In 2005, Argentina successfully completed the restructuring of a substantial portion of its bond indebtedness and canceled all of its debt with the IMF. The country is working to renegotiate the remaining portion of its external public debt and to resolve the claims brought before international courts by foreign companies affected during the crisis of the years 2001-2002 and by the debt restructuring. In relation to public debt, two issues remain pending: (i) a portion of the

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defaulted debt that was not included in the 2005 debt swap (with the so-called Paris Club), which the Argentine government recently announced it would repay, and (ii) certain government bondholders have not accepted the government s debt restructuring proposal. The government is currently preparing a new restructuring proposal. Currently, Standard & Poor s (S&P) credit rating for Argentina s sovereign debt is B- , with a stable outlook since October 2008, while Moody s, which rates Argentina s sovereign debt at B3 , has maintained its credit watch of Argentina as stable since August 2008.

Public finances both at national and provincial levels recorded a consolidated primary surplus of approximately 5.5% of GDP in 2004, 4.5% in 2005, 3.5% in 2006, 3.2% in 2007, and 3.2% in 2008, according to the INDEC.

The annual wholesale price index, according to the INDEC, increased by 2% in 2003, 7.9% in 2004, 10.6% in 2005, 7.1% in 2006, 14.4% in 2007, 8.8% in 2008 and, based on preliminary data, 5.0% in the nine-month period ended September 30, 2009. As stated in the IMF s most recent report, however, private analysts estimate that consumer price index inflation has been considerably higher. The authorities have created a board of academic advisors to assess these issues.

Starting in the first half of 2008, conflicts in certain sectors of the Argentine economy, including blockades by agricultural producers in response to an export tax increase and strikes by oil workers, have affected the development and productivity of these and related sectors. Total exports from Argentina increased by 26.6% to U.S.$70,588 million in 2008, compared to 2007, mainly driven by higher average prices, while imports increased by 28.4% in the same period due mainly to increases in the volume and prices of imported assets, particularly capital assets, fuels and lubricants and passenger vehicles. Notwithstanding the general upward trend, growth in both exports and imports decelerated sharply during the fourth quarter of 2008. In the first nine months of 2009, exports decreased as a result of lower commodity prices and a decrease in the exported volumes of certain agricultural products (wheat, corn and soy, among others), mainly due to declines in the volume of harvests as a result of a severe drought and the smaller area seeded. Industrial exports were affected as well as a result of deceleration in demand from other countries. Imports contracted even further than exports in 2009, due mainly to decreased imports of intermediate goods and capital assets commensurate with the slower pace of domestic activity. As a result, the Argentine trade balance is expected to reach an even higher surplus than in previous years, of nearly U.S.$16 billion.

According to INDEC, the unemployment rate corresponding to the fourth quarter of 2008 showed that 7.2% of the active population was unemployed. The unemployment rate reached 8.8% in the second quarter of 2009, and is expected to increase further during 2009, according to the Argentine Central Bank. In line with the slowdown in general activity, wages increased at a slower pace than in previous years, but still outpaced price increases, resulting in higher purchasing capacity.

The Argentine Central Bank reserves stood at U.S.$46.4 billion at the end of 2008. At June 30, 2009, reserves remained stable and at a high level (U.S.$46.0 billion), contributing to sustain a strong external position. The exchange rate of the Argentine peso against the U.S dollar as of September 30, 2009 was Ps.3.84/ U.S.$1.00, reflecting peso depreciation of 11.3% compared to December 31, 2008.

According to the Argentine Central Bank, government fiscal revenues performance was poorer than in previous years, mainly as a consequence of a slowdown in activity levels, while public expenditures increased, due to the implementation of anticyclical policies aimed at offsetting or reducing the contractive effects of the international crisis described above.

However, we cannot predict the evolution of future macroeconomic events, or the effect that they are likely to have on our business, financial condition and results of operations. See Item 3. Key Information Risks Relating to Argentina in our 2008 20-F.

Energy consumption in Argentina has increased significantly since 2003, driven in part by price limitations that have kept Argentine energy prices substantially below international prices. Continued growth in demand and a particularly harsh winter in 2007 have recently led to fuel shortages and power outages, prompting the Argentine government to take additional measures to assure domestic supply. At the same time, growth in the production of certain hydrocarbon products has slowed, and in the case of crude oil production has recently declined, due to Argentina s maturing oil and gas fields. As a result of this increasing demand and actions taken by the Argentine regulatory authorities to prioritize domestic supply, exported volumes of hydrocarbon products, especially natural gas, declined steadily since 2003. At the same time, Argentina has increased hydrocarbon imports.

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

	For the Year Ended December 31,		
	2008	2007	2006
Crude Oil in Argentina			
Production (mmbbl)	229.7	234.7	240.7
Exports (mmbbl)	15.3	20.8	32.0
Imports (mmbbl)		0.3	0.6
Diesel in Argentina			
Sales (mcm)(1)	14,753.5	14,754.9	13,903.4
Production (mcm)	12,472.0	12,915.6	12,570.3
Exports (mcm)	7.1	46.6	108.8
Imports (mcm)	843.6	847.1	446.9
Gasoline in Argentina			
Sales (mcm)(1)	5,898.5	5,285.6	4,608.4
Production (mcm)	5,849.1	5,965.2	5,889.3
Exports (mcm)	68.6	1,400.9	1,732.0
Imports (mcm)	51.7	23.0	33.2

(1) Includes domestic market sales.
Sources: Argentine Secretariat of Energy and ENARGAS.

Policy and regulatory developments in Argentina

The Argentine oil and gas industry is currently subject to certain governmental policies and regulations that have resulted in: (i) domestic prices that are substantially lower than prevailing international market prices; (ii) export restrictions; (iii) domestic supply requirements that oblige us from time to time to divert supplies from the export or industrial markets in order to meet domestic consumer demand; and (iv) increasingly higher export duties on the volumes of hydrocarbons allowed to be exported. These governmental pricing limitations, export controls and tax policies have been implemented in an effort to satisfy increasing domestic market demand at prices below international market prices. As discussed in Item 3. Key Information Risk Factors of our 2008 20-F and elsewhere in this report, actions by the Argentine government have had and will continue to have a significant effect on Argentine companies, including us.

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

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

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

Export duties. Since the economic crisis in 2002, the Argentine government has imposed export taxes on certain hydrocarbon products. These taxes have increased substantially in the following years as international prices have surged.

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

Energy Substitution Program. The Department of Federal Planning, Public Investment and Services, by Resolution No. 459/07 of July 12, 2007, created the Energy Substitution Program (*Programa de Energía Total*), which is designed to mitigate shortages of natural gas and electricity by encouraging industrial users to substitute natural gas and electricity during the Argentine winter with imported diesel, fuel oil and LPG subsidized by the government. Resolution No. 1451/2008 of the Department of Federal Planning, Public Investment and Services extended the Energy Substitution Program until December 31, 2009, and Rule No. 287/08 of the Sub-Secretary of Coordination and Control, issued on December 19, 2008, approved the general plans for implementation of the Energy Substitution Program for 2009. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Refined Products in our 2008 20-F. Under this program, ENARSA imports diesel, fuel oil, LPG and natural gas that we buy from ENARSA at the prevailing domestic prices and then sell to consumers in Argentina, mostly at similar prices. As a result, this program has the effect of increasing our net sales and volumes sold, but is mostly operating income-neutral since we do not earn any significant margin on products sold under this program.

Gas Plus. The Argentine Secretariat of Energy, by Resolution SE No. 24/08 of March 13, 2008, created the Gas Plus program to encourage the production of natural gas from newly discovered reserves, new fields and tight gas, among other sources. Natural gas produced under the Gas Plus program will not be subject to the prices set forth in the Agreement 2007-2011 regarding the supply of natural gas to the domestic market during the period 2007 through 2011. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural Gas in our 2008 20-F.

Refining and Petroleum Plus Programs. Decree No. 2014/2008 of the Department of Federal Planning, Public Investment and Services of November 25, 2008, created the Refining Plus and Petroleum Plus programs to encourage (a) the production of diesel fuel and gasoline and (b) the production of crude oil and the increase of reserves through new investments in exploration and operation. The Argentine Secretariat of Energy, by Resolution SE No. 1312/2008 of December 1, 2008, approved the programs. The programs entitle refining companies that undertake the construction of a new refinery or the expansion of their refining and/or conversion capacity and production companies which increase their production and reserves within the scope of the program to receive export duty credits to be applied to exports of products within the scope of Resolution No. 394/2007 and Resolution No. 127/2008 (Annex) issued by the Department of Economy and Production. In order to be eligible for the benefits of both programs, companies plans must be approved by the Argentine Secretariat of Energy.

Declining export volumes

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

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

	For the Six-Month Period Ended June 30,		For the Year Ended December 31,		
Product	**2009**	**2008**	**2008**	**2007**	**2006**
			(units sold)		
Oil (mcm)	2	257	321	425	874
Natural gas (mmcm)	398	285	580	1,358	3,090
Gasoline (mcm)	428	508	880	1,272	1,695
Fuel oil (mtn)	517	558	1,138	1,187	903
Petrochemicals (mtn)	238	247	530	689	700

Due to the generally decreasing export product volumes indicated above and increasing export duties, the portion of our net sales accounted for by exports decreased steadily between 2006 and the first half of 2009. In the six-month

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period ended June 30, 2009, our exports accounted for 15.8% of our consolidated net sales, compared to 25.3% in the same period of the prior year. Exports accounted for 20.7%, 28.9%, and 33.7% of our consolidated net sales in 2008, 2007 and 2006, respectively.

The Argentine government s current policy is not to allow any exports of natural gas other than to the residential sector in certain other countries. In addition, the Argentine government requires companies intending to export crude oil, diesel and LPG to obtain prior authorization from the Secretariat of Energy by demonstrating that local demand for those products has been satisfied. Since 2005, because domestic diesel production has generally not been sufficient to satisfy Argentine consumption needs, exports of diesel have been substantially restricted.

Differences between Argentine and international prices for hydrocarbon products

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

	For the Six-Month Period Ended June 30,				For the Year Ended December 31,					
	2009		2008		2008		2007		2006	
	Peso	U.S.$(1)	Peso	U.S.$(1)	Peso	U.S.$(1)	Peso	U.S.$(1)	Peso	U.S.$(1)
Natural gas (2)(3)	235	65	231	74	228	72	171	54	156	51
Diesel(4)	1,431	395	1,182	379	1,322	416	1,060	337	862	282
Gasoline products(5)	1,447	400	1,124	361	1,250	393	978	310	887	291

(1) Amounts translated from Argentine pesos at the average exchange rate for the period.
(2) Per thousand cubic meters.
(3) Reflects the average of residential prices (which are generally lower than prices to other segments) and industrial prices.
(4) Per cubic meter. Does not include sales by Refinor, in which we have a 50% interest and which is proportionally consolidated in our consolidated financial statements.
(5) Per cubic meter. Does not include sales by Refinor, in which we have a 50% interest, and which is proportionally consolidated in our consolidated financial statements. The average price shown for each period is the volume-weighted average price of the various grades of gasoline products sold by us in the domestic market during such period.

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

In addition, the price at which Bolivia exports natural gas to Argentina (which is purchased by ENARSA) was approximately U.S.$4.584/mmBtu in June 2009, while the price at which we purchase natural gas from ENARSA was approximately U.S.$2.25/mmBtu in June 2009.

Additionally, pursuant to Resolution 599/2007 of the Secretariat of Energy dated June 14, 2007 (see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural gas in our 2008 20-F), the Argentine government and gas producers, including us, entered into an agreement for the supply of certain volumes of gas to each segment of the domestic market during the period 2007 through 2011.

Relative maturity of our oil and gas assets

Argentina s oil and gas fields are mature and, as a result, our reserves and production are declining as reserves are depleted. Because we mainly have concessions for mature oil and gas fields that are undergoing natural production declines, it is difficult to replace our proved reserves from other categories of reserves. In 2008, our estimated proved oil reserves and oil production, without considering NGL, declined by 4.1% and 4.6%, respectively, over the preceding year, while our estimated proved gas reserves and gas production declined by 16.4% and 4.4%, respectively, over the same period. As a result, in an effort to maintain our high refinery utilization rates and because of regulatory requirements to supply certain hydrocarbon products to the domestic market, we purchased crude oil and natural gas

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from third parties. In 2008 and 2007, our crude oil production, substantially all of which was destined to our refineries, represented approximately 78% and 83%, respectively, of the total crude oil processed by our refineries, and in 2008 and 2007, our natural gas production represented approximately 99% and 93%, respectively, of our total natural gas sales. In addition, in the six-month period ended June 30, 2009, our crude oil production represented approximately 79% of the total crude oil processed by our refineries, while our natural gas production represented approximately 100% of our total natural gas sales. We expect our oil and gas proved reserves and production rates to continue their decline.

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

See Item 4. Information on the Company Exploration and Development Activities Reserves in our 2008 20-F for more information on our proved reserves.

Increasing cost of sales

Our cost of sales accounted for 68.1% and 66.3% of our consolidated net sales in the six-month periods ended June 30, 2009 and 2008, respectively, and 68.9%, 65.3% and 61.7% of our consolidated net sales in 2008, 2007 and 2006, respectively. Our cost of sales increased significantly between 2006 and the first half of 2009, mainly as a result of: increased purchases of crude oil from third parties, driven by our efforts to maintain our high refinery utilization rates in light of our declining production; increased purchases of natural gas and diesel from third parties to fulfill our domestic supply requirements and avoid penalties under certain delivery contracts; higher labor costs; higher costs related to the renegotiation of certain service contracts; and inflation. Due to prevailing Argentine price limitations, we have been unable to pass many of these cost increases to our customers in the form of higher hydrocarbon product prices.

Critical Accounting Policies

U.S. GAAP reconciliation

The difference between our net income under Argentine GAAP and our net income under U.S. GAAP for the six-month periods ended June 30, 2009 and 2008 is primarily due to the remeasurement into functional currency and translation into reporting currency, the elimination of the inflation adjustment into Argentine constant pesos, the impairment of long-lived assets, capitalization of financial expenses, accounting for assets retirement obligations, proportional consolidation of investments in jointly controlled companies, and the consolidation of variable interest entities.

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

Under U.S. GAAP, a definition of the functional currency is required which may differ from the reporting currency. Management has determined, for us and certain of our subsidiaries and investees, the U.S. dollar to be the functional currency in accordance with Statement of Financial Accounting Standards (SFAS) No. 52. Therefore, we have re-measured into U.S. dollars our Unaudited Interim Financial Statements as of June 30, 2009 and 2008, in each case prepared in accordance with Argentine GAAP by applying the procedures specified in SFAS No. 52. The objective of the re-measurement process is to produce the same results that would have been reported if the accounting records had been kept in the functional currency. Accordingly, monetary assets and liabilities are re-measured at the balance sheet date (current) exchange rate. Amounts carried at prices in past transactions are re-measured at the exchange rates in effect when the transactions occurred. Revenues and expenses are re-measured on a monthly basis at the average rates of exchange in effect during the period, except for consumption of non-monetary assets, which are re-measured at the rates of exchange in effect when the respective assets were acquired. Translation gains and losses on monetary assets and liabilities arising from the re-measurement are included in the determination of net income (loss) in the period such gains and losses arise. For certain of our subsidiaries and investees, we have determined the Argentine peso as the functional currency. Translation adjustments resulting from the process of translating the financial statements of the mentioned subsidiaries into U.S. dollars are not included in determining net income and are reported in other comprehensive income (OCI), as a component of shareholders equity.

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The amounts obtained from the re-measurement process referred to above are translated into Argentine pesos under the provisions of SFAS No. 52. Assets and liabilities are translated at the current selling exchange rate of Ps.3.80 to U.S.$1.00, as of June 30, 2009. Revenues, expenses, gains and losses reported in the income statement are translated at the exchange rate existing at the time of each transaction or, if appropriate, at the weighted average of the exchange rates during the period. Translation effects of exchange rate changes are included as a cumulative translation adjustment in shareholders equity. For the six-month periods ended June 30, 2009 and 2008, the re-measurement into functional currency and the translation into reporting currency decreased net income determined according to Argentine GAAP by Ps.392 million and Ps.1,091 million, respectively.

Under Argentine GAAP, we have proportionally consolidated, net of intercompany transactions, assets, liabilities, net sales, cost and expenses of investees in which joint control is held. Under U.S. GAAP these investees are accounted for by the equity method. The proportional consolidation mentioned above generated an increase of Ps.701 million in total assets and total liabilities as of June 30, 2009, and an increase of Ps.563 million and Ps.903 million in net sales and Ps.171 million and Ps.498 million in operating income for the six-month periods ended June 30, 2009 and 2008, respectively.

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

Under U.S. GAAP, until December 31, 2008, for proved oil and gas properties, we performed the impairment test on an individual field basis. From January 2009, we have reassessed our proved oil and gas properties grouping, as a consequence of certain regulatory developments that have been implemented in Argentina during recent periods that have also affected our operations, as described in Item 2. Update of Management s Discussion and Analysis of Financial Condition and Results of Operations Policy and regulatory developments in Argentina. As a consequence of this reassessment, from January 1, 2009, oil properties are grouped into an unique cash generating unit and gas properties are grouped by basin, considering logistics restrictions. Impairment charges recorded through December 31, 2008, have not been reversed, and the modification in the long-lived asset grouping has therefore not had any effect on our results of operations for the period ended June 30, 2009. Other long-lived assets are aggregated, so that the discrete cash flows produced by each group of assets may be separately analyzed. Each asset is tested following the guidelines of SFAS No. 144, Accounting for the Impairment of Long-Lived Assets, by comparing the net book value of such an asset with the expected undiscounted cash flow. Impairment losses are measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. When market values are not available, we estimate them using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets. There were no impairment charges under U.S. GAAP for the six-month periods ended June 30, 2009 and 2008.

The adjusted book value after impairment under U.S. GAAP results in lower depreciation of Ps.105 million and Ps.74 million for the six-month periods ended June 30, 2009 and 2008, respectively.

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

Under U.S. GAAP, SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement cost. The standard applies to the legal obligation associated with the retirement of long-lived assets that results from the acquisition, construction, development and normal use of the asset. Accounting for Assets Retirement Obligations, requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The asset retirement obligations liability is built up in cash flow layers, with each layer being discounted using the discount rate as of the date that the layer was created. Remeasurement of the entire obligation using current discount rates is not permitted. Each cash flow layer is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability is increased due to the passage of time based on the time value of money (accretion expense) until the obligation is settled. Argentine GAAP

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is similar to SFAS No. 143, except for a change in the discount rate is treated as a change in estimates, so the entire liability must be recalculated using the current discount rate, being the change added or reduced from the related asset.

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

Through May 2008, we had operations with one variable interest entity (VIE), which was created in order to structure our future deliveries of oil. YPF Holdings has a non-contributory defined-benefit pension plan and postretirement and postemployment benefits. Under U.S. GAAP, the Company fully recognized the underfunded status of defined-benefit pension and postretirement plans as a liability in the financial statements reducing the Company s shareholders equity through the accumulated OCI account. Under Argentine GAAP, unrecognized actuarial losses are not considered in the amount of the net liability. For a more detailed discussion of the most significant differences between Argentine GAAP and U.S. GAAP, please refer to Note 6(f) to the Unaudited Interim Financial Statements.

Principal Income Statement Line Items

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

Net sales

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

Cost of sales

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

	For the Six-Month Period Ended June 30,	
	2009	**2008**
	(in millions of pesos)	
Inventories at beginning of year	3,449	2,573
Purchases for the period	2,574	3,924
Production costs(1)	7,928	7,135
Holding gains on inventories	(256)	123
Inventories at end of period	(2,963)	(2,854)
Cost of sales	10,732	10,901

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

	For the Six-Month Period Ended June 30,	
	2009	**2008**
	(in millions of pesos)	
Salaries and social security taxes	574	485
Fees and compensation for services	87	98

Other personnel expenses	173	158
Taxes, charges and contributions	130	139
Royalties and easements	1,261	1,138
Insurance	102	55
Rental of real estate and equipment	222	189
Depreciation of fixed assets	2,316	1,970
Industrial inputs, consumable material and supplies	266	279
Operation services and other service contracts	663	526
Preservation, repair and maintenance	942	917
Contractual commitments	3	156
Transportation, products and charges	419	448
Fuel, gas, energy and miscellaneous	770	577
Total	7,928	7,135

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Other income (expense), net

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

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

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

Taxes

The statutory corporate income tax rate in Argentina was 35% during each of the periods presented in this report. Our effective tax rates for the periods discussed in this report exceed the Argentine corporate income tax rate mainly due to the non-deductibility of the amortization of the effect of inflation indexation on fixed assets, offset in part by income on non-consolidated long-term investments (which is included in our consolidated financial statements net of corporate income tax as payable by investees) and tax-free income from the sale of hydrocarbons produced in Tierra del Fuego. See Note 2(f) to the Unaudited Interim Financial Statements.

Consolidated results of operations for the six-month periods ended June 30, 2009 and 2008

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

	For the Six-Month Period Ended June 30, 2009	2008
	(percentage of net sales)	
Net sales	100.0%	100.0%
Cost of sales	(68.1)	(66.3)
Gross profit	31.9	33.7
Administrative expenses	(3.4)	(2.6)
Selling expenses	(7.6)	(6.7)
Exploration expenses	(2)	(1.3)
Operating income	18.9	23.1

The tables below present, for the periods indicated, volume and price data with respect to our consolidated sales of our principal products in the domestic and export markets, respectively. The data presented below does not include sales by Compañía Mega S.A. (Mega), Refinor or Profertil, jointly-controlled companies in which we have 38%, 50% and 50% interests, respectively, and which are proportionally consolidated in our consolidated financial statements. Mega, Refinor and Profertil contributed, after consolidation adjustments, 0.63%, 1.38% and 1.55%, respectively, of our consolidated net sales for the six-month period ended June 30, 2009 and 1.37%, 1.38% and 2.75%, respectively, of our consolidated net sales for the six-month period ended June 30, 2008.

Domestic Market	For the Six-Month Period Ended June 30, 2009		2008	
Product	Units sold	Average price per unit(1)	Units sold	Average price per unit(1)
	(in pesos)		(in pesos)	
Natural gas	7,438 mmcm	235/mcm	7,939 mmcm	231/mcm
Diesel	3,874 mcm	1,431/m3	4,032 mcm	1,182/m3
Gasoline	1,669 mcm	1,447/m3	1,414 mcm	1,124/m3
Fuel oil (2)	390 mtn	1,138/ton	510 mtn	1,373/ton
Petrochemicals	244 mtn	1,436/ton	336 mtn	2,094/ton

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

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(2) For the period ended June 30, 2008, includes sales under the Energy Substitution Program amounting to 104 mtn.

Export Markets	**For the Six-Month Period Ended June 30, 2009**		**2008**	
Product	**Units sold**	**Average price per unit(1)**	**Units sold**	**Average price per unit(1)**
		(in pesos)		**(in pesos)**
Natural gas (2)	398 mmcm	1,674/mcm	285 mmcm	731/mcm
Gasoline	428 mcm	2,738/m3	508 mcm	2,473/m3
Fuel oil	517 mtn	1,152/ton	558 mtn	1,720/ton
Petrochemicals	238 mtn	1,457/ton	247 mtn	2,645/ton

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

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

Net sales

Net sales in the six-month period ended June 30, 2009 were Ps.15,767 million, representing a 4.1% decrease compared to Ps.16,443 million in the six-month period ended June 30, 2008. This decrease was primarily attributable to decreases in the volumes of certain products sold in the domestic market (including natural gas and fertilizers, among others) attributable to declining demand for these products, and lower prices and, in most cases, lower volumes sold of exported products, due mainly to the negative trends in international hydrocarbon demand and prices starting in the second half of 2008. Commodity prices were strongly affected, with the average international market price of WTI during the first half of 2009 decreasing by approximately 50% compared to the same period of 2008. The average price of certain products sold in the domestic market, such as fuel oil, jet fuel and petrochemicals, which tend to track international market prices, decreased as well. These effects were only partially offset by higher average domestic prices for diesel, gasoline and natural gas (although domestic prices remain below prevailing international prices) and by an increase in the volume of gasoline sold domestically.

For further information on our net sales for the periods discussed above, see Results of operations by business segment for the six-month periods ended June 30, 2009 and 2008.

Cost of sales

Cost of sales in the six-month period ended June 30, 2009 was Ps.10,732 million compared to Ps.10,901 million in the six-month period ended June 30, 2008, representing a 1.6% decrease, which was partly attributable to a decrease in the total volumes purchased, especially of crude oil purchased from third parties, which had increased during the second quarter of 2008 as a result of a decline in our production caused by labor strikes in our Southern operations during that period, as well as a decrease in the volumes purchased of fertilizers due to the lower demand for these products. These decreases were almost completely offset by general increases in costs, mainly in preservation, repair and maintenance, and operation services and other service contracts, driven mainly by upward price pressure, as well as in royalties, driven mainly by higher crude oil production during the six-month period ended June 30, 2009, compared to the same period of 2008. In addition, higher asset depreciation was mainly due to the increase in newly constructed assets that commenced operations and were subject to depreciation after the first half of 2008.

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Administrative expenses

Our administrative expenses increased by Ps.100 million in the six-month period ended June 30, 2009 compared to the six-month period ended June 30, 2008. The increase is explained by almost all of the components of administrative expenses, and particularly the increase in wages and social security costs, driven mainly by general cost increases in the economy.

Selling expenses

Our selling expenses were Ps.1,196 million in the six-month period ended June 30, 2009 compared to Ps.1,102 million in the six-month period ended June 30, 2008, representing an increase of 8.5%, resulting from increases in almost all of the components of selling expenses, particularly in preservation, repair and maintenance, and other service contracts, due mainly to general cost increases in the economy as well as the refurbishing of our service stations to fit them for the sale of our new low-sulfur diesel (Euro Diesel).

Operating income

As a result of the foregoing, operating income in the six-month period ended June 30, 2009 was Ps.2,988 million compared to Ps.3,793 million in the six-month period ended June 30, 2008, representing a decrease of 21.2%.

Our operating margins (operating income divided by net sales) were 19% and 23% in the six-month periods ended June 30, 2009 and 2008, respectively.

Other income (expense), net

Other income (expense), net experienced a positive variation of Ps.244 million compared to the period ended June 30, 2008 due mainly to lower expenses related to environmental obligations, and certain recoveries from insurance claims related to Profertil, our jointly controlled entity.

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

In the six-month period ended June 30, 2009, financial (expense) income, net and holding (losses) gains, were an expense of Ps.1,041 million, compared to financial income of Ps.270 million in the six-month period ended June 30, 2008. The change in trend is attributable to Ps.412 million in net negative exchange rate differences resulting from the depreciation of the Argentine peso against the U.S. dollar, as our outstanding liabilities exceed our assets denominated in U.S. dollars, as well as a Ps.227 million increase in interest expenses mainly attributable to our higher average level of outstanding financial debt in the first half of 2009 compared to the first half of 2008.

Taxes

Income tax expense in the six-month period ended June 30, 2009 decreased to Ps.899 million from Ps.1,635 million in the six-month period ended June 30, 2008, mainly as a result of a lower net income before income tax, as explained in previous paragraphs.

Net income

Net income for the six-month period ended June 30, 2009 was Ps.1,047 million, compared to Ps.2,254 million in the same period in 2008, a decrease of 53.5%.

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Results of operations by business segment for the six-month periods ended June 30, 2009 and 2008

The following table sets forth net sales and operating income for each of our lines of business for the six-month periods ended June 30, 2009 and 2008:

	For the Six-Month Period Ended June 30, 2009	2008
	(in millions of pesos)	
Net sales(1)		
Exploration and production(2)		
To unrelated parties	2,443	2,198
To related parties	317	523
Inter-segment sales and fees(3)	6,950	5,715
Total exploration and production	9,710	8,436
Refining and marketing(4)		
To unrelated parties	11,751	11,279
To related parties	311	973
Inter-segment sales and fees	488	571
Total refining and marketing	12,550	12,823
Chemical		
To unrelated parties	738	1,349
Inter-segment sales and fees	423	542
Total Chemical	1,161	1,891
Corporate and other		
To unrelated parties	207	121
Inter-segment sales and fees	112	203
Total Corporate and others	319	324
Less inter-segment sales and fees	(7,973)	(7,031)
Total net sales(5)	15,767	16,443
Operating income (Loss)		
Exploration and production	2,633	2,010
Refining and marketing	555	1,525
Chemical	167	658
Corporate and other	(449)	(328)
Consolidation adjustments	82	(72)
Total operating income	2,988	3,793

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

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

(3) Inter-segment sales of crude oil to Refining and Marketing are recorded at transfer prices that reflect our estimate of Argentine market prices.
(4) Includes LPG activities.
(5) Total net sales include export sales of Ps.2,489 million and Ps.4,155 million for the six-month periods ended June 30, 2009 and 2008, respectively.

Exploration and production

Exploration and Production sales increased to Ps.9,710 million in the first half of 2009 from Ps.8,436 million in the first half of 2008, representing an increase of 15.1%. Inter-segment sales volume increased by 15.6% in the first half of 2009 compared to the same period of the prior year (inter-segment sales were especially strong during the second quarter of 2009), due to an increase in our consumption of existing stocks and our higher production levels, which allowed us to supply our refineries with a higher percentage of their total demand, as well as higher inter-segment oil prices. We were able to replace a portion of our third party crude oil purchases with our own production during the first half of 2009 due to our increased production levels, which were adversely affected during the second quarter of 2008 due to labor strikes at our production facilities in the South of the country. Average daily oil production increased to 315 mbbl in the first half of 2009 from 307 mmbl in the first half of 2008. The decrease in average international crude oil prices (of approximately 54% between periods) did not affect our inter-segment sales prices, which increased by 3% in U.S. dollar terms (and significantly more in Argentine peso terms, taking into account the devaluation of the peso against the U.S. dollar) in the first half of 2009 from the first half of 2008, because domestic prices in the first half of 2008 were effectively limited by the imposition in November 2007 of higher export tax rates pursuant to Resolution No. 349/07. Accordingly, inter-segment sales price during the six-month period ended June 30, 2009, were established by taking account of price renegotiations among companies operating in the domestic market after the enactment of the aforementioned resolution. These increases in oil sales were partially offset by a 6.3% decrease in the volume of domestic gas sales, attributable mainly to lower demand from our gas distributor clients that serve the domestic market, which was in turn only partially offset by a 1.7% increase in domestic market gas prices that were driven mainly by price increases to the power generation segment of the Argentine market. Domestic sales of gas accounted for approximately 94% of our natural gas production during the first half of 2009, compared to 93% in the first half of 2008.

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Segment operating expenses increased by Ps.651 million in the first half of 2009 from the same period of the prior year due mainly to generalized price increases in the broader economy, as well as the significant increases in royalties and exploration expenses. Royalties, which increased by Ps.120 million in the first half of 2009 from the same period in the prior year, increased mainly due to our increased production. Exploration expenses, which increased by Ps.104 million in the first half of 2009 from the same period in the prior year, increased mainly due to increased exploratory activity in the Golfo San Jorge, Marina and Austral basins in the first half of 2009 from the same period in the prior year.

As a result of the foregoing, Exploration and Production operating income reached Ps.2.633 million in the first half of 2009, a 31% increase from the Ps.2,010 million in the same period of the prior year.

Refining and marketing

Refining and Marketing sales decreased 2.1% to Ps.12,550 million in the first half of 2009 from Ps.12,823 million in the first half of 2008. This decrease was mainly a result of the following factors:

- Decreases in the average prices of certain refined products (which tend to follow international market prices) sold in the domestic market in the first half of 2009 compared to the same period in the prior year, particularly fuel oil (17.1%), jet fuel (36.7%), and petrochemicals (31.4%). These price decreases were related to the approximately 50% decline in the average international market price of WTI in the first half of 2009 compared to the first half of 2008.

- Decreases in the volumes of most refined products sold in the domestic market in the first half of 2009 compared to the same period in the prior year, including diesel (3.9%), fuel oil (23.5%) and petrochemicals (27.4%). These decreases were mainly attributable to declines in demand for these products.

- Decreases in the prices and volumes of most refined products sold in the export markets, including gasoline (prices increased 10.7%, but were more than offset by a 15.7% decrease in the volume sold), fuel oil (prices decreased 33.0% and volumes decreased 7.3%) and petrochemicals (prices decreased 44.9% and volumes decreased 3.6%). The decreases in price were related to the aforementioned decrease in international WTI prices while the decreases in volumes sold were attributable mainly to weaker global demand for these products.

The decreases in sales described above were partially offset by the higher average prices for diesel (22.4%) and gasoline (28.7%) and an increase in the volume of gasoline (18.0%) sold in the domestic market in the first half of 2009 compared to the first half of 2008.

Segment operating expenses increased 6.2% to Ps.11,995 million in the first half of 2009 from Ps.11,298 million in the first half of 2008, due mainly to the following factors:

- The higher cost of crude oil purchases, due mainly to the aforementioned increase in intersegment oil sales prices.

- An increase in production costs, due mainly to generalized price increases in the broader economy. In particular, energy, industrial inputs, and service contracts increased significantly in the first half of 2009 compared to the same period in the prior year. Consequently, refining cost per barrel (which we calculate as the segment s cost of sales for the period less crude oil purchase costs and depreciation of fixed assets, divided by the number of barrels produced during the period) increased by 15.1% to Ps.12.54 in the first half of 2009 from Ps.10.89 in the first half of 2008.

As a result of the foregoing, Refining and Marketing operating income in the first half of 2009 reached Ps.555 million, a decrease of 63.6% from the Ps.1,525 million achieved in the first half of 2008.

Refinery output in the six-month period ended June 30, 2009, including 50% of Refinor s output (we own 50% of Refinor), represented a utilization rate of almost 100% of the existing processing capacity.

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Chemical

Operating income in the six-month period ended June 30, 2009 reached Ps.167 million, a decrease of Ps.491 million, or 74.6%, from the Ps.658 million recorded in the six-month period ended June 30, 2008. This decrease was attributable mainly to a decline in domestic sales resulting from lower prices in certain products such as methanol, which tend to follow international market prices, as well as a decrease in the volume sold of fertilizers. In addition, lower margins on exported products due to the decline in international prices also contributed to the decrease in operating income.

Liquidity and Capital Resources

Financial condition

Total debt outstanding, net of cash, as of June 30, 2009 was U.S.$1,563 million (Ps.5,938 million) consisting of short-term debt (including the current portion of long-term debt) of U.S.$947 million (Ps.3,599 million) and long-term debt of U.S.$616 million (Ps.2,339 million). This compares to total outstanding debt, net of cash, of U.S.$1,185 million (Ps.4,088 million) as of December 31, 2008, of which U.S.$820 million (Ps.2,828 million) was short-term debt (including the current portion of long-term debt) and U.S.$365 million (Ps.1,260 million) was long-term debt. As of June 30, 2009, a major part of our debt was denominated in U.S. dollars (see Note 3(g) to the Unaudited Interim Financial Statements.) The use of derivatives is detailed in Quantitative and Qualitative Disclosure about Market Risk. We intend to either refinance our short-term debt maturities or repay them with internally-generated cash flows.

Since September 2001, we have repurchased certain of our publicly-traded bonds in open market transactions on an arms-length basis. As of October 30, 2009, we had repurchased approximately U.S.$13 million of our outstanding bonds. We may from time to time make additional purchases of, or affect other transactions relating to, our publicly-traded bonds if in our own judgment the market conditions are attractive.

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

	For the Six-Month Period Ended June 30,	
	2009	2008
	(in millions of pesos)	
Net cash flows provided by operating activities	3,505	7,059
Net cash flows used in investing activities	(2,167)	(2,815)
Net cash flows used in financing activities	(811)	(4,468)
Net increase/(decrease) in cash and equivalents	527	(224)
Cash and equivalents at the beginning of period	1,215	847
Cash and equivalents at the end of period	1,742	623

Net cash flow used in financing activities in the six-month period ended June 30, 2009 includes net proceeds from obtained loans in the amount of Ps.1,667 million and Ps.2,478 million in dividend payments.

Net cash flow provided by operating activities was Ps.3,505 million in the six-month period ended June 30, 2009, compared to Ps.7,059 million in the six-month period ended June 30, 2008. The decrease was mainly due to the collection in 2008 of loans granted by us to related parties, as well as to the decrease in our operating profit.

The principal uses of cash in investing activities in the six-month period ended June 30, 2009 included Ps.2,205 million in fixed asset acquisitions relating mainly to drilling activities in our Exploration and Production business unit.

In response to market financial conditions prevailing in Argentina as of the date of this report, our financial policy seeks to structure a portion of our short-term debt in local currency. Pursuant to this policy, we have several domestic credit lines available from financial institutions. We believe that our level of working capital will not affect our business operations, mainly as a result of the expected net cash flow provided by operating activities in 2009. However, we are currently making efforts to convert our short-term financial debt into long-term financial debt.

Repsol YPF and Petersen Energía have agreed in the shareholders agreement entered into by them in connection with the Petersen Transaction (as defined in Item 7. Major Shareholders and Related Party Transactions Shareholders Agreement in our 2008 20-F) to effect the adoption of a dividend policy under which we would distribute 90% of our net income as dividends, starting with our net income for 2007. They have also agreed to vote in

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favor of requiring us to distribute an additional dividend of U.S.$850 million, payable jointly with the ordinary dividends in 2008 and 2009. See Item 8. Financial Information Dividends Policy and Item 7. Major Shareholders and Related Party Transactions Shareholders Agreement in our 2008 20-F. We paid dividends in the amount of Ps.2,478 million in May 2009.

The shareholder s meeting held on January 8, 2008 approved a notes program for an amount up to U.S.$1 billion, which was also approved by the CNV in June 2008. The proceeds of any offerings under this program must be used exclusively to invest in fixed assets and working capital in Argentina. On September 28, 2009, we issued negotiable obligations under this program in an amount of Ps.205 million, which will accrue interest at a variable rate and will mature in March 2011.

The following table sets forth our commitments for the periods indicated below with regard to the principal amount of our debt as of June 30, 2009, plus accrued but unpaid interest through June 30, 2009:

			Expected Maturity Date				
	Total	**Less than 1 year**	**1 2 years**	**2 3 years**	**3 4 years**	**4 5 years**	**More than 5 years**
			(in millions of pesos)				
Debt	6,500	4,161	1,522	570			247

Covenants in our indebtedness

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

With respect to financial debt totaling Ps.6,500 million (U.S.$1,711 million), including accrued interest (long- and short-term debt, including overdrafts) as of June 30, 2009, we have agreed, among other things and subject to certain exceptions, not to establish liens or charges on our assets. In the event of a payment default, the creditors may declare due and immediately payable the principal and accrued interest on amounts owed to them. Upon an event of default with respect to other matters, in the case of outstanding negotiable obligations amounting to Ps.251 million (U.S.$66 million) (included in the figure above), the trustee may declare due and immediately payable the principal and accrued interest on amounts owed if required by the holders of at least 25% of the total principal of the outstanding obligations.

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

Credit rating

As of the date of this report, FITCH Ratings (FITCH) s International Rating for our foreign currency denominated debt was

BB-, and for our domestic currency denominated debt was BB. FITCH Argentina Calificadora de Riesgo S.A. (FITCH Argentina) s National Rating is AAA for our Negotiable Obligation Programs. FITCH and FITCH Argentina have a stable outlook on all of our ratings.

Moody s Investors Service s has rated our domestic currency denominated debt Ba1 and maintains a stable outlook following the recent downgrade.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

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

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Guarantees provided

As of June 30, 2009, we had signed guarantees in relation to the financing activities of Pluspetrol Energy S.A., Central Dock Sud S.A. and Inversora Dock Sud S.A. which outstanding amounts were approximately U.S.$14 million, U.S.$21 million and Ps.5 million, respectively. The corresponding loans mature in 2011, 2013 and 2009, respectively.

Capital investments and expenditures

The table below sets forth our capital expenditures and investments by activity for the six-month periods ended June 30, 2009 and 2008.

	For the Six-Month Period Ended June 30,			
	2009 (in millions of pesos)	(%)	2008 (in millions of pesos)	(%)
Capital Expenditures and Investments				
Exploration and Production	1,778	78	2,387	82
Refining and Marketing	370	16	327	11
Chemical	57	2	64	2
Corporate and Other	89	4	147	5
Total	2,294	100%	2,925	100%

Off-Balance Sheet Arrangements

We have entered into certain off-balance sheet arrangements, as described in Guarantees provided above.

Qualitative and Quantitative Disclosure About Market Risk

The following quantitative and qualitative information is provided about financial instruments to which we are a party as of June 30, 2009, and from which we may incur future gains or losses from changes in market, interest rates or foreign exchange rates. We do not enter into derivative or other financial instruments for trading purposes.

This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in Item 3. Key Information Risk Factors in our 2008 20-F.

Foreign currency exposure

We generally follow a policy of not hedging our debt obligations in U.S. dollars. In addition, our costs and receipts denominated in currencies other than the Argentine peso, including the U.S. dollar, often do not match. As a result, we are currently exposed to risks associated with changes in foreign currency exchange rates. See Item 3. Key Information Risks Relating to Argentina We may be exposed to fluctuations in foreign exchange rates in our 2008 20-F.

The table below provides information about our assets and liabilities denominated in currency other than pesos (principally U.S. dollars) that may be sensitive to changes in foreign exchange rates, as of June 30, 2009.

	Expected Maturity Date				
	Less than 1 year	1-3 years	3-5 years	More than 5 years and undetermined	Total
	(in millions of U.S. dollars)				
Assets	1,145	39		37	1,221

Accounts payable	1,156	169	112	202	1,639
Debt	859	551		65	1,475
Other Liabilities	112	7	7	246(1)	372

(1) Includes U.S.$226 million corresponding to reserves with undetermined maturity.

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Interest rate exposure

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

The table below provides information about our assets and liabilities as of June 30, 2009 that may be sensitive to changes in interest rates.

	Expected Maturity Date (in millions of pesos)							
	Less than 1 year	1 2 years	2 3 years	3 4 years	4 5 years	More than 5 years	Total	Fair Value
Assets								
Fixed rate								
Other Receivables (Related parties)	78	119					197	186
Interest rate	6.36%	6.36%						
Liabilities								
Fixed rate								
YPF s Negotiable Obligations						247	247	209
Interest rate						10%		
Related Parties	654						654	654
Interest rate	3.17-18.75%							
Other Short-term debt	3,355	607	572	34	11	56	4,635	4,635
Interest rate	3.04-19.26%	3.04-19.26%	3.04-19.26%	9.38%	9.38%	9.38%		
Variable rate								
Related parties	188	949					1,137	1,137
Interest rate	Libor +2%	Libor +2%						
Other Short-term debt	68						68	68
Interest rate	15.5-22.5%							

ITEM 3. UPDATE OF LEGAL PROCEEDINGS

Argentina

The Privatization Law provides that the Argentine State shall be responsible, and shall hold us harmless, for any liabilities, obligations or other commitments existing as of December 31, 1990 that were not acknowledged as such in the financial statements of Yacimientos Petrolíferos Fiscales Sociedad del Estado as of that date arising out of any transactions or events that had occurred as of that date, provided that any such liability, obligation or other commitment is established or verified by a final decision of a competent judicial authority. In certain lawsuits related to events or acts that took place before December 31, 1990, we have been required to advance the payment of amounts established in certain judicial decisions, and have subsequently been reimbursed or are currently in the process of requesting reimbursement from the Argentine government of all material amounts in such cases. We are required to keep the Argentine government apprised of any claim against us arising from the obligations assumed by the Argentine government. We believe we have the right to be reimbursed for all such payments by the Argentine government pursuant to the above-mentioned indemnity, which payments in any event have to date not been material. This indemnity also covers fees and expenses of lawyers and technical consultants subject, in the case of our lawyers and consultants, to the requirement that such fees and expenses not be contingent upon the amounts in dispute.

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Reserved, probable contingencies

Reserves totaling Ps.1,439 million, Ps.1,821 million, Ps.1,898 million, and Ps.1,571 million as of June 30, 2009, December 31, 2008, 2007 and 2006, respectively, have been established to provide for contingencies which are probable and can be reasonably estimated. In the opinion of our management, in consultation with our external counsel, the amount reserved reflects the best estimation, based on the information available as of the date of this annual report, of the probable outcome of the mentioned contingencies. The most significant legal proceedings and claims reserved are described in the following paragraphs.

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

Given that the Argentine Supreme Court has previously established under Law No. 22,262 that the statute of limitations for administrative infractions is two years, we believe that our defense based on the statute of limitations is solid. Since the imputed conduct occurred before September 29, 1999, which is the effective date of the new law, we believe that the law applicable to the proceeding is Law No. 22,262 instead of the new Antitrust Protection Law (No. 25,156). We filed appeals with the National Economic Criminal Court: (i) on July 29, 2003, in view of the rejection by the CNDC of the motion to overturn the resolution that ordered the opening of the preliminary investigations without deciding in advance on the statute of limitations defense claimed by us; and (ii) on February 4, 2004, in view of the rejection by the CNDC of the motion to overturn the resolution that ordered the charge because of a lack of majority and prejudgment. On April 13, 2004, the National Court of Appeals in Criminal Economic Matters sustained the appeal filed by us on the grounds of lack of majority of the CNDC in passing the objected resolution. On August 31, 2004, we appealed the resolution passed by the CNDC that rejected our statute of limitations defense. The CNDC accepted the appeal and referred the proceedings to Chamber II of the National Court of Appeals in Federal Civil and Commercial Matters, which subsequently referred the proceeding to Chamber B of the National Court of Appeals in Criminal Economic Matters. On March 3, 2006, the CNDC decided on the evidence that we shall produce during this proceeding. During August and September 2007, hearings involving the testimony of witnesses proposed by us took place. Despite the arguments expressed by us, the above-mentioned circumstances make evident that, preliminarily, the CNDC rejects the defenses filed by us and that the CNDC is reluctant to modify the doctrine provided by Resolution No. 189/99. On August 12, 2008, Chamber B of the National Court of Appeals in Criminal Economic Matters rejected our statute of limitations argument. We have appealed this decision. Upon Chamber B s confirmation of the CNDC s resolution, YPF filed a cassation and an extraordinary appeal on the basis that the CNDC bases its arguments on Law No. 22,262, while Chamber B relies on the application of Law No. 25,156. Chamber B of the National Court of Appeals in Criminal Economic Matters rejected both appeals. YPF has consequently presented two complaint appeals: one against the rejection of the cassation appeal (rejected on December 18, 2008) and another against the rejection of the extraordinary appeal (rejected on February 17, 2009). Both appeals are under evaluation. Despite our arguments, the mentioned circumstances make evident that, preliminarily, the CNDC denies the defenses filed by the Company and that it is reluctant to modify the doctrine provided by the Resolution No. 189/1999.

Alleged defaults under natural gas supply contracts. Since 2004, the Argentine Secretariat of Energy and the Undersecretariat of Fuels, through Rule No. 27/04, Resolutions No. 265/04, 659/04, 752/05, 1329/06 and 599/07, have on various occasions instructed us to supply certain quantities of natural gas to the Argentine domestic market, in each case notwithstanding the lack of a contractual commitment on our part to do so. In addition, the Argentine government has, at various times since 2004, imposed direct volume limitations on natural gas exports in different ways. As a result of these measures, from 2004 to the present, 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.

We appealed these measures, but, pending favorable final resolution of such appeals, we have been obliged to comply in order to avoid greater losses to us and our export customers that could be occasioned by the revocation of our

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export permits or other penalties. We informed our natural gas export customers of our position that these governmental measures constitute an event of *force majeure* that releases us from any contractual or extra-contractual liability deriving from the failure to deliver the agreed upon volumes of gas. Some of our customers have rejected our position and three of them have sought damages and/or penalties for breach of supply commitments under a contractual deliver or pay clause, which claims have been rejected by us.

We were in pre-arbitral settlement discussions with the other two clients that have sought damages from us under the deliver-or-pay clause, Electroandina S.A. and Empresa Eléctrica del Norte Grande S.A. These companies have claimed damages through November 2006 in a total amount of approximately U.S.$41 million and, from December 2006 through September 2007, for an additional total amount of U.S.$52 million. We have opposed such claims. Furthermore, the above-mentioned companies have notified the formal start-up period of negotiations previous to any arbitration proceedings. Although such period is overdue, the Company has not been notified of the initiation of the arbitration proceedings.

Additionally, on June 25, 2008, AES Uruguaiana Emprendimientos S.A. (AESU) claimed damages in a total amount of U.S.$28.1 million for missed deliveries of natural gas volumes during the period September 16, 2007 through June 25, 2008. On July 16, 2008, AESU also claimed damages in a total amount of U.S.$2.7 million for missed deliveries of natural gas volumes during the period January 18, 2006 through December 1, 2006. We have contested both of these claims. Both parties have suspended the fulfillment of their obligations under the contract. On September 15, 2008, AESU notified YPF the interruption of the fulfillment of its commitments alleging delay and breach of YPF s obligations. The Company has rejected this notification. On December 4, 2008, YPF notified that having ceased the *force majeure* conditions, pursuant to the contract in force, it would suspend its delivery commitments, due to the repeated breaches of AESU s obligations. This notification was also rejected. On December 30, 2008, AESU rejected YPF s right to suspend its natural gas deliveries. On March 20, 2009, AESU notified YPF that it was terminating the contract. See Arbitration with AES Uruguaiana Emprendimentos S.A. (AESU), Companhia de Gás do Estado do Río Grande do Sul (Sulgás) and Transportadora de Gas del Mercosur S.A. (TGM).

In addition, YPF is subject to certain claims from natural gas transportation suppliers in relation to payments on contracts associated with natural gas exports. One of the parties initiated mediation proceedings with us in order to determine the merits of its claim. As of the date of this report, the mediation proceedings, which have concluded, have not resulted in an agreement. No lawsuit related to these claims has been notified to YPF as of the date of this report.

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

On December 27, 2002, a group of 264 claimants who resided near the La Plata Refinery requested compensation for alleged quality of life deterioration and environmental damages purportedly caused by the operation of the La Plata Refinery. The amount claimed is approximately Ps.67 million. We filed a writ answering the complaint. There are three similar additional claims raised by three groups of 120, 343, and 126 neighbors, respectively. The first group has made a claim for compensation of Ps.20 million, the second group has made a claim for compensation of Ps.54.5 million and the third one has made a claim of approximately Ps.19 million, in addition to a request for environmental cleanup.

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

AFIP tax claims. On January 31, 2003, we received a claim from the Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos*, or AFIP), stating that the forward oil sale agreements entered into by us should have been subject to an income tax withholding. In 2006, we conditionally paid the amounts corresponding to periods that followed those included in the claim by the AFIP (2002 and subsequent periods) and filed reimbursement summary proceedings so as to avoid facing interest payments or a fine. On March 14, 2008 the AFIP notified us of the rejection of the reimbursement previously mentioned. That decision has been appealed to the National Fiscal Court.

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YPF has enrolled in a tax amnesty (as described below) which, among other amounts claimed by the AFIP, applies to the amounts claimed in connection with the forward oil sale agreements for the period before 2002.

In order to reduce interest charges YPF would have to pay if the final resolution of certain claims by the AFIP were unfavorable to YPF, during the six-month period ended June 30, 2009, YPF enrolled in the tax amnesty provided by Law No. 26,476, charging the effects to its income statement for this period. This regime waives fines, significantly reduces interest and allows payment in 120 low-interest installments.

In addition, we have received several other claims from the AFIP and from the provincial and municipal fiscal authorities, which are not individually significant.

Sale of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A. to EDF. In July 2002, EDF Internacional S.A. (EDF), initiated an international arbitration proceeding under the Arbitration Regulations of the International Chamber of Commerce against us, and Endesa International S.A., seeking payment from us of U.S.$69 million which was afterward increased to U.S.$103.2 million plus interests. EDF claims that under a Stock Purchase Agreement dated March 30, 2001 among Endesa Internacional S.A. and Astra Compañía Argentina de Petróleo S.A. (which was subsequently merged into YPF), as sellers, and EDF, as purchaser, with respect to shares of Electricidad Argentina S.A. and Empresa Distribuidora y Comercializadora Norte S.A. (Edenor), EDF is entitled to an adjustment in the purchase price it paid due to changes in the exchange rate of the Argentine peso that EDF asserts to have occurred prior to December 31, 2001. Our position is that the change in the exchange rate did not occur prior to January 2002, and, therefore, EDF is not entitled to the purchase price adjustment. We have filed a counterclaim against EDF in the amount of U.S.$13.85 million as a purchase price adjustment. The arbitral award dated October 22, 2007 accepted the claim against us awarding damages against us in the amount of U.S.$40 million and also accepted our counterclaim against EDF in the amount of U.S.$11.1 million. Consequently, the amount payable by us should the award become final is U.S.$28.9 million plus costs and interest. We have challenged the award by filing an extraordinary appeal before the Argentine Supreme Court and an appeal before the Federal Court of Appeals on Commercial Matters. In April 2008 the Federal Court of Appeals on Commercial Matters suspended the effects of the arbitral award pending its appeal.

Furthermore, EDF sought the enforcement of the arbitral award before a court in Delaware, in the United States. We successfully sought the dismissal of this complaint on the grounds that the arbitral award has been suspended by an Argentine court and, consequently, the Delaware complaint is not permitted under Article 5 of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The Court of First Instance in Delaware dismissed the proceedings. The Court of Appeals overturned that decision and ordered the stay of proceedings until the conclusion of the Argentine annulment proceedings. EDF is also seeking the enforcement of the arbitral award before a court in Paris, France.

Quilmes claims. We have been notified of 31 judicial claims filed by neighbors living near the riverside in Quilmes, in the province of Buenos Aires, as a consequence of a leak related to the pipeline La Plata Dock Sud. One of the claims has been filed by a group of people that allegedly live in this area and have requested the remediation of environmental damages and the payment of approximately Ps.47 million plus interest as compensation for alleged personal damages for hydrocarbons exposure. We have requested an extension of the time to answer the complaint to allow us time to evaluate certain documents submitted to the court by the plaintiffs. The alleged damages are connected with the above-mentioned fuel leak that occurred in 1988 as third parties broke and stole fuel from the pipeline, which was then repaired by Yacimientos Petrolíferos Fiscales. Moreover, we have notified the Argentine government of the existence of this claim, have informed it that we plan to implead it at the time we answer the complaint in order to request that it hold us harmless and indemnify us against any liability derived from this lawsuit, as provided by Law No. 24,145. The Argentine government, through an administrative decision, has denied any responsibility to indemnify us for this matter, and we have sued the Argentine government to obtain a declaratory judgment declaring this administrative decision null and void. Such declaratory judgment is still pending. There are 30 other judicial claims that have been brought against us based on similar allegations, amounting to approximately Ps.5 million. Additionally, we are aware of the existence of other actions brought against us that have not yet been served and which are based on similar allegations. At present, a remediation plan is being performed in the affected area, under the supervision of the environmental authority of the province of Buenos Aires.

Pluspetrol Energy S.A. contractual obligations. Pluspetrol and Gas Atacama Generación S.A. (Gas Atacama), had reached an agreement through which, in case that Pluspetrol could not fulfill its natural gas delivery obligations, it would indemnify Gas Atacama. This agreement would come into effect once ratified by the Secretariat of Energy. However, on March 10, 2008, the Ministry of Economy and Production issued Resolution No. 127/2008, by which the natural gas export tax withholding rate was increased, significantly changing the commercial terms of the aforementioned agreement. Consequently, Pluspetrol informed Gas Atacama and the Secretariat of Energy of its intention to terminate the aforementioned agreement. As a result, the parties have initiated discussions in order to reach a new agreement considering the new regulatory framework.

Non-reserved, possible contingencies

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

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

New Jersey claims. On December 13, 2005, the New Jersey Department of Environmental Protection (the DEP) and the New Jersey Spill Compensation Fund filed a claim with a New Jersey court against Occidental Chemical Corporation, Tierra, Maxus, Repsol YPF, YPF, YPF Holdings and CLH Holdings. The plaintiffs are claiming an undetermined economic compensation and punitive damages as a consequence of environmental damages, as well as the costs and fees associated with this proceeding, based on alleged violations of the Spill Compensation and Control Act, the Water Pollution Control Act and common law claims relating to a facility allegedly operated by the defendants and located in Newark, New Jersey that allegedly impacted the Passaic River and Newark Bay. DEP filed its Second Amended Complaint in April 2008; YPF s motion to dismiss for lack of personal jurisdiction was denied in September 2008. The decision was affirmed by the Court of Appeals following an appeal from YPF. Notwithstanding, the Court denied the plaintiffs motion to bar third party practice and allowed defendants to file third-party claims. Third-party claims against approximately 300 companies and governmental entities (including certain municipalities) which could have responsibility in connection with the claim were filed by Tierra and Maxus Energy Corp. in February, 2009. See YPF Holdings.

Patagonian Association of Land-Owners claims. On August 21, 2003, the Patagonian Association of Land-Owners (ASSUPA) sued the companies operating production concessions and exploration permits in the Neuquina basin, including us, claiming for the remediation of the general environmental damage purportedly caused in the execution of such activities or the establishment of an environmental restoration fund, and the implementation of measures to prevent environmental damages in the future. The total amount claimed against all companies is more than U.S.$547.6 million. The plaintiff requested that the Argentine government (Secretariat of Energy), the Federal Environmental Council (*Consejo Federal de Medio Ambiente*), the provinces of Buenos Aires, La Pampa, Neuquén, Río Negro and Mendoza and the National Ombudsman be summoned. It requested, as a preliminary injunction, that the defendants refrain from carrying out activities affecting the environment. Both the Ombudsman s summons as well as the requested preliminary injunction were rejected by the Argentine Supreme Court. Once the complaint was notified, we and the other defendants filed a motion to dismiss for failure of the plaintiff to state a claim upon which relief may be granted. The court granted the motion, and the plaintiff had to file a supplementary complaint. We requested that the claim be rejected because the defects of the complaint indicated by the Argentine Supreme Court have not been corrected, but such request was denied. However, we have also requested its rejection for other reasons, and impleaded

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the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims arising prior to January 1, 1991, according to Law No. 24,145 and Decree 546/1993. On February 23, 2009, the Argentine Supreme Court ordered that certain provinces, the Argentine Government and the Federal Environmental Council be summoned. Therefore, pending issues were deferred until the impleaded parties appear before the court.

Dock Sud claim. We have been sued in the following environmental lawsuits that have been filed by residents living near Dock Sud, province of Buenos Aires: (i) Mendoza, Beatriz against National State et al., a lawsuit before the Argentine Supreme Court, in which the Argentine government, the province of Buenos Aires, the City of Buenos Aires, 14 municipalities and 44 companies (including us) were sued. The plaintiffs have requested unspecified compensation for collective environmental damage to the Matanza and Riachuelo river basins and for physical and property damage, which they claim to have suffered. The Argentine Supreme Court declared itself legally competent to settle only the conflict related to the collective environmental damages, including prevention of future pollution, remediation of environmental damages already caused and monetary compensation for irreparable environmental damages, and has requested that the defendants submit specific reports. In particular, it has requested that the Argentine government, the province of Buenos Aires, the City of Buenos Aires and the Federal Environmental Council submit a plan with environmental objectives. We answered the complaint and requested the impleading of the Argentine government, based on its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993. In July 2008, the Argentine Supreme Court decided that the Basin Authority (Law 26,168) will be in charge of performing a remediation plan as well as of taking preventive measures in the area. The National State as well as the Province and City of Buenos Aires will be responsible for the performance of these measures. It also declared the exclusive competence of the First Instance Federal Court in Quilmes to hear any claims or disputes arising out of the remediation plan or the preventive measures and determined that any future action seeking the environmental remediation of the basin will be dismissed *(litis pendentia)*. Additionally, the Argentine Supreme Court declared that it will determine whether and how much liability is to be borne by the parties involved; (ii) Cicero, María Cristina against Antivari S.A.C.I. et al. for damages in which the plaintiffs, who are residents of Villa Inflamable, Dock Sud, also demand the environmental remediation of Dock Sud and Ps.33 million in compensation for physical and property damages against many companies that have operations there, including us. We answered the complaint by requesting its rejection and asked the citation of the Argentine government, due to its obligation to indemnify us against any liability and hold us harmless for events and claims previous to January 1, 1991, according to Law No. 24,145 and Decree No. 546/1993.