

YPF SOCIEDAD ANONIMA  
Form 20-F  
March 17, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 20-F**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2015**

**Commission file number: 1-12102**

**YPF Sociedad Anónima**  
**(Exact name of registrant as specified in its charter)**

**Republic of Argentina**  
**(Jurisdiction of incorporation or organization)**

**Macacha Güemes 515**

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

**(Address of principal executive offices)**

**Diego M. Pando**

**Tel: (011-54-11) 5441-3500**

**Facsimile Number: (011-54-11) 5441-3726**

**Macacha Güemes 515**

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

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

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

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

\* Listed not for trading but only in connection with the registration of American Depositary Shares.  
**Securities registered or to be registered pursuant to Section 12(g) of the Act: None**

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

The number of outstanding shares of each class of stock of YPF Sociedad Anónima as of December 31, 2015 was:

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

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## **Table of Contents**

### **Conversion Table**

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

1 barrel = 42 U.S. gallons

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

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

1 kilometer = 0.63 miles

1 million Btu = 252 termies

1 cubic meter of gas = 35.3147 cubic feet of gas

1 cubic meter of gas = 10 termies

1,000 acres = approximately 4 square kilometers

### **References**

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

### **Disclosure of Certain Information**

In this annual report, references to Audited Consolidated Financial Statements are to YPF's audited consolidated statement of financial position as of December 31, 2015, 2014 and 2013, YPF's audited consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013, YPF's audited consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013, YPF's audited consolidated statements of changes in shareholders' equity for the years ended December 31, 2015, 2014 and 2013 and the related notes thereto.

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

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

for those joint operations whose results were consolidated using the proportional integration method, a *pro rata* amount of the assets, liabilities and results of operations for such joint operations at the date or for the periods indicated.

For information regarding consolidation, see Notes 1.a and 1.b.5 to the Audited Consolidated Financial Statements.

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

### **Forward-Looking Statements**

This annual report, including any documents incorporated by reference, contains statements that we believe constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include statements regarding the intent, belief or current expectations of us and our management, including statements with respect to trends affecting our financial condition, financial ratios, results of operations, business, strategy, geographic concentration, reserves, future hydrocarbon production volumes and the Company's ability to satisfy our long-term sales commitments from future supplies available to the Company, our ability to pay dividends in the future and to service our outstanding debt, dates or periods in which production is scheduled or expected to come onstream, as well as our plans with respect to capital expenditures, business, strategy, geographic concentration, cost savings, investments and dividends payout policies. These statements are not a guarantee of future performance and are subject to material risks, uncertainties, changes and other factors which may be beyond our control or may be difficult to predict. Accordingly, our future financial condition, prices, financial ratios, results of operations, business, strategy, geographic concentration, production volumes, reserves, capital expenditures, cost savings, WACC (weighted average cost of capital) investments and ability to meet our long-term sales commitments or pay dividends or service our outstanding debt could differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, currency fluctuations, inflation, the price of petroleum products, the domestic and international prices for crude oil, the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, replacement of hydrocarbon reserves, environmental, regulatory and legal considerations, including the imposition of further government restrictions on the Company's business, changes in our business strategy and operations, our ability to find partners or raise funding under our current control, the ability to maintain the Company's concessions, and general economic and business conditions in Argentina, as well as those factors described in the filings made by YPF and its affiliates with the Securities and Exchange Commission, in particular, those described in Item 3. Key Information Risk Factors and Item 5. Operating and Financial Review and Prospects. YPF does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected results or condition expressed or implied therein will not be realized.

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### **Oil and Gas Terms**

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

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

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

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

**basin** : A depression in the crust of the Earth formed by plate tectonic activity in which sediments accumulate. Continued sediment accumulation can cause further depression or subsidence.

**block** : Areas defined by concession contracts or operating contracts signed by YPF.

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

**crude oil** : Crude oil with respect to YPF's production and reserves includes condensate.

**field** : One or more reservoirs grouped by or related to the same general geologic structural feature or stratigraphic condition.

**formation** : The fundamental unit of lithostratigraphy. A body of rock that is sufficiently distinctive and continuous that it can be mapped.

**gas** : Natural gas.

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

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

**Table of Contents****Abbreviations:**

bbl	Barrels.
bbl/d	Barrels per day.
bcf	Billion cubic feet.
bcf/d	Billion cubic feet per day.
bcm	Billion cubic meters.
bcm/d	Billion cubic meters per day.
boe	Barrels of oil equivalent.
boe/d	Barrels of oil equivalent per day.
cm	Cubic meter.
cm/d	Cubic meters per day.
dam 3	Cubic dekameters (thousand cubic meters).
GWh	Gigawatt hours.
HP	Horsepower.
km	Kilometers.
km2	Square kilometers.
liquids	Crude oil, condensate and natural gas liquids.
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas.
m	Thousand.
mdbl	Thousand barrels.
mdbl/d	Thousand barrels per day.
mcf	Thousand cubic feet.
mcf/d	Thousand cubic feet per day.
mcm	Thousand cubic meters.
mcm/d	Thousand cubic meters per day.
mboe	Thousand barrels of oil equivalent.
mboe/d	Thousand barrels of oil equivalent per day.
mm	Million.
mdbl	Million barrels.
mdbl/d	Million barrels per day.
mmboe	Million barrels of oil equivalent.
mmboe/d	Million barrels of oil equivalent per day.
mmBtu	Million British thermal units.
mmcf	Million cubic feet.
mmcf/d	Million cubic feet per day.
mmcm	Million cubic meters.
mmcm/d	Million cubic meters per day.
mtn	Thousand tons.
MW	Megawatts.
NGL	Natural gas liquids.
psi	Pound per square inch.
WTI	West Texas Intermediate.



**Table of Contents****PART I****ITEM 1. Identity of Directors, Senior Managers and Advisers**

Not applicable.

**ITEM 2. Offer Statistics and Expected Timetable**

Not applicable.

**ITEM 3. Key Information****Selected Financial Data**

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

Our Audited Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ).

In this annual report, except as otherwise specified, references to \$, U.S.\$ and dollars are to U.S. dollars, and references to Ps. and pesos are to Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the year ended December 31, 2015 have been translated into U.S. dollars at the exchange rate quoted by the Argentine Central Bank (*Banco Central de la República Argentina*) (the Central Bank ) on December 31, 2015 of Ps. 13.01 to U.S.\$1.00, unless otherwise specified. The exchange rate quoted by the Central Bank on March 15, 2016 was Ps. 14.61 to U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the peso amounts represent, or could have been or could be converted into U.S. dollars at such rates or any other rate. See Exchange Rates.

The financial data contained in this annual report as of and for the years ended December 31, 2015, 2014 and 2013 has been derived from our Audited Consolidated Financial Statements included in this annual report. See Note 20 to the Audited Consolidated Financial Statements. The financial data contained in this annual report as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011 have been derived from our consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 included in our 2013 20-F.

**As of and for the year ended December 31,**  
**2015      2014      2013      2012      2011**  
**(in millions of pesos, except for per share**

**and per ADS data)**

**Consolidated Statement of Comprehensive Income**  
**Data<sup>(1)</sup> :**

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Revenues <sup>(2)</sup>	156,136	141,942	90,113	67,174	56,211
Gross profit	36,599	37,450	22,019	16,907	15,068
Administrative expenses	(5,586)	(4,530)	(2,686)	(2,232)	(1,822)
Selling expenses	(11,099)	(10,114)	(7,571)	(5,662)	(5,438)
Exploration expenses	(2,473)	(2,034)	(829)	(582)	(574)
Other operating results, net	(853)	(1,030)	227	(528)	(46)
Operating income	16,588	19,742	11,160	7,903	7,188
Income on long-term investments	318	558	353	114	685
Interest expense	(10,605)	(7,336)	(3,833)	(1,557)	(1,045)
Other financial income (expense), net	22,762	9,108	6,668	2,105	758
Income before income tax	29,063	22,072	14,348	8,565	7,586
Income tax	(24,637)	(13,223)	(9,269)	(4,663)	(3,141)
Net income	4,426	8,849	5,079	3,902	4,445
Total other Comprehensive income	43,758	16,276	12,031	4,241	1,852
Total comprehensive income	48,184	25,125	17,110	8,143	6,297
Earnings per share and per ADS <sup>(4)</sup>	11.68	22.95	13.05	9.92	11.30
Dividends per share and per ADS <sup>(4)</sup> (in pesos)	1.28	1.18	0.83	0.77	14.15
Dividends per share and per ADS <sup>(4)(5)</sup> (in U.S. dollars)	0.14	0.14	0.13	0.16	3.39
<b>Consolidated Statement of Financial Position Data</b>					
Cash	15,387	9,758	10,713	4,747	1,112
Working capital <sup>(3)</sup>	(2,818)	(11,266)	1,706	(2,582)	(7,750)
Total assets	363,453	208,554	135,595	79,949	60,990
Total loans <sup>(6)</sup>	105,751	49,305	31,890	17,104	12,198
Shareholders' equity <sup>(7)</sup>	120,461	72,781	48,240	31,260	23,420
<b>Other Consolidated Financial Data</b>					
Fixed assets depreciation and intangible assets amortization	27,008	20,405	11,433	8,281	6,499
Cash used in fixed asset acquisitions and intangible assets	63,774	50,213	27,639	16,403	12,156

- (1) The consolidated financial statements reflect the effect of the application on the functional and reporting currency. See Note 1.b.1 to the Audited Consolidated Financial Statements.
- (2) Revenues are net of payments on account of fuel transfer taxes and turnover taxes. Customs duties on hydrocarbon exports are disclosed in taxes, charges and contributions, as indicated in Note 6.n to the Audited Consolidated Financial Statements. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining revenues. See Note 1.b.15 to the Audited Consolidated Financial Statements.
- (3) Working capital consists of consolidated total current assets minus consolidated total current liabilities as of December 31, 2015, December 31, 2014, December 31, 2013, December 31, 2012 and December 31, 2011.
- (4) Information has been calculated based on our outstanding share capital of 393,312,793 shares. Each ADS represents one Class D share. There were no differences between basic and diluted earnings per share and ADS for any of the years disclosed.
- (5) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of the dividend payment.
- (6) Total loans include non-current loans of Ps. 77,934 million, Ps. 36,030 million, Ps. 23,076 million, Ps. 12,100 million and Ps. 4,435 million as of December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and current loans of Ps. 27,817 million, Ps. 13,275 million, Ps. 8,814 million, Ps. 5,004 million and Ps. 7,763 million as of December 31, 2015, 2014, 2013, 2012 and 2011, respectively. See Note 6.j to the Audited Consolidated Financial Statements.
- (7) Our subscribed share capital as of December 31, 2015 is represented by 393,312,793 shares of common stock and divided into four classes of shares, with a par value of Ps. 10 and one vote per share. These shares are fully subscribed, paid-in and authorized for stock exchange listing. See Item 6. Directors, Senior Management and Employees Compensation of members of our Board of Directors and Supervisory Committee, Item 16E.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers and Note 1.b.10.iii to the Audited Consolidated Financial Statements in relation to shares purchased by YPF and allocated to our employees as part of our employee compensation plans.



**Table of Contents***Exchange Rates*

From April 1, 1991 until the end of 2001, the Convertibility Law (Law No. 23,928) established a fixed exchange rate which required the Central Bank to sell U.S. dollars at one peso per U.S. dollar. On January 6, 2002, the Argentine congress enacted the Public Emergency and Foreign Exchange System Reform Law (Law No. 25,561, the Public Emergency Law), formally putting an end to the Convertibility Law regime and abandoning over ten years of U.S. dollar-peso parity. The Public Emergency Law, which has been extended until December 31, 2017 by Law No. 27,200, grants the National Executive Office the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system pursuant to the Public Emergency Law, the peso has been allowed to float freely against other currencies since February 2002, although the government has the power to intervene by buying and selling foreign currency for its own account, a practice in which it engages on a regular basis. The annual rate of devaluation of the peso was approximately 52.1% from December 31, 2014 to December 31, 2015, based on the period-end exchange rates for U.S. dollars as of December 31, 2015 and 2014, and the Argentine peso was subject to a devaluation of approximately 34.2% during December 2015. See Risk Factors Risks Relating to Argentina Our business is highly dependent upon economic conditions in Argentina.

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

	<i>Low</i>	<i>High</i>	<i>Average <sup>(1)</sup></i>	<i>Period End</i>
	<i>(pesos per U.S. dollar)</i>			
<b>Year ended December 31,</b>				
2011	3.97	4.30	4.15	4.30
2012	4.30	4.92	4.58	4.92
2013	4.92	6.52	5.54	6.52
2014	6.54	8.56	8.23	8.55
2015	8.73	13.76	9.39	13.01
<b>Month</b>				
September 2015	9.30	9.42	9.37	9.42
October 2015	9.43	9.55	9.49	9.55
November 2015	9.56	9.69	9.63	9.69
December 2015	9.70	13.76	11.43	13.01
January 2016	13.07	13.94	13.65	13.90
February 2016	14.09	15.58	14.81	15.58
March 2016 <sup>(2)</sup>	14.61	15.92	15.30	14.61

Source: Central Bank

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

(2) Through March 15, 2016.

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



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**Table of Contents****Exchange Regulations**

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

On December 3, 2001, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad (including the transfer of funds to pay dividends) without the Central Bank's prior authorization subject to specific exceptions for transfers related to foreign trade. In June 2003, the Argentine government set restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country. In June 2005, the government established new regulations on capital flows into Argentina, including increasing the period that certain incoming funds must remain in Argentina to 365 calendar days and requiring that 30% of incoming funds be deposited with a bank in Argentina in a non-assignable, non-interest-bearing account for 365 calendar days (the Mandatory Deposit). However, in December 2015, the Ministry of Budget and Finance reduced the period in which the incoming funds must remain in Argentina from 365 calendar days to 120 calendar days and also reduced the Mandatory Deposit from 30% to 0%. In addition, the Argentine Central Bank lifted many of the restrictions imposed on transferring funds abroad and on capital flows into Argentina. In this regard, the Argentine Central Bank's regulation provides that Argentine individuals and legal entities do not need the Central Bank's prior approval to acquire foreign currency used for portfolio investments abroad. This includes investment in real estate located abroad, loans to non-residents, direct investments made by Argentine residents abroad, portfolio investments made by Argentine residents abroad, other investments abroad made by Argentine residents, portfolio investments made by legal entities abroad, purchase of foreign currency in Argentina, purchase of travelers checks and donations, as long as the purchases do not exceed an aggregate amount of U.S.\$2,000,000 per calendar month and all the entities are authorized to trade in foreign currency. Under the exchange regulations currently in force, restrictions exist in respect of the repatriation of funds or investments by non-Argentine residents. For instance, the repatriation by non-Argentine residents of funds received as a result of the sale of the Class D shares in the secondary market is subject to demonstrating that the funds used to make the investment in the Class D shares were transferred to Argentina at least 120 days before the proposed repatriation and obtaining a certificate from an Argentine financial entity or Argentine stock exchange stating the date and amount of the settlement of the funds in the Argentine exchange market from the investment in Class D shares. The transfer abroad of dividend payments is currently authorized by applicable regulations to the extent that such dividend payments are made in connection with audited financial statements and are approved by a shareholders meeting. See Risk Factors Risks Relating to Argentina We are subject to exchange and capital controls.

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**Table of Contents****Risk Factors**

*The risks and uncertainties described below are those known by us as of the date of this report. However, such risks and uncertainties may not be the only ones that we could face. Additional risks and uncertainties that are unknown to us or that we currently think are immaterial also may impair our business operations.*

**Risks Relating to Argentina**

***The Argentine federal government controls the Company according to domestic energy policies in accordance with Law No. 26,741 (the Expropriation Law ).***

The Argentine federal government controls the Company, and consequently, the federal government is able to determine substantially all matters requiring approval by a majority of our shareholders, including the election of a majority of our directors, and is able to direct our operations. The Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. In addition, should Argentina be unable to meet its energy requirements, this could have a material adverse impact on the Argentine economy and negatively impact our results of operations. We cannot assure you that the decisions taken by our controlling shareholders for the purpose of achieving the targets set forth in the Expropriation Law would not differ from your interests as a shareholder. In addition, according to the Argentine Constitution, presidential elections take place every four years. Accordingly, changes in policy may result in changes in our management and/or our strategy. We cannot assure you if and when any such changes may occur, nor the impact they may have on our business.

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

Substantially all of our operations, properties and customers are located in Argentina, and, as a result, our business is to a large extent dependent upon economic conditions prevailing in Argentina. The changes in economic, political and regulatory conditions in Argentina and measures taken by the Argentine government have had and are expected to continue to have a significant impact on us. You should make your own investigation about Argentina and prevailing conditions in that country before making an investment in us.

The Argentine economy has experienced significant volatility in past decades, including numerous periods of low or negative growth and high and variable levels of inflation and devaluation. In 2012, the Argentine economy experienced a slowdown with gross domestic product ( GDP ) increasing at a rate of 1.9% on an annualized basis compared to the preceding year according to the methodology of calculation prevailing until March 2014. On March 27, 2014, the Argentine government announced a new method of calculating GDP using 2004 as the base year as opposed to 1993, which was the base reference year under the prior method of calculating GDP. As a result of this new method, the estimated GDP growth rate for 2013 was revised from 4.9% to 2.9%. As of the date of this annual report, the provisional figures of the Argentina s estimated GDP growth rate for 2014 and the first half of 2015 published by the National Statistics Institute (*Instituto Nacional de Estadística y Censos*) ( INDEC ) are 0.5% and 2.2%, respectively. No assurances can be given that the rate of growth experienced over past years will be achieved in subsequent years or that the economy will not contract. If economic conditions in Argentina were to slow down, or contract, if inflation were to accelerate further, or if the Argentine government s measures to attract or retain foreign investment and international financing in the future are unsuccessful, such developments could adversely affect Argentina s economic growth and in turn affect our financial condition and results of operations.

Argentina has confronted and continues to confront inflationary pressures. According to inflation data published by INDEC, from 2008 to 2013, the Argentine consumer price index ( CPI ) increased 7.2%, 7.7%, 10.9%, 9.5%, 10.8% and 10.9%, respectively, and the wholesale price index increased 8.8%, 10.3%, 14.5%, 12.7%, 13.1% and 14.7%, respectively. In 2014, the Argentine government established a new consumer price index, known as the IPCNU, that more broadly reflects consumer prices by considering price information from the 24 provinces of the country, divided into six regions. According to INDEC, the IPCNU increased 23.9% in 2014 and increased 10.7% from January 2015 to September 2015. The wholesale price index increased 28.3% in 2014 and increased 11.9% from January 2015 to October 2015. Before the new administration took office, certain private sector analysts believed that the inflation rate was significantly higher than the rate published by INDEC. On January 7, 2016 through Decree No. 55/2016, the new leadership of INDEC issued a report declaring a national statistical emergency. INDEC stated that its administration since 2006 was irregular and it would reorganize. As a result, INDEC would not publish new information until at least June 2016. There can be no assurance of the potential impact these changes may have on our results of operations and financial condition. According to a price index published by the government of the City of Buenos Aires, inflation in the city was 3.9%, 4.1% and 4.0% in December 2015, January 2016 and February 2016, respectively. Previously, from December 2014 to November 2015, inflation averaged less than 2.0% per month. Increased rates of inflation in Argentina could increase our costs of operation, and may negatively impact our results of operations and financial condition. There can be no assurance that inflation rates will not increase in the future.

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Argentine economic results are dependent on a variety of factors, including, but not limited to, the following:

international demand for Argentina's principal exports;

international prices for Argentina's principal commodity exports;

stability and competitiveness of the peso against foreign currencies;

competitiveness and efficiency of domestic industries and services;

levels of consumer consumption and foreign and domestic investment and financing; and

the rate of inflation.

The Argentine economy is also particularly sensitive to local political developments. Mauricio Macri was elected president of Argentina, and his administration took office on December 10, 2015. The new administration faces challenges in respect of Argentina's economy, such as reducing the rate of inflation and a further devaluation of the Argentine peso, improving the competitiveness of the local industries and normalizing or adjusting prices of certain goods and services, such as electricity and natural gas in certain residential consumers of Argentina. Some of the measures necessary to meet these objectives could be unpopular and generate political and social opposition or unrest. As a result, it is difficult to predict the impact of these measures on the Argentine economy as a whole and the energy sector in particular, including revisions and reforms to pricing mechanisms for oil and gas and elimination of energy subsidies, as well as other policy changes that may affect the energy sector. This includes decisions that the new administration has already taken, such as the elimination of exchange restrictions, or future measures it may take to address inflation or changes to the exchange rate. Uncertainty regarding the measures to be taken by the new administration on the economy could further lead to price volatility of Argentine companies, including in particular companies like ours in the energy sector, given the high level of regulation. In addition, there can be no assurance that current government programs and policies that apply to the oil and gas sector will continue in place in the future. See

Limitations on local pricing in Argentina may adversely affect our results of operations and Oil and gas prices, including the recent decline in global prices for oil and gas, could affect our business.

Argentina's economy is also vulnerable to adverse developments affecting its principal trading partners. A continued deterioration of economic conditions in Brazil, Argentina's main trading partner, and a deterioration of the economies of Argentina's other major trading partners, such as China or the United States, could have a material adverse impact on Argentina's balance of trade and adversely affect Argentina's economic growth and may consequently adversely affect our financial condition and results of operations. Furthermore, a significant devaluation of the currencies of our trading partners or trade competitors may adversely affect the competitiveness of Argentina and consequently adversely affect Argentina's economic and our financial condition and results of operations.

As part of the challenging macroeconomic scenario in Argentina, including peso devaluation and increasing inflation, in 2015, despite an increase of 10.0% in our net revenue, to Ps. 156,136 million from Ps. 141,942 million in 2014, our operating income decreased by 16%, to Ps. 16,588 million from Ps. 19,742 million in 2014, and our net income

decreased by 50.0%, to Ps. 4,426 million from Ps. 8,849 million in 2014. If these trends continue our results of operation and financial condition would be negatively affected.

In 2005, Argentina restructured a substantial portion of its bond indebtedness with approximately 76% of its bondholders, and in 2006 it settled all of its debt with the International Monetary Fund ( IMF ). In June 2010, Argentina restructured additional defaulted bond indebtedness that was not swapped in 2005. As a result of the 2005 and 2010 debt swaps, over 92% of the bond indebtedness on which Argentina had defaulted in 2002 has been restructured ( Exchange Bonds ).

Certain holders of bonds that were not swapped in the debt restructuring have sued Argentina for payment ( Holdout Bondholders ). On December 7, 2011, the U.S. District Court for the Southern District of New York held that Argentina was required by the *pari passu* clause in the 1994 Fiscal Agency Agreement governing the defaulted bonds to rank its payment obligations to the Holdout Bondholders equally with those of its other debt, including the Exchange Bonds. On February 23, 2012, the District Court enjoined Argentina from making payments on the Exchange Bonds without making ratable payments on the defaulted debt, and on October 2012, the District Court s injunction was affirmed by the U.S. Court of Appeals for the Second Circuit.

On November 21, 2012, the District Court issued an amended order requiring Argentina to pay 100% of the amounts due to the Holdout Bondholders upon payment of the amounts due on the next maturity date to the Exchange Bondholders. Argentina appealed the District Court s November 21, 2012 order to the Second Circuit Court of Appeals, which granted Argentina s request for a stay of the order. On August 30, 2013, the Second Circuit Court of Appeals affirmed the District Court s November 21, 2012 order, but stayed its decision pending an appeal to the U.S. Supreme Court. On June 16, 2014, the U.S. Supreme Court denied Argentina s appeal, and with the appeal process exhausted, the Second Circuit Court of Appeals lifted its stay of the District Court s order on June 18, 2014.

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On June 26, 2014, Argentina deposited U.S.\$832 million due to the Exchange Bondholders for the payment of interest that matured on June 30, 2014, of which U.S.\$539 million was deposited in accounts of the Bank of New York Mellon ( BoNY ), as indenture trustee, in the Central Bank of Argentina. On June 27, 2014, the District Court referred to such funds as an illegal payment. On October 22, 2014, the Second Circuit Court of Appeals dismissed Argentina's appeal of the District Court's decision finding that the payment on the Exchange Bonds was illegal and that BoNY, therefore, should retain such funds.

BoNY has invoked the decision of the District Court to not deliver the funds deposited by Argentina to the Exchange Bondholders. Argentina has asserted that it has complied with its obligation to the Exchange Bondholders by making said deposit, and that BoNY, as the indenture trustee, has the obligation to deliver those funds to their beneficiaries.

On September 11, 2014, Argentina promulgated Law No. 26,984, which provided for various mechanisms to pay 100% of the amounts owed on the Exchange Bonds, authorizing for that purpose, among other things, the Minister of Economy and Public Finance to replace BoNY as indenture trustee and appoint Nación Fideicomisos S.A. instead, and to deposit funds owed to the Exchange Bondholders in an account created to that end, providing also the possibility for the bondholders to change the trustee, the jurisdiction or the governing law of the bonds.

On September 29, 2014, the District Court declared Argentina in contempt of court but did not impose sanctions. On October 3, 2014, the District Court ordered Argentina to repair its relations with BoNY, remove Nación Fideicomisos as indenture trustee and resolve the situation with the Holdout Bondholders.

On March 12, 2015, the District Court held that U.S. dollar-denominated bonds issued by Argentina under Argentine Law constitute external indebtedness, and, therefore, are covered by the court's amended injunction dated November 21, 2012.

On May 11, 2015, certain Holdout Bondholders moved to amend the complaint to add two claims: (i) a claim for a declaratory judgment stating that the BONAR 2024 bonds issued by Argentina are considered foreign debt, and (ii) a claim for a *pari passu* order stating that Argentina must make ratable payments to claimants each time the BONAR 2024 bonds or other amounts are paid on past or future external debt. On July 16, 2015, the District Court accepted the amended complaint.

Other holders of bonds that were not exchanged in the 2005 and 2010 debt swaps have sought relief similar to that sought by the Holdout Bondholder plaintiffs ( Me Too Plaintiffs ). On June 5, 2015, the District Court granted summary judgment in 36 of these cases, declaring that Argentina was in breach of the *pari passu* clause contained in their bonds. By an order of October 22, 2014, the District Court granted identical summary judgment in fifteen other Me Too Plaintiffs actions. On August 14, 2015, certain Me Too Plaintiffs submitted motions requesting a *pari passu* order similar to that previously obtained by other Holdout Bondholders. Those Me Too Plaintiffs were afterwards followed by many others, and on October 30, 2015, the District Court granted 49 such motions.

Since the *pari passu* injunction became effective, litigation has continued regarding Argentina's efforts to make payments to Exchange Bondholders. Payments by Argentina have been blocked from reaching the Exchange Bondholders by judicial orders, and various Exchange Bondholders have sought release of such funds through litigation before the District Court and in various jurisdictions.

In connection with the Holdout Bondholder litigation against Argentina, the Holdout Bondholders served subpoenas on various financial institutions in New York seeking the production of documents concerning the accounts and transfers of hundreds of entities allegedly owned or controlled, in whole or in part, by Argentina, including YPF. During a hearing on September 3, 2013, the District Court ruled that such discovery could proceed as to, among



others, YPF, in order for the Holdout Bondholders to determine if those documents supported an argument that YPF is an alter ego of Argentina. YPF is not a recipient of any such subpoenas and, as such, has no obligation to produce documents or otherwise participate in discovery.

On June 17, 2015, the plaintiff NML and other Holdout Bondholders submitted a motion to the District Court alleging Argentina did not comply with the court's discovery order dated September 25, 2013 and seeking sanctions, including precluding Argentina from disputing the Holdout Bondholder's alter ego allegations as to the Central Bank of Argentina, Energía Argentina Sociedad Anónima ( ENARSA ), and YPF, and deeming that Argentina's assets in United States were used for commercial purposes. During a hearing on August 12, 2015, the District Court found that Argentina had not complied with the September 25, 2013 discovery order and ordered that Argentina's assets in the United States, except for diplomatic and military assets, be deemed to be used for commercial purposes. The District Court made no determination as to sanctions, if any, with respect to the alter ego issues.

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Notably, the District Court has previously held that Banco de la Nación Argentina, or BNA, is not an alter ego of Argentina, and on August 31, 2015, the Second Circuit Court of Appeals ruled that the Central Bank of Argentina is not an alter ego of Argentina and dismissed claims asserted against it on that basis. On January 7, 2016, NML filed a writ of certiorari before the Supreme Court of the United States on appeal of this issue. In addition, the U.S. District Court for the Northern District of California on December 1, 2015 affirmed a magistrate judge's ruling that the Holdout Bondholders' assertion that YPF was an alter ego of Argentina was insufficient to support discovery concerning YPF. This decision was appealed by NML on December 23, 2015.

In February 2016, Argentina negotiated and reached agreements in principle with respect to a substantial number of the Holdout Bondholders. On February 5, 2016, Argentina published its proposal to other Holdout Bondholder plaintiffs. Argentina has indicated that it estimates that the settlement payments for the Holdout Bondholders covered by the *pari passu* injunctions, if made, would total approximately U.S.\$6.5 billion in cash.

On February 19, 2016, the District Court issued an indicative ruling stating that in light of Argentina's settlement proposal, and upon remand of Argentina's motion to vacate the *pari passu* injunctions in the Me Too Plaintiffs' actions from the Court of Appeals, it would grant a motion to vacate the injunctions in all cases upon the occurrence of two conditions: (1) Argentina's repeal of the legislative obstacles to settlement and (2) Argentina's payment to all Holdout Bondholders that entered into agreements in principle with Argentina on or before February 29, 2016 in accordance with the terms of such agreements, and notification of such payment to the District Court.

On February 24, 2016, the Court of Appeals remanded the *pari passu* cases on appeal to the District Court, stating that the order formalizing the indicative ruling was subject to a motion from Argentina, with notice to all parties and an opportunity to be heard, and that any such order will be stayed for up to two weeks. Argentina submitted that motion, and the District Court held a hearing of oral arguments on March 1, 2016. On March 2, 2016, the District Court vacated the injunctions on all actions upon the occurrence of the conditions set forth in the indicative ruling. During the two week stay, plaintiffs filed appeals and consented to an extended stay. On March 11, the Second Circuit entered an order staying enforcement of the District Court's March 2 order pending resolution of the appeals.

There can be no assurance that Argentina will be able to raise sufficient capital or have available cash to fund the payments to the Holdout Bondholders and other payments it might need to make to settle ongoing litigation, or whether the outcome of this or other potential future litigation, or the efforts of bondholders to obtain payment from Argentina through other means, such as alter ego theories, will not have a material adverse effect on Argentina's economy, YPF's assets, and/or YPF's ability to access international financing to repay its obligations.

For additional information related to the evolution of the Argentine economy see Item 5. Operating and Financial Review and Prospects Macro-economic Conditions.

### ***Certain risks are inherent in any investment in a company operating in an emerging market such as Argentina.***

Argentina is an emerging market economy, and investing in emerging markets generally carries risks. These risks include political, social and economic instability that may affect Argentina's economic results which can stem from many factors, including the following:

high interest rates;

abrupt changes in currency values;

high levels of inflation;

exchange controls;

wage and price controls;

regulations to import equipment and other necessities relevant for operations;

changes in governmental economic or tax policies; and

political and social tensions.

In particular, we continue to actively manage our schedule of work, contracting, procurement and supply-chain activities to effectively manage costs. However, price levels for capital and exploratory costs and operating expenses associated with the production of crude oil and natural gas can be subject to external factors beyond our control including, among other things, the general level of inflation, commodity prices and prices charged by the industry's material and service providers, which can be affected by the volatility of the industry's own supply and demand for such materials and services. In recent years, we and the oil and gas industry generally experienced an increase in certain costs that exceeded the general trend of inflation. We cannot guarantee that these cost pressures will lessen as result of the decline in prices of crude oil and other commodities in 2014 and 2015.

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Any of these factors, as well as volatility in the capital markets, may adversely affect our financial condition and results of operations or the liquidity, trading markets and value of our securities.

***The Argentine economy has been adversely affected by economic developments in other markets.***

Financial and securities markets in Argentina, and also the Argentine economy, are influenced by economic and market conditions in other markets worldwide. Considering the recent international turmoil, Argentina's economy remains vulnerable to external shocks, including those relating to or similar to the global economic crisis that began in 2008 and the recent uncertainties surrounding European sovereign debt. For example, the challenges faced by the European Union to stabilize some of its member economies, such as Greece, Ireland, Italy, Portugal and Spain, have had international implications affecting the stability of global financial markets, which has hindered economies worldwide. Although economic conditions vary from country to country, investors' perceptions of events occurring in one country may substantially affect capital flows into and investments in securities from issuers in other countries, including Argentina.

Consequently, there can be no assurance that the Argentine financial system and securities markets will not continue to be adversely affected by events in developed countries' economies or events in other emerging markets, which could in turn, adversely affect the Argentine economy and, as a consequence, the Company's results of operations and financial condition.

***The implementation of new export duties, other taxes and import regulations could adversely affect our results.***

Since 2002, new duties have been implemented on exports, and have been progressively increased over the years. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation.

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

In addition, in 2012, the Argentine government adopted an import procedure pursuant to which local authorities must pre-approve any import of products and services to Argentina as a precondition for the importer to have access to the foreign exchange market to pay for the imported products and services. This procedure was recently modified by the new administration through Resolution 3823/15, which set forth the Comprehensive Monitoring System of Imports, known as SIMI, to provide statistical information in advance of an importation, in order to allow timely analysis of Argentina's imports, analyze trade defense measures and avoid delays in delivering imported items to various industries. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation.

We cannot assure you that these taxes and import regulations will not be modified in the future or that other new taxes or import regulations will not be imposed.

In addition, to address recent declining international crude oil prices, as of December 30, 2014 the Argentine government reduced certain export taxes to the minimum allowed by law, so that exporting producers of certain hydrocarbon products, including crude oil, could also partially compensate for the decrease in the price of such products. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation.

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

Our results of operations are exposed to currency fluctuations, and any devaluation of the peso against the U.S. dollar and other hard currencies may adversely affect our business and results of operations. The value of the peso has fluctuated significantly in the past, such as in January 2014 when the Argentine peso declined approximately 23% against the U.S. dollar and in December 2015 when the Argentine peso declined approximately 40% against the U.S. dollar. The peso may fluctuate in the future. See Item 5. Operating and Financial Review and Prospects Macroeconomic Conditions for additional information. The main effects of the devaluation of the Argentine peso on our net income are related to the accounting treatment of (i) deferred income tax related mainly to fixed assets, which we expect would have a negative effect; (ii) current income tax, which we expect would have a positive effect; (iii) increased depreciation and amortization resulting from the remeasurement in pesos of our fixed and intangible assets; and (iv) exchange rate differences as a result of our exposure to the peso, which we expect would have a positive effect due to the fact that our functional currency is the U.S. dollar.

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

***Variations in interest rates and exchange rate on our current and/or future financing arrangements may result in significant increases in our borrowing costs.***

We are permitted to borrow funds to finance the purchase of assets, incur capital expenditures, repay other obligations and finance working capital. As of December 31, 2015, a significant part of our total debt is sensitive to changes in interest rates. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest rate exposure. Consequently, variations in interest rates could result in significant changes in the amount required to be expected to cover to debt service obligations and in our interest expense thus affecting our results and financial condition.

In addition, interest and principal amounts payable pursuant to debt obligations denominated in or indexed to U.S. dollars are subject to variations in the Argentine/U.S. currency exchange rate that could result in a significant increase in the amount of the interest and principal payments in respect of such debt obligations.

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

In the past, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. Beginning in 2011, additional foreign exchange controls have been imposed that restrict or limit purchases of foreign currency and transfers of foreign currency abroad. Since 2011, oil and gas companies (including YPF), among other entities, were required to repatriate 100% of their foreign currency export receivables. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Repatriation of Foreign Currency.

In December 2015, the new administration eliminated certain exchange controls imposed by the previous administration, such as (i) the requirement that foreign currency be deposited and exchanged in Argentina in respect of finance transactions outside Argentina, and (ii) the requirement that 30% of funds in U.S. dollars held in Argentina be frozen pursuant to Decree No. 616/05. Following these changes, the peso fell to Ps. 12.99 per U.S.\$1.00, as of December 31, 2015, a decrease of approximately 52% compared to December 31, 2014. Between December 16, 2015 and December 31, 2015, the peso decreased approximately 40% against the U.S. dollar. As of March 15, 2016, the peso fell to Ps. 14.61 per U.S.\$1.00, a decrease of approximately 12% compared to December 31, 2015. There can be no assurance that future regulatory changes related to exchange and capital controls will not adversely affect our financial condition or results of operations, our ability to meet our obligations denominated in foreign currency or our ability to execute our financing and capital expenditure plans.

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

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

Moreover, recent regulatory and policy developments in Argentina, including the enactment of the Expropriation Law, as well as the litigation of the Argentine government with Holdout Bondholders have led to considerable volatility in the market price of our shares and ADSs. See Our business is largely dependent upon economic conditions in

Argentina. We cannot assure that the perception of risk in Argentina and other emerging markets may not have a material adverse effect on our ability to raise capital and on the trading values of our debt or equity securities. We can give no assurance as to potential adverse impact of the factors discussed above on our financial condition and/or results of operations. See Item 4. Information on the Company History and Development of YPF.

***We could be required to reveal confidential information.***

On November 10, 2015, the Argentine Supreme Court ordered us to furnish information regarding an agreement we entered into based on the requirements of Decree No. 1172/03, which regulates access to information considered public. The agreement aims to develop hydrocarbon resources in Argentina. The information was delivered to the court on February 23, 2016. We believe that public disclosure of confidential information could put us at a competitive disadvantage in relation to our contracting parties and potential partners. For this reason, and given the business, industrial, technical, economic and financial value as well as the nature of the information requested, we are pursuing all avenues to preserve its confidentiality. We have stated we intend to comply with the requirements of the aforementioned decree while preserving our rights to keep certain industrial, commercial, financial and technical issues matters confidential as provided by the decree. Notwithstanding the foregoing, on March 14, 2016, the judge ordered us to deliver within five business days the requested agreement without a chance to keep certain information confidential as requested by us and in accordance with the exemptions contemplated by Decree No. 1172/03. On March 16, 2016, the Company appealed that decision.

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As a result, there can be no assurance that the application of Decree No. 1172/03 in respect of the disclosure of confidential information regarding our operations will not affect our ability to conduct certain business or access the financing through potential new agreements with other partners, the occurrence of which could affect our results of operations and financial condition.

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

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

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

limitations on our ability to increase local prices or to reflect the effects of higher domestic taxes, increases in production costs or increases in international prices of crude oil and other hydrocarbon fuels and exchange rate fluctuations on our domestic prices. See Limitations on local pricing in Argentina may adversely affect our results of operations;

higher taxes on exports of hydrocarbons;

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

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

in connection with the former and current incentive programs established by the Argentine government for the oil and gas industry, such as the Natural Gas Additional Injection Stimulus Program ( Gas Plan ) (see Risk Factors A significant percentage of our cash flow from operations is derived from counterparties that are governmental entities ), cash collection of balances with the Argentine government;

legislation and regulatory initiatives relating to hydraulic stimulation and other drilling activities for unconventional oil and gas hydrocarbons which could increase our cost of doing business or cause delays and adversely affect our operations;



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

the implementation or imposition of stricter quality requirements for petroleum products in Argentina. The Argentine government has made certain changes in regulations and policies governing the energy sector to give absolute priority to domestic supply at stable prices in order to sustain economic recovery. As a result of the above-mentioned changes, for example, on days during which a gas shortage occurs, exports of natural gas (which are also affected by other government curtailment orders) and the provision of gas supplies to industries, electricity generation plants and service stations selling compressed natural gas are interrupted for priority to be given to residential consumers at lower prices. More recently, the Expropriation Law has declared achieving self-sufficiency in the supply of hydrocarbons as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law , and Risks Relating to Argentina The Argentine federal government will control the Company according to domestic energy policies in accordance with Law No. 26,741 (the Expropriation Law ). Moreover, we cannot assure you that changes in applicable laws and regulations, or adverse judicial or administrative interpretations of such laws and regulations, will not adversely affect our results of operations. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government.

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

Due to regulatory, economic and government policy factors, our domestic gasoline, diesel and other fuel prices have substantially differed from those prevailing international and regional market prices for such products, and our ability to increase prices in connection with international price increases or domestic cost increases has been limited. In addition, revenues we obtain as a result of selling natural gas in Argentina (including amounts received through the Gas Plan, see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural gas ) are subject to government regulations and could be negatively affected, principally if the Gas Plan were modified, canceled or not extended past its current expiration date. The prices that we are able to obtain for our hydrocarbon products affect the viability of investments in new exploration, development and refining and, as a result, the timing and amount of our projected capital expenditures for such purposes. We budget capital expenditures by taking into account, among other things, market prices for our hydrocarbon products. For additional information on domestic pricing for our products, see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation. We cannot provide any assurances that we will be able to increase the domestic prices of our products to reflect the effects of increased production costs, domestic taxes and exchange rate fluctuations. Limitations on our ability to do so would adversely affect our financial condition and results of operations. Similarly, we cannot assure you that hydrocarbon prices in Argentina will match the increases or decreases in hydrocarbon prices at the international or regional levels.

***A significant percentage of our cash flow from operations is derived from counterparties that are governmental entities.***

In the normal course of business, and considering that YPF is the primary oil and gas company in Argentina, its portfolio of clients and suppliers includes both private sector and governmental entities. All material transactions and balances with related parties as of December 31, 2015 are set forth in Note 6 to the Audited Consolidated Financial Statements, including those related to the Natural Gas Additional Injection Stimulus Program and the Oil Production Stimulus Program. As of December 31, 2015, the accounts receivable balance corresponding to the Natural Gas Additional Injection Stimulus Program reflects nine months of accrued, unpaid payments, representing approximately Ps. 9.9 billion. This receivable is due to an increase in the standard payment timetable under the program that in the past was an average of between four to six months from the month of accrual. As of the date of this annual report, we have not yet received any payments related to amounts accrued and unpaid as of December 31, 2015 under such programs. We cannot guarantee that new regulations or interpretations of current regulations would not impair our rights in connection with such amounts due from national, provincial and municipal governmental entities. This could consequently affect our financial condition and results of operations. In addition, if certain governmental counterparties were (i) not able to pay or redeem such accrued amounts in cash or cash equivalents, or (ii) not able to make such payments or redemptions according to our estimated schedule, our financial condition and results of operations would be adversely affected.

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

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

During the last several years, the Argentine authorities have adopted a number of measures that have resulted in restrictions on exports of natural gas from Argentina. Due to the foregoing, we have been obliged to sell a part of our

natural gas production previously destined for the export market in the local Argentine market and have not been able to meet our contractual gas export commitments in whole or, in some cases, in part, leading to disputes with our export clients and forcing us to declare force majeure under our export sales agreements. We believe that the measures mentioned above constitute force majeure events that relieve us from any contingent liability for the failure to comply with our contractual obligations, although no assurance can be given that this position will prevail.

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

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

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

***Oil and gas prices, including the recent decline in global prices for oil and gas, could affect our business.***

We budget capital expenditures related to exploration, development, refining and distribution activities by taking into account, among other things, current and expected local and international market prices for our hydrocarbon products.

The international price of crude oil has fluctuated significantly in the past and may continue to do so the future. In recent months, the international price of a barrel of Brent crude oil fell below U.S.\$35. This is a decrease of approximately U.S.\$17 per barrel from the 2015 average of U.S.\$52.30 per barrel, representing an approximately 33% decrease. While in the past, domestic oil prices in Argentina have not reflected increases or decreases in international oil prices, the significant decline discussed above resulted in an approximately U.S.\$7.00 reduction during 2015 of the domestic price per barrel compared to the price in effect on December 31, 2014, and an additional approximately 10% reduction in 2016 compared to the price in effect on December 31, 2015, resulting in a price of U.S.\$67.50 and U.S.\$54.90 per barrel for Medanito and Escalante crude, respectively. If international crude prices remain at current levels or continue to drop for an extended period of time and this is reflected in the domestic price of oil, which we cannot control, it could cause the economic viability of drilling projects to be reduced. This could lead to changes to our development plans, which could in turn lead to the loss of proved reserves and proved undeveloped reserves. It could also affect our assumptions and estimates and, as a result, affect the recovery value of certain assets. Furthermore, if these conditions are reflected in the domestic prices of our refined products, which as of the date of this annual report are in general above international prices, our ability to generate cash and our results of operations could be adversely affected.

In light of the above and assuming current domestic prices for certain products do not match cost increases (including those related to the increase in the value of the U.S. dollar against the Argentine peso) in accordance with higher and more complex investments, mainly as a result of the development of unconventional resources, and also with evolution of the economy, our ability to improve our hydrocarbon recovery rates, find new reserves, develop unconventional resources and carry out certain of our other capital expenditure plans could be adversely affected, which in turn would have an adverse effect on our financial conditions and results of operations. Furthermore, we may be required to write down the carrying value of our properties if oil prices decline or if we have substantial downward adjustments to our estimated proved reserves, increases in our operating costs, among others. See additionally Item 5. Operating and Financing Review and Prospects Critical Accounting Policies for information regarding our sensitivity analysis related to impairment. In addition, if a reduction in our capital expenditures materializes, including the capital expenditures of our domestic competitors, it would likely have a negative impact on the number of active drilling rigs, workovers and pulling equipment in Argentina, including related services, thus affecting the number of active workers in the industry. We are unable to predict whether, and to what extent, the potential consequences of such measures would affect our business, mainly the impact on our production and consequently our financial condition and results of operations. See We could be subject to organized labor action.

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

Most of our existing oil and gas producing fields in Argentina are mature and, as a result, our reserves and production are likely to decline as reserves are depleted. Our production declined by approximately 8.4% in 2011 and 0.6% in 2012 on a boe/d basis. However, as a result of increased development and exploration activity in 2013, 2014 and 2015, including the production that came from our acquired properties, our production increased by approximately 1.7%, 13.5% and 3.0%, respectively, on a boe/d basis. In addition, the reserves replacement ratio (increases in

reserves in the year, net divided by the production of the year) was 154% in 2013, 163% in 2014 and 107% in 2015.

We face certain challenges in order to replace our proved reserves with other categories of hydrocarbons. However, the continuous comprehensive technical review of our oil and gas fields allows us to identify opportunities to rejuvenate mature fields and optimize new fields developments in Argentine basins with the aim of achieving results similar to those achieved by mature fields in other regions of the world (which have achieved substantially higher recovery factors with the application of new technology). Additionally, we have been completing the renewal of most of our concessions, allowing us to develop certain strategic projects related to waterflooding, enhanced oil recovery and unconventional resources, which represent an important opportunity not only for the Company but also for Argentina. We expect that unconventional development will require higher investment in future years, principally in connection with the Vaca Muerta formation. These investments are expected to yield substantial economies of scale and to significantly increase recovery rates from this resource play. Other resource plays, unconventional prospects, exist in Argentina and have positioned the country amongst the most attractive in terms of worldwide unconventional resource potential. 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, and are also subject to material risks inherent to the oil and gas industry and may prove unsuccessful. See Our business plan includes future drilling activities for unconventional oil and gas reserves, such as shale oil and gas extraction, and if we are unable to successfully acquire and use the necessary new technologies and other support as well as obtain financing and venture partners, our business may be adversely affected.

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**Table of Contents*****Our oil and natural gas reserves are estimates.***

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

Information on net proved reserves as of December 31, 2015, 2014 and 2013 was calculated in accordance with SEC rules and FASB's ASC 932, as amended. Accordingly, crude oil prices used to determine reserves were calculated each month, for crude oils of different quality produced by us.

As previously discussed, domestic prices for oil and gas products and derivatives have demonstrated in recent years they do not follow international prices both in the down and upside, mainly as a result of domestic economic variables affecting Argentina such as regulations, labor costs, labor unions, political, economic and social constraints, among others. Accordingly, for calculations of our net proved reserves as of December 31, 2015, we considered the realized prices for crude oil in the domestic market, which are higher than those prevailing in the international market, taking into account the unweighted average price for each month within the twelve-month period ending December 31, 2015.

Commodity prices in general have declined significantly since 2014. If these prices do not increase significantly, and domestic prices for crude oil were reduced in line with international prices, our future calculations of estimated proved reserves would be based on lower prices. This could result in our having to remove non-economic reserves from our proved reserves in future periods. Holding all other factors constant, if commodity reference prices used in our year-end reserve estimates were decreased for crude oil to match international prices of approximately U.S.\$40 per barrel for WTI, and considering such prices since January 1, 2016, our total proved reserves as of December 31, 2015 would decrease by approximately 39%. Holding all other factors constant, if commodity reference prices used in our year-end reserve estimates were decreased for crude oil to match the current prices for crude oil in the domestic market since January 1, 2016 of approximately U.S.\$67.50 per barrel for WTI equivalent quality, and considering such prices since January 1, 2016, our total proved reserves at December 31, 2015 would decrease by approximately 5%. In addition, as a result of the prices used to calculate the present value of future net revenues from our proved reserves, in accordance with SEC rules, which are similar to the calculation of proved reserves described above, the present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated crude oil and natural gas reserves. In particular, they may be reduced due to the recent significant decline in commodity prices if such prices do not increase significantly and domestic prices were reduced in line with international prices.

As a result of the foregoing, measures of reserves are not precise and are subject to revision. Any downward revision in our estimated quantities of proved reserves could adversely impact our financial results by leading to increased

depreciation, depletion and amortization charges or impairment charges, which would reduce earnings and shareholders' equity. See Oil and gas prices, including the recent decline in global prices for oil and gas, could affect our business.

***Oil and gas activities are subject to significant economic, environmental and operational risks.***

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

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***Our business plan includes future drilling activities for unconventional oil and gas reserves, such as shale oil and gas extraction, and if we are unable to successfully acquire and use the necessary new technologies and other support as well as obtain financing and venture partners, our business may be adversely affected.***

Our ability to execute and carry out our business plan depends upon our ability to obtain financing at a reasonable cost and on reasonable terms. We have identified drilling locations and prospects for future drilling opportunities of unconventional oil and gas reserves, such as the shale oil and gas in the Vaca Muerta formation. These drilling locations and prospects represent a part of our future drilling plans. Our ability to drill and develop these locations depends on a number of factors, including seasonal conditions, regulatory approvals, negotiation of agreements with third parties, commodity prices, costs, access to and availability of equipment, services and personnel and drilling results. In addition, as we do not have extensive experience in drilling and exploiting unconventional oil and gas reserves, the drilling and exploitation of such unconventional oil and gas reserves depends on our ability to acquire the necessary technology and hire personnel and other support needed for extraction or obtain financing and venture partners to develop such activities. Furthermore, in order to implement our business plan, including the development of our oil and natural gas exploration activities and the development of refining capacity sufficient to process increasing production volumes, we will need to raise significant amounts of debt capital in the financial and capital markets. We cannot guarantee that we will be able to obtain the necessary financing or obtain financing in the international or local financial markets at reasonable cost and on reasonable terms to implement our new business plan or that we would be able to successfully develop our oil and natural gas reserves and resources (mainly those related to our unconventional oil and gas business plan). Because of these uncertainties, we cannot give any assurance as to the timing of these activities or that they will ultimately result in the realization of proved reserves or meet our expectations for success, which could adversely affect our production levels, financial condition and results of operations.

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

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

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

As modified by Law No. 27,007, the Hydrocarbons Law provides for oil and gas concessions to remain in effect for 25 years as from the date of their award, 35 years for unconventional concessions and 30 years for offshore concessions. It further provides that concession terms may be extended for periods of up to 10 years each. The authority to extend the terms of current and new permits, concessions and contracts has been vested in the governments of the provinces in which the relevant area is located (and the federal government in respect of offshore



areas beyond 12 nautical miles). In order to be eligible for an extension of a concession, under the modifications of Law No. 27,007, concessionaires must (i) have complied with their obligations, (ii) be producing hydrocarbons in the concession under consideration and (iii) submit an investment plan for the development of such areas as requested by the competent authorities up to a year prior to the termination of each term of the concession. Under the Hydrocarbons Law, non-compliance with the obligations and standards set out therein may also result in the imposition of fines and in the case of material breaches, following the expiration of applicable cure periods, the revocation of the concession or permit.

We cannot provide assurances that any of our concessions will be extended as a result of the consideration by the relevant authorities of the investment plans the Company would submit in the future for the development of the areas as of the date of requesting the extension periods for the relevant areas for the Company, or other requirements will not be imposed on us in order to obtain extensions as of the date of expiration. Additional royalty payments of 3%, up to a maximum of 18%, are provided for in extensions under Law No. 27,007. The termination of, or failure to obtain the extension of, a concession or permit, or its revocation, could have a material adverse effect on our business and results of operations.

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

We face intense competition in bidding for crude oil and natural gas production areas, especially those areas with the most attractive crude oil and natural gas reserves. As a result, the conditions under which we are able to access new exploratory or productive areas could be adversely affected. In addition, fewer offerings of exploratory acreages available to be bid upon could affect our future results.

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

Our operations, like those of other companies in the oil and gas industry, are subject to a wide range of environmental, health and safety laws and regulations in the countries in which we operate. These laws and regulations have a substantial impact on our operations and those of our subsidiaries, and could result in material adverse effects on our financial position and results of operation. In addition, YPF Holdings, a wholly-owned subsidiary of YPF, has certain environmental liabilities. See Item 8. Financial Information Legal Proceedings YPF Holdings. A number of events related to environmental, health and safety matters, including changes in applicable laws and regulations, adverse judicial or administrative interpretations of such laws and regulations, changes in enforcement policy, the occurrence of new litigation or development of pending litigation, and the development of information concerning these matters, could result in new or increased liabilities, capital expenditures, reserves, losses and other impacts that could have a material adverse effect on our financial condition and results of operations. See Item 8. Financial Information Legal Proceedings, Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Argentine Environmental Regulations and Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government U.S. Environmental Regulations.

Environmental, health and safety regulation and jurisprudence in Argentina is developing at a rapid pace and no assurance can be provided that such developments will not increase our cost of doing business and liabilities, including with respect to drilling and exploitation of our unconventional oil and gas reserves. In addition, due to concern over the risk of climate change, a number of countries have adopted, or are considering the adoption of, new regulatory requirements to reduce greenhouse gas emissions, such as carbon taxes, increased efficiency standards or the adoption of cap and trade regimes. If adopted in Argentina, these requirements could make our products more expensive as well as shift hydrocarbon demand toward relatively lower-carbon sources such as renewable energies.

***We may incur significant costs and liabilities depending on the ultimate design and implementation of the remedial action approved by the U.S. Environmental Protection Agency ( EPA ) regarding the Focused Feasibility Study for remedial action with respect to environmental contamination of the lower eight miles of the Passaic River in New Jersey and any other action by the EPA related to the Newark Bay Complex.***

As previously mentioned, YPF Holdings, a wholly-owned subsidiary of YPF, is subject to certain environmental liabilities. In particular, in June 2007, the EPA released a draft Focused Feasibility Study ( FFS ) that outlined several alternatives for remedial action in the lower eight miles of the Passaic River. As a result of comments received, the EPA withdrew the FFS for revision and further consideration in light of the comments. On November 14, 2013, the EPA described four alternatives it was considering in the revised FFS, including: (i) no action, (ii) deep dredging with backfill of 9.7 million cubic yards over 12 years, which it estimated would cost U.S.\$1.4 billion to U.S.\$3.5 billion, depending on whether the dredged sediment is disposed of in a confined aquatic disposal facility ( CAD ) at the bottom of Newark Bay, at an off-site disposal facility or locally decontaminated and put to beneficial use; (iii) capping with dredging of 4.3 million cubic yards over six years, which it estimated would cost U.S.\$1.0 billion to U.S.\$1.8 billion, depending on whether there is a CAD, off-site disposal or local decontamination and beneficial use; and (iv) one additional alternative that it subsequently discarded.

On April 11, 2014, the EPA published the revised FFS for the lower eight miles of the Passaic River in final form. In the final FFS, the EPA recommended as its preferred remedial action for this area removal of approximately 4.3 million cubic yards of sediment through bank-to-bank dredging, which sediments would then be dehydrated locally and transported by train for their incineration or disposal at an off-site disposal facility. An engineering cap (a physical barrier mainly consisting of sand and stone) would then be placed over the bank-to-bank dredged area. In its final FFS, the EPA estimated the cost of the preferred remedy (without CAD) for the lower eight miles of Passaic River to be U.S.\$1,731 million (present value estimated with a 7% discount rate).

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On August 20, 2014, Maxus and Tierra, on behalf of Occidental, submitted extensive comments on the final FFS to the EPA. The main comments offered by Maxus, Tierra and Occidental on the final FFS were:

The FFS is not a process legally authorized to select the type and size of remediation proposed by the EPA for the lower eight miles of the Passaic River;

The FFS is based on a flawed site design;

The FFS overstates the human health and ecological risk issues;

The proposed remediation plan is not executable or economically reasonable in terms of cost-benefit;

The processes of the EPA Region 2 have a lack of public transparency; and

The inclusion in the remediation plan of dredging for navigational purposes is not covered by the regulation.

In addition to the comments received from Maxus and Tierra, the EPA also received comments from approximately 400 other companies, institutions, government agencies, non-governmental organizations and individuals, including the CPG, Amtrak (the federal railway company), NJ Transit, the American Army Corps of Engineers, the Passaic Valley Sewerage Commission, yacht clubs, public officials and others.

In addition to commenting on the final FFS, Maxus and Tierra have proposed a preliminary project called In-ECO, which is an ecological and sustainable bio-remediation alternative, as a substitute for the remediation chosen by the EPA in its final FFS. Maxus and Tierra presented In-ECO to the EPA in May 2014. The EPA provided comments in September 2014, and Maxus and Tierra presented a revised version in November 2014. The EPA provided additional comments to the In-ECO Statement of Work in March 2015. Tierra subsequently developed responses to those comments and submitted them to the EPA. A meeting was held in September 2015 between Tierra, its experts and the EPA. During this meeting, certain issues were resolved, and laboratory studies are now anticipated to begin sometime in early 2016.

In October 2015, the U.S. Government Accountability Office (the GAO ) advised Maxus, Tierra and Occidental that it had commenced a study on some Superfund sites with sediment contamination issues, including the Lower Section of the Passaic River, at the request of the Committee of Environmental Matters and Public Works of the United States Senate. It is anticipated that the GAO's report will be made public in the third quarter of 2016.

On March 4, 2016, subsequent to the issuance of the accompanying Financial Statements, EPA released the Record of Decision for the Lower 8.3 Miles of the Lower Passaic River, Part of the Diamond Alkali Superfund Site Essex and Hudson Counties, New Jersey (hereinafter, the ROD ).

The ROD presented the selected remedy to address contaminated sediments found in the lower 8.3 miles of the Lower Passaic River, a part of the Diamond Alkali Superfund Site. In this regard, the EPA selected Alternative 3 (capping

with dredging for flooding and navigation of 3.5 million cubic yard over 6 years term). This approach is consistent with the alternative selected in the Second Draft FFS 2014 but for the amount of sediment to be removed through bank-to-bank dredging (which was approximately 4.3 million cubic yards in the FFS 2014 draft and is approximately 3.5 million cubic yards in the ROD).

The ROD provides that the estimated total net present value costs to be US\$ 1,382 million. This amount is consistent with the amount provided in the FFS 2014 Draft, taking in consideration a reduction of 0.8 million cubic yards to be removed between the two reports. According to the EPA, a major source of dioxin in the river was discharges from the former Diamond Alkali facility in Newark, where the production of Agent Orange and other pesticides during the 1960s generated dioxin that contaminated the land and the river.

The EPA further stated that the selected alternative is the first of three remedies to be selected for the Lower Passaic/Newark Bay waterway, highlighting that separate RI/FSs are being conducted for the full 17-mile Lower Passaic River Study Area and for the Newark Bay Study Area. Accordingly, the EPA expects the three remedies to be integrated into a comprehensive response action.

In accordance with the issuance of the ROD, the EPA stated that now that the cleanup plan has been selected, the EPA will immediately begin discussions with those responsible for the contamination to seek their performance of or payment for the cleanup work. The EPA stated that once the legal process concludes, the design of the activities necessary to carry out the cleanup will be outlined in a legally binding document. The EPA expects that the design will take three to four years to complete. In accordance with the EPA, the dredging, dewatering and disposal of dredged materials and related construction work will follow and is expected to take six years to complete.

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At this time, there is significant uncertainty regarding the outcome of any allocation negotiation or mediation process to estimate the percentage share to Occidental for which Maxus might be liable under the indemnity.

Based on (a) the uncertainties identified by the Company as of the date of this annual report, including but not limited to (i) the extraordinary volume of sediment materials for which, to date, the sediment treatment technologies have neither been constructed nor operated in the United States on a scale commensurate with the capacity that would be necessary for the remedial work this remediation that this project would be requiring, (ii) the results of the studies and discoveries yet to be produced, (iii) the number and diversity of contaminants of concern identified by the ROD (furans, PCB s, mercury, copper, dieldrin, PAHs, lead, dioxins and DDT), many of which have not been previously associated with the Lister Site and/or have been generated by other potentially responsible parties, (iv) the number and diversity of potential responsible parties involved in the matter (EPA identified more than one hundred potential responsible parties), and (v) the final allocation of the removal and remediation costs; (b) consultation with our internal and external counsel; (c) the amounts previously incurred and recorded by YPF Holdings in remediation activities in the area covered by the ROD; and (d) the limitation on responsibility that YPF may have as an indirect controlling shareholder of Maxus, no additional liability has been accrued for this environmental matter as of the date of this annual report. Depending on the final outcome of this matter, our financial condition and results of operation could be negatively affected. In addition, taking into account YPF Holdings' economic and financial situation, we cannot assure you that as a result of the final costs of the FFS, YPF Holdings would not fail to make payments related thereto. See Item 8. Financial Information Legal Proceedings YPF Holdings.

***We face risk relating to certain legal proceedings.***

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

In addition, we may be subject to undisclosed liabilities related to labor, commercial, civil, tax, criminal or environmental contingencies incurred by businesses we acquire as part of our growth strategy, that we may not be able to identify or that may not be adequately indemnified under our acquisition agreements with the sellers of such businesses, in which case our business, financial condition and results of operation may negatively and adversely affected.

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

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

For instance, on April 2, 2013 our facilities in the La Plata refinery were hit by a severe and unprecedented storm, recording over 400 mm of rainfall. The rainfall set a new record for the area and disrupted refinery systems, causing a fire that affected the Coke A and Topping C units in the refinery. This incident temporarily affected the crude

processing capacity of the refinery, which had to be stopped entirely. Seven days after the event, the processing capacity was restored to about 100 mbbbl/d through the commissioning of two distillation units (Topping IV and Topping D). By the end of May 2013, the Topping C unit resumed operations at full nominal capacity. The Coke A unit has been shut down permanently since the storm, affecting the volume of crude processed in the refinery, due to a reduction in conversion capacity. The storm resulted in a decrease in the volume of crude oil processed. YPF has an insurance policy that provides coverage for the loss of income and property damage due to incidents like the storm that affected the La Plata refinery. See Note 11.b to the Audited Consolidated Financial Statements for information regarding the amount recognized in our result of operations in connection with our insurance coverage.

In addition, on March 21, 2014, a fire occurred at the Cerro Divisadero crude oil treatment plant, located 20 kilometers from the town of Bardas Blancas in the province of Mendoza. The Cerro Divisadero plant, which has six tanks, four of which are for processing and two are for dispatch of treated crude oil, concentrates the production of ten fields in the Malargue area. This constitutes a daily production of approximately 9,200 barrels of oil as of the date of the incident. As of the date of this annual report, the production of the affected fields has almost returned to previous levels, and the construction of the new oil treatment plant has advanced as planned.

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**Table of Contents*****We could be subject to organized labor action.***

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

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

On April 30, 2013, our shareholders approved a dividend of Ps. 326 million (Ps. 0.83 per share or ADS), which was paid during August 2013. On April 30, 2014, our Shareholders approved a dividend of Ps. 464 million (Ps. 1.18 per share or ADS), which was paid during July 2014. On April 30, 2015, our shareholders approved a dividend of Ps.503 million (Ps.1.28 per share or ADS), which was paid during July 2015. On March 3, 2016, our Board of Directors agreed to propose at the shareholders' meeting the allocation of Ps. 889 million to a reserve for the payment of dividends, authorizing the Board to determine the opportunity for its distribution within a period not exceeding the end of 2016. Notwithstanding the foregoing, our ability to pay, maintain or increase dividends is based on many factors, including our net income, anticipated levels of capital expenditures and expected levels of growth. A change in any such factor could affect our ability to pay, maintain or increase dividends, and the exact amount of any dividend paid may vary from year to year.

***Our performance is largely dependent on recruiting and retaining key personnel***

Our current and future performance, the successful implementation of our strategy and the operation of our business are dependent upon the contributions of our senior management and our highly skilled team of engineers and other employees. Our ability to continue to rely on these key individuals is dependent on our success attracting, training, motivating and retaining key management and commercial and technical personnel with the necessary skills and experience. There is no assurance that we will be successful in retaining and attracting key personnel and the replacement of any key personnel who were to leave could be difficult and time consuming.

On March 9, 2016, our current Chairman and CEO Miguel Galuccio announced that he will step down at the end of his term, which ends at our next annual shareholders meeting, expected to be held in April 2016. See Item 6. Directors, Senior Management and Employees Board of Directors. The Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. Consequently, the Argentine government has the majority of votes which allows to appoint the majority of members of our board of directors at the General Shareholders' meeting. See The Argentine federal government will control the Company according to domestic energy policies in accordance with the Expropriation Law and Our business is largely dependent upon economic conditions in Argentina. The loss of the experience and services of key personnel or the inability to recruit suitable replacements or additional staff could have a material adverse effect on our business, financial condition and our results of operations.

***Our business has become increasingly dependent on digital technologies to conduct day-to-day operations, including oil, gas and petrochemical operations.***

As dependence on digital technologies has increased, cyber incidents, including deliberate attacks or unintentional events, have also increased worldwide. Our technologies, systems, networks and those of our business associates have



been and may continue to be the target of cyberattacks or information security breaches, which could lead to disruptions in critical systems (such as SCADAs, DCS systems), the unauthorized release of confidential or protected information, corruption of data or other disruptions of our business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. To our knowledge, we have not experienced any material losses relating to cyberattacks. However, as cyberattacks continue to evolve, there can be no assurance that we will not suffer any cyberattack in the future that may affect our operations or our financial condition.

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

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

The market price of our ordinary shares and ADSs may fluctuate significantly due to a number of factors, including, among others, our actual or anticipated results of operations and financial condition; speculation over the impact of the Argentine government as our controlling shareholder on our business and operations, investor perceptions of investments relating to Argentina and political and regulatory developments affecting our industry or the Company. In addition, recent regulatory and policy developments in Argentina, including the passage of the Expropriation Law, as well as the litigation of the Argentine government with Holdout Bondholders (see Our business is largely dependent upon economic conditions in Argentina ), have led to considerable volatility in the market price of our shares and ADSs. For example, the price of our ADSs has varied from U.S.\$54.58 on January 5, 2011 to U.S.\$9.57 on November 16, 2012. The price hit a high closing price of U.S.\$36.99 on July 1, 2014, but subsequently fell to U.S.\$12.83 on January 20, 2016. See Item 9. The Offer and Listing. We cannot assure you that concerns about factors that could affect the market price of our ordinary shares as previously mentioned may have a material adverse effect on the trading values of our securities.

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

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

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

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

The government is empowered, for reasons of public emergency, as defined in Article 1 of Law No. 25,561, to establish the system that will determine the exchange rate between the peso and foreign currency and to impose exchange regulations. Although the transfer of funds abroad in order to pay dividends currently does not require Central Bank approval, restrictions on the movement of capital to and from Argentina may, if imposed, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of Class D shares, as the case may be, from pesos into U.S. dollars and the remittance of the U.S. dollars abroad.

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

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

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

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

Sales of a substantial number of Class D shares or ADSs by any present or future relevant shareholder could decrease the trading price of our Class D shares and the ADSs.

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

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

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

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

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

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

We are an Argentine company and any future payments of dividends on our Class D shares will be denominated in pesos. The peso has historically and recently fluctuated significantly against many major world currencies, including the U.S. dollar. A devaluation of the peso would likely adversely affect the U.S. dollar or other currency equivalent of any dividends paid on our Class D shares and could result in a decline in the value of our Class D shares and the ADSs as measured in U.S. dollars.

#### **ITEM 4. Information on the Company History and Development of YPF**

##### ***Overview***

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

We are Argentina's leading energy company, operating a fully integrated oil and gas chain with leading market positions across the domestic upstream and downstream segments. Our upstream operations consist of the exploration, development and production of crude oil, natural gas and LPG. Our downstream operations include the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals, LPG and bio-fuels. Additionally, we are active in the gas separation and natural gas distribution sectors both directly and through our investments in several affiliated companies. In 2015, we had consolidated revenues of Ps. 156,136 million and consolidated net income of Ps. 4,426 million. Due to decreased export volumes, the portion of our revenues derived from exports has decreased steadily in recent years. Exports accounted for 7.9%, 17.1% and 13.3% of our consolidated net sales revenues in 2015, 2014 and 2013, respectively.

Until November 1992, 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.

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In 1999, Repsol acquired control of YPF and remained in control until the passage of the Expropriation Law. Repsol is an integrated oil and gas company headquartered in Spain with global operations. Repsol YPF owned approximately 99% of our capital stock from 2000 until 2008, when the Petersen Group purchased, in different stages, shares representing 15.46% of our capital stock (the Petersen Transaction). In addition, Repsol granted certain affiliates of Petersen Energía S.A. (Petersen Energía) an option to purchase up to an additional 10% of our outstanding capital stock, which was exercised in May 2011.

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

In addition, on February 25, 2014, the Republic of Argentina and Repsol reached an agreement (the Repsol Agreement) in relation to compensation for the expropriation of 200,589,525 of YPF's Class D shares pursuant to the Expropriation Law under the Repsol Agreement. Repsol accepted U.S.\$5.0 billion in sovereign bonds from the Republic of Argentina and withdrew judicial and arbitral claims it had filed, including claims against YPF, and waived additional claims. YPF and Repsol also executed a separate agreement (the Repsol Arrangement) on February 27, 2014, pursuant to which YPF and Repsol each withdrew, subject to certain exclusions, all present and future actions and/or claims based on causes occurring prior to the date of execution of Repsol Arrangement arising from the expropriation of the YPF shares owned by Repsol pursuant to the Expropriation Law, including the intervention and temporary possession for public purposes of YPF's shares. YPF and Repsol agreed to withdraw reciprocal actions and claims with respect to third parties and/or pursued by them and to grant a series of mutual indemnities, which at the time were subject to certain conditions precedent. The Repsol Arrangement entered into force the day after Repsol notified YPF that the Repsol Agreement had entered into force. The Repsol Agreement was ratified on March 28, 2014 at a Repsol general shareholders' meeting and approved by the Argentine congress by Law No. 26,932 enacted by Decree No. 600/2014. On May 8, 2014, YPF was notified of the entry into force of the Repsol Agreement. As of that date, the expropriation pursuant to the Expropriation Law was concluded, and as a result the Republic of Argentina is definitively the owner of 51% of the capital stock of each of YPF S.A. and YPF GAS S.A.

The financial data contained in this annual report as of and for the years ended December 31, 2015, 2014 and 2013 has been derived from our Audited Consolidated Financial Statements included in this annual report. See Note 20 to the Audited Consolidated Financial Statements. The financial data contained in this annual report as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011 have been derived from our consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 included in our 2013 20-F.

***Upstream Operations***

As of December 31, 2015, we held interests in 108 oil and gas fields in Argentina. According to the Argentine Secretariat of Energy, in 2015 these assets accounted for approximately 48.6% of the country's total production of crude oil, excluding NGLs, and approximately 44.1% of its total natural gas production, including NGLs, in 2015, according to information provided by the Argentine Secretariat of Energy.

We had proved reserves, as estimated as of December 31, 2015, of approximately 679 mmbbl of oil, including condensates and NGLs, and approximately 3,072 bcf of gas, representing aggregate reserves of approximately 1,226 mmboe as of such date, compared to approximately 674 mmbbl of oil, including condensates and NGLs, and approximately 3,016 bcf of gas, representing aggregate reserves of approximately 1,212 mmboe as of December 31, 2014.

In 2015, we produced approximately 91 mmbbl of oil (approximately 250 mbbbl/d), including condensates, approximately 18 mmbbl of NGLs (approximately 49 mbbbl/d), and approximately 569 bcf of gas (approximately 1,560 mmcf/d), representing a total production of approximately 210 mmboe (approximately 577 mboe/d), compared to approximately 89 mmbbl of oil (approximately 245 mbbbl/d), including condensates, approximately 18 mmbbl of NGLs (approximately 49 mbbbl/d), and approximately 547 bcf of gas (approximately 1,498 mmcf/d) representing a total production of approximately 204 mmboe (approximately 560 mboe/d) in 2014.

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***Downstream Operations***

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

Our retail distribution network for automotive petroleum products as of December 31, 2015 consisted of 1,538 YPF-branded service stations, of which we own 112 directly and through our 100% subsidiary Operadora de Estaciones de Servicios S.A. ( OPESSA ), and we estimate we held approximately 35% of all gasoline service stations in Argentina.

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

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

(1) Includes the directly and indirectly controlled companies of the Apache Group acquired on March 12, 2014. See Note 11.c Investment Project Agreements to the Audited Consolidated Financial Statements for a description of the transaction we entered into with Chevron and the Apache Group.



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The map below illustrates the location of our productive basins, refineries, storage facilities and crude oil and multi-product pipeline networks as of December 31, 2015.

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

**The Argentine Market**

Argentina is the second largest producer of natural gas and the fourth largest producer of crude oil in Central and South America, based on 2014 production, according to the 2015 edition of the BP Statistical Review of World Energy, published in June 2015.

In response to the economic crisis of 2001 and 2002, the Argentine government, pursuant to the Public Emergency Law, established export taxes on certain hydrocarbon products. In subsequent years, in order to satisfy growing domestic demand and abate inflationary pressures, this policy was supplemented by constraints on domestic prices, temporary export restrictions and subsidies on imports of natural gas and diesel. As a result, until 2008, local prices for oil and natural gas products had remained significantly below those prevalent in neighboring countries and international commodity exchanges.

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In 2012, Argentina's GDP experienced a slowdown, with GDP increasing 1.9% on an annual basis compared to the preceding year according to the methodology of calculation prevailing until March 2014. On March 27, 2014, the Argentine government announced a new method of calculating GDP by reference to 2004 as the base year (as opposed to 1993, which was the base reference year under the prior method of calculating GDP). As a result of the application of this new method, the estimated GDP growth rate for 2013 was revised from 4.9% to 2.9%. As of the date of this annual report, the provisional figures of Argentina's estimated GDP for 2014 and the first half of 2015 published by INDEC is 0.5% and 2.2%, respectively. However, on January 7, 2016 through Decree No. 55/2016, the new leadership of INDEC issued a report declaring a national statistical emergency. INDEC stated that its administration since 2006 was irregular and it would reorganize. As a result, INDEC would not publish new information until at least June 2016.

Driven by economic expansion and stable domestic prices, energy demand has increased significantly during the same period, outpacing energy supply (which, in the case of oil, declined). As a result of a high number of power outages caused by the consumption increase, the Ministry of Energy requested that the Executive Branch declare a National Electric System Emergency through December 31, 2017. This decree instructs the Minister of Energy to develop and propose measures and to ensure adequate power supplies. Also by Resolution No. 06/2016, published in January 2016, the Ministry of Energy and Mining established new seasonal reference prices for power and energy in the Wholesale Electricity Market ( MEM ) for the period from February 1, 2016 to April 30, 2016. See Regulatory Framework and Relationship with the Argentine Government Resolution No. 06/2016.

Argentine natural gas consumption grew at an average annual rate of approximately 5.0% during the period from 2003 to 2011, according to the BP Statistical Review and the Argentine Secretariat of Energy. As a result of this increasing demand and actions taken by the Argentine regulatory authorities to support domestic supply, exported volumes of hydrocarbon products, especially natural gas, diesel and gasoline, declined steadily over this period. At the same time, Argentina has increased hydrocarbon imports, becoming a net importer of certain products, such as diesel, and increased imports of gas (including NGL). In 2003, Argentina's net exports of diesel amounted to approximately 1,349 mcm, while in 2015 its net imports of diesel amounted to approximately 1,933 mcm, according to preliminary information provided by the Argentine Secretariat of Energy. Significant investments in the energy sector are being carried out, and additional investments are expected to be required in order to support continued economic growth, as the industry is currently operating near capacity.

Demand for diesel in Argentina exceeds domestic production. In addition, prior to the recent decline in international oil prices, the import prices of refined products have been in general substantially higher than the average domestic sales prices of such products, rendering the import and resale of such products less profitable. As a result, from time to time, service stations experience temporary shortages and are required to suspend or curtail diesel sales. On May 3, 2012, the Expropriation Law was passed by the Argentine congress. The Expropriation Law declared achieving self-sufficiency in the supply of hydrocarbons, as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, to create jobs, to increase the competitiveness of various economic sectors and to promote the equitable and sustainable growth of Argentine provinces and regions. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

**History of YPF**

Beginning in the 1920s and until 1990, both the upstream and downstream segments of the Argentine oil and gas industry were effectively monopolies of the Argentine government. During this period, we and our predecessors were owned by the state, which controlled the exploration and production of oil and natural gas, as well as the refining of crude oil and marketing of refined petroleum products. In August 1989, Argentina enacted laws aimed at the

deregulation of the economy and the privatization of Argentina's state-owned companies, including us. Following the enactment of these laws, a series of presidential decrees were promulgated, which required, among other things, us to sell majority interests in our production rights to certain major producing areas and to undertake an internal management and operational restructuring program.

In November 1992, the Privatization Law, which established the procedures by which we were to be privatized, was enacted. In accordance with the Privatization Law, in July 1993, we completed a worldwide offering of 160 million Class D shares that had previously been owned by the Argentine government.

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

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

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On February 21, 2008, Petersen Energía ( PEISA ) purchased 58,603,606 of our ADSs, representing 14.9% of our capital stock, from Repsol YPF for U.S.\$2,235 million. In addition, Repsol YPF granted certain affiliates of Petersen Energía options to purchase up to an additional 10.1% of our outstanding capital stock within four years. On May 20, 2008, PEISA exercised an option to purchase shares representing 0.1% of our capital stock. Additionally, PEISA launched a tender offer to purchase all of the shares of YPF that were not already owned by them at a price of U.S.\$49.45 per share or ADS. Repsol YPF, pursuant to its first option agreement with Petersen Energía, had stated that it would not tender YPF shares to PEISA. A total of 1,816,879 shares (including Class D shares and ADSs), representing approximately 0.462% of our total shares outstanding, were tendered. On May 3, 2011, PEISA exercised an option to acquire, from Repsol YPF, shares or ADSs representing 10.0% of our capital stock and on May 4, 2011, Repsol YPF acknowledged and accepted such exercise. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law and Item 7. Major Shareholders and Related Party Transactions, for a detail of our current major shareholders.

On May 3, 2012, the Argentine congress passed the Expropriation Law. Among other matters, the Expropriation Law provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities. The shares subject to expropriation, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government controls the Company according to domestic energy policies in accordance with Law No. 26, 741 ( the Expropriation Law ). As of the date of this annual report, the transfer of the shares subject expropriation between the National Executive Office and the provinces that compose the National Organization of Hydrocarbon Producing States was still pending. According to Article 8 of the Expropriation Law, the distribution of the shares among the provinces that accept their transfer must be conducted in an equitable manner, considering their respective levels of hydrocarbon production and proved reserves. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. In addition, in accordance with Article 9 of the Expropriation Law, each of the Argentine provinces to which shares subject to expropriation are allocated must enter into a shareholder s agreement with the federal government that will provide for the unified exercise of its rights as a shareholder. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law, Item 7. Major Shareholders and Related Party Transactions. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business We face risk relating to certain legal proceedings for a description of the Agreement between Repsol and the Argentine Republic relating to compensation for the expropriation of 51% of the share capital of YPF owned, directly or indirectly, by Repsol.

For a discussion of the Repsol Agreement which concluded the expropriation of 51% of the capital stock of YPF S.A. and YPF GAS S.A. pursuant to the Expropriate Law and the related Repsol Arrangement, see History and Development of YPF Overview.

Our strategy intends to reaffirm our commitment to creating a new model of the Company in Argentina which aligns our objectives, seeking profitable and sustainable growth that generates shareholder value, with those of the country, thereby positioning YPF as an industry-leading company aiming at the reversal of the national energy imbalance and the achievement of hydrocarbon self-sufficiency in the long term.

To achieve the goals set forth above, we intend to focus on (i) continuing to increase production, especially of natural gas; (ii) improving efficiency and productivity to enable us to adapt to a scenario of a prolonged decline in international oil prices; (iii) increasing exploration of mature areas; (iv) developing unconventional resources;

(v) improving our capacity to refine in order to accommodate the growth in demand for refined products;  
(vi) exploring conventional and unconventional resources and pushing the limits of existing deposits and exploring new frontiers, including offshore; and (vii) maintaining a solid capital structure.

The investment plan related to our growth needs to be accompanied by an appropriate financial plan, whereby we intend to reinvest earnings, search for strategic partners and raise debt financing at levels we consider prudent for companies in our industry. Consequently, the financial viability of these investments and hydrocarbon recovery efforts will generally depend, among other factors, on the prevailing economic and regulatory conditions in Argentina, the ability to obtain financing in satisfactory amounts at competitive costs, as well as the market prices of hydrocarbon products. See Item 3. Key Information Risk Factors Risks Relating to Argentina. and Item 5. Factors Affecting Our Operations for additional information regarding 2016 activity.

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### **Business Organization**

We currently conduct our business according to the following organization:

Upstream, which consists of our Exploration and Production segment;

Downstream, which consists of our Refining and Marketing , Natural Gas Distribution and Electricity Generation and Chemicals segments; and

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

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

In 2013, we reorganized our reporting structure by grouping the Chemical and Refining and Marketing segments into a new Downstream segment. We made this change primarily because of the common strategy shared by the former Chemical and Refining and Marketing segments, in light of the synergies involved in their activities to maximize the volume and quality of fuel offered to the market.

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

In addition, our activities related to power generation, which are not material for us, which we have developed through our controlled company YPF Energía Eléctrica S.A., and our natural gas distribution activities, which we have developed through Metrogas S.A., are also included in Downstream activities.

Additionally, we record certain assets, liabilities and costs under the Corporate and Other business segment, including corporate administration costs and assets, environmental matters related to YPF Holdings, Inc. ( YPF Holdings ) and certain construction activities, mainly related to the oil and gas industry, through our subsidiary A-Evangelista S.A. and its subsidiaries. See Note 4 to our Audited Consolidated Financial Statements.

Substantially all of our operations, properties and customers are located in Argentina. However, we carry out exploration activities in the United States, among other foreign jurisdictions, and hold an interest in a producing field in the United States and in one exploratory area in Chile. See Exploration and Production Overview Main properties. Additionally, we market lubricants and specialties in Brazil and Chile.

The following table sets forth revenues and operating income for each of our lines of business for the years ended December 31, 2015, 2014 and 2013:

	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of pesos)</b>		
<b>Revenues <sup>(1)</sup></b>			
<b>Exploration and production</b>			
Revenues	16,044	8,853	3,851
Revenue from intersegment sales <sup>(3)</sup>	64,243	61,844	38,846
<b>Total exploration and production</b>	<b>80,287</b>	<b>70,697</b>	<b>42,697</b>
<b>Downstream</b>			
Revenues	138,962	132,254	85,624
Revenue from intersegment sales	1,535	1,489	1,147
<b>Total refining and marketing</b>	<b>140,497</b>	<b>133,743</b>	<b>86,771</b>
<b>Corporate and other</b>			
Revenues	1,130	835	638
Revenue from intersegment sales	6,182	5,212	2,285
<b>Total corporate and other</b>	<b>7,312</b>	<b>6,047</b>	<b>2,923</b>
Less inter-segment sales and fees	(71,960)	(68,545)	(42,278)
<b>Total revenues</b>	<b>156,136</b>	<b>141,942</b>	<b>90,113</b>
<b>Operating income (Loss) <sup>(2)</sup></b>			
Exploration and production	7,535	12,353	6,324
Downstream	8,446	10,978	6,721
Corporate and other	(2,331)	(3,343)	(1,522)
Consolidation adjustments	2,938	(246)	(363)
<b>Total operating income</b>	<b>16,588</b>	<b>19,742</b>	<b>11,160</b>

- (1) Revenues are net of payment of a fuel transfer tax and turnover tax. Customs duties on hydrocarbon exports are disclosed in Taxes, charges and contributions, as indicated in Note 6.n to the Audited Consolidated Financial Statements. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining revenues. See Note 1.b.15 to the Audited Consolidated Financial Statements.
- (2) Includes exploration costs in Argentina and the United States and production operations in Argentina and the United States.
- (3) Intersegment revenues of crude oil to Downstream are recorded at transfer prices that reflect our estimate of Argentine market prices.

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### **Exploration and Production Overview**

Our portfolio includes more than 1,400 projects to develop proved, probable and possible reserves, in addition to contingent and prospective resources related to future developments and exploration activity. Our business growth objectives, whereby we seek to maximize the productivity and profitability of our portfolio, are based on the following key concepts: the rejuvenation of mature fields, an ongoing focus on gas development and the intensive development of unconventional reservoirs. See Item 3. Key Information Risk Factors.

The projects selected to be pursued and their schedules for completion are periodically determined by a portfolio optimization process, in accordance with our strategic guidelines.

Increased investments in Argentina have enabled us to maintain a high level of activity in projects that have contributed to significant increases in the production and value of our fields. In 2015, our oil production in Argentina increased by 2.1% and our gas production in Argentina increased by 4.2%, compared to our production in 2014. This increase reflects the intensive work we performed in the conventional and unconventional fields we operate. See Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations for additional information regarding 2016 activity.

### **Meeting the challenge of the mature oil and gas fields**

Most of our oil and gas producing fields in Argentina are mature, requiring strong commitments to overcome their decline.

We have significantly increased our activity and resources in mature areas that present profitable opportunities for increases in the recovery factor by employing techniques including infill wells, and extension of secondary recovery and tertiary recovery testing. We are focused on identifying new opportunities in both infill potential and improved sweep efficiency in our mature fields. These efforts are guided by subsurface modeling conducted by in-house multidisciplinary teams. Furthermore, we place a strong emphasis on surveillance and conformance activities to improve current mature water injection projects. Tertiary recovery is being pursued with polymer and surfactant waterflooding in mature reservoirs in both the Golfo de San Jorge and Neuquén basins.

Continuous technical reviews of our oil and gas fields allow us to identify opportunities to rejuvenate mature fields and optimize new field developments in Argentine basins in order to achieve similar recovery factors that mature fields have already reached in other regions of the world, with the application of new technologies.

We have managed, through the extension of most of our concessions with relatively favorable terms and conditions, to continue with the development of strategic waterflooding and improved oil recovery projects, improving our perspectives of production and reserves.

Nevertheless, the financial viability of these investments and reserve recovery efforts will generally depend on prevailing economic and regulatory conditions in Argentina, as well as the market prices of hydrocarbon products. See Item 3. Key Information Risk Factors. and Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations for additional information regarding 2016 activity.



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### **Staying the Path of Unconventional Resources**

During 2015, we continued extending our leadership in this area. We reaffirmed our commitment to the objective of growing our production and reserves through the development of unconventional resources, which began in 2013. More than 400 wells were drilled with Vaca Muerta shale as the target, mostly in the Loma Campana field, continuing the massive development we began in 2013. The remaining wells were targeted to continue the development phase in El Orejano block, in association with Dow Chemical, the Nambuena project in association with Chevron, and the La Amarga Chica pilot in association with Petronas. The purpose of these projects is to determine the potential of Vaca Muerta shale gas formation.

As we gathered more experience, drilling activity in Loma Campana migrated to horizontal wells of 1,500 meters in lateral length and 18 frack stages, obtaining wells with a promising relation between expected Estimated Ultimate Recovery (EURs) and well costs.

During 2014, we finalized the agreement with Petronas to jointly start a new three-year pilot project in the La Amarga Chica concession, located northeast of Loma Campana. See Main properties. At the end of 2015, three horizontal and one vertical well had been drilled in the block.

Like the previous agreements with Chevron and Dow Chemical, the agreement with Petronas constitutes a significant step towards the development of our vast unconventional resources, although this still represents only a fraction of our unconventional acreage. See Main properties.

The development of unconventional resources in the Vaca Muerta formation will demand a significant capital investment. As we rapidly progress on our learning curve, we expect to continue yielding substantial savings due to operational optimizations economies of scale and increasing well productivity through a better understanding of the subsurface.

Nevertheless, the financial viability of these investments and reserve recovery efforts will depend on the prevailing economic and regulatory conditions, as well as the market prices of hydrocarbons in Argentina. See Item 3. Key Information Risk Factors. and Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations for additional information regarding 2016 activity.

Tight sands also contributed to the increase of natural gas production and reserves in 2015, as was the case in the Mulichinco formation in the Rincón del Mangrullo concession, where Pampa Energía SA acquired 50% of the working interest during 2015. More than 87 wells were drilled in these marine tight sands, increasing gas production to 3 mmcm/d through a gas pipeline that connects to Loma La Lata facilities. This pipeline may enable the development of other gas fields, like the recent shale gas discovery La Ribera, where a successful well is already in production.

Recently we acquired land in the province of Chubut and Río Negro which can produce sand to be used as proppant in the development of unconventional hydrocarbons. Additionally, a sand treatment plant is under construction in the province of Neuquén and is expected to be operational by the first quarter of 2016. We expect to gradually replace the more expensive imported sand with our domestic product, allowing for significant well cost reductions.

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**Table of Contents*****Vaca Muerta Formation***

Loma Campana Area: On July 16, 2013, YPF and Chevron signed an investment project agreement for the joint exploitation of unconventional hydrocarbons in the province of Neuquén. The agreement contemplated an outlay of U.S.\$1,240 million by Chevron for a first phase of work to develop about 20 km<sup>2</sup> ( Pilot Project ) (4,942 acres) of the 395 km<sup>2</sup> (97,607 acres) corresponding to the area dedicated to the Pilot Project. This first Pilot Project included the drilling of more than 100 wells. Together with what has already been invested by YPF in the area, the total investment is U.S.\$1,500 million. In the second phase, which started during 2014 after completion of the Pilot Project, both companies continued the development of the area, sharing investments equally. Drilling activity continued in 2015 with more than 10 rigs operating most of the year. In addition, 122 vertical wells and 30 horizontal wells were put into production during the year. The plan for 2016 is to complete eight vertical wells and 54 horizontal wells. For additional information see Note 11.c Investment Project Agreements to the Audited Consolidated Financial Statements.

El Orejano Area: On September 23, 2013, YPF and Dow Europe Holding B.V. and PBB Polisor S.A. signed an agreement that included a disbursement by both parties up to U.S.\$188 million that will be directed towards the joint development of an unconventional gas pilot project in the province of Neuquén. Of the U.S.\$188 million to be disbursed, Dow will provide up to U.S.\$120 million through a convertible financing in their participation in the project. The agreement contemplated a first phase of work during which 16 wells would be drilled. This first phase ended in June 2015, with all 16 wells hooked up and reaching production of 668 mcm/d of gas at the end of this phase. On October 22, 2015, the companies signed an amendment to the original agreement whereby Dow Europe Holding B.V. and PBB Polisor S.A. increased the original commitment by U.S.\$60 million for the development of a second phase, which includes the drilling of 18 new wells. On December 15, 2015, the parties executed all steps contemplated in the agreement so that PBB Polisor S.A. became a partner in El Orejano Area on a 50/50 basis with YPF. During December 2015, the project had an average production of 765 mcm/d, with 19 producing wells. The total YPF investment for 2015 was U.S.\$228 million, including drilling, completion and facilities.

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**La Amarga Chica Area:** On December 10, 2014, YPF and PETRONAS E&P ARGENTINA S.A. ( PEPASA ), an affiliate of PETRONAS E&P Overseas Ventures Sdn. Bhd ( PEPOV ) of Malaysia executed a Project Investment Agreement (the Investment Agreement ) aiming to perform joint exploitation of unconventional hydrocarbons in the La Amarga Chica area in the province of Neuquén. The Investment Agreement provides for the joint development of a shale oil pilot project (the Pilot Plan ) in three annual phases with a total investment of U.S.\$550 million plus VAT, of which PEPASA will provide U.S.\$475 million and YPF will provide U.S.\$75 million. YPF assigned 50% of the La Amarga Chica concession to PEPASA and is the operator of the area. The concession rights will, in turn, be collaterally assigned by PEPASA in favor of YPF as security for, and until PEPASA has complied with all its obligations under the Investment Agreement. Additionally, PEPOV has executed a payment guaranty of certain of PEPASA 's financial obligations under the Investment Agreement. The Pilot Plan, comprising 30 wells in three years, started in May 2015, with the drilling of a first vertical well , which will be finished in 2016. By the end of 2015, one vertical and three horizontal wells were drilled. Completion of these four wells is scheduled for early 2016. This drilling activity developed during 2015 implied an investment of U.S.\$30 million, with an additional U.S.\$6.5 million expended on production facilities.

**Chihuido de la Sierra Negra Sudeste Nambuena Area:** During April 2014, YPF and subsidiaries of Chevron Corporation executed a new agreement with the objective of the joint exploration of unconventional hydrocarbons in the province of Neuquén, within the area Chihuido de la Sierra Negra Sudeste Nambuena. The investment will be undertaken exclusively by, and at the sole risk of, Chevron. The agreement defined a first phase exploratory commitment during 2015 and 2016, which includes the drilling and completion of four exploration wells (three vertical wells and one horizontal well) with a total investment of U.S.\$62.6 million. During 2015, this activity began, with two of the wells already drilled and completed and the third well (horizontal) in the drilling phase. In October 2016, Chevron will declare whether the joint activity continues to a second phase, during which five wells would be drilled and completed (during the pilot phase) during 2017 and 2018. If the second phase takes place, then the farm-in decision deadline for Chevron will be in June 2019. See Main properties.

**Main properties**

Our production is concentrated in Argentina and our domestic operations are subject to the risks. See Item 3. Key Information Risk Factors.

In 2015, we finalized agreements related to the acquisition and development of properties that are part of our core business:

On January 31, 2014, we acquired Petrobras Argentina S.A. 's 38.45% participation in the concession contract UTE Puesto Hernández executed between both companies for the exploitation of the Puesto Hernández area. The Puesto Hernández area is an exploitation concession located in the Provinces of Neuquén and Mendoza. YPF is the holder of the concession until 2027, now owning 100% of the participation in the Puesto Hernández area and becoming the operator of the concession. As of December 2015, Puesto Hernández produced over 9,100 barrels a day of light crude oil (Medanito quality). The transaction was completed for the amount of U.S.\$40.7 million. By becoming the operator of the Puesto Hernández area, we expect we will be able to accelerate our investment plans to optimize the area 's production potential until 2027.

On February 7, 2014, we acquired Potasio Rio Colorado S.A.'s 50% interest in the joint operation contract Segment 5 Loma La Lata Sierra Barrosa (known as the Lajas formation) signed by YPF and Potasio Rio Colorado S.A. for the exploitation of the Lajas formation concession area. The Lajas formation area is an exploitation concession, located in the province of Neuquén. YPF is the holder of the concession, which expires in 2027. Exploitation of the Lajas formation area was conducted under the aforementioned joint operation contract. The terms of the joint operation contract provided that it would expire upon the earlier of the expiration of the concession or the early termination of any agreement or contract that granted the right to continue exploiting the area. As a result of the termination of the joint operation contract, YPF owns 100% of the interest in the Lajas formation area. The consideration for the transaction was U.S.\$25 million.

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On March 12, 2014, we acquired 100% of the interests of Apache Overseas Inc. and Apache International Finance II S.a.r.l. (together with their affiliates, Apache ) in certain foreign companies that control Argentine companies that are the owners of assets located in Argentina, including 28 concessions (23 operated and 5 non-operated) in Neuquina basin (in the provinces of Neuquén and Río Negro), 7 concessions in Tierra del Fuego, and a significant conventional resource base. Pursuant to this transaction, YPF acquired control of all of the assets of the Apache Corporation in Argentina. The price paid for the transaction includes U.S.\$786 million in cash plus the assumption of approximately U.S.\$31 million of bank debt relating to the companies acquired. The primary assets included in this transaction, located in the provinces of Neuquén, Tierra del Fuego and Río Negro, have an important infrastructure of pipelines and facilities. In addition, certain assets have potential for exploration and development in the Vaca Muerta formation.

On March 12, 2014, YPF completed a transfer of assets transaction under an agreement with Pluspetrol S.A. ( Pluspetrol ) whereby Pluspetrol transferred, in exchange for U.S.\$217 million, an interest in certain assets related to those acquired from Apache located in the province of Neuquén, with the objective of jointly exploring and developing the Vaca Muerta formation.

During April 2014, YPF and subsidiaries of Chevron Corporation executed a new agreement with the objective of the joint exploration of unconventional hydrocarbons in the province of Neuquén, within the area Chihuido de la Sierra Negra Sudeste Narambuena. The investment will be undertaken exclusively by, and at the sole risk of, Chevron. For more information, see Note 11.c) to the Audited Consolidated Financial Statements.

On December 5, 2014, YPF S.A., Yacimientos del Sur S.A. ( YSUR ) and the Province of Neuquén and Gas y Petroleo del Neuquen S.A. signed a Memorandum of Investment Agreement (the Memorandum Agreement ) pursuant to which the parties have agreed to convert the joint ventures and respective joint operating agreements relating to La Amarga Chica and Bajada de Añelo areas into unconventional hydrocarbon extraction concession agreements under Articles 27 and 35(b) of the Hydrocarbons Law (as amended by Law No. 27,007). The Memorandum Agreement was also approved by the National Executive Office and the Legislature of the Province of Neuquén.

As part of the conversion of these agreements to unconventional hydrocarbon extraction concession agreements, the Company agreed to make a cash payment and assign all of its interests in the following areas: i) Puesto Cortadera, ii) Loma Negra NI, iii) Cutral Co Sur, iv) Neuquén del Medio, v) Collon Cura Bloque I and vi) Bajo Baguales.

Under the Memorandum Agreement, the conditions for carrying out the pilot projects on the new La Amarga Chica and Bajada de Añelo concessions are set forth, with a term of 36 and 42 months, respectively, as required by Article 35 (b) of the Hydrocarbons Law as amended by Law No. 27,007. On December 19, 2014, the Company reported that the National Executive Office and the Legislature of the Province of Neuquén approved the Investment Agreement contemplated by the Memorandum Agreement.

On December 10, 2014, YPF and PEPASA, an affiliate of PEPOV executed a Project Investment Agreement (the Investment Agreement ) aiming to perform joint exploitation of unconventional hydrocarbons in the La Amarga Chica area in the province of Neuquén. The parties have signed the following supplementary agreements to the Investment Agreement (the Supplemental Agreements ): a) the Assignment Agreement for 50% of the concession for the La Amarga Chica area; b) a Joint Venture Agreement; c) the Joint Operating Agreement ( Joint Operating

Agreement ); d) the Guaranty Assignment Agreement; e) the Right of First Offer Agreement for the sale of crude oil and f) an Assignment Agreement for hydrocarbons export rights. The Investment Agreement provides for the joint development of a shale oil pilot project (the Pilot Plan ) in three annual phases with a total investment of U.S.\$550 million plus VAT, of which PEPASA will provide U.S.\$475 million and YPF will provide U.S.\$75 million. YPF will assign 50% of the La Amarga Chica concession to PEPASA and will be the operator of the area. The concession rights will, in turn, be collaterally assigned by PEPASA in favor of YPF as security for, and until PEPASA has complied with all its obligations under the Investment Agreement. Additionally, PEPOV has executed a payment guaranty of certain of PEPASA's financial obligations under the Investment Agreement. The Pilot Plan began in May 2015 once conditions precedent to the effectiveness of the Investment Agreement and the Supplemental Agreements were fulfilled, which relate primarily to the granting of the 35-year exploitation concession for the project area by the province of Neuquén and certain provisions with respect to the project's tax structure, including promotional, tax and royalty commitments in accordance with Law No. 27,007 and the agreement executed with the province of Neuquén on December 5, 2014. When the full contributions to each of the annual phases of the Pilot Plan have been made, PEPASA will have the option to withdraw from the plan by transferring its participation in the concession and paying liabilities accrued prior to its withdrawal (without the right to 50% of the value of net production from wells drilled prior to the exercise of its right to withdraw). After the parties' total commitments have been met during the Pilot Plan, each party will be responsible for and contribute 50% of the work program and budget to develop the area as provided for by the Joint Operating Agreement. The Investment Agreement provides that over the three phases of the Pilot Plan, the parties will be required to perform a 3D seismic acquisition and processing program covering the entire concession area, drill 35 wells targeting the Vaca Muerta formation (including vertical and horizontal wells) and install facilities to transport the hydrocarbon production from this area.

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The following table sets forth information with regard to our developed and undeveloped acreage by geographic area as of December 31, 2015:

	As of December 31, 2015			
	Developed <sup>(1)</sup>		Undeveloped <sup>(2)</sup>	
	Gross <sup>(3)</sup>	Net <sup>(4)</sup>	Gross <sup>(3)</sup>	Net <sup>(4)</sup>
	(thousands of acres)			
South America	1,481	1,092	32,990	16,833
Argentina	1,481	1,092	32,405	16,531
Rest of South America <sup>(5)</sup>			585	302
North America <sup>(6)</sup>	0.2			
<b>Total</b>	<b>1,481.2</b>	<b>1,092</b>	<b>32,990</b>	<b>16,833</b>

- (1) Developed acreage is spaced or assignable to productive wells.
- (2) Undeveloped acreage encompasses those leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of oil or gas regardless of whether such acreage contains proved reserves.
- (3) A gross acre is an acre in which we own a working interest.
- (4) Net acreage equals gross acreage after deducting third-party interests.
- (5) Relates to Colombia and Chile. In the case of Colombia, YPF has requested approval from the application authority ( ANH ), for the farm-out of its total working interest in COR 12 block. YPF and its partners informed ANH of the decision to relinquish COR 33 block. In Chile, YPF's undeveloped surface acreage totaled 130,000 acres.
- (6) Relates only to the United States Gulf of Mexico.

As of December 31, 2015, none of our exploratory undeveloped acreage was subject to exploration permits that will expire in 2016 in accordance with the Hydrocarbons Law and complementary provincial laws. In addition, according to Law No. 27,007 that amended the Hydrocarbons Law, all national offshore permits and offshore hydrocarbon production concessions that did not have association agreements with ENARSA as of the date of the new law reverted and were transferred to the Argentine Secretariat of Energy. Permits and concessions granted prior to Law No. 25,943 will be exempt from this provision. In September 2015, the National Executive Office and YPF began negotiating the conversion of association agreements signed with ENARSA. As of the date of this annual report, the negotiations are ongoing. YPF currently participates in three offshore blocks in association with ENARSA, which represent approximately 60% of the undeveloped acreage. We cannot guarantee that as a result of such negotiations we would not decide to relinquish to the Argentine Secretariat of Energy part or all of the acreage included in our current association with ENARSA. With the exception of the above, none of our exploration permits are regulated by Law No. 27,007. See Regulatory Framework and Relationship with the Argentine Government Law No. 27,007, amending the Hydrocarbons Law Exploration and Production.

However, as a result of the expiration in 2016 of the first, second or third exploration terms of certain of our exploration permits (according to the original terms of the Hydrocarbons Law, which applied to our existing exploration permits), we would be required to relinquish a fixed portion of the acreage related to each such expiring permit, as set forth in the Hydrocarbons Law, as long as exploitable quantities of oil or gas are not discovered in such areas (in which case we may seek to obtain a declaration of their commercial viability from the relevant authorities,

and the related areas would then be subject to exploitation concessions). Additionally, and depending on the circumstances that could arise in each case (for instance, the state of exploratory activity in a certain area), we could request an extension of the expiration of the exploration permit, which would be subject to the approval of the respective governing authority. As a result, if no discoveries are made in 2016, we would be required to relinquish approximately 3,500 km<sup>2</sup> of exploratory undeveloped acreage (approximately 9% of our 39,000 km<sup>2</sup> of net exploratory undeveloped acreage as of December 31, 2015) during 2016.



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Additionally, based on information available as of the date of this annual report, if we fail to make any discoveries or to engage in new activity that could extend the expirations of the exploration permits, we could be required or could decide to relinquish a maximum of approximately 600 km<sup>2</sup> of exploratory undeveloped acreage (approximately 2% of our 39,000 km<sup>2</sup> of net exploratory undeveloped acreage as of December 31, 2015) during 2017 and 2018.

According to the Hydrocarbons Law, we are entitled to decide, according to our best interest, which acreage related to each exploration permit to keep if we remain within the required relinquishment percentage. Therefore, the areas to be relinquished consist usually of acreage where drilling has not been successful and are considered non-core lease acreage.

Except as described above, we do not have any material undeveloped acreage related to our production concessions expiring in the near term.

See Regulatory Framework and Relationship with the Argentine Government Law No. 27,007, amending the Hydrocarbons Law for a description of new terms that apply to new production concessions or exploration permits, other than those already governed by previous laws.

**Argentine Exploration Permits and Exploitation Concessions**

Argentina is the second largest gas and fourth largest oil-producing nation in Central and South America according to the 2015 edition of the BP Statistical Review of World Energy, published in June 2015. Oil has historically accounted for the majority of the country's hydrocarbon production and consumption, although the relative share of natural gas has increased rapidly in recent years. As of the date of this annual report, a total of 24 sedimentary basins were re-evaluated in the country, in the line with (*Plan Exploratorio Argentina*). The total surface area of the continent represents approximately 408 million acres and the total offshore surface area includes 194 million acres on the South Atlantic shelf within the 200 meter line. Of the total 602 million acres of the sedimentary basins, a significant part still needs to be evaluated through exploratory and study drilling.

The following table shows our gross and net interests in productive oil and gas wells in Argentina by basin, as of December 31, 2015:

<i>Basin</i>	<i>Wells<sup>(1)(2)</sup></i>			
	<i>Oil</i>		<i>Gas</i>	
	<i>Gross</i>	<i>Net</i>	<i>Gross</i>	<i>Net</i>
Onshore	13,539	12,186	1,515	1,142
Neuquina	4,689	4,048	1,349	1,008
Golfo San Jorge	7,856	7,230	57	57
Cuyana	843	769		
Noroeste	20	8	52	20
Austral	131	131	57	57
Offshore			19	10
Total	13,539	12,186	1,534	1,152

- (1) In addition to productive oil and gas wells located in Argentina, we have interests in oil wells located in the United States (seven gross wells and approximately one net well, as of December 31, 2015).
- (2) A gross well is a well in which we own a working interest. A net well is deemed to exist when the sum of fractional ownership working interests in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions of whole numbers. Gross and net wells include one oil well and three gas wells with multiple completions.

As of December 31, 2015, we held 146 exploration permits and production concessions in Argentina. We directly operate 113 of them, including 34 exploration permits and 79 production concessions.

*Exploration permits.* As of December 31, 2015, we held 38 exploration permits in Argentina, 34 of which were onshore exploration permits and four of which were offshore exploration permits. We had 100% ownership of two onshore permits, and our participating interests in the remainder varied between 30% and 90%. We had 100% ownership of one offshore permit, and our participating interests in the remainder varied between 30% and 35%.

*Production concessions.* As of December 31, 2015, we had 108 production concessions in Argentina. We had a 100% ownership interest in 69 production concessions, and our participating interests in the remaining 39 production concessions varied between 7% and 98%.

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In addition, we have 31 crude oil treatment plants and seven pumping plants where oil is processed and stored. The purpose of these plants is to receive and treat oil from different fields prior to shipment to our refineries and/or commercialization to third parties, as applicable. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Our business depends to a significant extent on our production and refining facilities and logistics network.

The table below provides certain information with respect to our net working interests in our principal oil and gas fields in Argentina at December 31, 2015, most of which are mature:

Areas <sup>(1)</sup>	Interest (%)	Production 2015		Proved Reserves as of December 31, 2015		BOE (mmboe)	Basin / Location	Development Stage of the area
		Oil <sup>(2)</sup> (mmbbl)	Gas (mmcf)	Oil <sup>(2)</sup> (mmbbl)	Gas (mmcf)			
Loma La Lata								
Central	100	8,198	114,236	36,633	617,212	146,555	Neuquina	Mature Field
Los Perales	100	5,497	13,758	63,204	72,650	76,142	Golfo San Jorge	Mature Field
Aguada Toledo -								
Sierra Barrosa	100	1,963	74,505	10,289	358,519	74,139	Neuquina	Mature Field
Estación Fernández								
Oro	97	922	20,719	17,887	271,798	66,293	Neuquina	Mature Field
Seco León	100	4,232	4,722	44,017	25,015	48,472	Golfo San Jorge	Mature Field
Lindero								
Atravesado <sup>(3)</sup>	38	99	12,036	822	246,072	44,646	Neuquina	Mature Field
Barranca								
Baya	100	5,787	1,125	40,322	6,619	41,501	Golfo San Jorge	Mature Field
Manantiales								
Behr	100	7,388	6,484	34,798	22,534	38,812	Golfo San Jorge	Mature Field
Loma La Lata								
Norte <sup>(4)</sup>	61	5,690	18,524	22,610	87,285	38,155	Neuquina	Mature/New Field
Tierra del Fuego -								
Fracción B	100	804	27,929	4,642	158,253	32,826	Austral	Mature Field
Chihuido								
Sierra Negra	100	4,346	1,016	29,296	7,415	30,617	Neuquina	Mature Field
Puesto								
Hernández	100	3,400	809	26,449	6,107	27,536	Neuquina	Mature Field
Magallanes <sup>(3)</sup>	50	811	14,022	3,925	127,520	26,635	Austral	Mature Field
San Roque <sup>(3)</sup>	34	1,528	20,828	7,452	101,494	25,528	Neuquina	Mature Field
Rincón del								
Mangrullo	50	767	12,597	5,332	103,577	23,778	Neuquina	New Field
El Portón	100	2,877	32,986	7,997	82,423	22,676	Neuquina	Mature Field
El Trébol	100	2,490	1,037	21,513	5,701	22,529	Golfo San Jorge	Mature Field
CNQ 7A <sup>(3)</sup>	50	4,422	1,270	21,733	4,165	22,475	Neuquina	Mature Field

Lomas del Cuy	100	2,702	1,374	19,565	7,845	20,962	Golfo San Jorge	Mature Field
Vizcacheras	100	2,682	241	18,529	1,789	18,847	Cuyana	Mature Field
Chihuido La Salina	100	3,020	26,785	8,470	55,891	18,424	Neuquina	Mature Field
Cañadón Yatel	100	1,940	12,412	6,641	53,226	16,121	Golfo San Jorge	Mature Field
Señal Picada	100	2,165	255	15,253	1,756	15,566	Neuquina	Mature Field
Desfiladero Bayo	99	2,221	316	14,957	1,978	15,309	Neuquina	Mature Field
Aguada Pichana <sup>(3)</sup>	27	1,534	25,048	3,427	64,359	14,889	Neuquina	Mature Field
La Ventana Central	70	1,278	165	12,734	2,018	13,093	Cuyana	Mature Field
Escalante	100	1,387	982	11,453	6,178	12,554	Golfo San Jorge	Mature Field
Acambuco <sup>(3)</sup>	23	237	10,321	1,285	62,664	12,445	Noroeste	Mature Field
Cerro Fortunoso	100	1,317	0	11,993	0	11,993	Neuquina	Mature Field

(1) Exploitation areas.

(2) Includes condensate and NGL.

(3) Non-operated fields.

(4) Working interest is 100% in the Sierras Blancas formation (mature field) and 50% in the Vaca Muerta and Quintuco formations (new field).

Approximately 88% of our proved crude oil reserves in Argentina are concentrated in the Neuquina (47%) and Golfo San Jorge (41%) basins, and approximately 86% of our proved gas reserves in Argentina are concentrated in the Neuquina (75%) and Austral (11%) basins.

### Joint ventures and contractual arrangements in Argentina

As of December 31, 2015, we participated in 30 exploration and 32 production joint ventures and contractual arrangements (24 of which were not operated by us) in Argentina. Our interests in these joint ventures and contractual arrangements ranged from 7% to 98%, and our obligations to share exploration and development costs varied under these agreements. In addition, under the terms of some of these joint ventures, we have agreed to indemnify our joint venture partners in the event that our rights with respect to such areas are restricted or affected in such a way that the purpose of the joint venture cannot be achieved. For a list of the main exploration and production joint ventures in which we participated as of December 31, 2015, see Annex II to the Audited Consolidated Financial Statements. We are also a party to a number of other contractual arrangements that arose through the renegotiation of service contracts and risk contracts and their conversion in exploitation concessions and exploration permits, respectively.

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**Table of Contents****Oil and Gas Reserves**

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

Information on net proved reserves as of December 31, 2015, 2014 and 2013 was calculated in accordance with the SEC rules and Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 932, as amended. Accordingly, crude oil prices used to determine reserves were calculated each month, for crude oils of different quality produced by the Company. Consequently, for calculation of our net proved reserves as of December 31, 2015, the Company considered the realized prices for crude oil in the domestic market (which are higher than those that had prevailed in the international market), taking into account the unweighted average price for each month within the twelve-month period ended December 31, 2015. Additionally, since there are no benchmark market natural gas prices available in Argentina, the Company used average realized gas prices during the year to determine its gas reserves.

Notwithstanding the foregoing, commodity prices declined significantly since 2014. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Our oil and natural gas reserves are estimates.

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

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

***Technology used in establishing proved reserves additions***

YPF's estimated proved reserves as of December 31, 2015 are based on estimates generated through the integration of available and appropriate data, utilizing well-established technologies that have been demonstrated in the field to yield repeatable and consistent results. Data used in these integrated assessments include information obtained directly from the subsurface via wellbore, such as well logs, reservoir core samples, fluid samples, static and dynamic pressure information, production test data, and surveillance and performance information. The data utilized also include subsurface information obtained through indirect measurements, including high quality 2-D and 3-D seismic data, calibrated with available well control. Where applicable, geological outcrop information was also utilized. The tools used to interpret and integrate all this data included both proprietary and commercial software for reservoir modeling, simulation and data analysis. In some circumstances, where appropriate analog reservoir models are available,

reservoir parameters from these analog models were used to increase the reliability of our reserves estimates.

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

**Table of Contents*****Net Proved Developed and Undeveloped Reserves as of December 31, 2015***

The following table sets forth our estimated net proved developed and undeveloped reserves of crude oil, NGLs and natural gas at December 31, 2015.

<i>Proved Developed Reserves</i>	<b>Oil <sup>(1)</sup> (mmbbl)</b>	<b>NGL (mmbbl)</b>	<b>Natural Gas (bcf)</b>	<b>Total <sup>(2)</sup> (mmboe)</b>
<b>Consolidated entities</b>				
South America				
Argentina	439	56	2,205	887
North America				
United States	1		5	2
Total consolidated entities	440	56	2,210	889
<b>Equity-accounted entities</b>				
South America				
Argentina				
North America				
United States				
Total equity-accounted entities				
<b>Total proved developed reserves</b>	<b>440</b>	<b>56</b>	<b>2,210</b>	<b>889</b>
<i>Proved Undeveloped Reserves</i>	<b>Oil <sup>(1)</sup> (mmbbl)</b>	<b>NGL (mmbbl)</b>	<b>Natural Gas (bcf)</b>	<b>Total <sup>(2)</sup> (mmboe)</b>
<b>Consolidated entities</b>				
South America				
Argentina	168	15	862	337
North America				
United States				
Total consolidated entities	168	15	862	337
<b>Equity-accounted entities</b>				
South America				
Argentina				
North America				
United States				
Total equity-accounted entities				
<b>Total proved undeveloped reserves</b>	<b>168</b>	<b>15</b>	<b>862</b>	<b>337</b>

<i>Total Proved Reserves</i> <sup>(2) (3)</sup>	Oil <sup>(1)</sup> (mmbbl)	NGL (mmbbl)	Natural Gas (bcf)	Total <sup>(2)</sup> (mmboe)
<b>Consolidated entities</b>				
Developed reserves	440	56	2,210	889
Undeveloped reserves	168	15	862	337
Total consolidated entities	608	71	3,072	1,226
<b>Equity-accounted entities</b>				
Developed reserves				
Undeveloped reserves				
Total equity-accounted entities				
<b>Total proved reserves</b>	<b>608</b>	<b>71</b>	<b>3,072</b>	<b>1,226</b>

(1) Includes crude oil (oil and condensate).

(2) Volumes of natural gas in the table above and elsewhere in this annual report have been converted to barrels of oil equivalent at 5,615 cubic feet per barrel.

(3) Proved crude oil and NGLs reserves of consolidated entities include an estimated approximately 88 mmbbl of crude oil and 14 mmbbl of NGLs in respect of royalty payments which, as described above, are a financial obligation or are substantially equivalent to a production or similar tax. Proved natural gas reserves of consolidated entities include an estimated approximately 329 bcf in respect of such payments. Equity-accounted entities reserves in respect of royalty payments that are a financial obligation or are substantially equivalent to a production or similar tax are not material.

For information regarding changes in our estimated proved reserves during 2015, 2014 and 2013, see Note 20 to the Audited Consolidated Financial Statements.



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The paragraphs below explain in further detail the most significant changes in our proved undeveloped reserves during 2015, 2014 and 2013.

***Changes in our proved undeveloped reserves during 2015***

YPF had estimated a volume of net proved undeveloped reserves of 337 mmboe at December 31, 2015, which represented approximately 27% of the 1,226 mmboe total reported proved reserves as of such date. This compares to estimated net proved undeveloped reserves of 307 mmboe as of December 31, 2014 (approximately 25% of the 1,212 mmboe total reported proved reserves as of such date).

The 10% total net increase in net proved undeveloped reserves in 2015 is mainly attributable to:

Extensions and discoveries, which added 93 mmboe (24.5 mmbbl of crude oil, 7.3 mmbbl of NGL and 341.8 bcf of natural gas) of proved reserves mainly from Lindero Atravesado, Estación Fernandez Oro, Aguada Toledo Sierra Barrosa, Rincón del Mangrullo, Loma Campana and Loma La Lata Norte fields.

Ongoing successful development activities related to proved undeveloped reserves projects, which allowed a transfer of approximately 77 mmboe (29 mmbbl of crude oil, 10.2 mmbbl of NGL and 212 bcf of natural gas) to proved developed reserves. Main contributions are related to development wells (51 mmboe), gas compression projects (15 mmboe) and improved recovery projects (8 mmboe).

New project studies and revision of gas and oil development projects, which added approximately 18 mmboe (7.5 mmbbl of crude oil, 0.9 mmbbl of NGL and 52.4 bcf of natural gas) of proved undeveloped reserves. The main contributions came from Loma La Lata Central, Barranca Baya, Tierra del Fuego Fracción B, Seco León and Los Perales fields.

New improved recovery projects, adding approximately 10 mmbbl of proved undeveloped secondary recovery reserves of crude oil. The most important additions belong to Los Perales, CNQ7A, Chachahuen Sur, Punta Barda and El Trebol fields.

A new joint venture agreement for Rincón del Mangrullo field resulted in an approximately 8 mmboe (0.3 mmbbl of crude oil, 1.6 mmbbl of NGL and 34.7 bcf of natural gas) reserves reduction in proved undeveloped reserves, due to a change in YPF's working interest in this area.

YPF's total capital expenditure to continue the development of reserves was approximately U.S.\$4,592 million during 2015, of which U.S.\$ 1,557 million was allocated to projects related to proved undeveloped reserves.

As at December 31, 2015, we did not have material amounts of proved undeveloped reserves in individual fields or countries that have remained undeveloped for five years or more after being disclosed as proved undeveloped reserves.

***Changes in our proved undeveloped reserves during 2014***

YPF had estimated a volume of net proved undeveloped reserves of 307 mmboe at December 31, 2014, which represented approximately 25% of the 1,212 mmboe total reported proved reserves as of such date. This compares to estimated net proved undeveloped reserves of 261 mmboe as of December 31, 2013 (approximately 24% of the 1,083 mmboe total reported proved reserves as of such date).

The 18% total net increase in net proved undeveloped reserves in 2014 is mainly attributable to:

Ongoing successful development activities related to proved undeveloped reserves projects, which allowed a transfer of approximately 88.1 mmboe (26.3 mmbbl of crude oil, 8.3 mmbbl of NGL and 300.6 bcf of natural gas) to proved developed reserves. Main contributions are related to development wells (58 mmboe), gas compression projects (14 mmboe) and improved recovery projects (10 mmboe).

Extensions and discoveries, which added 79.3 mmboe (19.6 mmbbl of crude oil, 9.6 mmbbl of NGL and 291.3 bcf of natural gas) of proved reserves mainly from the Rincón del Mangrullo, Aguada Toledo-Sierra Barrosa, Loma La Lata Norte, Manantiales Behr and Chachahuen fields.

Negotiation of the extension of exploitation concessions in the provinces of Tierra del Fuego and Río Negro which added 15.5 mmboe (4.7 mmbbl of crude oil, 0.8 mmbbl of NGL and 56.3 bcf of natural gas) of proved undeveloped reserves. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Exploration and Production.

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New project studies and revision of gas and oil development projects, which added approximately 28 mmboe (17.7 mmbbl of crude oil, a decrease of 1.3 mmbbl of NGL, and 64.8 bcf of natural gas) of proved undeveloped reserves. The main contributions came from the Volcán Auca Mahuida, Aguada Toledo-Sierra Barrosa, Seco León and Los Perales fields.

New improved recovery projects, which added approximately 10 mmbbl of proved undeveloped secondary recovery reserves. The most important additions are related to the Manantiales Behr, El Trébol, Escalante, Barranca Baya and Los Perales fields.

YPF's total capital expenditure to advance the development of reserves was approximately U.S.\$4,260 million during 2014, of which U.S.\$758 million was allocated to projects related to proved undeveloped reserves.

As of December 31, 2014, we estimate our proved undeveloped reserves related to gas wells and to primary and secondary oil recovery projects, which account for approximately 96% of our proved undeveloped reserves, will be developed within five years from their initial booking date.

Low pressure gas compression projects in Loma La Lata Central and Loma La Lata Norte Fields, which account for the remaining approximately 4% of our proved undeveloped reserves as of December 31, 2014, continue their scheduled development. We estimate that the last compression stage (representing approximately 1% of our proved reserves as of such date) will be developed within approximately seven years from its booking date according to expected compression needs based on current (and consequently expected) reservoir behavior.

***Changes in our proved undeveloped reserves during 2013***

YPF had estimated a volume of net proved undeveloped reserves of 261 mmboe at December 31, 2013, which represented approximately 24% of the 1083 mmboe total reported proved reserves as of such date. This compares to estimated net proved undeveloped reserves of 203 mmboe as of December 31, 2012 (approximately 21% of the 979 mmboe total reported proved reserves as of such date).

The 28% total net increase in net proved undeveloped reserves in 2013 is mainly attributable to:

New project studies and extensions of natural gas and oil development projects, which added approximately 83 mmboe of proved undeveloped reserves, mainly from the Aguada Toledo Sierra Barrosa (Lajas Tight Gas and Lotena formations), Rincón del Mangrullo, Loma La Lata Central (Sierras Blancas formation), and Piedras Negras fields.

Successful development activities related to proved undeveloped reserves projects, which allowed a transfer of approximately 41 mmboe to proved developed reserves.

Negotiation of the extension of exploitation concessions in the province of Chubut (See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Exploration and Production ) which added 8 mmboe of proved undeveloped reserves, mainly due to scheduled proved undeveloped projects and which will not require additional investment.

New improved recovery projects, which added approximately 8 mmboe of proved undeveloped secondary recovery reserves.

YPF's total capital expenditure to advance the development of reserves was approximately U.S.\$3,631 million during 2013, of which U.S.\$628 million was allocated to projects related to proved undeveloped reserves.

As of December 31, 2013, we estimate our proved undeveloped reserves related to gas wells and to primary and secondary oil recovery projects, which account for approximately 84% of our proved undeveloped reserves, will be developed within five years from their initial booking date.

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Low pressure gas compression projects in Loma La Lata, which account for the remaining approximately 16% of our proved undeveloped reserves as of December 31, 2013, continue their scheduled development. We estimate that the first stage of these projects will be developed within five years from their initial booking. We estimate that the last compression stage, which accounts for approximately 6% of our proved undeveloped reserves as of December 31, 2013 (representing approximately 2% of our proved reserves as of such date), will be developed within approximately seven years from its booking date according to expected compression needs based on current (and consequently expected) reservoir behavior.

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

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

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

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

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

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

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

- (a) The Reserves Audit ( RA ) is separate and independent from the Exploration and Production segment. RA 's activity is overseen by YPF 's Audit Committee, which is also responsible for supervising the procedures and systems used in the recording of and internal control over the Company 's hydrocarbon reserves. The primary objectives of the RA are to ensure that YPF 's proved reserves estimates and disclosure are in compliance with the rules of the SEC, the FASB, and the Sarbanes-Oxley Act, and to review annual changes in reserves estimates and the reporting of YPF 's proved reserves. The RA is responsible for preparing the information to be publicly disclosed concerning YPF 's reported proved reserves of crude oil, NGLs, and natural gas. In addition, the RA is also responsible for

providing training to personnel involved in the reserves estimation and reporting process within YPF. The RA is managed by and staffed with individuals that have an average of more than 20 years of technical experience in the petroleum industry, including in the classification and categorization of reserves under the SEC guidelines. The RA staff includes several individuals who hold advanced degrees in either engineering or geology, as well as individuals who hold bachelor's degrees in various technical studies. Several members of the RA are registered with or affiliated to the relevant professional bodies in their fields of expertise.

- (b) The Reserves Auditor, who has headed the RA since January 2013, is responsible for overseeing the preparation of the reserves estimates and reserves audits conducted by third party engineers. The current director has over 19 years of experience in geology and geophysics, reserves estimates, project development, finance and general accounting regulation. In the six years prior to becoming the Reserves Auditor, he was Regional Director responsible for the operation and development of YPF's operated fields at the Cuyana and North of Neuquina basins, in western Argentina. He holds a degree in geology from the National University of Tucumán, and postgraduate courses at IAE Austral University. Consistent with our internal control system requirements, the Reserves Auditor's compensation is not affected by changes in reported reserves.
- (c) A quarterly internal review by the RA of changes in proved reserves submitted by the Exploration and Production business units and associated with properties where technical, operational or commercial issues have arisen.

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- (d) A Quality Reserve Coordinator ( QRC ) is assigned to each Exploration and Production business unit of YPF to ensure that there are effective controls in the proved reserves estimation and approval process of the estimates of YPF and the timely reporting of the related financial impact of proved reserves changes. Our QRCs are responsible for reviewing proved reserves estimates. The qualification of each QRC is made on a case-by-case basis with reference to the recognition and respect of such QRC s peers. YPF would normally consider a QRC to be qualified if such person (i) has a minimum of 5 years of practical experience in petroleum engineering or petroleum production geology, with at least three years of such experience in charge of the estimation and evaluation of reserves, and (ii) has either (A) obtained, from a college or university of recognized stature, a bachelor s or advanced degree in petroleum engineering, geology or other related discipline of engineering or physical science, or (B) received, and is maintaining in good standing, a registered or certified professional engineer s license or a registered or certified professional geologist s license, or the equivalent thereof, from an appropriate governmental authority or professional organization.
- (e) A formal review through technical review committees to ensure that both technical and commercial criteria are met prior to the commitment of capital to projects.
- (f) Our internal audit team examines the effectiveness of YPF s financial controls, which are designed to ensure the reliability of reporting and safeguarding of all the assets and examines YPF s compliance with the law, regulations and internal standards.
- (g) All volumes booked are submitted to a third party reserves audit on a periodic basis. The properties selected for a third party reserves audit in any given year are selected on the following basis:
- i. all properties on a three year cycle; and
  - ii. recently acquired properties not submitted to a third party reserves audit in the previous cycle and properties with respect to which there is new information which could materially affect prior reserves estimates.

For those areas submitted to a third party reserves audit, YPF s proved reserves figures have to be within 7% or 10 mmboe of the third party reserves audit figures for YPF to declare that the volumes have been ratified by a third party reserves audit. In the event that the difference is greater than the tolerance, YPF will re-estimate its proved reserves to achieve this tolerance level or should disclose the third party figures. YPF has adopted the above-mentioned procedure by approving the corresponding internal policy.

In 2015, IHS Global Canada Limited audited certain YPF operated and non-operated areas in the Neuquina, Golfo San Jorge and Cuyana basins in Argentina, and DeGolyer and MacNaughton audited Neptune, a non-operated area in the United States. These audits were performed as of December 31, 2015, and the audited fields contain in aggregate, according to our estimates, 330.6 mmboe proved reserves (93.8 mmboe of which were proved undeveloped reserves) as of such date, which represented approximately 27.0% of our proved reserves and 27.8% of our proved undeveloped reserves as of December 31, 2015. Copies of the related reserves audit reports are filed as an exhibit to this annual report.

We are required, in accordance with Resolution S.E. No. 324/06 of the Argentine Secretariat of Energy, to annually file by March 31 details of our estimates of our oil and gas reserves and resources with the Argentine Secretariat of

Energy, as defined in that resolution and certified by an external auditor. The aforementioned certification and external audit only have the meaning established by Resolution S.E. No. 324/06, and are not to be interpreted as a certification or external audit of oil and gas reserves under SEC rules. We last filed such a report for the year ended December 31, 2014. Estimates of our oil and gas reserves filed with the Argentine Secretariat of Energy are materially higher than the estimates of our proved oil and gas reserves contained in this annual report mainly because:

(i) information filed with the Argentine Secretariat of Energy includes all properties of which we are operators, irrespective of the level of our ownership interests in such properties; (ii) information filed with the Argentine Secretariat of Energy includes other categories of reserves and resources that are not included in this annual report, which are different from estimates of proved reserves consistent with the SEC's guidance contained in this annual report; and (iii) the definition of proved reserves under Resolution S.E. No. 324/06 is different from the definition of proved oil and gas reserves established in Rule 4-10(a) of Regulation S-X. Accordingly, all proved oil and gas reserve estimates included in this annual report reflect only proved oil and gas reserves consistent with the rules and disclosure requirements of the SEC.

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

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



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<i>Oil and Condensate Production</i> <sup>(1)</sup>	2015	2014	2013
	(mmbbl)		
<b>Consolidated entities</b>			
South America			
Argentina	91	89	84
North America			
United States	*	*	*
Total consolidated entities	91	89	84
<b>Equity-accounted entities</b>			
South America			
Argentina			
North America			
United States			
Total equity-accounted entities			
<b>Total oil production</b> <sup>(2)</sup>	<b>91</b>	<b>89</b>	<b>84</b>
<i>NGL Production</i> <sup>(1)</sup>	2015	2014	2013
	(mmbbl)		
<b>Consolidated entities</b>			
South America			
Argentina	18	18	18
North America			
United States			
Total consolidated entities	18	18	18
<b>Equity-accounted entities</b>			
South America			
Argentina			*
North America			
United States			
Total equity-accounted entities			*
<b>Total NGL production</b> <sup>(3)</sup>	<b>18</b>	<b>18</b>	<b>18</b>
<i>Natural Gas Production</i> <sup>(1)</sup>	2015	2014	2013
	(bcf)		
<b>Consolidated entities</b>			
South America			
Argentina	452	470	372
North America			
United States	*	1	1

Total consolidated entities	452	471	373
<b>Equity-accounted entities</b>			
South America			
Argentina			5
North America			
United States			
Total equity-accounted entities			5
<b>Total natural gas production <sup>(4) (5)</sup></b>	<b>452</b>	<b>471</b>	<b>378</b>

<i>Oil Equivalent Production <sup>(1)(6)</sup></i>	2015	2014	2013
	(mmboe)		
<b>Consolidated entities</b>			
Oil and condensate	91	89	84
NGL	18	18	18
Natural gas	81	84	66
<b>Equity-accounted entities</b>			
Oil and condensate			
NGL			*
Natural gas			1
<b>Total oil equivalent production</b>	<b>190</b>	<b>191</b>	<b>169</b>

\* Not material (less than 1).

- (1) Loma La Lata Central and Loma La Lata Norte (southern and northern parts of the Loma La Lata field) in Argentina contain approximately 15% of our total proved reserves expressed on an oil equivalent barrel basis. Oil and condensate production in these fields was approximately 6, 5, and 5 mmbbl for the years ended December 31, 2015, 2014 and 2013, respectively. NGL production in these fields was approximately 8, 8 and 9 mmbbl for the years ended December 31, 2015, 2014 and 2013, respectively. Natural gas production in the Loma La Lata field was 133, 138 and 110 bcf for the years ended December 31, 2015, 2014 and 2013, respectively.
- (2) Crude oil production for the years ended in December 31, 2015, 2014 and 2013 includes an estimated approximately 13, 13 and 12 mmbbl, respectively, in respect of royalty payments which are a financial obligation or are substantially equivalent to a production or similar tax. Equity-accounted entities production of crude oil in respect of royalty payments which are a financial obligation, or are substantially equivalent to a production or similar tax is not material.
- (3) NGL production for the years ended in December 31, 2015, 2014 and 2013 includes an estimated approximately 2, 2 and 3 mmbbl, respectively, in respect of royalty payments which are a financial obligation or are substantially equivalent to a production or similar tax. Equity-accounted entities production of NGL in respect of royalty payments which are a financial obligation or are substantially equivalent to a production or similar tax is not material.
- (4) Natural gas production for the years December 31, 2015, 2014 and 2013 includes an estimated approximately 58, 60 and 47 bcf, respectively, in respect of royalty payments which are a financial obligation or are substantially equivalent to a production or similar tax. Equity-accounted entities production of natural gas in respect of royalty payments which are a financial obligation or are substantially equivalent to a production or similar tax is not material.
- (5) Does not include volumes consumed or flared in operations (whereas sale volumes shown in the reserves table included in Supplemental Information on Oil and Gas Exploration and Production Activities Oil and Gas Reserves

include volumes consumed in operations).

(6) Volumes of natural gas have been converted to barrels of oil equivalent at 5,615 cubic feet per barrel. The composition of the crude oil produced by us in Argentina varies by geographic area. Almost all crude oil produced by us in Argentina has very low or no sulfur content. We sell substantially all the crude oil we produce in Argentina to our Refining and Marketing business segment. Most of the natural gas produced by us is of pipeline quality. All of our gas fields produce commercial quantities of condensate, and substantially all of our oil fields produce associated gas.

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The following table sets forth the average production costs and average sales price by geographic area for 2015, 2014 and 2013:

<i>Production costs and sales price</i>	<i>Total</i>	<i>Argentina</i> <i>(Ps./boe)</i>	<i>United States</i>
<b>Year ended December 31, 2015</b>			
Lifting costs	152.00	151.85	240.76
Local taxes and similar payments <sup>(1)</sup>	4.82	4.83	
Transportation and other costs	14.95	14.91	41.09
<b>Average production costs</b>	<b>171.77</b>	<b>171.59</b>	<b>281.85</b>
Average oil sales price	620.77	621.85	392.86
Average NGL sales price	133.92	133.59	175.25
Average natural gas sales price <sup>(2)</sup>	249.71	249.75	129.73
<b>Year ended December 31, 2014</b>			
Lifting costs	122.44	122.26	235.99
Local taxes and similar payments <sup>(1)</sup>	11.43	11.44	
Transportation and other costs	15.06	15.03	31
<b>Average production costs</b>	<b>148.93</b>	<b>148.74</b>	<b>266.99</b>
Average oil sales price	594.02	593.34	724.77
Average NGL sales price	188.87	187.70	364.23
Average natural gas sales price <sup>(2)</sup>	204.02	204.01	192.58
<b>Year ended December 31, 2013</b>			
Lifting costs	88.02	88.02	88.52
Local taxes and similar payments <sup>(1)</sup>	5.55	5.58	
Transportation and other costs	19.89	19.88	21.96
<b>Average production costs</b>	<b>113.46</b>	<b>113.48</b>	<b>110.48</b>
Average oil sales price	393.62	392.77	541.74
Average NGL sales price	114.05	112.90	252.27
Average natural gas sales price <sup>(2)</sup>	129.86	129.87	108.12

(1) Does not include *ad valorem* and severance taxes, including the effect of royalty payments which are a financial obligation or are substantially equivalent to such taxes, in an amount of approximately Ps. 60.39 per boe, Ps. 45.51 per boe and Ps. 32.77 per boe for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) Includes revenues from the Gas Plan.

**Drilling activity in Argentina**

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

<i>Wells Drilled in Argentina</i>	<i>For the Year Ended December 31,</i>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Gross wells drilled <sup>(1)</sup></b>			
Exploratory productive	35	35	38
Oil	24	20	30
Gas	11	15	8
Dry	5	8	3
<b>Total</b>	<b>40</b>	<b>43</b>	<b>41</b>
Development productive	962	861	728
Oil	766	725	664
Gas	196	136	64
Dry	10	4	2
<b>Total</b>	<b>972</b>	<b>865</b>	<b>730</b>
<b>Net wells drilled <sup>(2)</sup></b>			
Exploratory productive	27	30	29
Oil	22	17	25
Gas	6	13	4
Dry	4	5	3
<b>Total</b>	<b>31</b>	<b>35</b>	<b>32</b>
Development productive	766	708	679
Oil	629	592	624
Gas	137	116	55
Dry	8	4	2
<b>Total</b>	<b>774</b>	<b>712</b>	<b>681</b>

- (1) Gross wells include all wells in which we have an interest. In addition to wells drilled in Argentina, we participated in the drilling of the following gross wells in North America: one development oil well in 2014 with positive result, which belongs to the Neptune off shore project GOM (first oil January 2015).
- (2) Net wells equals gross wells after deducting third-party interests. In addition to wells drilled in Argentina, net wells were not drilled in North America.

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### **Exploration & Production Activity in Argentina**

During 2015, our main exploratory and development activities in Argentina have had the following principal focus:

#### **1. Operated areas - Exploratory activities**

During 2015, our main exploratory activities in Argentina were principally focused on:

##### *1.1 Onshore:*

###### *Unconventional activities:*

The successful exploration results achieved in 2014 continued into 2015. We continued the regional exploration of the Vaca Muerta formation to determine the productivity of the shale oil, wet gas and dry gas in different areas of the basin.

Having completed the exploration phase, we obtained 35-year exploitation permits for the Bandurria Sur block and requested 35-year exploitation permits for the La Ribera I & II blocks.

###### *Shale oil:*

*Neuquina basin:* Exploration continued along the shale oil strip, in an attempt to define intermediate control points of productivity.

We obtained positive results in wells drilled in the Bandurria, Chihuido de la Sierra Negra and Bajo del Toro blocks. These wells confirmed the productivity of the Vaca Muerta formation at various points of the basin.

###### *Shale gas:*

*Neuquina basin:* During 2015, we focused on the regional definition of the shale gas strip area obtaining positive results in the Bandurria and La Ribera I & II blocks. Discoveries will be evaluated further in order to establish their commercial production potential. Studies to confirm results in Cerro Arena, Pampa de las Yeguas and Loma del Molle are still underway.

###### *Conventional activities:*

##### *1. Neuquina basin:*

**Tight gas:** Exploration of tight gas continued with the drilling of RDM.xp-38 in the Rincón de Mangrullo block. As of the date of this annual report, this well is pending completion.

Positive results were obtained in eleven exploration wells targeting conventional reservoirs in the following blocks:

- i Los Caldenes (gas)
- i Paso de las Bardas (gas)
- i Payún Oeste (oil) (2 wells)
- i Altiplanicie del Payún (oil)
- i Las Tacanas (gas)
- i Loma la Lata - Sierra Barrosa (gas)
- i Octógono (oil)
- i Chachahuen Sur (oil)
- i El Manzano Este (oil)
- i Puntilla del Huicán (oil)

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In the Cajón de los Caballos Oriental block one exploration well LoAl.x-1 was drilled in 2015, with the objective of the classic rocks of Neuquén group and the fissured rocks of Mendoza group. As of December 2015, this well was awaiting completion with a target date of March 2016.

### *2. Golfo San Jorge basin:*

During 2015, we continued exploration activity targeting conventional oil and gas reservoirs in the Golfo San Jorge basin and we are continuing exploration of deep objectives during 2016. We obtained positive results in three exploration wells in the following blocks:

- i Restinga Alí (gas)
- i Los Perales-Las Mesetas (oil)

### *3. Cuyana basin:*

We continued exploration activity targeting conventional oil in Cuyana basin, with results under evaluation in the following blocks:

- i Barrancas
- i La Ventana
- i Ugarteche
- i Cuenca Cuyana y Bolsones 17/B (CCyB 17/B)

From the results obtained in the Payun Oeste block (Neuquen basin) and Cuenca Cuyana y Bolsones 17/B (Cuyana basin), we have requested the province to allow commercial exploitation of the blocks, which opens new areas of development.

*CCyB17/B Exploration block:* Successful exploration of a well revealed a new mineralized area to be delineated and studied, in the Río Blanco formation.

### *4. Bordering areas:*

Los Tordillos Oeste block located in the province of Mendoza: We fulfilled our commitment to drill two exploratory wells. Considering the results, we decided not to continue with the second exploratory period and, as a result, the block was relinquished to the province of Mendoza.

#### *Seismic activities:*

A long-term 2D-3D seismic registration campaign was started in 2015 and will continue in 2016.

During 2015, 1,070 km<sup>2</sup> of seismic 3D was registered in the following blocks:

- i Chachahuén (Mendoza province Neuquina basin)



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- i Zampal Norte (Mendoza province Cuyana basin)
- i Cerro Piedra Cerro Guadal Norte (Santa Cruz province - Golfo San Jorge basin)

Also, 350 km of seismic 2D was registered in the following blocks:

- i Cajón de los Caballos (Mendoza province Neuquina basin)
- i Chachahuén (Mendoza province Neuquina basin)

After the survey is performed, seismic data processing will be carried out for subsequent interpretation. The purpose of acquiring and processing the seismic data is to identify new exploration opportunities.

**Table of Contents****2.2 Offshore:**

According to the amendments to the Hydrocarbons Law adopted by Law No. 27,007, all exploration permits owned by ENARSA will be transferred to the Secretariat of Energy. YPF currently participates in three offshore blocks in association with ENARSA (E1 block: YPF 35%, E2 block: YPF 33% and E3 block: YPF 30%) with total acreage of 23,700 km<sup>2</sup>. In September 2015, the National Executive Office and YPF began negotiating the conversion of association agreements signed with ENARSA. As of the date of this annual report, the negotiations are ongoing. As of December 31, 2015, we do not have registered assets in these blocks. See Regulatory Framework and Relationship with the Argentine Government Law No. 27,007, amending the Hydrocarbons Law for a description of new terms which apply to new production concessions or exploitation permits.

**Operated Areas - Development activities**

During 2015, our development activities in Argentina were mainly focused on the following regions:

**2.1 Neuquén Río Negro***Neuquén concession:**1. Loma La Lata field:*

The Sierras Blancas Infill project in the Southeast area continues its development with nine wells (four horizontal and five directional) during 2015. Six of these are already in production, one is being completed and tested, and two are being drilled. The four horizontal wells have had good pressure and production results. During 2016, we plan to drill eighteen wells.

In order to address the declining production of the field, we also continue improving production with plunger lift and wellhead compression.

*2. Aguada Toledo Sierra Barrosa field:**i Tight gas (Lajas formation)*

During 2015, the regular offset drilling was almost completed. Several wells were drilled in the outer area of the main structure. The infill drilling started in 2015, achieving good results so far. We are conducting a horizontal drilling pilot in the deepest and tightest sands of Lajas formation to define the potential of the formation in low levels of the structure.

*i Waterflooding (Lotena formation)*

In 2015 we completed the Aguada Toledo Waterflooding project. We achieved the injection flow capacity planned (21,000 cm/d). For that, facilities were built and refurbished, 17 wells were converted to injectors and several others were repaired. Also, during 2016, studies will be carried out to extend waterflooding to Sierra Barrosa, an adjacent field, where there is an anticipated potential oil recovery of 3 mmbbl.

i *Delineation of tight oil strata (Quintuco-Vaca Muerta formation)*

As part of a regional study of Quintuco-Vaca Muerta Formation, seven workovers and three wells were completed, from which rock and fluid data was taken. More studies and strategic evaluations are needed (such as horizontal wells) to confirm the formation's potential.

i *Barrosa Norte tight gas field (Lajas formation)*

During 2015, six wells were drilled in this field. Three of the wells are already in production and the others are being completed and tested. In 2016, 15 wells will be drilled, with thirteen development wells and two appraisal wells in the west side of the structure. The Precuyo and Molles formations will be evaluated to determine their potential for future development.

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## i El Cordón tight gas field

In this field, we are in the early stages of development. Three wells and a workover were performed in 2015, with results meeting expectations, especially for the Lower Lajas formation, which is over-pressured and produces at expected rates. In 2016, new wells are planned in order to produce gas from the region ranging from Lower Lajas to the Sierras Blancas formations. A new pipeline has allowed us to increase flow rate from this field from December 2015.

3. *Octógono block:*

Four development wells were completed targeting the Basamento formation. The results were as expected, with an average production of 660 bbl/d by the end of December 2015. In addition to this, we completed two workovers targeting the same formation, with an average production of 43 bbl/d by the end of December 2015.

We completed four other workovers targeting the Lajas formation, which confirmed its potential in the north of the Octógono concession area, where good results were obtained. Regarding the secondary recovery pilot, we drilled and completed one replacement well and did four workovers. In addition to drilling activities, we are building and refurbishing facilities to reach a capacity of 1,500 cm<sup>3</sup>/d of water injection, considering the first stage of the project.

4. *Chihuido de la Sierra Negra field:*

During 2015, we successfully completed a single well chemical tracer test, alkali surfactant polymer ( ASP ). This field test validated the entire previous lab test. In order to start a pilot on the field, further tests are required to evaluate ASP efficiency over longer time periods.

5. *Volcán Auca Mahuida and Las Manadas blocks:*

We continued with the appraisal and development of the Centenario and Mulichinco formations. Five new wells were completed during 2015, all of which were productive with good results. Further appraisal and development wells are scheduled to be drilled in 2016.

6. *Cerro Hamaca Noroeste field:*

The northwest area was discovered in late 2012. During 2015, we continued with the development campaign of the Rayoso formation. Ten wells were completed in 2015. As of December 2015, the field average oil production was 900 bbl/d, approximately 117% higher than the previous year, as of December 2014. Water injection is scheduled to begin in 2017.

7. *Puesto Hernandez block:*

During 2015, we reactivated the drilling activity in the area where new wells had not been added since 2008. This activity contemplated the drilling of four production wells and two injection wells in the northwest and southeast of the field. As of December 2015, this activity generated an incremental production of oil of 126 bbl/d.

8. *Bardita Zapala field:*

Four development wells were drilled targeting the Tordillo formation, three of them with average oil production of 8 bbl/d in 2015. The results were lower than expected. The fourth well, BZ.a-10(d), had gas production of 14 mcm<sup>3</sup>/d in 2015, meeting expectations.

*9. Portezuelos field:*

Four workovers were performed targeting shallow gas in the Centenario formation with an average gas production in 2015 of 15 mcm/d. In addition, three workovers were performed in the Lajas formation with an average gas production in 2015 of 10 mcm/d. The results of these workovers did not meet expectations.

*10. Portezuelos Oeste field:*

Five workovers were performed to open gas-bearing intervals in the Grupo Cuyo Superior formation, with average gas production for the PO-09 and PO-10 wells of 12 mcm/d in 2015. The expected production exceeds expectations.

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*11. Ranquil Co field:*

Four development wells were drilled targeting the Precuyo formation, with average gas production of 47 mcm/d in 2015. These results did not exceed the plan.

*12. Guanaco field:*

Two step-out wells were drilled during 2015 in the Guanaco Shallow area targeting the Lotena and Lajas formations. One of them produces oil from Lotena with average production of 43 bbl/d in 2015. The results were lower than expected. To confirm the shallow gas potential from the Lajas formation in this field, we executed two workovers, which had a combined average production of 19 mcm/d in 2015.

*13. Huincul field:*

Two Lajas development wells with secondary exploratory targets of the Precuyo and Basamento formations were drilled during 2015, with an average oil production of 8 bbl/d and average gas production of 1 mcm/d in 2015. The results exceed the plan in oil but not in gas.

***Neuquen YPF Concession***

1 Aguada de Castro; 2 Aguada Pichana; 3 Aguada Villanueva; 4 Al Norte de La Dorsal; 5 Al Sur de La Dorsal I; 6 Al Sur de La Dorsal II; 7 Al Sur de La Dorsal III; 8 Al Sur de La Dorsal IV; 9 Al Sur De La Dorsal V; 10 Al Sur De La Dorsal VI; 11 Al Sur de La Dorsal VII; 12 Anticlinal Campamento; 13 Apon; 14 Bajada de Añelo; 15 Bajo Del Toro; 16 Bandurria Sur; 19 Cerro Arena; 20 Cerro Avispa; 21 Cerro Bandera; 22 Cerro Hamaca; 23 Cerro Las Minas; 24 Cerro Partido; 25 Chapua Este; 26 Chasquivil; 27 Chihuido de La Salina Sur; 28 Chihuido de La Sierra Negra; 29 Corralera; 30 Cortadera; 31 Cortadera; 32 Dadín Lote I; 33 Dadín Lote II; 34 Dadín Lote III; 35 Don Ruíz; 36 Dos Hermanas; 37 El Orejano; 38 El Portón; 39 El Santiagueño; 40 Filo Morado; 41 Huacalera; 42 La Amarga Chica; 43 La Banda; 44 La Calera; 45 La Ribera I; 46 La Ribera II; 47 Las Manadas (Calandria Mora); 48 Las Tacanas; 49 Lindero Atravesado; 50 Loma Amarilla; 51 Loma Campana; 52 Loma del Mojón; 53 Loma Del Molle; 54 Loma La Lata Sierra Barrosa; 55 Los Candeleros; 56 Mata Mora; 57 Meseta Buena Esperanza; 58 Narambuena; 59 Octogono; 60 Ojo De Agua; 61 Pampa de Las Yeguas I; 62 Pampa de Las Yeguas II; 63 Paso de Las Bardas Norte; 64 Puesto Hernandez; 65 Rincón Del Mangrullo; 66 Río Barrancas; 67 Salinas del Huitrin; 68 San Roque; 69 Santo Domingo I; 70 Santo Domingo II; 71 Señal Cerro Bayo; 72 Señal Punta Barda; 73 Volcán Auca Mahuida.

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Río Negro Concession:

*1. Los Caldenes block:*

We drilled four wells and completed three wells in 2015. We also performed two workovers on existing wells. The oil is produced from two layers, as we successfully tested production from Quintuco and Sierras Blancas. As a result of this activity, oil production averaged 591 bbl/d as of December 31, 2015 (an increase of 389% compared to December 2014). Further drilling and completion activity is scheduled for 2016 and a gas line is planned to produce gas from deeper formations.

*2. Señal Picada-Punta Barda block:*

During 2015, we continued optimizing the existing waterflooding projects in the 50-year-old Señal Picada area. We completed 21 new wells and workovers in existing wells. Oil production decreased to 5,791 bbl/d (a decrease of 101 bbl/d or 2%) from December 2014 to December 2015. In the Punta Barda area, we continued with the appraisal campaign to extend the proved reserves area. Two wells were drilled in the Loma Montosa formation. One of these wells was completed and successfully tested for oil. The other well is scheduled to be completed in 2016. Three other wells were completed and ten workovers were performed in 2015. Oil production increased to 1,208 bbl/d (an increase of 166 bbl/d or 16%) from December 2014 to December 2015.

*3. Los Ramblones field:*

Eleven oil wells were drilled during 2015, targeting primarily the Sierras Blancas formation. The best results were achieved from eight wells drilled on the western end of the field on a faulted combined trap. The 2015 drilling campaign had an average production with excellent results that restored the field's production to its highest levels, reached in the 1980s. It hit a peak of 1,406 bbl/d in December 2015. The successful campaign has opened up new opportunities for drilling in the area, which are currently under study.

*4. Punta Rosada field:*

Four workovers were performed targeting shallow gas in the Centenario formation. The successful campaign has created new opportunities in the area, which are currently under study.

*5. Estación Fernandez Oro block:*

During 2015, we drilled 19 gas wells targeting the Lajas formation (13 development gas wells, five step-out gas wells and one exploratory gas well) with results better than expected for the development wells, but poorer than expected for the rest of the wells. The development of the gas field will continue during 2016, focusing on drilling activity. An expansion in the mid-pressure compression and continuation of work on three drilling rigs are planned for 2016.

**Table of Contents*****Río Negro YPF Concession*****2.2 Mendoza***Mendoza Norte concession:*

During 2015, our activities were focused on the development of new areas and performing primary recovery and waterflooding in mature oilfields by workovers and drilling new wells. Key activities are described below:

*1. Barrancas block:*

- i *Barrancas area:* Results obtained from the appraisal well B.a-508, drilled in 2014, helped revitalize this mature oilfield as it opens a new opportunity in the area located at the northeast flank from the Barrancas Anticline. The drilling activity plan involved drilling 15 development wells. The dynamic-static model shows opportunities along the eastern flank of the structure and it is consistent with results from well B.a-507. Both support the expansion of the drilling activity.
- i *Ugarteche area:* After 14 years, drilling activity has been revitalized with two development wells located in Ugarteche Occidental field. The successful results allow the expansion of the productive area in the south portion of the field. These wells produce from both the Barrancas and the Río Blanco formations.
- i *Estructura Cruz de Piedra area:* The field development plan continued during 2015, including four workovers and five new development wells. We obtained good results that support the proposed activity for 2016, which includes the expansion of waterflooding to the ECP-Lunlunta area in the southern portion of the field.

*2. La Ventana block:*

After reaching a new Joint Operating Agreement with Sinopec, drilling activities were increased during 2014 and 2015. Four exploration wells were drilled between June 2014 and December 2015. According to the field development plan (infill & replacements wells), seven wells were drilled in 2014 and nine wells were drilled in 2015. This activity allowed us to incorporate reserves and production in the block. We expect to continue with the development plan, increasing the recovery factor of this mature field by drilling deep-objective appraisal wells, development wells, and workovers and optimizing the secondary recovery. In addition, this block is included in regional studies in order to develop an ASP formulation (tertiary recovery), according to temperature and salinity conditions of the reservoir-enhanced oil recovery ( EOR ) in the Barrancas Formation.



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*3. Vizcacheras block:*

A new geological model of this mature field was created after seismic re-interpretation in 2012. This model enabled the construction of a development plan (including 63 new wells to drill). During 2015, three wells were drilled in the Vizcacheras Oeste field. We tested oil downdip in the Papagayos formation in the Vizcacheras field, Vi.a-1138 well. Three re-entry wells to the Barrancas formation were drilled (with positive results in the northwest zone). We also drilled two infill wells in the Cañada Dura field. In addition, this block is included in regional studies in order to develop EOR, in the Barrancas and Papagayos formations.

*4. Llanconelo block:*

Six horizontal wells and two appraisal wells were drilled in 2015, targeting two geological formations. A total of 23 wells have been drilled since 2010, with an oil production of 1,116 bbl/d, in line with expectations.

*5. El Manzano block:*

Positive results, which exceeded expectations, were obtained in the appraisal well LVo.a-9 drilled in 2014. This project continued in 2015 with the drilling of appraisal well LVo.a-14, which is not complete.

*6. Cerro Fortunoso block:*

A water treatment plant was installed to treat a maximum rate of 4,500 cm<sup>3</sup>/d of injection water. We continued the waterflooding development plan in 2015, including drilling two injector wells, repairing one injector well and repairing one water production well. The last of the injector wells from the 2015 plan was being drilled at the end of December 2015.

***Mendoza Norte YPF Concession***

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### *Mendoza Sur YPF concession:*

During 2015, we remained focused on the development of new areas and waterflooding in mature oil fields. Key activities are described below:

#### *1. Desfiladero Bayo area:*

We drilled eight development wells and four appraisal wells in the Rayoso, Troncoso, Agrio, Mulichinco and Tordillo formations, in keeping with the development plan, and focused on investigating deep formations. Water injection was started to define the polymer baseline in the pilot area. We intend to begin the polymer injection pilot during the first half of 2016.

#### *2. Chachahuen Sur block:*

We drilled 52 development wells and 12 appraisal wells in the Rayoso formation with positive results. The expansion of water injection in block 1 is ongoing.

#### *3. Cañadón Amarillo block:*

We drilled 17 development wells and six appraisal wells in shallow formations (La Tosca and Chorreado), and deep formations (Grupo Cuyo, Barda Negra and Tordillo) to continue the development of the north area in the Cañadón Amarillo block. We obtained results exceeding expectations from the development wells and good results from shallow appraisal wells.

#### *4. Paso Bardas Norte block:*

We drilled three development wells and one appraisal well in tight gas formations (Lotena and Grupo Cuyo). The results were below expectations.

#### *5. Puesto Molina block:*

Three development and two injector wells were drilled, and workovers of producers and injector wells were performed to extend and optimize waterflooding patterns. The results were better than expected.

#### *6. El Portón block:*

One appraisal well was drilled to investigate deep formations (Quintuco and Mulichinco) with positive results.

#### *7. Chihuido de la Salina block:*

One appraisal well was drilled to investigate deep formations (Quintuco and Mulichinco) with positive results.

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***Mendoza Sur YPF Concession***

**2.3 Chubut**

The oil production of the blocks operated by YPF in the province of Chubut surpassed historic levels for the third consecutive year, achieving a 1.8% increase in net oil production in 2015 compared to 2014. In addition, wellhead gas production increased 12% in 2015 compared to 2014.

*1. Manantiales Behr block:*

We drilled 43 wells in 2015 among three main oil fields, La Carolina, El Alba and Grimbeek, with positive results. Additionally, we completed 61 workovers also with positive results.

The assisted recovery project in Grimbeek began in 2013 with a focus on standard waterflooding. It is currently in an advanced stage with good production results.

During the first quarter of 2015, the polymer injection phase began. Some evidence of water decreases in the central well was recorded in 2015, which was the first positive result of the pilot phase. In the same field, the secondary recovery is performing well. Its peak oil rate surpassed expectations.

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During the second half of 2015, the extension of this project, known as Grimbeek Norte, was implemented. It is expected to increase production in 2016.

The short-term focus on the Manantiales Behr block is to extend waterflooding projects along the field in order to sustain production growth. Facilities developments to extend waterflooding projects will continue in 2016.

As a result of the activities described, the volume of oil production has remained at similar levels of production compared to 2014.

Gas production increased by 10.9%, driven by the development of a new shallow low pressure target, the Glauconitic formation.

***Chubut YPF Concession***

***2. El Trébol Escalante block:***

As a result of the investments during 2015 in this mature block, oil production increased by approximately 7.1% compared to 2014. We drilled 60 new wells and performed 58 workovers within waterflooding optimization projects, which, along with the delineation of new, deeper structures, increased the accumulated production by 18.6% in the last two years.

A new structure and project was delineated and partially developed in Escalante oilfield, called G3, with excellent production performance and geographic extension. We are employing an integrated primary and secondary development strategy to be carried out over the next three years.

***3. Zona Central Cañadón Perdido block:***

This block is located near the urban area of Comodoro Rivadavia. Production decreased by 10.2% compared to 2014. This decrease was a consequence of delays in the extension of the Bella Vista Sur drilling project and a disruption at the HMO oil treatment plant for the block. One of the plant tanks failed on August 18, 2015, and we were forced to suspend oil production completely for two weeks. The problem was gradually remedied over three months.

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*4. Restinga Alí block:*

Located on the coast between the urban area and the sea, this block was reactivated in 2013. Production increased to a peak of 940 bbl/d in July 2015. Beginning mid-August, production significantly decreased following a disruption at the Km9 oil plant. The block has been prevented from delivering oil to date. Production is expected to return to normal during the first quarter of 2016.

2.4 Santa Cruz

During 2015, we implemented 31 integral development projects across five major development areas in the province of Santa Cruz (Las Heras, El Guadal, Los Perales, Pico Truncado and Cañadon Seco), comprising a total portfolio of 40 projects. The main projects include the following reserve areas: Cañadón Escondida, Cerro Grande, Seco León, Los Perales, Cañadon Yatel and El Guadal, with 243 wells drilled (220 oil wells, 13 injectors and 10 advanced wells), 489 workovers and associated facilities.

The main objectives of these integral projects are:

- i Comprehensively developing the areas through the drilling of new wells.
- i Acquiring the necessary information with electrical logs, rotated plugs and well testing.
- i Increasing the recovery factor with new enhanced oil recovery projects.
- i Increasing water injection to improve the sweep efficiency.
- i Extending horizontal and vertical limits with new appraisal and exploration wells. Drilling of new advanced wells in Los Perales.
- i Providing development support through the appropriate surface facilities.

***Santa Cruz YPF Concession***

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### 2.5 Tierra del Fuego

After five years with no activity, in June 2015 drilling activity in the area resumed with one rig. The 2015 campaign focused on drilling of oil development wells.

#### *1. Carmen Silva field:*

In this partially developed field, one well was drilled during 2015 (CS-2003), targeting the Springhill formation classic reservoir with average oil production of 20 bbl/d and an initial daily production of 113 bbl/d.

#### *2. Cañadón Piedras field:*

Two development wells were drilled in this mature oil field. The pressure ranges from 40% to 50% of the original well in the Springhill formation. One of the wells, CP-2003(d), was a dry hole well. The other, CP-2004(d), was put on production with average oil production of 19 bbl/d in 2015, below the expected production level.

A workover program consisting of six wells was executed, three of which obtained initial average daily production of 10.6 bbl/d (CP-69, CP96, CP50) and three of which did not produce (CP-73, CP109, RC-14). The results were lower than expected.

#### *3. Cabo Nombre field:*

Two development wells were drilled in this mature oil field, where a waterflooding project is ongoing, targeting primarily Springhill formation. One of them, CN-2002, had average oil production of 79 bbl/d, and met the expected production. The other well, CN-2001, began production in January 2016.

A workover program consisting of five wells was executed, four of which obtained initial average daily production of 7.5 bbl/d (CN-78, CN-1, CN17, CN-37). The other (CN-8) obtained initial production of 1.2 bbl/d. The results were lower than expected.

#### *4. San Sebastián field:*

A workover program consisting of nine wells was executed in this very mature gas field. The program reversed the declining output in the field.

During 2015, seismic reprocessing and 5D interpolation of 1,821 km<sup>2</sup> in the Los Chorrillos and Uribe blocks was performed. It will be applied to the development of the fields located in Los Chorrillos block and in the review of Uribe's exploratory prospects.

The 2016 campaign calls for drilling of gas development wells in the San Sebastián and Lago Fuego fields.

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*Tierra del Fuego YPF Concession*

**3. Non-operated areas**

*Exploration activities:*

We obtained positive results in exploration wells drilled in the Lindero Atravesado block, which is operated by Pan American Energy, and CNQ7/A, which is operated by Pluspetrol.

*Development activities:*

*1. El Tordillo and La Tapera-Puesto Quiroga blocks:*

Beginning in January 2014, under an agreement between YPF and the province of Chubut related to the negotiation of an extension of YPF concessions there, YPF transferred 41% of its working interest in the joint ventures ET/LT-PQ to Petrominera Chubut S.E. As a result, the participation of YPF in the joint venture is 7.196%.

During 2015, 19 wells were drilled. Of those, 17 were producing in line with our expectations and two were pending completion as of December 2015.

*2. Magallanes block:*

On November 17, 2014, we agreed to extend the joint venture contract with ENAP Sipetrol Argentina S.A. in the Magallanes block. The objective of this agreement was to extend the rights and obligations of ENAP in the original joint venture agreement and confirm its role as operator, maintaining its 50% share until the end of the concession. On January 8, 2016, the Argentine government approved a concession extension through November 17, 2027. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Extension of Exploitation Concessions in the Cuenca Marina Austral.

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During 2015, an incremental production project began, known as PIAM. This project aims to increase the production capacity of the area by approximately 1.6 mmcm/d of gas beginning mid-2017. Currently, a portion of the engineering tasks have been in process. This project involves laying a marine pipeline, expanding compression capacity and reopening approximately 24 wells that are currently shut-in. The total estimated value of the project is approximately U.S.\$354 million and its completion is expected during the second half of 2017.

### *3. Aguada Pichana block:*

This block is operated by Total S.A. YPF holds a 27.2% working interest in this block.

Tight gas projects: during 2015, we continued tight gas development in different areas of the block and seven wells were drilled. Six of them are in production or waiting to put into production. The last well, APO-25(h), is pending its producing line to begin production.

Production improvements: during 2015, we continued our efforts to maintain or improve daily production. We continued the campaign initiated during the first half of 2013, under which six velocity strings and five capillary strings were initiated, three wells were refractured and three workovers were conducted.

Unconventional: we continued drilling the pilot wells for unconventional development, which consisted of six horizontal wells. During the second half of 2015, the completion stage began, which consisted of ten fractures by well and treatment facilities.

### *4. Lindero Atravesado block:*

This block is operated by Pan American Energy LLC. YPF holds a 37.5% working interest in this block.

During 2015, a new non-conventional concession through 2060 was granted by the government of Neuquén, according to the Hydrocarbons Law as amended by Law No. 27,007. This non-conventional concession is based on developing and drilling the Lajas formation. The original scope of the concession includes 97 wells and three new gas plants, as well as the renovation of two existing gas plants. The 2015 drilling campaign, consisted of 28 wells, all of which are in production. The project also includes building the corresponding field facilities. Additionally, two wells were drilled in the Sierras Blancas formation.

### *5. Aguaragüe block:*

This block is operated by Tecpetrol, and YPF holds a 53% working interest in this block. Two gas wells were drilled in the Tupambi formation of the Campo Durán field, with better results than expected. One oil well was drilled in the Los Monos formation of the Altos de Yariaguarenda field, with results meeting expectations.

## **Properties and E&P activities in rest of the world**

### *1. United States:*

During 2015, Maxus relinquished a total of three blocks in the Green Canyon area and one in the Mississippi Canyon area.



As of December 31, 2015, we had mineral rights in 16 blocks in U.S. territorial waters in the Gulf of Mexico, comprised of 13 exploratory blocks, with a gross surface area of 303 km<sup>2</sup> (128 km<sup>2</sup> net to Maxus), and three development blocks, with a gross surface area of 70 km<sup>2</sup> (10.5 km<sup>2</sup> net to Maxus). Our U.S. subsidiaries' net proved reserves as of December 31, 2015 was 2.266 mmboe. Our U.S. subsidiaries' net hydrocarbon production for 2015, including in the GOM area and Crescendo (ORRIs), was 0.584 mmboe.

The Neptune field is located approximately 120 miles off the Louisiana coast in the deepwater region of the Central Gulf of Mexico. The field is made up of the Atwater Valley 574, 575 and 618 blocks. Our indirect subsidiary, Maxus U.S. Exploration Company, has a 15% working interest in the field. The other joint venture participants are BHP Billiton (35%), Marathon Oil Corp. (30%) and W&T Offshore (20%). BHP Billiton is the operator of the Neptune field and the associated production facilities. The Neptune reserves are being produced using a standalone, tension leg platform ( TLP ) located in the Green Canyon 613 block in 4,230 feet of water. The platform supports seven sub-sea development wells that are tied back to the TLP via a subsea gathering system.

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In addition, YPF Holdings entered into various operating agreements and capital commitments associated with the exploration and development of its oil and gas properties. These contractual, financial and performance commitments are not material. Our operations in the United States, through YPF Holdings, are subject to certain environmental claims. See Environmental Matters YPF Holdings Operations in the United States.

## 2. *Chile:*

We were selected to operate in two exploratory blocks of the Magallanes basin: (i) San Sebastián, which we will operate and in which we will hold a 40% working interest with Wintershall, which will hold a 10% working interest, and ENAP, which will hold a 50% working interest; and (ii) Marazzi/Lago Mercedes, which we will operate and in which we will hold a 50% working interest along with ENAP, which will hold a 50% working interest.

Total commitments with respect to the awarded exploration blocks during the first exploratory period include the acquisition of 672 km<sup>2</sup> of 3D seismic data and the drilling of eight exploratory wells. Between 2013 and 2014, 679 km<sup>2</sup> of 3D seismic data were registered. Exploratory wells were drilled during 2015. In 2015, YPF requested to access a second exploration period in the San Sebastián block. However, Wintershall and ENAP have formally decided not to enter the second exploration period. Subsequently, the Marazzi/Lago Mercedes block was relinquished.

## 3. *Colombia:*

Blocks COR12 and COR33 are located in the Cordillera Oriental basin, which we operate pursuant to authorization by the Colombian National Hydrocarbons Agency (Agencia Nacional de Hidrocarburos) ( ANH ). Our working interest in these blocks ranges from 55% to 60%. The net acreage relating to our working interest in the blocks is 700 km<sup>2</sup>. As of the date of this annual report, we have requested approval from the ANH to farm out our working interest in the COR 12 block. YPF and its partners informed the ANH of their decision to relinquish the COR 33 block. As of the date of this annual report, no confirmation from the ANH has been received.

## 4. *Uruguay:*

### 4.1 *Deep Water Offshore Punta del Este basin:*

- i Area 3: We owned a 40% working interest in this area and acted as operator, in partnership with Shell, which had a 40% working interest it took over from Petrobras Uruguay, and GALP, which had a 20% working interest. The permit expired on October 6, 2014 and a 120-day extension application was submitted to the authorities. The consortium declined to opt for a second exploration period.

## 5. *Ecuador*

In October 2014, we signed a service contract with Petroamazonas, the national oil company of Ecuador, to optimize production in Yuralpa field. The 15-year agreement contemplates drilling of at least ten wells, using technologies for enhanced oil recovery and performing activities to increase oil production in this field, located in Block 21 in the Amazonian province of Napo.

During 2015, we opened an office in Quito and constituted its project team, composed of 16 members. A geological and reservoir model of the Hollín reservoir was constructed, allowing YPF to design the field development strategy, and the first workover operation was performed on the YRCA-012 well.

In October 2015, Petroamazonas EP requested that YPF suspend operations and immediately start renegotiating terms and conditions of the contract noting the abrupt drop in crude oil prices.

**Table of Contents****Additional information on our present activities**

The following table shows the number of wells in the process of being drilled as of December 31, 2015.

<i>Number of wells in the process of being drilled</i>	<i>As of December 31, 2015</i>	
	<i>Gross</i>	<i>Net</i>
Argentina	57	50
Rest of South America		
North America		
Total	57	50

***Delivery commitments***

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

With respect to crude oil, we sell substantially all of our Argentine production to our Refining and Marketing business segment to satisfy our refining requirements. As of December 31, 2015, we were not contractually committed to deliver material quantities of crude oil to third parties in the future.

As of December 31, 2015, we were contractually committed to deliver 12,806 mmcm (or 452 bcf) of natural gas in the future, without considering interruptible export supply contracts, of which approximately 3,690 mmcm (or 130 bcf) will have to be delivered from 2016 through 2018. According to our estimates as of December 31, 2015, our contractual delivery commitments for the next three years could be met with our own production and, if necessary, with purchases from third parties.

However, since 2004 the Argentine government has established regulations for both the export and domestic natural gas markets which have affected Argentine producers' ability to export natural gas. Consequently, since 2004 we have been forced in many instances to partially or fully suspend natural gas export deliveries that are contemplated by our contracts with export customers. Charges to income totaling Ps. 31 million, Ps. 52 million and Ps. 174 million have been recorded in 2015, 2014 and 2013, respectively, in connection with our contractual commitments in the natural gas export market.

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

As a consequence of such agreement, YPF has not entered into any contractual commitment to supply natural gas to distribution companies. The purpose of Agreement 2007-2011 is to guarantee the supply of natural gas to the domestic market at the demand levels registered in 2006, plus the growth in demand by residential and small commercial customers. See Regulatory Framework and Relationship with the Argentine Government Market Regulation and Item 3. Key Information Risk Factors Risks Relating to Argentina We are subject to direct and indirect export restrictions,

which have affected our results of operations and caused us to declare force majeure under certain of our export contracts. According to our estimates as of December 31, 2015, supply requirements under Agreement 2007-2011 (which we were compelled to enter into and which was approved by a resolution that has been challenged by us) could be met with our own production and, if necessary, with purchases from third parties. Additionally, on October 4, 2010, the National Gas Regulatory Authority ( ENARGAS ) issued Resolution No. 1410/2010, which approved the Procedure for Applications, Confirmations and Control of Gas setting new rules for natural gas dispatch applicable to all participants in the gas industry and imposing new and more severe priority demand gas restrictions on producers. See Regulatory Framework and Relationship with the Argentine Government Market Regulation.

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

In addition, on May 3, 2012, the Expropriation Law was passed by the Argentine congress. The Expropriation Law declared achieving self-sufficiency in the supply of hydrocarbons, as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. After the takeover of the Company by the new shareholders in accordance with the Expropriation Law, our strategy intends to reaffirm our commitment to creating a new model of the Company in Argentina that aligns our objectives, seeking profitable and sustainable growth that generates shareholder value, with those of the country, thereby positioning YPF as an industry-leading company aiming at the reversal of the national energy imbalance and the achievement of hydrocarbon self-sufficiency in the long term.

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To achieve the goals set forth above, we intend to focus on (i) continuing to increase production, especially of natural gas; (ii) improving efficiency and productivity to enable us to adapt to a scenario of a prolonged decline in international oil prices; (iii) increasing exploration of mature areas; (iv) developing unconventional resources; (v) improving our capacity to refine in order to accommodate the growth in demand for refined products; (vi) exploring conventional and unconventional resources and pushing the limits of existing deposits and exploring new frontiers, including offshore; and (vii) maintaining a solid capital structure. These initiatives have required and will continue to require organized and planned management of mining, logistic, human and financing resources within the existing regulatory framework, with a long-term perspective.

The investment plan related to our growth needs to be accompanied by an appropriate financial plan, whereby we intend to reinvest earnings, search for strategic partners and acquire debt financing at levels we consider prudent for companies in our industry. Consequently, the financial viability of these investments and hydrocarbon recovery efforts will generally depend, among other factors, on the prevailing economic and regulatory conditions in Argentina, the ability to obtain financing in satisfactory amounts at competitive costs, as well as the market prices of hydrocarbon products. See Item 3. Key Information Risk Factors Risks Relating to Argentina.

*Natural gas supply contracts*

The Argentine government has established regulations for both the international and domestic natural gas markets, which have affected the ability of producers in Argentina to export natural gas YPF's principal supply contracts are briefly described below.

We were committed to supply a daily quantity of 125 mmcf/d (or 4 mmcm/d) to the Methanex plant in Cabo Negro, Punta Arenas, in Chile (under three agreements which expire between 2017 and 2025 (the Agreements)). Pursuant to instructions from the Argentine government, deliveries have been interrupted since 2007. In connection with these contracts, the Company has renegotiated them through 2018 and has agreed to make investments, export gas and temporarily import certain final products, subject to approval by the relevant government authorities, which have been obtained. As of the date of this annual report, the Company has fulfilled the agreed commitments mentioned above. As a result, current commitments under the Agreements amount to a daily quantity of 46 mmcf/d through 2019. To the extent that the Company does not comply with the Agreements, we could be subject to significant claims, subject to the defenses that the Company might have.

We are currently engaged in a 15-year contract signed in 2003 with Gas Valpo, a natural gas distributor, to supply 35 mmcf/d (or 1 mmcm/d) through the Gas Andes pipeline linking Mendoza, Argentina to Santiago, Chile, which has a transportation capacity of 353 mmcf/d (or 10 mmcf/d) (designed capacity with compression plants).

The contracts with Colbun and Gas Valpo were modified to become interruptible supply contracts.

We have a 21-year contract (entered into in 1999) to deliver 93 mmcf/d (or 2.63 mmcm/d) of natural gas to a Chilean distribution company (Innergy) that distributes natural gas to residential and industrial clients through a natural gas pipeline (with a capacity of 318 mmcf/d or 9 mmcm/d) connecting Loma La Lata in Neuquén, Argentina with Chile. The contract was modified reducing its deliver or pay obligation to 7.1 mmcf/d (or 0.2 mmcm/d).

We have natural gas supply contracts with certain thermal power plants in northern Chile (Edelnor, Electroandina, Nopel and Endesa) utilizing two natural gas pipelines (with a carrying capacity of 300 mmcf/d or 8.5 mmcm/d each) connecting Salta, Argentina to Northern Chile (Región II). The contracts with Edelnor and Electroandina were modified to become interruptible supply contracts.

With respect to Brazil, we entered into a 20-year supply contract in 2000 to provide 99 mmcf/d (or 2.8 mmcm/d) of natural gas to the thermal power plant of AES Uruguaiana Empreendimentos S.A. ( AESU ) through a pipeline linking Aldea Brasileira, Argentina, to Uruguaiana, Brazil (with a capacity of 560 mmcf/d or 15.8 mmcm/d). In May 2009, AESU notified us of the termination of the contract. We are currently in arbitration with AESU. See Item 8. Financial Information Legal Proceedings Argentina Accrued, probable contingencies Alleged defaults under natural gas supply contracts.

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

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**Table of Contents*****The Argentine natural gas market***

We estimate (based on preliminary reports of amounts delivered by gas transportation companies) that natural gas consumption in Argentina totaled approximately 1,732 bcf (or 49.1 bcm) in 2015. We estimate that the number of users connected to distribution systems throughout Argentina was approximately 8.5 million as of October 31, 2015.

In 2015, we sold approximately 40% of our natural gas to local residential distribution companies, approximately 9% to compressed natural gas end users, approximately 44% to industrial users (including our affiliates, Mega and Profertil) and power plants, less than 1% in exports to foreign markets (Chile) and 7% to YPF downstream operations. Sales were affected by increased consumption by residential consumers during winter months (June to August). During 2015, approximately 85% of our natural gas sales were produced in the Neuquina basin. In 2015, our domestic natural gas sales volumes were 2% higher than 2014.

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

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

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

***Argentine natural gas supplies***

Most of our proved natural gas reserves in Argentina (approximately 75% as of December 31, 2015) are situated in the Neuquina basin, which is strategically located in relation to the principal market of Buenos Aires and is supported by sufficient pipeline capacity during most of the year. Accordingly, we believe that natural gas from this region has a competitive advantage compared to natural gas from other regions. The capacity of the natural gas pipelines in Argentina has proven in the past to be inadequate at times to meet peak-day winter demand, and there is no meaningful storage capacity in Argentina. Since privatization, local pipeline companies have added capacity, improving their ability to satisfy peak-day winter demand, but no assurances can be given that this additional capacity will be sufficient to meet demand.



In order to bridge the gap between supply and demand, especially with respect to peak-day winter demand, the Argentine government has entered into gas import agreements.

YPF has provided regasification services to ENARSA since May 2008. In 2011, YPF executed an extension to the charter party agreement and a regasification services agreement with Excelerate Energy to provide and operate a 151,000 cm (or 533,25 cf) regasification vessel moored at the Bahía Blanca port facilities, which allowed for the supply of up to 17 mmcm/d of natural gas (or 600.34 mmcf/d). In December 2013, as a result of the first automatic extension of 36 additional months already included in this charter party agreement, the expiration date of the agreement was extended to October 2018.

Since the beginning of its operations, the regasification vessel has converted 17.4 bcm (or 614.12 bcf) of LNG into natural gas, which has been injected into a pipeline which feeds the Argentine national network. Most of this volume was supplied during the peak winter demand period. In 2015, natural gas injected into the network amounted to approximately 3.1 bcm (or 109.0 bcf).

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YPF is the operator of UTE Escobar (a joint venture formed by YPF and ENARSA), which operates an LNG Regasification Terminal ( LNG Escobar ) located in the km 74.5 of the Paraná River. The LNG Escobar terminal has a floating, storage and regasification unit permanently moored at the new port facilities, for which UTE Escobar has executed agreements with Exceletrate Energy to provide and operate a 151,000 cm (or 533,252 cf) regasification vessel moored at the LNG Escobar terminal with the capacity to supply up to 17 mmcm/d (or 600 mmcf/d) of natural gas. Since the beginning of its operations, the total volume injected into the network by this vessel was 10.02 bcm (or 353.9 bcf). In 2015 natural gas injected into the network amounted to approximately 2.4 bcm (or 86.9 bcf).

### ***Natural gas transportation and storage capacity***

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

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

### **Downstream**

During 2015, our Downstream activities included crude oil refining and transportation, and the marketing and transportation of refined fuels, lubricants, LPG, compressed natural gas, and other refined petroleum products in the domestic wholesale and retail markets and certain export markets and also power generation and natural gas distribution.

The Downstream segment is organized into the following divisions:

Refining and Logistic Division;

Refining Division;

Logistic Division;

Trading Division;

Domestic Marketing Division;

LPG General Division; and

Chemicals.

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

***Refining division***

We wholly own and operate three refineries in Argentina:

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

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

Plaza Huincul refinery, located in the province of Neuquén.

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Our three wholly-owned refineries have an aggregate refining capacity of approximately 319,500 boe/d. The refineries are strategically located along our crude oil pipeline and product pipeline distribution systems. In 2015, our crude oil production, substantially all of which was destined to our refineries, represented approximately 82.8% of the total crude oil processed by our refineries, while in 2014 it was 84.5%. Through our stake in Refinor, we also own a 50% interest in a 26,100 boe/d refinery located in the province of Salta, known as Campo Durán.

The following table sets forth the throughputs and production yields for our three wholly-owned refineries for each of the three years ended December 31, 2015, 2014 and 2013:

	<b>For the Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(mmboe)		
Throughput crude	109.1	106.0	101.4
Throughput feedstock	4.4	4.2	4.1
Throughput crude and feedstock	113.5	110.2	105.5
<b>Production</b>			
Diesel	40.6	40.3	38.8
Motor gasoline	24.5	22.4	23.1
Petrochemical naphtha	7.0	6.5	5.7
Jet fuel	6.1	6.1	6.1
Base oils	1.1	1.4	1.0

	<b>For the Year Ended</b>		
	<b>December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(thousands of tons)		
Fuel oil	1,878	1,715	1,338
Coke	770	746	803
LPG	612	638	607
Asphalt	171	185	198

During 2015, our global refinery utilization reached 93.6%, compared to 90.9% in 2014, both calculated over a nominal capacity of 319.5 mboe/d.

The La Plata refinery is the largest refinery in Argentina, with a nominal capacity of 189,000 bbl/d. The refinery includes three distillation units, two vacuum distillation units, two fluid catalytic cracking units, a coking unit, a coker naphtha hydrotreater unit, a platforming unit, two diesel hydrofinishing units, a gasoline hydrotreater, an isomerization unit, an FCC (fluid cracking catalysts) naphtha splitter and desulfuration unit and a lubricants complex, in addition to a petrochemical complex that generates MTBE, TAME and aromatics compounds used for blending gasoline, and other chemical products for sale. The refinery is located at the port in the city of La Plata, in the province of Buenos Aires, approximately 60 kilometers from the City of Buenos Aires. During 2015, the refinery processed approximately 163.9 mbbbl/d. The capacity utilization rate at the La Plata refinery for 2015 was 86.7%, slightly above 163.3 mbbbl/d processed in 2014, with a utilization rate of 86.4%. The crude oil processed at the La Plata refinery, 84.9 % of which was YPF-produced in 2015, comes mainly from the Neuquina and San Jorge basins. Its crude oil supplies come from the Neuquina basin by pipeline and from the San Jorge basin by vessel, in each case to Puerto Rosales, and then by pipeline from Puerto Rosales to the refinery.

During 2015, a revamping in Vacuum B unit was successfully completed, which will permit us to increase our crude utilization rate by 1.5%, with an increase in unit capacity of approximately between 14% and 20%, depending on the operation program.

In order to increase the conversion capacity, a new Coke A facility is under construction and is expected to be commissioned by 2016. The capacity of the new unit will be 1,160 bbl/h of fresh feed pumped from the bottoms of the Topping and Vacuum units, providing the refinery with an increase in crude processing capacity utilization of 23.800 bbl/d, representing an increase of almost 12% in the capacity utilization rate. The production of the new facility will be a component for the blend to be used in the generation of diesel, motor gasoline and coke.

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The Luján de Cuyo refinery has a nominal capacity of 105,500 bbl/d, the third largest capacity among Argentine refineries. The refinery includes two distillation units, a vacuum distillation unit, two coking units, one fluid catalytic cracking unit (FCCU), a platforming unit, a MTBE unit, an isomerization unit, an alkylation unit, a naphtha splitter, a hydrocracking unit, a naphtha hydrotreater unit and two gasoil hydrotreating units. During 2015, the refinery processed approximately 109.2 mbbbl/d, with a capacity utilization rate of more than 100%. In 2014, the refinery processed 103.2 mbbbl/d with a capacity utilization rate of 97.8%. The lower capacity utilization during 2014 was due to several planned maintenance shut-downs of units: Topping IV from March to April, vacuum distillation from March to April, Coke II from March to April and fluid catalytic cracking from October to November, all of which were executed successfully on time.

Due to its location in the western province of Mendoza and its proximity to significant distribution terminals we own, the Luján de Cuyo refinery has become the primary facility responsible for providing to the central and northwest provinces of Argentina with petroleum products for domestic consumption. The Luján de Cuyo refinery receives crude supplies from the Neuquina and Cuyana basins by pipeline directly into the facility. Approximately 77.8% of the crude oil processed at the Luján de Cuyo refinery in 2015 (and 77.9% of the crude oil processed in this refinery in 2014) was produced by us. Most of the crude oil purchased from third parties comes from oil fields located in the provinces of Neuquén or Mendoza.

The Plaza Huincul refinery, located in the province of Neuquén, has an installed capacity of 25,000 bbl/d. During 2015, the refinery processed approximately 25.8 mbbbl/d, with a capacity utilization rate of more than 100%, far from the 24.0 mbbbl/d processed in 2014 at a lower capacity utilization rate of 95.9%. The only products currently produced at the refinery are gasoline, diesel and jet fuel, which are sold primarily in nearby areas and in the southern regions of Argentina. Heavier products, to the extent production exceeds local demand, are blended with crude oil and transported by pipeline from the refinery to our facilities in La Plata for further processing. The Plaza Huincul refinery receives its crude supplies from the Neuquina basin by pipeline. The crude supplies are mostly produced by us. In 2015, 1.7% of the refinery's crude supplies were purchased from other companies, while in 2014, such purchases were 0.3% of the refinery's crude supplies.

Since 1997 and 1998, each of our refineries (La Plata, Luján de Cuyo, and Plaza Huincul) have been certified under International Organization for Standardization (ISO) 9001 (quality performance) and ISO 14001 (environmental performance). All of them are also certified under the OHSAS 18001 (occupational health and safety performance) standard. Since 2009, inventories of industrial greenhouse gases and savings of CO<sub>2</sub> emissions equivalent (MDL projects) have been verified in accordance with ISO 14064 in both the La Plata and Lujan de Cuyo refineries. The refineries maintain their systems under continuous improvement and revision by authorized organizations.

### ***Logistics Division***

#### ***Crude oil and products transportation and storage***

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

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

<i>From</i>	<i>To</i>	<i>YPF Interest</i>	<i>Length (km)</i>	<i>Daily Capacity (boe/d)</i>
Puesto Hernández	Luján de Cuyo refinery	100%	528	85,200
Puerto Rosales	La Plata refinery	100%	585	316,000
La Plata refinery	Dock Sud	100%	52	106,000
Brandsen	Campana	30%	168	120,700
Puesto Hernández/ P. Huincul/Allen	Puerto Rosales	37%	888 <sup>(1)</sup>	232,000
Puesto Hernández	Concepción (Chile)	(2)	428	(3)

- (1) Includes two parallel pipelines of 513 kilometers each from Allen to Puerto Rosales, with a combined daily throughput of 232,000 barrels.
- (2) We hold a 36% interest in Oleoducto Transandino Argentina S.A., which operates the Argentine portion of the pipeline, and an 18% interest in Oleoducto Transandino Chile S.A., which operates the Chilean portion of the pipeline.
- (3) This pipeline ceased operating on December 29, 2005.

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

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

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

In Argentina, we also operate a network of multiple pipelines for the transportation of refined products with a total length of 1,801 kilometers. We also own seventeen plants for the storage and distribution of refined products and seven LPG plants with an approximate aggregate capacity of 1,620,000 cubic meters. Three of our storage and distribution plants are annexed to the refineries of Luján de Cuyo, La Plata and Plaza Huincul. Ten of our storage and distribution plants have maritime or river connections. We operate 53 airplane refueling facilities (40 of which are wholly-owned) with a capacity of 22,500 mcm, and we also own 28 trucks, 123 manual fuel dispensers and 17 automatic fuel dispensers. These facilities provide a flexible countrywide distribution system and allow us to facilitate exports to foreign markets, to the extent allowed pursuant to government regulations. Products are shipped mainly by truck, ship or river barge.

YPF currently blends ethanol in the Luján de Cuyo, Monte Cristo, San Lorenzo, La Plata, Junín, Plaza Huincul, Barranqueras, Concepción del Uruguay, Villa Mercedes and La Matanza storage plants.

In 1998, our logistics activities were certified under ISO 9001 (quality performance) and ISO 14001 (environmental performance), and recertified in 2012 under ISO 9001:2008 and ISO 14001:2004. In 2010, logistics activities were also certified under OHSAS 18001 (security performance) and recertified in 2013. In 2014, our trucking activities were certified under ISO 39001 (road traffic safety management system).

***Trading Division***

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

The division exports mainly to countries in South America, Africa and North America. Sales to international customers for 2015 and 2014 were Ps. 2,387 million and Ps. 4,081 million, respectively. In 2015, refined products accounted for 25% of total sales, up from 8% in 2014. In 2015, 73% of total sales corresponded to marine fuels, down



from 77% in 2014. In 2015 and 2014, sales volumes to customers outside Argentina consisted of 1.6 mmbbl and 0.89 mmbbl of refined products, respectively, and 3.3 mmbbl and 4.3 mmbbl of marine fuels, respectively.

For the domestic market, sales of crude oil totaled Ps. 712 million, or 1.1 mmbbl, in 2015 and Ps. 914 million, or 1.4 mmbbl, in 2014. Sales of marine fuels totaled Ps. 1,516 million, or 1.4 mmbbl, in 2015 and Ps. 1,352 million for the same volume in 2014. In addition, imports of high and low sulfur diesel in 2015 totaled 7.3 mmbbl in 2015, a decrease of 7% compared with 2014.

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### ***Marketing Division***

Our Marketing Division supplies gasoline, diesel, LPG and other petroleum products throughout the country and other countries in the region. We supply several industries, including retail, transport and agriculture.

During 2015, YPF extended its leadership in Argentina, reaching a market share of 57.9% for liquefied fuels.

YPF sells two types of gasoline: Infinia, a premium 98 octane gasoline, and Super, a regular 95 octane gasoline.

During 2015, we continued to hold a leading position from sales of Infinia and Super gasolines, reaching a market share, according to our estimates, of 62.0% and 55.1%, respectively, as of December 31, 2015, compared with 61.3% and 56.9%, respectively, in 2014. Our sales volume for Infinia was 1,461 mcm in 2015 (26.0% higher than in 2014) and 3,392 mcm for Super in 2015 (3.3% less than in 2014).

After its launch in November 2014, sales of premium Infinia gasoline increased slightly as a percentage of our total gasoline sales to 30.1% in 2015, compared to 29.6% in December 2014. The marketing and communication activities carried out during 2015 for Infinia gasoline resulted in an improvement in the product's image. Results for the same poll carried out in 2014 and 2015 showed an increase in very good responses from 48% in 2014 to 59% in 2015 (48% from December to March 2015 and 59% from August to October 2015). The loyalty program Serviclub, which actively promotes tourism in Argentina among other things, reached more than 1.1 million members in 2015.

With respect to diesel, according to our own estimates, as of December 2015 our market share was 58.5%, compared to 60.0% in 2014, with a decrease in our share of high sulphur content products. Along with D-Euro (10 ppm), for which sales volume was 1,271 mcm in 2015 compared to 1,015 mcm in 2014, our diesel (500 and 1500 ppm) reached a sales volume of 6,688 mcm compared to 6,928 mcm in 2014. Finally, market penetration for D-Euro and Diesel 500 reached 42% of total diesel sales volumes, up from 39.5% in 2014.

YPF markets lubricants through three segments of the domestic market: retail, agriculture and industry. Our three manufacturing facilities, part of the CIE industrial complex, include lubricant, asphalt and paraffin production lines. Our line of automotive lubricants, including mono-grade, multi-grade and oil, has received approval and recommendations from leading global automotive and engine manufacturers, including Ford, Volkswagen, Renault, Audi, Deutz, Cummins, Volvo, MAN Truck, GM, Porsche, Scania, Detroit Diesel and Caterpillar.

We are engaged in the LPG wholesale business, which encompasses LPG storage, logistics and commercialization to domestic and foreign markets. We obtain LPG from our fractioning plants and refineries, as well as from third parties. In addition to butane and propane, we also sell propellants, used in the aerosols manufacturing processes.

YPF also markets lubricants in Brazil and Chile, where we have subsidiary companies. Additionally, through a network of exclusive resellers, we market lubricants in three bordering countries (Uruguay, Paraguay and Bolivia).

### ***Retail Division***

As of December 31, 2015, the Retail Division's sales network in Argentina consisted of 1,538 retail service stations, compared to 1,534 as of December 31, 2014. Of these, 112 are owned by YPF. The remaining 1,426 service stations are associated service stations. OPESSA, our wholly-owned subsidiary, actively operates 174 retail service stations of which 89 are owned by YPF, 27 are leased to the Automóvil Club Argentino and 58 are leased to independent owners. Additionally, YPF owns 50% of Refinor, a company operating 69 service stations.

According to our estimates, as of December 31, 2015, we were the main fuel retailer in Argentina, with 35% of the country's gasoline service stations, followed by Shell, Axion, Petrobras and Oil with 14.1%, 11.4%, 6.1% and 6.3%, respectively. During 2015, our market share in diesel and gasoline, marketed in all segments, decreased from 59.2% to 58.0%, from December 31, 2014 to December 31, 2015. This was due to increased market competition stemming primarily from an increase in the number of service stations of our competitors and a smaller gap between our competitors' prices and YPF's during 2015.

The Red XXI program, released in October 1997, has significantly improved operational efficiency in service stations. This program provides performance data for each active and on-line station, connecting most of our network. As of December 31, 2015, 1,283 service stations were linked to the Red XXI network system, unchanged from 2014.

Our convenience stores, YPF Full and YPF Full Express, are present in 391 and 100 points of sale, respectively, as of December 31, 2015. Additionally, a modern oil change service shop called YPF Boxes is present in 251 service stations across the country.

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During 2015, a service station operation manual was rolled out across the Retail Division sales network. The purpose of this model is to promote self-management of our service stations.

In April 2015 we launched Opressa Leones, Argentina's biggest service station, located on the highway between the cities of Rosario and Cordoba. As the only rest area in the area, we expect 10,400 customers per day. With a footprint of 16,000 square meters, it includes parking for 250 cars, a YPF full convenience store accommodating more than 170 people and 24 fuel supply islands.

The project incorporates advanced fuel supply technology. Truck fueling is the fastest on the market, with a 30% performance increase. The service station has six tanks equipped with a drive system with dual containment and sensors, giving more control and the ability to detect potential leaks. The storage capacity of the service area exceeds 240,000 liters of fuel.

***Agriculture Division***

The Agriculture Division provides diesel, fertilizers, lubricants, agrochemicals, and ensiling bags (silobolsa), among other products, directly or through a network of 105 wholesaler bases (nine owned by YPF), offering an extensive portfolio of products to agricultural producers, including the delivery of products to the consumption site. Many of these wholesaler bases operate under a one stop shop concept, with an audited operating system, offering a complete range of products under a unified brand image. During 2015, YPF has launched several new products (mainly agrochemicals, fertilizers, biologic fertilizers and seeds), under our own brand or through distribution agreements with leading local suppliers. At the option of the customer, we accept different types of grains as payment (canje), mainly soybean, some of which is processed by third-party companies to obtain oil and other sub-products that we generally export. In 2015, revenue from these exports was U.S.\$398 million, a 6.8% increase compared to 2014. Although the fall of international commodity prices affected local farmers, reducing overall sowing surface, we received approximately 1,348,000 tons of grains (oilseed and cereal), primarily soy, a 10.6% increase compared to 2014. In addition, the Agriculture Division provides approximately 8% of YPF's fatty acid methyl esters (FAME) needs (a natural product added to commercial grade diesel), which is obtained from soybean oil.

***Industry Division***

This division supplies the national industry and transportation (ground and air) sectors' needs, consisting of a broad portfolio of products and services. The division develops specific solutions for the mining, oil & gas, aviation, transport, infrastructure and construction sectors. We supply products such as fuels (diesel, gasoline, fuel oil, jet A-1), lubricants, coal, asphalts, paraffin and derivatives (sulfur, CO<sub>2</sub>, decanted oil, aromatic extract), either directly from our refineries to the point of consumption (more than 5,000 direct customers) through our own ground and waterway network, or through a network of twelve distributors. Regarding the 37 distributors for 2014, twelve of them remain in the Industry Division and the remaining 25 were serviced by the Agriculture Division.

The Industry Division's mission is to promote efficiency in the value chains of the industries we serve through energy solutions, supplies and services. In line with this, our strategy is based on the closeness and relationship with the client and the development of innovative solutions focused on creating value for YPF and the region's industry.

***Lubricants and Specialties Division***

During 2015, our lubricants and complementary products sales in the domestic market amounted to almost 127.7 mcm (an increase of 2.6% compared to 2014) while exports decreased 14.1% from 20.0 mcm in 2014 to 17.2 mcm in 2015. Sales of asphalts decreased 13% and paraffin increased 7% compared to 2014.

We export to two main markets. First, to our wholly-owned companies in Brazil and Chile. Sales volumes decreased 55% in Brazil, due to market recession and increased 11% in Chile compared to 2014. In both countries, we produce lubricants locally. However, local production in Chile has been replaced by Argentinean production due to lower tax withholdings in Argentina. On the other hand, we export through our distribution network in Bolivia, Uruguay and Paraguay, in which sales volume increased 15% compared to 2014. This increase was primarily due to a decrease in export taxes beginning in 2015, according to resolution S.E. 1077/14. Our Lubricants and Specialties Division has followed a strategy of differentiation, allowing it to achieve and maintain a leading position in the Argentinean market. Our market share as of December 31, 2015 was 39.1% (a decrease of 2.2% compared to 2014) according to information provided by the Argentine Secretariat of Energy. As indicated above, our line of automotive lubricants has received approvals and recommendations from leading global automotive and engine manufacturers (Ford, Volkswagen, GM, Porsche and Scania).

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With respect to lubricants, sales of the high-end light and heavy products, under the Elaion and Extravida brand names, were 43.7 mcm in 2015, compared to 43.6 mcm in 2014.

The Elaion brand reached sales volumes of 14.6 mcm in 2015, a 4% increase compared to 14.0 mcm in 2014. The Extravida brand reached sales volumes of 29.1 mcm, remaining stable compared to 29.1 mcm in 2014.

Sales of the Elaion Moto lubricant, used for motorcycles, increased by 4% to 2.1 mcm from 2.0 mcm in 2014.

The Lubricants and Specialties Division has had an integrated management system since 1995. This division currently holds the following certifications: ISO 9001:2008, ISO 14001:2004, OSHAS 18001:2007 ISO/TS 16949-third edition.

**LPG Division**

Through our LPG Division, we sell LPG to the foreign market, the domestic wholesale market and to distributors that supply the domestic retail market. The LPG Division does not directly supply the retail market. It is supplied by YPF Gas S.A., which is not a YPF-controlled company. During 2015, we sold approximately 40% of our LPG production to YPF Gas S.A. for the domestic market.

We are the largest LPG producer in Argentina, with sales in 2015 reaching approximately 559 mtn, compared with 572 mtn in 2014. Of this, approximately 378 mtn were sold in the domestic market, compared to 414 mtn in 2014. Our main clients in the domestic market are companies that sell LPG in cylinders or bulk packing to end-consumers, also providing LPG to households in some regions. Additionally, exports in 2015 reached approximately 181 mtn, compared to 159 mtn in 2014. The main destinations were Chile, Paraguay and Bolivia. Transportation of LPG to overseas customers is carried out by truck, pipeline and barges.

Total sales of LPG excluding LPG used as petrochemical feedstock were Ps. 1,415 million and Ps. 1,678 million in 2015 and 2014, respectively.

The LPG Division obtains LPG from natural gas processing plants and from our refineries and petrochemical plants. We produced 447 mtn of LPG in 2015, not including LPG destined for petrochemical usage, and purchased LPG from third parties, as detailed in the table below:

	<i>Purchase (tons)</i> 2015
<b>LPG from Natural Gas Processing Plants<sup>(1)</sup></b>	
General Cerri	12,569
El Portón	108,479
San Sebastián	0
<b>Total Upstream</b>	<b>121,048</b>
<b>LPG from Refineries and Petrochemical Plants</b>	
La Plata refinery	182,514
Luján de Cuyo refinery	110,255
CIE	33,072

Total refineries and petrochemical plants <sup>(2)</sup>	325,841
<b>LPG purchased from joint ventures<sup>(3)</sup></b>	<b>25,684</b>
<b>LPG purchased from unrelated parties</b>	<b>62,997</b>
<b>Total</b>	<b>535,569</b>

- (1) The San Sebastian plant is a joint venture in which we own a 30% interest; El Portón is 100% owned by us; General Cerri belongs to a third party with which we have a processing agreement.
- (2) This production does not include LPG used as petrochemical feedstock (olefins derivatives, polybutenes and maleic).
- (3) Purchased from Refinor. We also have a 50% interest in Refinor, which produced 241 mtn of LPG in 2015.

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Petrochemicals are produced at our petrochemical facilities in Ensenada and Plaza Huincul. Additionally, we also own a 50% interest in Profertil, a company that has a petrochemical complex in Bahía Blanca, as mentioned below.

Petrochemical production operations in the *Complejo Industrial Ensenada* ( CIE ) are closely integrated to the refining activities at the La Plata refinery, allowing a flexible supply of feedstock, the efficient use of by-products, such as hydrogen, and the supply of aromatics to increase gasoline octane levels.

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

	Capacity (tons per year)
<i>CIE</i>	
BTX (Benzene, Toluene, Mixed Xylenes)	526,000
Paraxylene	38,000
Orthoxylene	25,000
Cyclohexane	95,000
Solvents	66,100
MTBE	60,000
Butene I	25,000
Oxoalcohols	35,000
TAME	105,000
LAB	52,000
LAS	32,000
PIB	26,000
Maleic Anhydride	17,500
<i>Plaza Huincul</i>	
Methanol	411,000

During 2015, the LAS plant was revamped increasing its capacity from 25,000 to 32,000 tons/year.

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

We also use high carbon dioxide-content natural gas for methanol production, which allows us to keep the methanol plant working at 50% of its production capacity during winter periods.

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

In 2015 and 2014, 72% and 73%, respectively, of our petrochemicals sales (including propylene), were made in the domestic market, while we export to Mercosur countries, the rest of Latin America, Europe and the United States.





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We also participate in the fertilizer business, directly and through Profertil, a 50%-owned subsidiary. Profertil is a joint venture with Agrium, a worldwide leader in fertilizers, which initiated operations in 2001. Profertil has a production facility in Bahía Blanca which produces 1.1 million tons of urea and 750,000 tons of ammonia per year. In addition, Profertil markets other nutrients and special blends of prepared land to optimize soil performance.

The CIE was certified under ISO 9001 in 1996 and recertified in 2013 (2008 version). The La Plata petrochemical plant was certified under ISO 14001 in 2001 and recertified in 2013. The plant was also certified under OHSAS 18001 in 2005 and recertified in 2013. Since 2008, the plant verified the inventory of CO<sub>2</sub> emissions under ISO 14064: 1 and, in 2011, inventories of CH<sub>4</sub> and N<sub>2</sub>O emissions were verified as well. The Ensenada petrochemical complex laboratory was certified under ISO 17025, in 2005 and recertified in 2013.

The CIE has recently attained ISO 50001 certification (version 2011), covering the following processes: production of complex aromatics, olefins, maleic, polybutenes and the energy generation facilities that operate within the La Plata petrochemical complex.

The methanol plant was certified under ISO 9001 in December 2001 and recertified in August 2012. The methanol plant was also certified under ISO 14001 in July 1998 together with the Plaza Huincul refinery, and recertified in August 2012. In addition, the plant was also certified under OHSAS 18001 in December 2008, and the last date of recertification was August 2012.

The certification of our petrochemical business covers the following processes:

refining process of crude oil and production of gas and liquid fuels, base stocks for lubricants and paraffin, petroleum coke (green coke) and petrochemical products in the units of refining, conversion, lubricants, aromatics, olefins PIB / Maleic and LAB / LAS, methanol production and storage.

management and development of the petrochemical business of the Company, planning and economical and commercial control, marketing and post-sale service of petrochemical products.

### ***Other investments and activities***

#### *NGLs*

We participated in the development of our affiliate Mega to increase its ability to separate liquid petroleum products from natural gas. Through the fractionation of gas liquids, Mega increased production at the Loma La Lata gas field by approximately 5.0 mmcm/d (or 176.5 mmcf/d) in 2001 with the assistance of YPF.

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

Mega operates:

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

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

A pipeline that links both plants and that transports NGLs.

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

Mega's maximum annual production capacity is 1.4 million tons of natural gasoline, LPG and ethane. YPF is Mega's main supplier of natural gas. The production of the fractionation plant is used mainly in the petrochemical operations of PBBPolisur S.A. ( PBB ), owned by Dow Chemical Company, and is also exported by tanker to Petrobras facilities in Brazil.

Pursuant to Decree No. 2067/08 and Resolutions No. 1982/2011 and 1991/2011 of ENARGAS, since December 1, 2011, Mega is required to pay, on a monthly basis, a fee of Ps.0.405 per cubic meter of natural gas it purchases. This requirement has a significant impact on the operations of Mega and has been challenged in the Argentine federal courts. On October 27, 2015, the Argentine Supreme Court ruled on the appeal filed by Mega covering the period up to the issuance of Law No. 26784. It ruled that Decree 2067/08 was unconstitutional and did not apply to Mega.

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*Electricity market generation*

The Argentine Electricity Market

Argentina's overall power generation was 4.6% higher in 2015 than 2014 according to Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA). In 2015, 63% of Argentina's power generation came from thermal power plants, 30% from hydroelectric power plants, 5% from nuclear power plants, 1% from spot imports from Uruguay and Paraguay and the balance from unconventional sources such as wind and solar power.

Thermal power plants consumed 2,237,761 cm of diesel oil, a 24.7% increase compared to 2014, 3.1 million tons of fuel oil, a 13.4% increase compared to 2014, and 14.4 billion cm of natural gas, a 0.2% increase compared to 2014.

The average electricity price was Ps. 490.90/MWh, a 26% increase compared to 2014, while the annual average marginal cost of production was Ps.1,567/MWh, an 8.8% increase compared to 2014.

In 2014, Resolution No. 95/2013 of the Secretariat of Energy changed the procedures and increased rates of remuneration that power generation plants receive, giving incentives to increase power plant reliability. In 2014, this rule was updated with Resolution No. 529/14 of the Secretariat of Energy, increasing the remuneration to be received by 75%. In 2015, the same rule was updated with Resolution No. 482/15 of the Secretariat of Energy, increasing the remuneration to be received by 25% and adding some new concepts.

*YPF in Power Generation*

We participate in three power generation plants with an aggregate installed capacity of 1,622 MW:

- a 100% interest in Central Térmica Tucumán (410 MW combined cycle) through YPF Energía Eléctrica S.A (YPF EE);

- a 100% interest in Central Térmica San Miguel de Tucumán (370 MW combined cycle) through YPF EE in which we have 100% interest; and

- a 40% interest in Central Dock Sud (775 MW combined cycle and 67 MW gas turbines), directly and through Inversora Dock Sud S.A.

On August 1, 2013, as a result of the spinoff of the assets of PlusPetrol Energy S.A., YPF EE was created to continue the power generation operations and businesses of Central Térmica Tucumán and Central Térmica San Miguel de Tucumán.

In 2015, YPF EE generated 5,276 GWh with its two combined cycles. Central Térmica Tucumán's production was 3,071 GWh, and Central Térmica San Miguel de Tucumán's production was 2,205 GWh. Additionally, Central Dock Sud generated 3,799 GWh. The energy produced by YPF EE and Central Dock Sud (9,075 GWh in total) represented 6.6% of Argentina's electricity generation in 2015.

Energy produced by both combined cycles in Tucumán was 1.4% higher in 2015 compared to 2014, despite major overhauls on units SMTUTV01 and SMTUTG02 in May and September 2015, respectively.

In August 2013, after taking over the power plants, YPF EE accepted Resolution No. 95/2013 issued by the Secretariat of Energy, which allowed the company to increase rates of remuneration it received for spot electricity sales.

Energy produced by Central Dock Sud in 2015 decreased by 20.6% compared to 2014 because of a major overhaul and a serious failure in the electrical connection.

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

In addition to YPF EE, we also own and operate power plants supplied with natural gas produced by YPF, which produce power to supply our upstream and downstream activities:

Los Perales power plant (74 MW), which is located in the Los Perales natural gas field;

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Chihuido de la Sierra Negra power plant (40 MW); and

the power plant located at the Plaza Huincul refinery (40 MW).

During 2015, YPF EE developed an important new generation project. A new thermal power generation plant will be located in Añelo, Neuquén. This additional generation plant was designed in order to supply YPF energy demand all over the country. The project will be financed with those additional revenues from CAMMESA, which were recovered after the takeover, and others.

Finally, as a consequence of new legislation about renewable energy, YPF EE has commenced design of a renewable generation project near Comodoro Rivadavia, Chubut, in order to supply a percentage of YPF total demand with clean generation.

*Natural gas distribution*

We currently hold through our subsidiary YPF Inversora Energética S.A. ( YPF Inversora Energética ) a 100% stake in Gas Argentino S.A. ( GASA ), which in turn holds a 70% stake in Metrogas S.A. ( Metrogas ), a natural gas distribution company in the capital region and southern suburbs of Buenos Aires, and one of the main distributors in Argentina. During 2015, Metrogas distributed approximately 19.5 mmcm (or 688 mmcf) of natural gas per day to 2.3 million customers in comparison to approximately 19.2 mmcm (678 mmcf) of natural gas per day to 2.3 million customers in 2014. During May 2013, the Company, through its subsidiary YPF Inversora Energética gained 100% ownership of GASA, the controlling company of Metrogas, by acquiring shares representing the remaining 54.7% interest in GASA. Prior to this acquisition, the Company through its interest in YPF Inversora Energética S.A. owned 45.3% of the capital of GASA. See Note 13 to the Audited Consolidated Financial Statements.

*GASA s debt restructuring.*

On May 11, 2009, GASA was notified of a bankruptcy petition brought by an alleged GASA creditor, and on May 19, 2009, GASA filed a voluntary reorganization petition (*concurso preventivo*), which was approved on June 8, 2009. On February 10, 2012, GASA presented a draft debt restructuring proposal addressed to verified unsecured creditors who have been declared admissible. On August 6, 2012, GASA filed with the court an amended debt restructuring proposal. The final proposal includes a debt reduction of 61.4% of the claims admitted by the court and the issuance of new debt securities, with a maturity date of December 31, 2015, an option to extend to December 31, 2016 in case all accrued interest is paid on December 31, 2015, and an interest rate of 8.875%.

In compliance with the reorganization proceeding, on March 15, 2013, GASA issued new notes which were delivered in exchange for outstanding claims to financial creditors and non-financial creditors who were admitted and declared acceptable.

On December 14, 2015, YPF SA informed GASA that it acquired 100% of GASA s outstanding securities, and it intends to cancel them in light of GASA s planned merger with YPF. YPF irrevocably waived compliance by GASA with any of its obligations under the indenture as of March 15, 2013.

On March 3, 2016, the Board of Directors of the Company approved the merger of YPF Invesora Energética S.A. and GASA, whereby the former will absorb the latter. GASA will be dissolved without liquidation.

**Metrogas debt reorganization.**

Given the adverse business conditions, Metrogas decided to file a voluntary reorganization petition in June 2010. On the same date, Metrogas was notified of Resolution No. I-1260 issued by ENARGAS, which provided for the judicial intervention of the company. The resolution based the intervention decision on the filing of a voluntary reorganization petition by Metrogas, and stated that the intervention would control administration and disposition of Metrogas activities that may in any manner affect its normal gas distribution. On July 15, 2010, the judge approved the commencement of Metrogas's voluntary reorganization proceedings. On July 2011, Metrogas filed with the court a debt restructuring proposal, which was subsequently amended. The final proposal included a debt reduction of 46.8% of the claims admitted by the court and the issuance of new debt securities, with a maturity date of December 31, 2018 and an interest rate of 8.875%. In June 2012, a noteholders' meeting was held within the framework of the Article 45 bis of Argentina's bankruptcy law, where the company's proposal was unanimously approved. On July 13, 2012, Metrogas informed the Judge that it considered that the legal majorities established in the Article 45 of the Bankruptcy Law had been obtained to approve the proposal.

On September 6, 2012, the intervening court ratified the Metrogas's debt reorganization agreement. It also stipulated the creation of the final creditors' committee, which will act as controlling agent to determine compliance with the agreement under the terms of Articles 59 and 260 of the Bankruptcy Law.

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Under the terms of the debt restructuring proposal, Metrogas was required to deliver new notes in exchange for outstanding claims. The proposal consists of the issuance of two new classes of notes: Class A (for the equivalent of 38.6% of existing notes), and Class B (contingent notes, for the equivalent of 61.4% of existing notes). The new Class B Notes would become due and payable only if the New Class A Notes were accelerated as a result of the occurrence of an event of default on or before December 2015. If an event of default had occurred prior to December 2015, the new Class B Notes would have been automatically cancelled.

In compliance with the reorganization, on January 11, 2013, Metrogas issued new notes which were delivered in exchange for outstanding claims to financial creditors and non-financial creditors who were admitted and declared acceptable.

In exchange for existing notes, classified as reorganization liabilities originated on financial debt:

Series A-L for an amount of U.S.\$163,003,452

Series B-L for an amount of U.S.\$122,000,000

In exchange for non-financial debt:

Series A-U for an amount of U.S.\$16,518,450

Series B-U for an amount of U.S.\$13,031,550

On February 1 and February 13, 2013, Metrogas submitted to the intervening court the documentation evidencing compliance with the debt exchange and the issuance of the new notes in order to obtain the removal of all general inhibitions and the formal declaration of completion of the reorganization proceedings, in accordance with the terms and conditions of Section 59 of the Bankruptcy Law.

On March 26, 2013, the Metrogas Board of Directors decided by a majority of votes to capitalize 100% of the portion subject to capitalization of accrued interest payable on June 30, 2013 and to issue additional negotiable obligations to effect the capitalization. Furthermore, the Board also decided to issue new negotiable obligations for the new unsecured creditors, as long as their claims have been verified in the relevant court in the reorganization proceedings.

On July 25, 2013, Metrogas issued:

Negotiable Obligations of Late Verification:

Series A-U: U.S.\$5,087,459

Series B-U: U.S.\$4,013,541



Negotiable Obligations of Capitalization:

Additional Series A-L: U.S.\$6,756,665

Additional Series A-U: U.S.\$704,581

On May 31, 2013, ENARGAS published Resolution ENRG I-2,587/13 providing for the termination of the ENARGAS intervention in Metrogas.

On September 9, 2013, Metrogas made a formal presentation in connection with the reorganization proceedings requesting that the court formally declare the completion of the proceedings.

On October 9, 2013, the Metrogas Board of Directors decided by a majority of votes to capitalize 50% of the portion subject to capitalization of accrued interest payable on December 31, 2013 and to issue additional negotiable obligations to effect the capitalization.

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On November 18, 2013 Metrogas received a notice from the National Commercial Court of First Instance No. 26, Clerk's Office No. 51, on the file entitled Metrogas S.A. about Reorganization Proceedings (filed on 10/17/2010 Court D ). This notice, dated November 8, 2013, sets forth the court's decision to terminate the reorganization proceedings following Metrogas's compliance with the terms of Section 59 of the Argentine bankruptcy law.

On January 29, 2014, Metrogas issued:

Negotiable Obligations of Capitalization:

Additional Series A-L: U.S.\$3,516,500

Additional Series A-U: U.S.\$371,456

On April 28, 2014, the Board of Directors of Metrogas decided by a majority of votes to pay in cash interest for up to U.S.\$4,750,000, capitalize the remaining amount of the portion subject to capitalization of interest due on June 30, 2014 and issue additional negotiable obligations for said capitalization.

On July 17, 2014, Metrogas issued:

Negotiable obligations of capitalization

Additional Series A-L June 2014: U.S.\$3,516,500

Additional Series A-U June 2014: U.S.\$371,044

Given the fact that no event of default has occurred prior to June 30, 2014, the Class B Notes were cancelled without any further obligation.

No event of default has occurred as of December 31, 2015. During the present fiscal year Metrogas has complied with the terms and covenants established under the offering circular.

Metrogas tariff issues: In January 2002, pursuant to the Public Emergency Law, the tariffs that Metrogas charges to its customers were converted from their original dollar values to pesos at a rate of Ps.1.00 to U.S.\$1.00. Thus the company's tariffs were frozen since indexation of any kind is not permitted under the Public Emergency Law.

The Public Emergency Law also provides that the Argentine government should renegotiate public utility services agreements affected by the change to Argentine peso prices.

The Public Emergency Law, which was originally scheduled to be terminated in December 2003, has been extended until December 31, 2017. As a consequence, the renegotiation terms for licenses and concessions of utility services were also extended.

Metrogas and the UNIREN signed a temporary agreement in September 2008. In November 2012, ENARGAS published Resolution No. 2,407/12 that authorizes Metrogas, following the terms of the temporary agreement discussed above, to apply a fixed amount in each customer's bill, differentiating by type of customer according to the terms of the Resolution and following the application of the methodology to be determined by the regulating agency.

Metrogas has been invoicing this new tariff charge since December 3, 2012.

Resolution ENRG 2851/2014 issued by ENARGAS on April 7, 2014 approved new applicable tariffs effective April 1, 2014, June 1, 2014 and August 1, 2014 under a price scheme whereby customers that register a decrease in consumption of over 20% will continue with the same tariff level as that which was in effect until March 31, 2014, while customers that achieve a reduction of between 5% and 20% will be charged a tariff approximately 50% lower in relation with the actual price variation, which will be applied to customers unable to reduce their consumption or whose reduction is below 5%.

### **Temporary Economic Assistance**

On June 8, 2015, the Official Gazette published ES Resolution No. 263/2015 whereby the Argentine Energy Secretariat approved the allocation of funds as temporary economic assistance to be paid in ten consecutive installments for Metrogas and other natural gas distributors effective from March 2015. The compensation was intended to cover expenditures and investments related to the regular operation of the natural gas public service and in advance for the Comprehensive Tariff Revision to be carried out in the future.

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This resolution establishes that the beneficiaries will assign a portion of the funds received by each of the monthly installments to cancel unpaid past due debt as of December 31, 2014 with natural gas producers, and moreover, that distributor shall not take more debt resulting from the purchase of natural gas after the above-mentioned Resolution has taken effect.

In the case of Metrogas, ENARGAS established a need for funds for 2015 to be disbursable monthly according to the schedule between March and December. ENARGAS also established that the company will assign a portion of the temporary economic assistance to pay debts to producers from December 31, 2014 in 36 monthly installments, plus interest, as from January 2015, calculated using the current Average Active Rate of Banco Nación for Commercial Discount Operations (2.05% monthly), and will begin to pay the installments in March 2015.

ENARGAS stated that distributors will proceed to pay gas purchase invoices due in 2015, estimating payments within 30, 60 and 90 days in line with the receipt of invoices by clients.

At the date of this annual report, Metrogas has received seven of the ten installments provided as a temporary economic assistance, amounting to Ps. 561.7 million from a total of Ps. 711 million. Metrogas has also entered into payment agreements with the majority of producers in terms of ES Resolution No. 263/15, this subject to availability of the amounts committed.

Funds from a letter of understanding executed on November 21, 2012 with ENARGAS, a provisional agreement executed on March 26, 2014 with the UNIREN and collections from the temporary economic assistance program have been insufficient so far to restore the financial condition of Metrogas.

## **Seasonality**

For a description of the seasonality of our business, see Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations Seasonality.

## **Research and Development**

At the end of 2013, YPF created YPF Tecnología S.A ( Y-TEC ), a highly specialized company focusing on research and development activities. YPF holds an equity stake of 51% and CONICET, a state-owned research and development organization, holds an equity stake of 49%.

The lines of R&D carried out by Y-TEC are mainly aligned with the needs of YPF. The Board of Directors of Y-TEC consists of three directors appointed by YPF and two directors appointed by CONICET. Additionally, the chairman and the general manager of Y-TEC are appointed by YPF.

For the operations of Y-TEC, five hectares on the farm belonging to the National University of La Plata ( UNLP ) were acquired and a 12,000 m<sup>2</sup> building consisting of 48 labs and 12 experimental plants is under construction. Completion of the work is expected in 2016. We expect that about 320 professionals will work in the new building, and their main goal is to create innovative solutions for the energy sector. The R&D will be supported by a staff of over 6,000 researchers of different scientific backgrounds, available to the CONICET through agreements with different universities and institutes of research and development.

As of December 2015, we managed a R&D portfolio consisting of 122 projects, 37 of which are short-term, high impact quick wins, and more than 150 technical assistance and specialized service projects.

In 2015, U.S.\$29.7 million was allocated to R&D activities, and U.S.\$22.7 million (related to YPF's working interest in projects) was invested in a new laboratory building and equipment.

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R&D projects are related to the entire energy value chain, including exploration of new sources of oil or gas, extraction and conditioning for transportation, transformation and manufacturing of products at industrial facilities and their distribution to the end customer, renewable energies and environmental solutions.

R&D efforts are focused on the design, development and application of very specific technologies for the exploration and exploitation of unconventional resources. Our most important challenges include the design and development of simulation and modelling tools, specific software, measuring devices, proppants, fluids and materials for optimizing perforation, hydraulic stimulation and production operations in our oilfields.

To optimize production from mature fields, we focused on the development of enhanced oil recovery technologies and the development of new processes and materials to reduce the operational costs of our facilities.

Regarding refining and marketing of petroleum products, we applied our technological knowledge to optimize refinery operations and improve product quality, with a strong focus on achieving energy efficiency and environmental improvements. In the petrochemical business, R&D activities are mainly focused on the development of new products with higher added value, such as special solvents, fertilizers and several agricultural products.

Renewable energy is a strategic R&D area. Energy storage, bioenergy and energy efficiency are among the larger challenges.

## **Competition**

In our Exploration and Production business, we encounter competition from major international oil companies and other domestic oil companies in acquiring exploration permits and production concessions. Our Exploration and Production business may also encounter competition from oil and gas companies created and owned by certain Argentine provinces, including La Pampa, Neuquén, Santa Cruz and Chubut. See Regulatory Framework and Relationship with the Argentine Government Overview and Regulatory Framework and Relationship with the Argentine Government Law No. 26,197. However, recent changes introduced in the Hydrocarbons Law through Law No. 27,007 limit the ability of provincial companies to possess future exclusive rights over permits and concessions, which creates competition, driven by investment and technical capacities, in the Argentine oil and gas industry. See Regulatory Framework and Relationship with the Argentine Government Law No. 27,007, amending the Hydrocarbons Law.

Over the past few years, several measures to promote the development of the industry occurred. The Argentine government established a program to encourage additional production of natural gas which provides participating companies with a natural gas price of U.S.\$7.50/mmBtu for such additional production. Initially, larger producers with diversified portfolios joined the program. Later on, the program was adapted to include mid and small sized oil and gas companies with less diversified portfolios, so as to further promote the development of indigenous natural gas resources. Currently, more than 90% of natural gas production in Argentina is included into this program. Still another measure to promote the oil and gas industry was the creation of the Investment Promotion Scheme for the Exploitation of Hydrocarbons in Argentina set forth in in Decree 929/13. The decree creates an allowance to export, free of export taxes, up to 20% of hydrocarbons produced from projects requiring an investment in excess of U.S.\$1 billion. Companies accessing the allowance can also retain dollars from their exports abroad. Both the natural gas pricing program and the investment promotion scheme were recently incorporated into the Hydrocarbons Law, as amended by Law No. 27,007, reinforcing their position as an instrumental part of the energy policy in Argentina. Furthermore, the investment threshold for investments funded with dollars brought to Argentina's financial market has been reduced to U.S.\$250 million. At the same time, exploration and development programs of different play types are allowed different, progressive benefits, according to their anticipated level of complexity and investment intensity. YPF

believes that the new measures further help attract strategic partners for the development of its unconventional resource base. Following Chevron and Dow Chemical, YPF was able to create development projects with Pampa Energía and more recently Petronas. At the same time, other companies were able to advance their exploration projects, in some instances with new partners, including YPF as a non-operating party to some existing JVs where YPF is used to participating. We believe that increasing the number of participants in the market causes the industry to become more dynamic in the long term and that with additional critical mass it will become more efficient as well.

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In our Refining and Marketing businesses, we face competition from several major international oil companies, such as Axion (previously ESSO, a former subsidiary of ExxonMobil acquired by Bidas Corporation), Shell and Petrobras, as well as several domestic oil companies. In our export markets, we compete with numerous oil companies and trading companies in global markets.

In Argentina, we operate in a competitive oil and gas industry with a dynamic market. Crude oil and most refined products prices are subject to international supply and demand and, in certain cases, to Argentine regulations. Although the Argentine market has its own dynamics and fundamentals, changes in the domestic and international prices of crude oil and refined products have some direct effect on our results of operations and on our levels of capital expenditures. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Oil and gas prices, including the recent decline in global prices for oil and gas, could affect our business.

On May 3, 2012, the Expropriation Law was passed by the Argentine congress, by which the government regained control of 51% of the capital structure of YPF. The Expropriation Law also declared that achieving energy self-sufficiency was of public interest, and that the exploitation, industrialization, transportation and sale of hydrocarbons are priorities for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. Despite all these overarching objectives, the Law maintained YPF as a commercial corporation with the focus on keeping competitiveness in the market. That competitive drive, along with the Company's widely recognized professionalism, has driven its decision-making and will continue to do so.

During 2015, the Argentine government continued promoting the industry which, along with the competitive responses of different market participants throughout the year, further strengthened the competitive nature of our industry and fostered a positive business environment. In October 2014, the Argentine congress passed Law No. 27,007 which amended the Hydrocarbons Law and introduced very important changes in order to have a more modern framework that recognizes specific considerations for new petroleum companies, such as those working in unconventional resources, offshore and in enhanced oil recovery. The changes further strengthen synergies, promote investments and seek uniformity. Besides recognizing the benefits of the gas pricing scheme and the promotional regime for investments, Law No. 27,007 reflects new terms and conditions for permits and concessions according to the types of exploration projects. The 35-year concession term for unconventional exploitation is a distinctive, key feature for the development of the unconventional resources in Argentina. See Regulatory Framework and Relationship with the Argentine Government Law No. 27,007, amending the Hydrocarbons Law.

Finally, on a daily basis our business manages competitive factors that are in turn influenced by international and local variables, such as international and local crude oil and refining products pricing, inflation, foreign exchange rates and employment rates. YPF continually adjusts its product offerings and the costs of its operations in order to adapt to these variables. One such change relates to the agreement among industry participants and the Argentine government to address the steep decline in international crude oil prices that occurred at the end of 2014, prices that continued at a relatively low level during 2015. As of December 30, 2014, the National Executive Office decided to reduce taxes on the sale of fuels, which partially compensated for the decrease in the price of domestic fuels. Subsequently, the National Executive Office also reduced export taxes to the minimum allowed by law, so that exporting producers of crude oil with no use in local refining could also partially compensate the decrease in the price of international hydrocarbon products. These two measures were part of a comprehensive plan set forth by the Argentine government, producers and the refiners. The principal Argentine producers and refiners privately negotiated an approximately U.S.\$7 reduction to the domestic crude oil price per barrel as a function of the decline in international prices in order to continue developing local production as well as to secure certain refining margins. In addition, on February 4, 2015



the Commission issued Resolution 14/2015 creating the Crude Oil Production Stimulus Program (*Programa de Estímulo a la Producción de Petróleo Crudo*) which was in place from January 1, 2015 through December 31, 2015 and through which the Argentine federal government, subject to certain requirements, paid an export stimulus or a production stimulus for companies registered under that program. The plan is intended to offset the potential impact international crude oil prices could have had on the local industry which, in turn, created a comparatively more attractive oil and gas market for Argentina during 2015. As of the beginning of 2016, the National Executive Office, which took office on December 10, 2015, along with producers and refiners agreed to a reduction of the local price of crude oil beginning January 2016, setting a new price for Medanita of U.S.\$67.50/bbl and U.S.\$54.90/bbl for Escalante. At the same time, and further to the efforts initiated in 2015, producers and refiners continue working closely to encourage contractors and unions to acknowledge the fundamental changes in the industry worldwide by significantly reducing costs and increasing productivity, thus making 2016 an opportunity to further improve the competitiveness of the industry as a whole towards international standards. See Item 3. Key Information Risk Factors for a description main risks and uncertainties we face.

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

We continued making investments in order to comply with new Argentine fuel specifications, pursuant to Resolution No. 1283/06 (amended by Resolution No. 478/2009) of the Argentine Secretariat of Energy (which replaces Resolution No. 398/03) relating to, among other things, the purity of diesels. In the La Plata refinery, a new ultra-low sulfur diesel desulfurization plant was started up during 2012. In Luján de Cuyo refinery, new HDS III (diesel desulfurization) and HTN II (gasoline desulfurization) plants were started up in 2013. Additionally, we are increasing the tankage capacity of several of our terminals in order to optimize fuel distribution logistics. During 2013, new diesel tanks were implemented in Luján de Cuyo refinery and Montecristo terminal. In 2014, a diesel tank was completed at Terminal Villa Mercedes ( TVM ), and engineering projects advanced at the Luján de Cuyo and La Plata refineries.

First stage projects related to biofuels, such as the addition of bioethanol to gasoline and FAME to diesel, were accomplished by the end of 2009 and were operational by the beginning of 2010. During 2010 and 2011, additional bioethanol facilities at several terminals were installed and became ready to operate. Also, during this period, further investments were made in several terminals in order to allow the increased addition of FAME to diesel and to improve the related biofuel logistics. A new facility for FAME blending was started up in 2013 in the Montecristo terminal. In 2014, a 3,000 cm FAME tank at Terminal Dock Sud ( TDS ) and a 3,000 cm FAME tank at TVM were built. Also, two 200 cm ethanol tanks at Concepción del Uruguay were built. These projects are expected to enable YPF to comply with governmental requirements and to enter into the renewable energy sources market.

At each of our refineries during 2015, we continued with the initiatives relating to remedial investigations, feasibility studies and pollution abatement projects, which are designed to address potentially contaminated sites and air emissions. In addition, we have implemented an environmental management system to assist our efforts to collect and analyze environmental data in our upstream and downstream operations.

Also, as part of our commitment to satisfying domestic demand for fuels and meeting high environmental standards, during 2013 we started up a new Continuous Catalyst Regeneration ( CCR ) unit which involved an investment of

U.S.\$453 million. The plant uses the latest worldwide technology to perform chemical processes and improvements in productivity, safety and environmental standards. Additionally, the plant produces aromatics that can be used as octane enhancers for gasoline and automotive applications, as well as increases hydrogen production to feed the fuel hydrogenation processes to increase fuel quality and reduce sulfur content, further reducing the environmental impact of internal combustion engines

We also continue construction of a new coke unit at La Plata refinery, which will involve an aggregate investment of approximately U.S.\$1,015 million (the total amount disbursed as of December 31, 2015 was U.S.\$869 million), replacing the one that was severely damaged in the incident that occurred on April 2, 2013. The new unit design is expected to optimize energy efficiency and minimize particulate matter emissions. We expect that this project will be completed during 2016.

In addition to the projects mentioned above, we have begun to implement a broad range of environmental projects in the domestic Exploration and Production and Refining and Marketing and Chemicals segments, such as a new flare in the Luján de Cuyo refinery, wastewater treatment and fire protection facilities, new flare in CIPH, improvement of fireproofing in existing facilities and implementation of bottom loading systems in terminals.

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

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In 1991, we entered into an agreement with certain other oil and gas companies to implement a plan to reduce and assess environmental damage resulting from oil spills in Argentine surface waters to reduce the environmental impact of potential oil spills offshore. This agreement involves consultation on technological matters and mutual assistance in the event of any oil spills in rivers or at sea due to accidents involving tankers or offshore exploration and production. During 1997 and 1998, each of our refineries (La Plata, Luján de Cuyo, and Plaza Huincul) were certified under the ISO (International Organization for Standardization) 9001 (quality performance) and ISO 14001 (environmental performance). All of them are also certified under the OHSAS 18001 (occupational health and safety performance) standard. In addition, since 2008, the La Plata and Luján de Cuyo complexes have been verified in accordance with ISO 14064 for the inventories of industrial greenhouse gases. The refineries maintain their systems under continuous improvement and revision by accredited organizations.

With respect to climate change, YPF has:

committed to active promotion of identification and pursuit of opportunities to reduce greenhouse gas emissions in our operations;

a new internal corporate commitment on climate change and energy efficiency which was developed in June 2015. This document obligates the company to work on reducing greenhouse gas emissions, contributing to mitigation activities while promoting sustainable development and preserving natural resources;

intensified the execution of internal projects to obtain credits under the relevant clean development mechanisms through the efficient use of resources, contributing to the transfer of technology and to the sustainable development of Argentina;

obtained the approval of the United Nations in December 2010 for an industrial project developed by YPF in Argentina defined as a Clean Development Mechanism ( CDM ) project, the first of its kind in the world. The project in the La Plata refinery reduces the emissions of greenhouse waste gases from fossil fuels used for process heating by replacing these fuels with recovered waste gases that were previously burned in flares. The project increases energy efficiency by reducing the demand for fuel oil and natural gas, allowing an annual emission reduction of approximately 200,000 tons of carbon dioxide. During 2015 the La Plata project reduced carbon dioxide emissions by 111,115 tons;

obtained the approval of the United Nations in December 2011 for an industrial project developed by YPF in Argentina defined as a CDM at the Luján de Cuyo refinery. During 2015 the project reduced carbon dioxide emissions by 24,521 tons;

secured the approval of the CDM project. YPF developed a new methodology which was approved by the United Nations in 2007 under the name of AM0055 Baseline and Monitoring Methodology for the recovery and utilization of waste gas in refinery facilities. Currently, five CDM projects are being developed around the world (Argentina, China, and Egypt) applying this methodology designed by YPF;

undertook and verified third-party greenhouse gas emission inventories for refining and chemical operations in accordance with the ISO 14064 standard. The inventory at CIE has been verified since 2008. In June 2015, the inventory verification process of greenhouse gases in the La Plata complex and the Luján de Cuyo refinery was completed. A 2016 inventory check, ending in the first half of 2016, is planned in all the refineries;

estimated the contribution that its forestry projects located in the province of Neuquén had with respect to climate change. These projects constitute approximately 6,500 hectares of trees forested under a long-term work program. Using the afforestation methodologies and tools available at the United Nations Framework Convention on Climate Change ( UNFCCC ) Clean Development Mechanism web site, it was possible to arrive to a conservative estimated amount of approximately 760,000 tons of carbon dioxide equivalents that were captured by the afforestation project activities from 1984 (when the first afforestation activity occurred) through 2013; and

strengthened the relationship established with the Argentinean Environmental Authority (*Secretaría de Ambiente y Desarrollo Sustentable de la Nación*), in particular with its Climate Change Unit (*Dirección de Cambio Climático*) in order to collaborate with the development of the Third National Communication on Climate Change to the UNFCCC.

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Our estimated capital expenditures are based on currently available information and on current laws. Any future information or future changes in laws or technology could cause a revision of such estimates. Moreover, while we do not expect environmental expenditures to have a significant impact on our future results of operations, changes in management's business plans or in Argentine laws and regulations may cause expenditures to become material to our financial position, and may affect results of operations in any given year.

### **Unconventional oil and gas efforts led by YPF**

Organically rich shale gas and oil accumulations are drawing increasing attention worldwide as sources of significant natural gas and oil reserves.

Since 2008, YPF has led various exploration and development projects related to unconventional resources in Argentina, the most important being in the Vaca Muerta formation within Neuquina basin.

The Vaca Muerta formation is found between 2,500 and 4,000 meters of depth, more than 2,000 meters below the water table, which is usually located at depths of 300-500 meters. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Our domestic operations are subject to extensive regulation and Oil and gas activities are subject to significant economic, environmental and operational risks.

Hydraulic stimulation, a long time proven technology, allows these resources to be extracted in an efficient and environmentally-friendly way. Hydraulic stimulation consists of injecting high pressure fluids and sand into the wellbore to crack the rock and enable the trapped hydrocarbons in the formation to flow to the surface like in any conventional well.

Generally, this technique uses water and sand (99.5% of the water can be recycled) and additives (0.5%). These additives are the same as those used in products for household and commercial applications, such as sodium chloride (used in table salt), borate salts (used in cosmetics), potassium carbonate (used in detergents), guar gum (used in ice cream) and isopropyl alcohol (used in deodorants).

The water used for the development of these reservoirs is acquired from bodies of running water and it represents only a small percentage of the total flow, which involves much lower volumes than those used for agricultural and human consumption in the province of Neuquén.

From the beginning of unconventional operations, YPF has considered the environmental protection as one of the values of its quality, health, safety and environment policy.

In accordance with law Disposition No. 112/2011 of the Environmental Subsecretary of Neuquén, the project has an Environmental Baseline Study ( EBS ). The EBS includes the current description and environmental characterization of the concession areas and specifically environmental components that may be affected significantly by the projects and activities.

YPF is currently developing a water management framework, which focuses on three key areas of water use: water resources (sustainability factors, measures that consider the needs of other local water users, and the net environmental effect); water use and efficiency (controls of replacing water use, reducing water consumption, and the reuse and recycling to consider the net environmental effect); and wastewater management (consider similar sustainability factors and the net environmental effect as outlined for water resources).

In addition, YPF commissioned the following studies: (i) a hydrogeological study of confined and semi-confined aquifers of Neuquén and Rayoso Groups and hydrogeological study of the unconfined aquifer of the alluvial plain of the Neuquén River in the Loma Campana area beginning in December 2014, (ii) an air quality and noise study in the Loma Campana area beginning 2016 and (iii) aquatic and terrestrial environmental studies in the Loma Campana, El Mangrullo and El Orejano areas beginning 2016 to 2017.

***YPF Holdings-Operations in the United States***

Laws and regulations relating to health and environmental quality in the United States affect the operations of YPF Holdings, a 100% owned subsidiary of YPF. See Regulatory Framework and Relationship with the Argentine Government U.S. Environmental Regulations.

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In 1995, YPF acquired Maxus Energy Corporation ( Maxus ), a U.S. corporation headquartered in Dallas, Texas. In connection with the sale by Maxus of Diamond Shamrock Chemicals Company ( Chemicals Company ) to a subsidiary of Occidental Petroleum Corporation ( Occidental ) in 1986, Maxus had agreed to indemnify Chemicals Company and Occidental from and against certain liabilities relating to the business and activities of Chemicals Company prior to the September 4, 1986 closing date (the Closing Date ), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals Company prior to the Closing Date.

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

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

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

## ***Offshore Operations***

All the offshore blocks in which we have a working interest are included in a Health, Safety and Environmental ( HSE ) Management system to address risks and environmental impacts during each phase of the offshore activities.

## ***Neptune***

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

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

emergency shutdown ( ESD ) system

fire detection system

combustible gas detection system



ventilation systems (mechanical)

spill/leak containment systems

vent/flare system

subsea well control system

temporary refuge

escape water craft

critical power systems (including electric, pneumatic, hydraulic)

emergency communication systems

hull ballast systems

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

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

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

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

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

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

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

### **Property, Plant and Equipment**

Most of our property, which comprises investments in assets which allow us to explore or exploit crude oil and natural gas reserves, as well as refineries, storage, manufacturing and transportation facilities and service stations, is located in Argentina. As of December 31, 2015, more than 99% of our proved reserves were located in Argentina. We also own property outside Argentina, mainly in the United States. See Exploration and Production Overview Main Properties.

Our petroleum exploration and production rights are in general based on sovereign grants of concession. Upon the expiration of the concession, our exploration and production assets associated with the particular property subject to the relevant concession revert to the government. In addition, as of December 31, 2015, we leased 85 service stations to third parties and also had activities with service stations that are owned by third parties and operated by them under a supply contract with us for the distribution of our products.

### **Insurance**

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

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**Table of Contents*****Argentine operations***

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

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

Our insurance policy also covers physical loss or damage in respect of, but not limited to, onshore and offshore property of any kind and description (whether upstream or downstream), up to U.S.\$2 billion per incident combined for downstream and upstream operations, with varying deductibles of between U.S.\$1 million and U.S.\$10 million, including loss of production or profits with deductibles of 90 days for downstream operations and 60 days with a minimum deductible of U.S.\$20 million for upstream operations.

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

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

In connection with losses or liabilities resulting from damages caused below the surface, we have agreed with some contractors that YPF assumes responsibility for indemnifying our contractors provided that such damages below the surface have not been caused by the negligence of the contractor in which case the contractor shall be liable up to a limited amount agreed by the parties in the E&P Services Agreements. However, we have also agreed with a number of contractors that YPF shall be responsible and shall indemnify contractors for damages or liabilities caused below the surface, unless such damages or liabilities result from the gross negligence or willful misconduct of contractors, in which case contractor shall be liable in full or, in certain cases, up to a limited amount.

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

We are also partners in several joint ventures and projects that are not operated by us. Contractual provisions, as well as our obligations arising from each agreement, can vary. In certain cases, insurance coverage is provided by the insurance policy entered into by the operator, while in others, our risks are covered by our insurance policy covering our Argentine operations. In addition, in certain cases we may contract insurance covering specific incidents or damages that are not provided for in the operator's insurance policy. We also retain the risk for liability not indemnified by the field or rig operator in excess of our insurance coverage.

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

***Gulf of Mexico operations***

Our operations in the Gulf of Mexico currently include only our 15% working interest, through Maxus U.S. Exploration Company (a YPF Holdings subsidiary) in the Neptune field, which is operated by BHP Billiton.

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

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

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

Loss of production following damage to insured property or extra expenses paid by the operator arising from an incident is covered up to a limit of U.S.\$29.1 million (15% coverage) with a waiting time of 60 days.

Gulf of Mexico windstorm coverage is subject to a limit of U.S.\$20 million (for the insured's interest) with respect to each and every occurrence and in the aggregate in respect of a named Gulf of Mexico windstorm (this limit applies across property, OEE and loss of production); which is excess of a retention of U.S.\$10 million (100% coverage) each and every occurrence plus 90 days waiting time in respect of loss of production.

Coverage for third party liability arising from personal injury or loss of life, which extends to our employees, contractors and unaffiliated third party individuals, is subject to a limit of U.S.\$333.33 million (100% coverage) per incident, without a deductible.

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

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### **Regulatory Framework and Relationship with the Argentine Government**

#### **Overview**

The Argentine oil and gas industry is regulated by Law No. 17,319, referred to as the Hydrocarbons Law, which was enacted in 1967 and amended by Law No. 26,197 enacted in 2007 and Law No. 27,007 enacted in 2014, which established the general legal framework for the exploration and production of oil and gas, and Law No. 24,076, referred to as the Natural Gas Law, enacted in 1992, which established the basis for deregulation of natural gas transportation and distribution industries. See Law No. 27,007, amending the Hydrocarbons Law.

The National Executive Office issues the regulations to complement these laws. The regulatory framework of the Hydrocarbons Law was established on the assumption that the reservoirs of hydrocarbons would be national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, our predecessor, would lead the oil and gas industry and operate under a different framework than private companies. In 1992, the Privatization Law privatized YPF and provided for transfer of hydrocarbon reservoirs from the Argentine government to the provinces, subject to the existing rights of the holders of exploration permits and production concessions.

The Privatization Law granted us 24 exploration permits covering approximately 132,735 km<sup>2</sup> and 50 production concessions covering approximately 32,560 km<sup>2</sup>. Limits under the Hydrocarbons Law on the number of concessions for transportation that may be held by any one entity, and the total area of exploration permits that may be granted to a single entity, were eliminated by Law No. 27,007. As a consequence of the transfer of ownership of certain hydrocarbons areas to the provinces, we participate in competitive bidding rounds organized since the year 2000 by several provincial governments for the award of contracts for the exploration of hydrocarbons.

In October 2004, the Argentine congress enacted Law No. 25,943 creating a new state-owned energy company, ENARSA. The corporate purpose of ENARSA is the exploration and exploitation of solid, liquid and gaseous hydrocarbons, the transport, storage, distribution, commercialization and industrialization of these products, as well as the transportation and distribution of natural gas, and the generation, transportation, distribution and sale of electricity. Moreover, Law No. 25,943 granted to ENARSA all exploration concessions in respect to offshore areas located beyond 12 nautical miles from the coast line up to the outer boundary of the continental shelf that were vacant at the time of the effectiveness of this law (i.e., November 3, 2004). Law No. 25,943 has been modified by Law No. 27,007, as described below, eliminating all permits and hydrocarbon production concessions where association agreements with ENARSA have not been signed and reverting them to the Argentine Secretariat of Energy (except for permits and concessions granted prior to Law No. 25,943). Additionally, Law No. 27,007 provides for a six month negotiating period to convert association agreements with ENARSA into permits or concessions. In September 2015, the National Executive Office and YPF began negotiating the conversion of association agreements executed with ENARSA. As of the date of this annual report, these negotiations are ongoing.

Decree No. 13/15 modified article 1 of the Law of Ministries No. 22,520 and created the Ministry of Energy and Mining, absorbing the functions of the Secretariat of Energy.

In addition, in October 2006, Law No. 26,154 created a regime of tax incentives aimed at encouraging hydrocarbon exploration and which apply to new exploration permits awarded in respect of the offshore areas granted to ENARSA and those over which no rights have been granted to third parties under the Hydrocarbons Law, provided the provinces in which the hydrocarbon reservoirs are located adhere to this regime. Association with ENARSA is a precondition to qualifying for the benefits provided by the regime created by Law No. 26,154. The benefits include: early reimbursement of the value added tax for investments made and expenses incurred during the exploration period and for investments made within the production period; accelerated amortization of investments made in the exploration



period and the accelerated recognition of expenses in connection with production over a period of three years rather than over the duration of production; and exemptions to the payment of import duties for capital assets not manufactured within Argentina. As of the date of this annual report, we have not used the tax incentives previously mentioned.

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

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

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

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

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

## **The Expropriation Law**

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

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

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

(h) Export hydrocarbons produced in excess of local demand, in order to improve the trade balance, ensuring a rational exploitation of the resources and the sustainability of its exploitation for use by future generations. According to Article 2 of the Expropriation Law, the National Executive Office will be responsible for setting forth this policy and shall introduce the measures necessary to accomplish the purpose of the Expropriation Law with the participation of the Argentine provinces and public and private capital, both national and international.

*Creation of Federal Council of Hydrocarbons*

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

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### *Expropriation of shares held by Repsol YPF*

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

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

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

Any future transfer of the shares subject to expropriation is prohibited without the permission of the Argentine congress by a vote of two-thirds of its members.

In accordance with Article 9 of the Expropriation Law, the appointment of YPF S.A. Directors representing the expropriated shares shall be made proportionately considering the holdings of the Argentine federal government and provincial governments, and one Director shall represent the employees of the Company.

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

See Law No. 26,932 for descriptions of the agreement between Repsol and the Argentine Republic relating to compensation for the expropriation of 51% of the share capital of YPF owned, directly or indirectly, by Repsol, and the arrangement between Repsol and YPF for the withdrawal of certain claims and actions relating to such expropriation.

### *Legal nature of the Company*

YPF will continue to operate as a publicly traded corporation pursuant to Chapter II, Section V of Law No. 19,550 and its corresponding regulations, and will not be subject to any legislation or regulation applicable to the management or control of companies or entities owned by the federal government or provincial governments.

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In accordance with Article 17 of the Expropriation Law, YPF will resort to internal and external sources of funding, strategic alliances, joint ventures, transitory business unions, and cooperation partnerships whether public, private or mixed companies, domestic and foreign.

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

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**Table of Contents****Law No. 26,932**

On February 25, 2014, the Republic of Argentina and Repsol reached an agreement (the Repsol Agreement) in relation to compensation for the expropriation of 200,589,525 of YPF's Class D shares pursuant to the Expropriation Law under the Repsol Agreement. Repsol accepted U.S.\$5.0 billion in sovereign bonds from the Republic of Argentina and withdrew judicial and arbitral claims it had filed, including claims against YPF, and waived additional claims. YPF and Repsol executed a separate agreement (the Repsol Arrangement) on February 27, 2014, pursuant to which YPF and Repsol each withdrew, subject to certain exclusions, all present and future actions and/or claims based on causes occurring prior to the date of execution of Repsol Arrangement arising from the expropriation of the YPF shares owned by Repsol pursuant to the Expropriation Law, including the intervention and temporary possession for public purposes of YPF's shares. YPF and Repsol agreed to withdraw reciprocal actions and claims with respect to third parties and/or pursued by them and to grant a series of mutual indemnities, which at the time were subject to certain conditions precedent. The Repsol Arrangement entered into force the day after Repsol notified YPF that the Repsol Agreement had entered into force. The Repsol Agreement was ratified on March 28, 2014 at a Repsol general shareholders meeting and approved by the Argentine congress by Law No. 26,932 enacted Decree No. 600/2014. On May 8, 2014, YPF was notified of the entrance into force of the Repsol Agreement. As of that date, the expropriation pursuant to the Expropriation Law has been concluded, and as a result the Republic of Argentina is definitively the owner of 51% of capital stock of each of YPF S.A. and YPF GAS S.A.

**Law No. 26,197**

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

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

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

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

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

Finally, Law No. 26,197 grants the following powers to the provinces: (i) the exercise in a complete and independent manner of all activities related to the supervision and control of the exploration permits and production concessions transferred by Law No. 26,197; (ii) the enforcement of all applicable legal and/or contractual obligations regarding investments, rational production and information and surface fee and royalties payment; (iii) the extension of legal and/or contractual terms; (iv) the application of sanctions provided in the Hydrocarbons Law; and (v) all the other faculties related to the granting power of the Hydrocarbons Law.

**Decree No. 1277/2012**

Decree No. 1277/12 derogated main provisions about free availability of hydrocarbons which were specifically contained in section 5 subsection d) and section 13, 14 and 15 of Decree No. 1055/89, sections 1, 6 and 9 of Decree No. 1212/89 and sections 3 and 5 of Decree No. 1589/89. Decree No. 1277/12 enacted the Hydrocarbons Sovereignty Regime Rules , regulating the Expropriation Law.

This regulation created a commission, that was later dissolved by Decree No. 272/2015, the Commission for Planning and Strategic Coordination of the National Plan of Hydrocarbons Investments (the Commission ). This Commission was entrusted with annually making the National Plan for Hydrocarbons Investments.

Decree No. 1277/12 required every company that performs activities of exploration, exploitation, refining, transport and commercialization of hydrocarbons to supply the Commission with all technical information required. The Commission was also responsible for a National Hydrocarbons Investments Registry for all companies performing the activities of exploration, exploitation, refining, transport and commercialization. All these companies were required to file an annual plan of investments before the Commission.

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With respect to the refining industry, Decree No. 1277/12 gave the Commission the power to regulate the minimum utilization rates for primary or secondary refining. It also had the ability to enact measures of promotion and coordination, aimed to guarantee the development of the local processing capacity according with the goals established by the National Plan of Hydrocarbons Investments.

With respect to commercialization, the Commission was entitled to publish reference prices of every component of the costs and sales prices of hydrocarbons and fuels, which should enable the recovery of production costs plus a reasonable profit margin. The Commission also had to periodically audit the reasonability of the informed costs and the respective sales prices, being entitled to adopt necessary measures to prevent or correct distortive practices that might affect the interests of consumers.

### **Decree No. 13/2015**

On December 11, 2015, Decree No. 13/2015 was published in the Official Gazette of the Republic of Argentina, modifying the Ministries Law No. 22,520. Among other changes, it created the Ministry of Energy and Mining, which absorbs the functions of the Secretaries of Energy and Mining and decentralized entities, from the Ministry of Federal Planning, Public Investment and Services. The responsibilities of the Ministry of Energy and Mining include participating in the management of the State's shareholdings in the corporations and companies operating in the area of its competence.

### **Decree No. 272/2015**

On January 4, 2016, Decree No. 272/2015 was published in the Official Gazette of the Republic of Argentina, which modified Decree No. 1277/12. Among other changes, it dissolved the Commission, derogated certain responsibilities of the Commission and stated that the tasks assigned to the Commission will be performed by the Ministry of Energy and Mining.

Furthermore, the decree established that the rights derived from the shares owned by the Argentine National State in YPF S.A. and YPF GAS S.A., with the exception of the shares that belong to the Sustainability Guarantee of the Public Securities Regime Fund, created by Decree No. 897/07, will be exercised by the Ministry of Energy and Mining, as of its publication date.

In addition, the decree established that the Ministry of Energy and Mining will conduct a comprehensive review and reorganization regarding the creation of records and information duties in the hydrocarbon industry, which remain in force as long as they are not derogated by the dispositions of the decree or addressed by the re-organization plan to be determined by the Ministry of Energy and Mining.

### **Law No. 27,007, amending the Hydrocarbons Law**

On October 31, 2014, Law No. 27,007 amending the Hydrocarbons Law was published in the Official Gazette of the Republic of Argentina. The Hydrocarbons Law would apply in certain aspects of some of the Company's existing concessions as well as future concessions. The most relevant modifications in that law are detailed below.

With respect to exploration permits, it distinguishes between those with conventional and unconventional objectives, and those in which exploration is undertaken in the territorial sea and continental shelf. Law No. 27,007 modifies the basic time periods governing such activities, from three to two periods and limiting



the two basic periods to (i) three years each for exploration with conventional objectives and (ii) four years each for exploration with unconventional objectives and (iii) four years each for exploration in the territorial sea or on the continental shelf. In each of these cases, the extension period of up to five years (already established in the Hydrocarbons Law) is maintained, although it is subject to the permit holder having complied with its investment and other obligations. At the end of the first basic period and so long as the permit holder has complied with its obligations under the permit, the permit holder may continue to hold the entire area. After the second basic period ends, the permit holder may surrender the entire area or, if the holder decides to trigger the extension period, 50% of the remaining area.

In relation to concessions, Law No. 27,007 provides for three types of concessions: conventional production, unconventional production and production in the territorial sea or on the continental shelf. Each of these concessions will last 25, 35, and 30 years, respectively. In addition, permit holders or production concessionaires may request unconventional production concessions on the basis of the development of a pilot plan. So long as the concessionaires (i) have complied with their obligations, (ii) are producing hydrocarbons in the areas under consideration and (iii) present an investment plan for the development of such areas as requested by the competent authorities up to a year prior to the termination of each term of the concession, they may request extension periods of ten years each.

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The amounts to be paid with respect to annual surface fee pursuant to Sections 57 and 58 of the Hydrocarbons Law for the periods of exploration and production have been increased with the goal of incentivizing exploration and development of these areas. Additionally, beginning with the second basic exploration period, these may be reduced partially in light of investments actually carried out in the relevant areas. Restrictions on the number of exploration permits and/or production concessions that an individual or legal entity may hold were eliminated.

The Hydrocarbons Law established a 35-year term for those concessions granted for the transportation of oil, gas and petroleum products that holders of production concessions are entitled to receive. Law No. 27,007 modified the awarded term for hydrocarbon transportation concessions, to be synchronized with the production concession periods.

In connection with exploration and production offerings, tenders may be made by Argentine and foreign companies, with the goal of obtaining the highest number of tenders possible. In addition, the bidding documents must be prepared by the competent authorities on the basis of the model bidding document which will be drafted jointly by the competent authorities of the Provinces and the Argentine Secretariat of Energy. This model bidding document must be prepared within 180 days of the entry into force of Law No. 27,007. Tenders will be awarded to offerors who present the most relevant offer, in particular, the one proposing the highest amount of investments or exploratory activity.

Royalties have been set at a maximum of 12% on the results of liquid hydrocarbons or natural gas production. Royalties may be reduced considering productivity of the area and the type of production. In cases of extension periods, an additional royalty of 3% will be added for each extension, up to a maximum of 18%. In addition, in case of such extensions, the competent authority may include the payment of an extension bond which maximum amount shall be equal to the result of multiplying the remaining proved reserves at the end of the concession period to be extended by 2% of the average basin price, for the two years period prior the moment when the extension is granted, applicable to the hydrocarbons at issue.

Law No. 27,007 also provides that the Argentine federal government and the provinces may not establish, in the future, new areas reserved in favor of state-owned entities or companies with state participation. Further, with respect to existing reserved areas that do not have association agreements with third parties as of the date of this new law, associative schemes may be carried out so long as, during the development phase, the participation of state-owned entities or companies with state participation is proportional to the effective investments promised and carried out by them.

Law No. 27,007 additionally incorporates into the Investment Promotion Regime for the Exploration of Hydrocarbons (Decree 929/2013) projects, as authorized by the Commission, that imply direct investments in foreign currency greater than U.S.\$250 million to be invested during the first three years of the project. Also, it modifies the percentages of hydrocarbons that, beginning with the third year, will be subject to the benefits of the regime. For conventional and unconventional production concessions, as well as offshore concessions at depths less than or equal to 90 meters, the percentage shall be 20%; for offshore concessions at depths greater than 90 meters, the percentage shall be 60%.

Within the framework of the Investment Promotion Regime for the Exploration of Hydrocarbons, Law No. 27,007 provides for contributions by companies to the provinces where the projects take place, which amount to 2.5% of the initial investment amount of the project, to be directed to Corporate Social Responsibility contributions. In addition, an amount to be determined by the Commission in light of the extent of the project, to finance infrastructure, have to be contributed by the Argentine federal government.

Law No. 27,007 establishes that capital goods and inputs that are essential to the execution of the investment plans of companies registered in the National Registry of Hydrocarbon Investments shall pay import duties as indicated in Decree 927/13 (reduced rates). This list may be extended to other strategic products.

According to Law No. 27,007, the federal government and the provinces shall attempt to establish uniform environmental legislation and the adoption of uniform fiscal treatment in this sector. The competent authorities, including the Argentine Secretariat of Energy and the Commission, will promote unification of procedures and registries.

All national off shore permits and off shore hydrocarbon production concessions that had no association agreements with ENARSA as of the date of the new law reverted and were transferred to the Argentine Secretariat of Energy. Permits and concessions granted prior to Law No. 25,943 shall be exempted from this provision. The National Executive Office may negotiate, for 180 days following the enactment of the new law, the conversion of association agreements signed with ENARSA to permits or production concessions. In September 2015, the National Executive Office and YPF began negotiating the conversion of association agreements executed with ENARSA. As of the date of this annual report, there has been no agreement on the conversion.

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**Table of Contents****Resolution 14/2015**

On February 4, 2015, the Commission issued Resolution 14/2015 that created the Crude Oil Production Stimulus Program (Programa de Estímulo a la Producción de Petróleo Crudo) (the Program), which was in force from January 1, 2015 through December 31, 2015. This Program provided for a payment in Argentine pesos to beneficiary companies, in an amount of up to U.S. \$3.00 per barrel when such company's quarterly production of crude oil was equal to or greater than the base production level under the Program, in addition to the compliance with certain other requirements related to the level of activity of the Company as set for Resolution 33/2015. The base production level under the Program was the total production of crude oil of the beneficiary company for the fourth quarter of 2014. Those beneficiary companies that had satisfied the demand of all of the domestic refineries operating within Argentina may direct a portion of their production to the international market and receive an additional payment of U.S. \$2.00 or U.S. \$3.00 per barrel of crude oil exported, depending on the volume exported.

The payments would be made in Argentine pesos using the Reference Exchange Rate of BCRA Communication A 3500 of the last business day prior to the presentation of the information of the corresponding quarter to the Commission. See Item 5. Operating and Financial Review and Prospects Results of Operations Revenues.

**Resolution 21/2016**

On March 9, 2016, Resolution 21/2016 of the Ministry of Energy and Mining was published in the Official Gazette and established an export stimulus program of crude oil surplus, after domestic demand for crude oil Escalante from the San Jorge Gulf Basin is satisfied. The stimulus will be paid for each shipment and to the extent that the average price of Brent oil does not exceed U.S.\$47 per barrel two days before and two days after the shipment. It is valid until December 31, 2016. The compensation to be paid by the Argentine government will amount to U.S.\$ 7.50 per barrel, as long as the criteria is met.

**Public Emergency**

On January 6, 2002, the Argentine congress enacted the Public Emergency Law which represented a profound change of the economic model effective as of that date, and rescinded the Convertibility Law No. 23,928, which had been in effect since 1991 and had pegged the peso to the dollar on a one-to-one basis. In addition, the Public Emergency Law granted to the National Executive Office the authority to enact all necessary regulations in order to overcome the economic crisis that Argentina was then facing. The situation of emergency declared by Law No. 25,561 has been extended until December 31, 2017 by Law No. 27,200. The National Executive Office is authorized to execute the powers delegated by Law No. 25,561 until such date.

After the enactment of the Public Emergency Law, several other laws and regulations have been enacted to overcome the economic crisis, including (1) the conversion into pesos of deposit, obligations and tariffs of public services, among others, (2) the imposition of customs duties on the export of hydrocarbons with instructions to the National Executive Office to set the applicable rate thereof. The application of these duties and the instruction to the National Executive Office have been extended until January 2017 by Law No. 26,732. See Taxation.

**Exploration and Production**

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

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

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Under the Hydrocarbons Law, the federal and/or competent provincial authorities may grant exploration permits after submission of competitive bids. Permits were granted to third parties in connection with the deregulation and demonopolization process and permits covering areas in which our predecessor company, Yacimientos Petrolíferos Fiscales Sociedad del Estado, was operating at the date of the Privatization Law were granted to us by such law. In 1991, the National Executive Office established a program under the Hydrocarbons Law (known as Plan Argentina) pursuant to which exploration permits were auctioned. The holder of an exploration permit has the exclusive right to perform the operations necessary or appropriate for the exploration of oil and gas within the area specified by the permit. Under the Hydrocarbons Law, each exploration permit may cover only unproved areas not to exceed 10,000 km<sup>2</sup> (15,000 km<sup>2</sup> offshore), and may have a term of up to 14 years (17 years for offshore exploration). The 14-year term is divided into three basic terms and one extension term. The first basic term is up to four years, the second basic term is up to three years, the third basic term is up to two years and the extension term is up to five years. At the expiration of each of the first two basic terms, the acreage covered by the permit is reduced, at a minimum, to 50% of the remaining acreage covered by the permit, with the permit holder deciding which portion of the acreage to keep. At the expiration of the three basic terms, the permit holder is required to surrender all of the remaining acreage to the Argentine government, unless the holder requests an extension term, in which case such grant is limited to 50% of the remaining acreage. Under Law No. 27,007, which will apply to future exploration permits, each exploration permit may have a term of up to 11 years for conventional objectives and 13 years for unconventional objectives and offshore exploration. The terms are divided into two basic terms and one extension term. The first and second basic terms are up to three years, for conventional objectives and up to four years for unconventional objectives and offshore exploration, and the extension term is up to five years, so long as the permit holder has complied with its investments and other obligations. At the expiration of the first basic term, the permit holder will have the right to continue exploring the entire area for the second basic term so long as it has complied with all its obligations under the permit. At the expiration of the second basic term, the permit holder is required to surrender all of the remaining acreage, unless the holder requests an extension term, in which case such grant is limited to 50% of the remaining acreage.

If the holder of an exploration permit discovers commercially exploitable quantities of oil or gas, the holder has the right to obtain an exclusive concession for the production and development of this oil and gas. The Hydrocarbons Law, as modified by Law No. 27,007, provides that new conventional oil and gas production concessions shall remain in effect for 25 years from the date of the award of the production concession, new unconventional oil and gas production concessions shall remain in effect for 35 years from that date, and new offshore oil and gas production concessions shall remain in effect for 30 years from that date, in addition to any remaining exploration term at the date of such award. The Hydrocarbons Law, as modified by Law No. 27,007, further provides for the concession term to be extended for periods of up to ten additional years each, subject to terms and conditions approved by the grantor at the time of the extension. Such conditions may include the payment of an extension bond with a maximum amount equal to the result of multiplying the remaining proved reserves at the end of the concession period by 2% of the average basin price, for the period two years prior to the date the extension is granted, applicable to the hydrocarbons at issue. Under Law No. 26,197, the authority to extend the terms of current and new permits and concessions has been vested in the governments of the provinces in which the relevant block is located (and the Argentine government in respect of offshore blocks beyond twelve nautical miles). In order to be entitled to the extension, a concessionaire, such as us, must have complied with all of its obligations under the Hydrocarbons Law, including, without limitation, evidence of payment of taxes and royalties and compliance with environmental, investment and development obligations, must be producing hydrocarbons in the area at issue and must present an investment plan to develop the concession. A production concession also confers on the holder the right to conduct all activities necessary or appropriate for the production of oil and gas, provided that such activities do not interfere with the activities of other holders of exploration permits and production concessions. A production concession entitles the holder to obtain a transportation concession for the oil and gas produced. See [Transportation of Liquid Hydrocarbons](#).

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

avoid damage to oil fields and waste of hydrocarbons;

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

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

According to the Hydrocarbons Law, holders of production concessions, including us, are also required to pay royalties to the province where production occurs. As modified by Law No. 27,007, royalty rates are set at a maximum of 12% (though 3% will be added for each extension up to a maximum of 18%). They are payable on the value at the wellhead (equal to the price upon delivery of the product, less transportation, treatment costs and other deductions) of crude oil production and natural gas volumes sold. These royalty rates may be reduced considering productivity and the type of production at issue. Notwithstanding the foregoing, in concessions extended prior to the entry into force of Law No. 27,007, the previous conditions adopted remain in force. In some cases, an additional 3% royalty has been added. See Extension of Exploitation Concessions in the province of Neuquén, Mendoza, Salta, Santa Cruz, Chubut and Tierra del Fuego. In the extension of our concessions in Santa Cruz, we agreed to a 10% royalty (instead of 12%) for unconventional hydrocarbons. The value is calculated based upon the volume and the sale price of the crude oil and gas produced, less the costs of transportation and storage. In addition, pursuant to Resolution S.E. 435/04 issued by the Argentine Secretariat of Energy, if a concession holder allots crude oil production for further industrialization processes at its plants, the concession holder is required to agree with the provincial authorities or the Argentine Secretariat of Energy, as applicable, on the reference price to be used for purposes of calculating royalties.

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As a result of Resolution 394/07 of the Ministry of Economy, among other things, which increased duties on exports of certain hydrocarbons, Argentine companies began to negotiate the price for crude oil in the domestic market, which would in turn be used as the basis for calculation of royalties. In January 2013, the Ministry of Economy issued Resolution 1/13, modifying exhibit I of Resolution 394/07 of the Ministry of Economy, thus setting a new reference price for crude oil (U.S.\$70 per barrel) and certain products. In October 2014, the Ministry of Economy issued Resolution 803/2014 incorporating exhibit III to Resolution 394/07 of the Ministry of Economy, thus modifying the applicable percentages of duties of exports for certain products below certain prices.

However, on December 29, 2014 Resolution 1077/2014 repealed Resolution 394/07, as amended, and set forth a new withholding program based on the international price of crude oil (the International Price). The International Price is calculated based on the Brent value for the applicable month less U.S.\$8 per barrel. The new program establishes a 1% general nominal withholding applicable to all products covered by the resolution, including crude oil, diesel, gasoline and lubricants as well as other petroleum products, to the extent that the International Price is below U.S.\$71 per barrel. The resolution further provides an increasing variable withholding rate for crude exports oil exports to the extent the International Price exceeds U.S.\$71 per barrel. As a result, the maximum a producer may charge is approximately U.S.\$70 per barrel exported, depending on the quality of crude sold. The resolution also sets forth increasing withholding rates for exports of diesel, gasoline, lubricants and other petroleum when the International Price exceeds U.S.\$71 per barrel at rates that allow the producer to receive a portion of the elevated price.

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

Furthermore, pursuant to Sections 57 and 58 of the Hydrocarbons Law, holders of exploration permits and production concessions must pay an annual surface fee that is based on acreage of each block and that varies depending on the phase of the operation, such as exploration or production, and in the case of the former, depending on the relevant period of the exploration permit. These amounts were updated by Law No. 27,007 and may be partially adjusted as from the second basic exploration period in light of investments actually carried out. Exploration permits and production or transportation concessions may be terminated upon any of the following events:

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

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

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

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



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

bankruptcy of the permit or concession holder;

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

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

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

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

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Certain of our production concessions expire in 2017. See Item 3. Key Information Risk Factors Risks Relating to the Argentine Oil and Gas Business and Our Business Argentine oil and gas production concessions and exploration permits are subject to certain conditions and may be cancelled or not renewed. The granting of an extension is an unregulated process and normally involves lengthy negotiations between the applicant and the relevant government. Although the Hydrocarbons Law, as modified, provides that applications must be submitted at least one year prior to the concession expiration date, it is industry practice to commence the process far earlier, typically as soon as the technical and economic feasibility of new investment projects beyond the concession term become apparent.

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

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

*Extension of Exploitation Concessions in the province of Neuquén*

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

Decree No. 1208/2013 of the province of Neuquén approves an agreement entered into between the province of Neuquén and YPF dated July 24, 2013, that (i) separates from the Loma La Lata Sierra Barrosa concession a surface area of 327.5 km<sup>2</sup>; (ii) incorporates the separated surface area into the Loma Campana concession and (iii) extends the Loma Campana concession to November 11, 2048, according to Decree 929/13.

*Extension of Exploitation Concessions in the province of Mendoza*

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

The agreement between YPF and the province of Mendoza provides, inter alia, the following:

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

Exploitation concession terms, which were originally set to expire in 2017, were extended for a 10-year term to 2027; and

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YPF agreed:

(i) to make initial payments to the province of Mendoza in an aggregate amount of approximately U.S.\$135 million; (ii) to pay the province of Mendoza an extraordinary production royalty of 3% of the production of the areas included in the agreement; (iii) a fee for extraordinary income based on 10%, 15% or 20% of the difference between the price actually received by YPF and certain benchmarks set out in the agreement; (iii) to carry out exploration activities in the remaining exploration areas and make certain investments and expenditures in a total amount of U.S.\$4.1 billion until the expiration of the extended term; (iv) to contribute U.S.\$16.2 million to a social infrastructure investment fund to satisfy community needs in the province of Mendoza; and (v) to make payments equal to 0.3% of the annual amount paid as extraordinary production royalty in order to fund the purchase of equipment and finance training activities in certain government agencies of the province of Mendoza.

*Extension of Exploitation Concessions in the province of Santa Cruz*

In November 2012, YPF entered into an agreement with the province of Santa Cruz to extend the term of the exploitation concessions identified below, which was ratified by a provincial law published on November 2012.

The agreement between YPF and the province of Santa Cruz provides, inter alia, the following:

Concessions involved: Cerro Piedra-Cerro Guadal Norte; Cañadón de la Escondida-Las Heras; Cañadón León-Meseta Espinosa; Los Monos; Pico Truncado-El Cordón; Los Perales-Las Mesetas; El Guadal-Lomas del Cuy; Cañadón Vasco; Cañadón Yatel, Magallanes (portion located in Santa Cruz) and Barranca Yankowsky;

Exploitation concession terms, which were originally set to expire in 2017, were extended for a 25-year term to 2042; and

YPF has undertaken:

- (i) to make initial payments to the province of Santa Cruz in an aggregate amount of approximately of U.S.\$200 million;
- (ii) to pay the province of Santa Cruz a Production Royalty of 12% plus an additional 3% on the production of conventional hydrocarbons, and 10% on the production of unconventional hydrocarbons;
- (iii) to carry out exploration activities in the remaining exploration areas and make certain investments and expenditures on the exploitation concessions;
- (iv) to contribute with infrastructure investments within the province of Santa Cruz in an amount equivalent to 20% of the initial payment, and;

- (v) to contribute to an Institutional Strengthening Fund and to carry out a program for technical formation (YPF y los Trabajadores) and a program for development of contractors (Sustenta) within the province of Santa Cruz.

*Negotiation of Extension of Concessions in the province of Tierra del Fuego*

The Company has negotiated with the Executive Office of the province of Tierra del Fuego the terms in order to extend the Tierra del Fuego and Chorrillos exploitation concessions which are jointly held by YPF (30%), Petrolera LF Company S.R.L. (35%), and Petrolera TDF Company S.R.L. (35%). Petrolera LF Company S.R.L. and Petrolera TDF Company S.R.L. were subsidiaries of Apache which we acquired in 2013. The final agreement was executed by the province of Tierra del Fuego, YPF, Petrolera LF Company S.R.L. and Petrolera TDF Company S.R.L. on December 18, 2013. The agreement was ratified by the Parliament of the province of Tierra del Fuego on October 10, 2014 through the enactment of Provincial Law No. 998. The agreement grants an extension of the Tierra del Fuego concession until November 2027 and an extension of the Chorrillos concession until April 2026.

As of the date of this annual report, the Company had not filed the request to extend the portion of the Magallanes concession located in the province of Tierra del Fuego.

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*Extension of Concessions in the province of Chubut*

The Company has obtained the extension of the following concessions in the Province of Chubut:

El Tordillo La Tapera and Puesto Quiroga Exploitation Concessions: On October 2, 2013 the province of Chubut published the Provincial law approving the agreement for the extension of the El Tordillo, La Tapera and Puesto Quiroga concessions located in the province of Chubut. YPF holds a 12.196% interest in these concessions while Petrobras Argentina S.A. holds a 35.67% interest and Tecpetrol S.A. holds the remaining 52.133%. The concessions were extended for a period of 30 years from the original 2017 expiration. The following are the main terms and conditions of the extension agreement entered into by and between the province of Chubut and the parties that hold interests in the concessions:

- (i) To make initial payments to the province of Chubut in an aggregate amount of U.S.\$18 million.
- (ii) To pay an Extraordinary Production Royalty of 4% of the production of the areas included in the extension.
- (iii) To make disbursements and investments aimed at the conservation and protection of the environment.
- (iv) To maintain operational a minimum number of drilling and work-over rigs.
- (v) Upon expiration of the first ten years of the extension period, the Parties shall transfer and assign to Petrominera S.E., the provincial oil company, a 10% interest in the areas covered by the extension agreement.

Restinga Alí, Sarmiento, Campamento Central Cañadón Perdido, Manantiales Behr and El Trébol Escalante Exploitation Concessions: On December 26, 2013 YPF executed an agreement with the province of Chubut for the extension of the original term of duration of these concessions. YPF holds a 100% interest in all the concessions except for the Campamento Central Cañadón Perdido Concession where ENAP Sipetrol S.A. and YPF each hold a 50% interest.

The concessions were extended for a period of 30 years following the expiration of the original concession terms, which would have expired in 2017 (Campamento Central Cañadón Perdido and El Trébol Escalante), 2015 (Restinga Alí) and 2016 (Manantiales Behr).

The following are the main terms and conditions agreed by and between YPF and the province of Chubut.

- (i) To make initial payments to the province of Chubut in an aggregate amount of U.S.\$30 million.

- (ii) To pay an Extraordinary Production Royalty of 3% of the production of the areas included in the extension agreement.
- (iii) To comply with a minimum investment program.
- (iv) To maintain a minimum number of drilling and work-over rigs operational.
- (v) To assign to Petrominera S.E., 41% of YPF's interest in the El Tordillo, La Tapera and Puesto Quiroga exploitation concessions (equal to 5% of the total interest in the concessions).

ENAP Sipetrol S.A. has agreed to fulfill the obligations set forth in the extension agreement on a pro-rata basis relative to its participation interest in the Campamento Central Cañadon Perdido concession agreement.

*Extension of Exploitation Concessions in the province of Salta*

In October 2012, YPF entered into an agreement with the province of Salta to extend the original terms of the exploitation concessions identified below, subject to the approval of the National Executive Office by decree.

The agreement was approved by Resolution No. 35/12 of Salta's Secretariat of Energy on October 26, 2012 and Decree 3694/12 on December 6, 2012. The agreement was signed between YPF, Tecpetrol S.A., Petrobras Argentina S.A., Compañía General de Combustibles S.A. and Ledesma S.A.A.I. and the province of Salta, and provides for the following:

Concessions involved: Sierras de Aguaragüe, Campo Durán-Madrejones, La Bolsa and Río Pescado.

Exploitation concession terms are extended for a 10-year term following the expiration of the original 25 year term, until November 14, 2027.

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YPF has agreed:

- (i) to conduct in Aguaragüe, the following investments: a minimum level of activity in development plans, involving the drilling of development wells (at least three) and expansion of production facilities and treatment of hydrocarbons of U.S.\$36 million,
- (ii) to pay the province a special extraordinary contribution equal to 25% of the amount corresponding to royalties of 12% referred to in Article 59 and 62 of the Hydrocarbons Law,
- (iii) to pay the province an additional payment, when extraordinary income the sale of crude oil and natural gas from the concessions, under conditions where prices exceed U.S.\$90/bbl in the case of crude oil and the equivalent of 70% of import prices in the case of natural gas,
- (iv) to pay the province, in aggregate, a one-time amount of U.S.\$5 million as an extension bonus,
- (v) to make investments for a minimum amount of U.S.\$30 million in aggregate in additional exploration work to be implemented in the concessions, subject to certain conditions and
- (vi) to invest U.S.\$1 million in aggregate in the implementation of social infrastructure projects in the province.

*Extension of Exploitation Concessions in the province of Río Negro*

In December 2014, YPF entered into an agreement with the province of Río Negro to extend the original terms of the exploitation concessions identified below. Effectiveness of the agreement was subject to the ratification of its terms by the Parliament of the province of Río Negro that was granted on December 30, 2014 through the enactment of Provincial Law No. 5027.

The agreement was signed between YPF, YSUR Energia Argentina S.R.L. (formerly named Apache Energia Argentina S.R.L.), YSUR Petrolera Argentina S.A. (formerly named Apache Petrolera Argentina S.A.) and the province of Río Negro and provides the following:

Concessions involved: (i) El Medanita, Barranca De Los Loros, Señal Picada-Punta Barda, Bajo Del Piche and Los Caldenes, where YPF holds a 100% undivided interest; (ii) Estacion Fernandez Oro, where YSUR Energia Argentina S.R.L. holds a 100% undivided interest; and (iii) El Santiaguense, where YSUR Petrolera Argentina S.A. holds a 100% undivided interest.

Exploitation concession terms are extended for a 10-year term following the expiration of the original 25 year term, until November 14, 2027, except for the exploitation concessions in (i) Los Caldenes which was extended until September 18, 2036, (ii) Estacion Fernández Oro which was extended until August 16, 2026



and (iii) El Santiagueño which was extended until September 6, 2025.

YPF has agreed:

- (i) to make an initial payment to the Province of Río Negro in an aggregate amount of U.S.\$46 million;
- (ii) to make contributions to social development and institutional strengthening within the province of Río Negro in an amount equivalent to 20% of the initial payment;
- (iii) to pay an Extraordinary Production Royalty of 3% of the monthly production;
- (iv) to contribute annually to training, research and development, the amount depends on the volume of production;
- (v) to comply with a minimum investment program; and
- (vi) to make disbursements and investments aimed at the conservation and protection of the environment.

*Extension of Exploitation Concessions in the Cuenca Marina Austral*

The National Executive Office (*Poder Ejecutivo Nacional*), through Administrative Decision No. 1/2016 published January 8, 2016 in the Official Gazette of the Republic of Argentina, extended the term of the hydrocarbon exploitation concession in the Magallanes area held by YPF in the Marina Austral basin, as of November 14, 2017, for ten years, in the section corresponding to the jurisdiction granted by the Argentine federal government, pursuant to Article 35 of the Hydrocarbons Law No. 17,319.

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Additionally, Administrative Decision No. 1/2016 establishes the following terms and conditions, among others: (i) approval of the investment and works plan for the above-referenced concession from 2017 to 2027, (ii) payment of U.S.\$12.5 million as an extension bonus with respect to the section corresponding to the jurisdiction granted by the Argentine federal government, and (iii) payment to the Argentine Federal Government of 15% royalties on the production of hydrocarbons extracted from the section of the Magallanes area under its jurisdiction, in accordance with Article 59, paragraph 2 of Law No. 27,007.

## **Security Zones Legislation**

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

Additionally, prior approval of the Argentine government is required:

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

if and when the majority of our shares belong to non-Argentine shareholders, as was the case when we were controlled by Repsol for any additional acquisition of real estate, mineral rights, oil or other Argentine government concessions located within, or with respect to, security zones.

## **Natural Gas Transportation and Distribution**

The gas transmission system is currently divided into two systems principally on a geographical basis (the northern and the southern trunk pipeline systems), designed to give both systems access to gas sources and to the main centers of demand in and around Buenos Aires. These systems are operated by two transportation companies. In addition, the distribution system is divided into nine regional distribution companies, including two distribution companies serving the greater Buenos Aires area.

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

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

## **Transportation of Liquid Hydrocarbons**

The Hydrocarbons Law No. 17,319 permits the National Executive Office to award 35-year concessions for the transportation of oil, gas and petroleum products following submission of competitive bids. Pursuant to Law No. 26,197, the relevant provincial governments have the same powers. Holders of production concessions are entitled

to receive a transportation concession for the oil, gas and petroleum products that they produce. The term of a transportation concession may be extended for an additional ten-year term upon application to the National Executive Office.

The Hydrocarbons Law No. 27,007, which will apply to future concessions, other than those already governed by previous laws, for the transportation of liquid hydrocarbons, permits the National Executive Office to award concessions for the transportation of oil, gas and petroleum products for terms equivalent to those granted for production concessions linked to those transport concessions, following submission of competitive bids. The term of a transportation concession may be extended for additional terms equivalent to those of the associated production concession. The holder of a transportation concession has the right to:

transport oil, gas and petroleum products; and

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

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

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

## **Refining**

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

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

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

## **Market Regulation**

### ***Overview***

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

The Hydrocarbons Law authorizes the National Executive Office to regulate the Argentine oil and gas markets and prohibits the export of crude oil during any period in which the National Executive Office finds domestic production

to be insufficient to satisfy domestic demand. If the National Executive Office restricts the export of crude oil and petroleum products or the sale of natural gas, the Oil Deregulation Decrees provide that producers, refiners and exporters shall receive a price for the crude oil and petroleum products, not lower than that of imported crude oil and petroleum products of similar quality.

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

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In addition, in May 2012, the Expropriation Law was passed by the Argentine congress and became effective. The Expropriation Law declared achieving self-sufficiency in the supply of hydrocarbons, as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. Furthermore, Decree No. 1277/12 derogated the main provisions about free availability of hydrocarbons which were specifically contained in section 5 subsection d) and section 13, 14 and 15 of Decree No. 1055/89, sections 1, 6 and 9 of Decree No. 1212/89 and sections 3 and 5 of Decree No. 1589/89 (the Oil Deregulation Decrees ). Decree No. 1277/12 enacted the Hydrocarbons Sovereignty Regime Rules, regulating Law No. 26,741. This regulation created the Commission, which among other matters was entitled to publish reference prices of every component of the costs and sales prices of hydrocarbons and fuels, which should permit recovery of production costs and obtaining a reasonable profit margin. See The Expropriation Law and Decree No. 1277/2012 and Decree No. 272/2015.

On July 15, 2013, Decree No. 929/2013 was published in the Official Gazette and provides for the creation of an Investment Promotion Regime for the Exploitation of Hydrocarbons (the Promotion Regime ), both for conventional and unconventional hydrocarbons to be applied across the Argentine territory. Applications to be included in this Promotion Regime may be filed by subjects duly registered with the National Registry of Hydrocarbon Investments who are holders of exploration permits and/or exploitation concessions and/or third parties associated with those holders and who submit an Investment Project for Hydrocarbon Exploitation (the Investment Project ) to the Commission of Strategic Planning and Coordination of the National Hydrocarbons Investment Plan created by Decree No. 1,277/12, entailing a direct investment in foreign currency of at least U.S.\$1 billion, calculated at the time of submission of the Investment Project, and to be invested in the first five years of the Investment Project. Beneficiaries of this Promotion Regime shall enjoy the following benefits, among others: i) they shall be entitled, under the terms of the Hydrocarbons Law, from the fifth anniversary of the start-up of their respective Investment Project, to freely export 20% of the production of liquid and gaseous hydrocarbons produced under such Investment Projects, at a 0% export tax rate, if applicable; ii) they shall freely dispose of 100% of the proceeds derived from the export of the hydrocarbons mentioned in i) above, provided the approved Investment Project would have generated an inflow of foreign currency into Argentina's financial market equal to at least U.S.\$1 billion, following the requirements mentioned above; iii) if hydrocarbon production in Argentina is not enough to cover domestic supply needs in accordance with section 6 of the Hydrocarbons Law, beneficiaries of the Promotion Regime, from the fifth anniversary of the start-up of their respective Investment the Projects, shall be entitled to obtain, in relation to the aforementioned exportable rate of liquid and gaseous hydrocarbons produced in the Investment Projects, a price not lower than the reference export price calculated without deducting any export duties that would have been applicable. Law No. 27,007, as described above, has incorporated into this regime projects submitted to the Commission of Strategic Planning and Coordination of the National Hydrocarbons Investment Plan entailing a direct investment in foreign currency of at least U.S.\$250 million, calculated at the time of submission of the Investment Project, and to be invested in the first three years of the Investment Project. Further, Law 27,007 modifies the percentages of hydrocarbons to be benefitted under this regime to 20% of the production of conventional, unconventional and offshore concessions at depths less than or equal to 90 meters and 60% of the production of offshore concessions at depths greater than 90 meters. See Law 27,007, amending the Hydrocarbons Law and Decree No. 272/2015.

Additionally, the decree discussed above created a new type of concession for the Exploitation of Unconventional Hydrocarbons, which has been incorporated in the Hydrocarbons Law by Law No. 27,007, consisting of the extraction of liquid and/or gaseous hydrocarbons through unconventional stimulation techniques applied to reservoirs located in geological formations of schist and slates (shale gas or shale oil), tight sands (tight oil and tight gas), coal layers (coal bed methane) and, in general, from any reservoir that presents low-permeability rock as its main feature. The Decree provides that holders of exploration permits and/or exploitation concessions that are beneficiaries of the Promotion

Regime shall be entitled to apply for a Concession for Unconventional Hydrocarbons Exploitation. Likewise, holders of a Concession for Unconventional Hydrocarbons Exploitation who are also holders of an adjacent and pre-existing concession may request the unification of both areas into a single unconventional exploitation concession, provided the geological continuity of such areas is duly proven.

As noted above, Law No. 27,007 provides for contributions by companies to the provinces where the projects take place, which amount to 2.5% of the initial investment amount of the project, to be directed to Corporate Social Responsibility contributions. In addition, an amount to be determined by the Commission in light of the extent of the project, to finance infrastructure, have to be contributed by the Argentine federal government. Finally, Law No. 27,007 establishes that capital goods and inputs that are essential to the execution of the investment plans of companies registered in the National Registry of Hydrocarbon Investments shall pay import duties indicated in Decree 927/13 (reduced rates). This list may be extended to other strategic products.

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**Table of Contents*****Production of crude oil and reserves***

Executive Decree No. 2014/08 of November 25, 2008, created the *Petroleum Plus* program to encourage the production of crude oil and the increase of reserves through new investments in exploration and development. The Argentine Secretariat of Energy, by Resolution S.E. No. 1312/08 of December 1, 2008, approved the regulations of the program. The program entitled production companies which increased their production and reserves within the scope of the program, and whose plans were approved by the Argentine Secretariat of Energy, to receive export duty credits to be applied to exports of products within the scope of Resolution No. 394/07 and Resolution No. 127/08 (Annex) issued by the Ministry of Economy. In February 2012, YPF was notified by the Argentine Secretariat of Energy that the benefits granted under the *Petroleum Plus* program had been temporarily suspended. The effects of the suspension extend to benefits accrued and not yet redeemed by YPF at the time of the issuance of the notice. The reasons stated for the suspension were that the *Petroleum Plus* program had been created in a context where domestic prices were lower than prevailing prices and that the objectives sought by the program had already been achieved. On March 16, 2012, YPF challenged this temporary suspension. Executive Decree No. 1330/2015 of July 13, 2015 provided for the termination of the *Petroleum Plus* program, establishing compensation in BONAR 2024 Argentine public bonds. As of the date of this report, YPF has not been compensated for the benefits accrued and not yet redeemed by YPF.

***Refined products***

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

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

In addition, on January 11, 2012, the Argentine Secretary of Transport filed with the National Antitrust Commission ( CNDC ) a complaint against five oil companies (including YPF) for alleged abuse of a dominant position regarding bulk sales of diesel to public bus transportation companies. The alleged conduct consists of selling bulk diesel to public bus transportation companies at prices higher than the retail price charged in service stations. On January 26, 2012, the Argentine Secretariat of Domestic Commerce issued Resolution No. 6/2012 whereby, effective from the date of the resolution, (i) each of these five oil companies was ordered to sell diesel to public bus transportation companies at a price no higher than the retail price charged by its nearest service station, while maintaining both historic volumes and delivery conditions; and (ii) created a price monitoring scheme for both the retail and the bulk markets to be implemented by the CNDC. YPF challenged Resolution No. 6/2012 and requested a preliminary



injunction against its implementation. YPF's preliminary injunction has been granted and the effects of Resolution No. 6/2012 have been temporarily suspended. On December 9, 2014, the Federal Civil and Commercial Appeals Court issued a ruling stating that the case had become moot and that there are no actual consequences for YPF arising from the challenged Resolution, since prices of diesel to public bus transportation companies have suffered several variations since the date such Resolution entered into effect. See Item 8. Financial Information Legal proceedings Argentina Non-accrued, possible contingencies CNDC claims.

On March 13, 2012, YPF was notified of Resolution No. 17/2012, issued by the Argentine Secretariat of Domestic Commerce, pursuant to which YPF, Shell and Axion (previously Esso) were ordered to supply jet fuel for domestic and international air transport at a price, net of taxes, not to exceed by 2.7% the price, net of taxes, of medium octane gasoline (not premium) offered at its closest service station to the relevant airport, while maintaining its existing supply logistics and its usual supply quantities. The resolution benefits companies that operate in the field of commercial passenger and/or cargo aviation which are registered under the Argentine National Aircraft Registry. According to a later clarification from the Argentine Secretariat of Domestic Commerce, the beneficiaries of the measure adopted by this resolution are the following companies: Aerolíneas Argentinas, S.A., Andes Líneas Aéreas S.A., Austral Cielos del Sur, LAN Argentina, S.A. and Sol S.A. Líneas Aéreas. In addition, in said resolution, the Argentine Secretariat of Domestic Commerce suggested the implementation of a price surveillance system by the CNDC. YPF appealed Resolution No. 17/2012 and on May 15, 2012 it was notified that the Federal Civil and Commercial Court of Appeals accepted YPF's presentation and suspended the effectiveness of Resolution No. 17/2012 until the final judgment regarding its legality. On August 31, 2012, the Court of Appeals declared Resolution No. 17/2012 to be null, on the basis of lack of authority of the Argentine Secretariat of Domestic Commerce. This decision was appealed by the Secretariat and a final judgment is pending. After several years, on November 3, 2015, the Argentine Supreme Court finally accepted an extraordinary petition submitted by the Argentine government and overruled the previous sentence issued by Federal Civil and Commercial Court of Appeals. As a consequence of this ruling, Resolution No. 17/2012 became effective again. As part of the litigation process, the case is currently in the Federal Civil and Commercial Court of Appeals, Chamber I, which will issue final judgment in accordance with the decision of the Argentine Supreme Court, which, upheld the resolution.

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

Disposition S.S.C. No. 157/06 of the Undersecretariat of Fuels provides that fuel sellers who are parties to contracts that create any degree of exclusivity between the refining company and the fuel seller, and which for any reason are seeking to terminate such contract, shall report the termination in advance with the Undersecretariat of Fuels in order to inform the Argentine Secretariat of Domestic Commerce of the situation. In that case, the Argentine Secretariat of Domestic Commerce is to: (i) issue a statement regarding the validity of the termination of the contract and (ii) use all necessary means to allow the fuel seller terminating the contract to execute another agreement with a refining company and/or fuel broker in order to guarantee its fuel supply. The Disposition has not been imposed by the authorities in cases involving YPF.

Resolution S.E. No. 1679/04 reinstated the registry of diesel and crude oil export transactions created by Executive Decree No. 645/02, and mandated that producers, sellers, refining companies and any other market agent that wishes to export diesel or crude oil to register such transaction and to demonstrate that domestic demand has been satisfied and that they have offered the product to be exported to the domestic market. In addition, Resolution S.E. No. 1338/06 added other petroleum products to the registration regime created by Executive Decree No. 645/02, including gasoline, fuel oil and its derivatives, aviation fuel, coke coal, asphalts, certain petrochemicals and certain lubricants. Resolution No. 715/07 of the Argentine Secretariat of Energy empowered the National Refining and Marketing Direction to determine the amounts of diesel to be imported by each company, in specific periods of the year, to compensate exports of products included under the regime of Resolution No. 1679/04; the fulfillment of this obligation to import diesel is necessary to obtain authorization to export the products included under Decree No. 645/02 (crude, fuel oil, diesel, coke coal and gasoline, among others). In addition, Resolution No. 25/06 of the Argentine Secretariat of Domestic Commerce, issued within the framework of Law No. 20,680, imposes on each Argentine refining company the obligation to supply all reasonable diesel demand, by supplying certain minimum volumes (established pursuant to the resolution) to their usual customers, mainly service station operators and distributors. YPF has duly fulfilled its obligation under this Resolution and has not received any type of sanction from the authorities in this regard.

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

On February 2, 2011, the Argentine Secretariat of Domestic Commerce issued Resolution No. 13/11 stating that the retail price of liquid fuels had to be rolled back to those prices prevailing on January 28, 2011. This resolution also required refineries and oil companies to continue to supply amounts of fuel to the domestic market consistent with

amounts supplied the prior year, as adjusted for the positive correlation between the increase in the demand of fuel and gross domestic product. On March 29, 2011, however, the Argentine Secretariat of Domestic Commerce issued Resolution No. 46/11, which repealed Resolution No. 13/11, alleging that market conditions had changed since its issuance.

On April 10, 2013, Resolution 35/2013 of the Argentine Secretariat of Domestic Commerce, determined a price cap for fuel at all service stations for period of six months, which shall not exceed the highest outstanding price as of April 9, 2013 in each of the regions identified of the Annex of the Resolution.

The above resolutions affecting domestic prices expired on November 24, 2013 and are no longer in effect.

In addition, in May 2012, the Expropriation Law was enacted by the Argentine congress and became effective. See The Expropriation Law and Decree No. 1277/2012.

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On December 30, 2013, the Commission approved, through Resolution No. 99/2013, the general rules for the grant of quotes of liquid fuels volumes allowed to be imported by locally registered companies, including, among others, oil companies registered in the relevant registries of the Secretariat of Energy. These rules regulate the requirements, grant of volumes to be imported and other conditions to be complied with by the companies that wish to import liquid fuels free of the tax on liquid fuels (imposed by Law No. 23,966) and the tax on diesel (imposed by Law No. 26,098), jointly with other fuels up to a maximum aggregate amount of 7 million cubic meters.

### **Agricultural Commodity Export Tax Changes**

By Executive Decree No. 133/2015 published in the Official Gazette on December 17, 2015, the Argentine government reduced the export tax on soybeans and soybean byproducts by 5 percentage points and eliminated the export taxes on all other commodities. Agricultural commodities with a new zero percent export tax include meat products, grains, fruits, and vegetables, among other products. Finally, by Joint Resolutions Nos. 4/2015, 7/2015 and 7/2015 of the Ministries of Agroindustry, Treasury and Public Finance and Production published in the Official Gazette on December 29, 2015, the export permits known as ROEs were eliminated and replaced by the registration of a Sworn Affidavit of Exports Sales, known as a DJVE.

### **Automatic and Non-Automatic Import Licenses**

On December 23, 2015, the Ministry of Production published Resolution No. 5/2015, in the Official Gazette, which reinstated the automatic and non-automatic import licenses ( LAI and LNA, respectively), ( Resolution 5 ). In 2013 the former Ministry of Economy and Public Finance eliminated the LNA, stating it existed alongside the Prior Import Statement (*Declaración Jurada Anticipada de Importación*) requirement implemented in February 2012 and recently also repealed by AFIP Resolution No. 3823.

Resolution 5 also established that importers of products included in the Mercosur Tariff Code must obtain a LAI prior to the entrance of the product into Argentina.

Certain products which are listed in Annex II to XVII of Resolution 5 will be subject to an LNA. The LNA will be applicable to a wide variety of products, including, but not limited to, textile, footwear, toys, domestic appliances, motorbikes, and automobile parts.

In order to obtain the LNA, importers must submit certain information from the importer itself (name, tax identification number) and the product (FOB value, type and quantity, commercial brand, model, country of origin and of shipping, etc.) through the Import Monitoring System (*Sistema Integral de Monitoreo de Importaciones*) ( SIMI ) created by AFIP Resolution 3823. After submitting this information, importers will have ten business days to complete certain additional information required by Resolution 5. If the ten-day term expires, the SIMI declaration will be automatically cancelled.

Regarding the LNA, Resolution 5 establishes that, at any stage of the process, importers may be required to submit additional information or documents of the product subject to the LNA and request verification of technical agencies, as applicable.

Import licenses will be valid for 90 calendar days, once approved by the SIMI.

The following imports are exempt from the import regime established by Resolution 5:

1. Donation regime.
  2. Sample regime.
  3. Diplomatic exemption regime.
  4. Import of products with duties and tax exemption.
  5. Import of products from Special Custom Zone (Tierra del Fuego, Antártida and Islas del Atlántico Sur).
  6. Import of products by the General Secretary of Executive Branch (Secretaria General de la Presidencia de la Nación).
  7. Courier and mail delivery, only for importer private use or consumption.
- Resolution 5 became effective on December 24, 2015 and the Secretary of Trade is the application authority.

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**Table of Contents****Resolution No. 06/2016**

By Resolution No. 06/2016 published on January 2016, the Ministry of Energy and Mining established new seasonal reference prices of power and energy in the Wholesale Electricity Market (MEM) for the period from February 1, 2016 to April 30, 2016.

Furthermore, the resolution also establishes a stimulus plan, with reference prices for that residential demand that reduces their consumption over the same month in 2015, and a social tariff.

***Natural gas***

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

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

On June 14, 2007, Resolution No. 599/07 of the Argentine Secretariat of Energy approved a proposed agreement with natural gas producers regarding the supply of natural gas to the domestic market during the period 2007 through 2011 ( Agreement 2007-2011 ). We executed Agreement 2007-2011 taking into account that producers that did not enter into Agreement 2007-2011 would be required to satisfy domestic demand before those who entered into the agreement 2007-2011. Producers are authorized to withdraw from Agreement 2007-2011 and will be treated as any producer that has not entered into Agreement 2007-2011. On January 5, 2012, the Official Gazette published Resolution S.E. No. 172, which temporarily extends the assignation rules and other criteria established by Resolution No. 599/07 until new legislation is passed replacing such rules and criteria. On February 17, 2012, we filed a motion for reconsideration of Resolution S.E. No. 172 with the Argentine Secretariat of Energy.

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

We were compelled to execute Agreement 2007-2011, among other reasons, in order to mitigate our potential damages. Producers failing to sign Agreement 2007-2011 could be penalized and subject to other unfavorable

measures by regulatory authorities. However, we expressly stated that the execution of Agreement 2007-2011 did not entail any recognition by us of the validity of the terms and conditions of the various resolutions of the Argentine Secretariat of Energy establishing programs for the curtailment or re-routing of exports to satisfy domestic demand. We challenged Resolution No. 599/07 and stated that we signed Agreement 2007-2011 taking into account the potential consequences of not doing so.

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

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

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

On March 19, 2012, the Official Gazette published Resolution SE No. 55/2012 of the Secretariat of Energy, which extended the Complementary Agreement for 2012 and established the following with respect to non-signing parties: (i) the natural gas price increase established by the Complementary Agreement will not be applicable to natural gas injected into the gas system by non-signing parties; (ii) natural gas injected by non-signing parties will be consumed first in the order of priority by residential users, which has the lowest tariffs; and (iii) non-signing parties must fulfill all of the commitments undertaken by natural gas producers under Agreement 2007-2011, which was extended by Resolution S.E. No. 172. On March 23, 2012, Resolution S.E. No. 55/2012 was supplemented by Resolution ENARGAS No. 2087/2012, which sets forth, among others, the procedure that distribution companies should follow to secure amounts to be deposited with the fiduciary fund created by Law No. 26,020. Additionally, according to this resolution, producers which have not signed the 2012 extension of the Complementary Agreement are not allowed to charge the well-head price increases for gas set forth in Resolutions S.E. No. 1070/2008 and 1417/2008 to consumers directly supplied by distribution companies. Thus, such non-signing producers have to invoice the lower prices which were in effect prior to the adoption of these resolutions for the gas supplied to the distribution companies.

Thereafter, on April 19, 2012, December 18, 2012 and, December 19, 2013, YPF signed the 2012, 2013 and 2014 extensions of the Complementary Agreement, respectively.

Executive Decree No. 2067/08 of December 3, 2008, created a fiduciary fund to finance natural gas imports destined for injection into the national pipeline system, when required to satisfy the internal demand. The fiduciary fund is funded through the following mechanisms: (i) various tariff charges which are paid by users of regular transport and distribution services, gas consumers that receive gas directly from producers and companies that process natural gas; (ii) special credit programs that may be arranged with domestic or international organizations; and (iii) specific contributions assessed by the Argentine Secretariat of Energy on participants in the natural gas industry. This decree has been subject to different judicial claims and judges throughout the country have issued precautionary measures suspending its effects. On November 8, 2009, ENARGAS published Resolution No. 1982/11, which supplements Decree No. 2067/08. This Resolution adjusts the tariff charges established by Executive Decree No. 2067/08 to be paid by users in the residential segment and gas processing and electric power companies, among others, starting December 1, 2011. On November 24, 2011, ENARGAS issued Resolution No. 1991/11, which extends the type of users that will be required to pay tariff charges. YPF has challenged these Resolutions. On April 13, 2012, a precautionary measure was granted regarding the processing plant El Porton, suspending the effects of these Resolutions with respect to such plant.

On November 5, 2012 the Official Gazette published Law No. 26,784 which approves the National Administration Budget for 2013. Article 54 of the Law established that the tariff charges and the fiduciary fund established by Executive Decree No. 2067/08 and all its supplementary acts shall be ruled by Law No. 26,095.



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

On October 4, 2010, the Official Gazette published ENARGAS Resolution No. 1410/10, which set forth new rules for natural gas dispatch applicable to all participants in the gas industry and imposing the following new and more severe priority demand gas restrictions on producers:

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

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

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

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

As a result, this regime imposes a jointly liable supply obligation on all producers in the event any producer experiences a gas supply deficiency. We have challenged the validity of the aforementioned regulation. On December 9, 2015 ENARGAS denied our administrative appeal. YPF is currently analyzing possible courses of action against the denial.

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

On August 27, 2012 the Official Gazette published Resolution SE No. 1445/2012 of the Secretariat of Energy, according to considerations set by Decree No. 1,277/2012, which modified gas prices at the wellhead for compressed natural gas (CNG) which represents an increase of approximately 369% of the prices realized by the Company for such segment product. On February 14, 2013 Resolution 1/2013 of the Commission was published in the Official Gazette. This Resolution creates the Natural Gas Additional Injection Stimulus Program. Under this regulation, gas producing companies were invited to file with the Commission before June 30, 2013 projects to increase natural gas injection, in order to receive a compensation up to U.S.\$7.50 per mmBtu for all additional natural gas injected. These projects shall comply with minimum requirements established in Resolution 1/2013, and will be subject to consideration approval by the Commission, including a maximum term of five years, renewable at the request of the beneficiary, upon decision of the Commission. If the beneficiary company in a given month does not reach the committed production increase it will have to make up for such volumes not produced. In addition, the Commission may withdraw a previously approved proposal to increase the total injection of natural gas if some of the following events occur: (i) any omission, inaccuracy or distortion of information provided by a company participating in a project or during its execution; (ii) breach of the obligations set forth in Decree No. 1,277 / 2012 and its regulations or supplementary acts; (iii) breach by a company of its obligations under the program after notice of not less than 15 business days; (iv) if the import price is equal to or lower than the price of the additional natural gas injected for at

least 180 days or (v) if the value of a company's supply contracts or invoices used in the monthly calculation corresponding to each month covered by the program had weighted average price decreases or unjustified amounts. On May 23, 2013, the Commission approved the project submitted by YPF. A similar program was created under Resolution 60/2013 of the Hydrocarbon Commission, as amended by Resolution 83/2013 of the Hydrocarbon Commission for gas producers that failed to file their natural gas additional injection program filings before the expiration date established by Resolution 1/2013 of the Hydrocarbon Commission. The compensation to be received under this new program varies from U.S.\$4.00 per mmBtu to U.S.\$7.50 per mmBtu, depending on the production curve reached by the applicable company. Additionally, a third stimulus program entered into effect under Resolution Commission No. 185/2015 for companies without any prior gas production in Argentina at the time of issuance of the resolution. Similar to the Gas Plan, companies with an approved program under this new resolution will receive compensation for the difference between the price obtained in the market for the sale of all their gas production and U.S.\$7.50 per mmBtu. The gas production subject to such compensation only applies to the production from areas acquired by companies with approved programs under either Resolution 1/2013 or Resolution 60/2013, as long as such production was computed under these programs as increased injection as opposed to base injection.

On April 4, 2014, Resolution SE No. 226/2014 of the Argentine Secretariat of Energy was published in the Official Gazette. Under this resolution the Secretariat set new prices for residential, commercial consumers and compressed natural gas consumers. Residential and commercial consumers that achieve certain consumption savings compared to prior years will be: (i) excluded from the price increase or (ii) subject to a lower price increase. Industrial users and power generation plants are excluded from the price increase. Consumers served by distributor Camuzzi Gas del Sur S.A., which is not an affiliate of YPF, or its sub-distributors are excluded.

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On November 17, 2014, Resolution No. 231/2014 of the Commission was published in the Official Gazette. Under this Resolution, the price of compressed natural gas in service stations will be raised by the same percentage as the weighted average price within Argentina, excluding taxes, of super quality gasoline over 93 octane or of any product that replaces it in the future as provided for under the resolution.

### **Natural gas export administration and domestic supply priorities**

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

the suspension of all exports of surplus natural gas;

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

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

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

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

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

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

counterparties to such agreements have rejected our position. See Item 8. Financial Information Legal Proceedings.

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

Pursuant to the standardized irrevocable offers procedure mentioned above, which operates at the MEG, any direct consumer may bid for a term gas purchase at the export average gas price net of withholdings by basin. The volume necessary to satisfy the standardized irrevocable offers which have not been satisfied will be required as a Permanent Additional Supply only until the end of the seasonal period during which the unsatisfied requests should be made (October April or May September). Such Permanent Additional Supply will be requested from the producers that export gas and that inject the natural gas from the basins that are able to supply those unsatisfied irrevocable offers. Resolution of the Argentine Secretariat of Energy S.E. No. 1886/06, published on January 4, 2007, extended the term of effectiveness of this mechanism of standardized irrevocable offers until 2016, and empowered the Undersecretariat of Fuels to suspend its effectiveness subject to the satisfaction of internal demand of natural gas achieved by means of regulations, agreements or due to the discovery of reserves.

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

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

### ***Liquefied petroleum gas***

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

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

protects the trademarks of LPG bottlers;

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

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

grants open access to LPG storage facilities; and

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

The Argentine Secretariat of Energy established, through several subsequent resolutions, reference prices applicable to sales of LPG bottles of less than 45 kilograms, and to sales of bulk LPG exclusively to LPG bottlers. Also, the

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

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

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

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

On March 16, 2012, the Official Gazette published Resolution No. 77 of the Argentine Secretariat of Energy, which ratified the execution of the extension of the Complementary Agreement for 2012 regarding the provision and price stability of LPG bottles of 10, 12 and 15 kilograms for residential users. This resolution also provides that all LPG producers, whether they are parties or not to the Complementary Agreement, must provide the volumes of LPG to be determined by the Argentine Secretariat of Energy at the reference prices established in the Complementary Agreement. The failure to comply with such obligations may result in the application of the penalties established in the Resolution, including the prohibition to export LPG and the limitation of LPG sales in the domestic market. On April 19, 2012, YPF signed the 2012 extension of the Complementary Agreement. On December 21, 2012 YPF signed the 2013 extension of the Complementary Agreement. On July 5, 2013, Resolution No. 429 of the Argentine Secretariat of Energy was published in the Official Gazette, approving the extension of the Complementary Agreement for the provision of LPG bottles of 10, 12 and 15 kilograms for residential users for year. Similar terms to those of the 2012 extension (Resolution No. 77 dated March 16, 2012) were included in the 2013 extension.

Pursuant to Resolutions No. 37 and 532 of the Argentine Secretariat of Energy, published on February 21 and May 18, 2014, respectively, the terms of the Complementary Agreement for the provision of LPG bottles of 10, 12 and 15 kilograms were extended for 2014. Among other provisions, Resolution No. 532/2014 established that LPG producers must offer the volume sold for bottling companies during 2013, plus 25,000 tons in 2014. Resolution No. 380/2014 dated December 29, 2014 and published on January 8, 2015, raised the value of the compensations to be paid to LPG producers under the Complementary Agreement. On January 28, 2015 the sixth amendment to the agreement was signed by YPF.

On April 7, 2015, Resolution No. 73 of the Argentine Secretariat of Energy terminated the fiduciary agreement to which YPF was a party as a natural gas producer, contributing funds for the payment of compensation for LPG producers and bottlers. As a result, natural gas producers that were parties to the Complementary Agreement are no longer required to contribute funds. At the same time, a new program for the provision of bottled LPG at reference prices was established by Decree No. 470/2015 dated March 31, 2015. This decree established that LPG producers and bottlers provide LPG at reference prices in the domestic market, gradually increasing the volumes provided in 2014.

## **Argentine Environmental Regulations**

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

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

Federal, provincial and municipal laws and regulations relating to environmental quality in Argentina affect our operations. These laws and regulations set standards for certain aspects of environmental quality, provide for penalties



and other liabilities for the violation of such standards, and establish remedial obligations in certain circumstances.

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

National Constitution (Articles 41 and 43);

Law No. 25,675 on National Environmental Policy;

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

Law No. 24,051 on Hazardous Waste;

Law No. 20,284 on Clean Air;

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

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

Criminal Code; and

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

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

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

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

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

During 2005, the Argentine Secretariat of Energy, by means of Resolution No. 785/05, created the National Program of Hydrocarbons Warehousing Aerial Tank Loss Control, a measure aimed at reducing and correcting environmental pollution caused by hydrocarbons warehousing-aerial tanks.

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

**U.S. Environmental Regulations**

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

Safe Drinking Water Act;

Clean Water Act;

Oil Pollution Act;

Clean Air Act;

Resource Conservation and Recovery Act;

National Environmental Policy Act;

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Occupational Safety and Health Act;

Comprehensive Environmental Response, Compensation and Liability Act; and

various other federal, state and local laws.

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

## **Taxation**

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

Pursuant to Sections 57 and 58 of the Hydrocarbons Law, holders of exploration permits and production concessions must pay an annual surface fee that is based on acreage of each block and which varies depending on the phase of the operation, i.e., exploration or production, and in the case of the former, depending on the relevant period of the exploration permit. On October 17, 2007, the Official Gazette published Executive Decree No. 1,454/07, which significantly increased the amount of exploration and production surface fees expressed in Argentine pesos that are payable to the different jurisdictions where the hydrocarbon fields are located. Law No. 27,007 published in the Official Gazette on October 31, 2014 updated amounts that must be paid pursuant to Sections 57 and 58 of the Hydrocarbons Law. See Exploration and Production.

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

Following the introduction of market prices for downstream petroleum products in connection with the deregulation of the petroleum industry, Law No. 23,966 established a volume-based tax on transfers of certain types of fuel, replacing the prior regime, which was based on the regulated price. Law No. 25,745, modified, effective as of August 2003, the mechanism for calculating the tax, replacing the old fixed value per liter according to the type of fuel for a percentage to apply to the sales price, maintaining the old fixed value as the minimum tax. By Laws 26,028 and 26,181 new taxes on diesel and gasoline sales have been established.

## **Reduction in tax rates for fuels**

On December 30, 2014, Decree No. 2579/2014 set forth a reduction in fuel taxes established Law No. 23,966 and 26,181 with respect to diesel and unleaded gasoline products higher than 92 octane. The reductions took effect on January 1, 2015.

## **Export taxes**

In 2002, the Argentine government began to implement customs duties on the export of hydrocarbons. Export tax rates were increased on crude oil to 20%, on butane, methane and LPG to 20% and gasoline and diesel oil to 5%. In May 2004, Resolution No. 337/04 of the Ministry of Economy increased export duties on crude oil to 25%. These export tax rates were increased again in 2004, when the Ministry of Economy issued Resolution No. 532/04, establishing a progressive scheme of export duties for crude oil, with rates ranging from 25% to 45%, depending on the quotation of the WTI reference price at the time of the exportation. In addition, in May 2004, pursuant to Resolution No. 645/04 of the Ministry of Economy, an export duty on natural gas and NGLs was established at a rate of 20%. The export duty on natural gas was increased again in July 2006, when the Ministry of Economy increased the rate to 45% and instructed the Customs General Administration to apply the price fixed by the framework agreement between Argentina and Bolivia as the base price to which to apply the new tax rate, irrespective of the actual sales price. In addition, on October 10, 2006, the Ministry of Economy imposed prevalent export duties on exports from the Tierra del Fuego province, which were previously exempted from taxes. Moreover, in May 2007 the Ministry of Economy increased to 25% the export duty on butane, propane and LPG.

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Resolution No. 394/07 of the Ministry of Economy, effective as of November 16, 2007, increased export duties on Argentine oil exports (as defined by the regulator) on crude oil and other crude derivatives products. The new regime provides that when the WTI international price exceeds the reference price, which was fixed at U.S.\$60.9/barrel, the producer should be allowed to collect at U.S.\$42/barrel, with the remainder being withheld by the Argentine government as an export tax. If the WTI international price is under the reference price but over U.S.\$45/barrel, a 45% withholding rate would apply. If such price was under U.S.\$45/barrel, the applicable export tax was to be determined by the Argentine government within a term of 90 business days. By Resolution No. 1/2013 of the Ministry of Economy and Public Finances, Resolution No. 394/07 was amended, increasing cutoff values from 42 U.S.\$/barrel to U.S.\$70/barrel, and reference price from U.S.\$60.9 to U.S.\$80 for crude oil. This means that when the international price of crude oil is over U.S.\$80/barrel, the local producer shall be allowed to collect at U.S.\$70/barrel, with the remainder being withheld by the Argentine government.

However, on December 31, 2014 Resolution 1077/2014 was published in the Official Gazette and repealed Resolution 394/07, as amended, setting forth a new withholding program based on the International Price. The International Price is calculated based on the Brent value for the applicable month less U.S.\$8 per barrel. The new program establishes a 1% general nominal withholding applicable to all products covered by the resolution, including crude oil, diesel, gasoline and lubricants as well as other petroleum products, to the extent that the International Price is below U.S.\$71 per barrel. The resolution further provides an increasing variable withholding rate on crude oil exports to the extent the International Price exceeds U.S.\$71 per barrel. As a result, the maximum price a producer may charge is approximately U.S.\$70 per barrel exported, depending on the quality of crude sold. The resolution also sets forth increasing withholding rates for exports of diesel, gasoline, lubricants and other petroleum derivatives when the International Price exceeds U.S.\$71 per barrel at rates that allow the producer to receive a portion of the price increase.

Resolution No. 127/08 of the Ministry of Economy increased export duties applicable to natural gas exports from 45% to 100%, mandating a valuation basis for the calculation of the duty as the highest price established in any contract of any Argentine importer for the import of gas (abandoning the previously applicable reference price set by the framework agreement between Argentina and Bolivia mentioned above). Resolution No. 127/08 provides with respect to LPG products (including butane, propane and blends thereof) that if the international price of the relevant LPG product, as notified daily by the Argentine Secretariat of Energy, is under the reference price established for such product in the Resolution (U.S.\$338/cm for propane, U.S.\$393/cm for butane and U.S.\$363/cm for blends of the two), the applicable export duty for such product will be 45%. If the international price exceeds the reference price, the producer shall be allowed to collect the maximum amount established by the Resolution for the relevant product (U.S.\$233/cm for propane, U.S.\$ 271/cm for butane and U.S.\$250/cm for blends of the two), with the remainder being withheld by the Argentine government as an export tax.

We cannot give any assurances as to future levels of export taxes.

**Repatriation of Foreign Currency**

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

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

**ITEM 4A. Unresolved Staff Comments.**

YPF does not have any unresolved Staff comments.

**ITEM 5. Operating and Financial Review and Prospects**

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

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### **Overview**

We are Argentina's leading energy company, operating a fully integrated oil and gas chain with leading market positions across the domestic upstream and downstream segments. Our upstream operations consist of the exploration, development and production of crude oil, natural gas and liquefied petroleum gas. Our downstream operations include the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals, LPG and bio-fuels. Additionally, we are active in the gas separation and natural gas distribution sectors both directly and through our investments in several affiliated companies. As of December 31, 2015, we had consolidated revenues of Ps. 156,136 million and consolidated net income of Ps. 4,426 million.

### **Presentation of Financial Information**

Our Audited Consolidated Financial Statements are prepared in accordance with IFRS as issued by the IASB. Our Audited Consolidated Financial Statements are fully compliant with IFRS.

We fully consolidate the results of subsidiaries in which we have a sufficient number of voting shares to control corporate decisions. Interest in joint operations and other agreements which give the Company a percentage contractually established over such percentage in the assets and obligations that emerge from the contract (joint operations), have been consolidated line by line on the basis of the assets, liabilities, income and expenses related to each contract.

The financial data contained in this annual report as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2015, 2014 and 2013 has been derived from our Audited Consolidated Financial Statements included in this annual report, which were approved at the Board of Directors' meeting and authorized to be issued on March 3, 2016 and which include subsequent events until such date.

Finally, certain oil and gas disclosures are included in Note 20 to the Audited Consolidated Financial Statements included in this annual report under the heading "Supplemental information on oil and gas producing activities (unaudited)."

### **Segment Reporting**

We report our business into the following segments: (i) exploration and production, which includes exploration and production activities, natural gas and crude oil purchases, sales of natural gas, and to a lesser extent crude oil, to third parties and intersegment sales of crude oil, natural gas and its byproducts ("Exploration and Production"); (ii) the refining, transport, purchase of crude oil and natural gas from third parties and intersegment sales, and marketing of crude oil, natural gas, refined products, petrochemicals, electric power generation and natural gas distribution ("Downstream"); and (iii) other activities not falling into the previously described categories ("Corporate and Other"), which includes principally corporate administration costs and assets, environmental matters related to YPF Holdings and construction activities. See Note 4 to our Audited Consolidated Financial Statements and Item 4. Information on the Company Business Organization.

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

### **Summarized Statement of Comprehensive Income**



	<i>For the Year Ended December 31,</i>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<i>(in millions of pesos)</i>		
Revenues	156,136	141,942	90,113
Cost of sales	(119,537)	(104,492)	(68,094)
Gross profit	36,599	37,450	22,019
Administrative expenses	(5,586)	(4,530)	(2,686)
Selling expenses	(11,099)	(10,114)	(7,571)
Exploration expenses	(2,473)	(2,034)	(829)
Other operating results, net	(853)	(1,030)	227
Operating income	16,588	19,742	11,160
Income on investments in companies	318	558	353
Financial income (expense) net	12,157	1,772	2,835
Net income before income tax	29,063	22,072	14,348
Income tax	(24,637)	(13,223)	(9,269)
Net income	4,426	8,849	5,079
Total other comprehensive income	43,758	16,276	12,031
Total comprehensive income	48,184	25,125	17,110

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**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;

regulation of domestic pricing;

export administration by the Argentine government and domestic supply requirements;

international and domestic prices of crude oil and oil products;

our capital expenditures and financing availability;

cost increases;

domestic market demand for hydrocarbon products;

operational risks, labor strikes and other forms of public protest in Argentina;

taxes, including export taxes;

regulation of capital flows;

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

the revocation of our concessions in case of noncompliance with certain provisions as set by laws and agreements with provinces in Argentina;

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

laws and regulations affecting our operations, such as import regulations; and

interest rates.

Our operating income in 2015 decreased by 16% compared to 2014. This decrease was attributable to, among other things, the recognition of a loss in the value of assets at the time of completion of the evaluation of impairment of fixed assets and intangible assets mainly driven by lower estimated future oil prices an increase in depreciation of fixed assets as a result of the higher investment in fixed assets and asset remeasurement in pesos, as a result of devaluation of the Argentine peso against the U.S. dollar, which is our functional currency. Other factors that contributed to this decrease in operating income include increased royalties, driven mainly by higher crude oil prices at the wellhead and higher natural gas prices, higher costs of sales and general cost increases (mainly preservation, repair and maintenance costs, salaries and social security costs and costs of services rendered by third parties). This increase in costs is attributable mainly to our increased activity and price increases in Argentina. The above-mentioned negative effects were partially offset by the increase in domestic prices and volumes of diesel, gasoline and natural gas and accruals mainly due to the Crude Oil Production Stimulus Program (Resolution No. 14/2015). On April 2, 2013 our facilities in the La Plata refinery were hit by a severe and unprecedented storm, recording over 400 mm of rainfall (which was the maximum ever recorded in the area). The heavy rainfall during 2013 disrupted refinery systems and caused a fire that affected the Coke A and Topping C units in the refinery. As of December 31, 2015, 2014 and 2013 we have recognized Ps. 523 million, Ps. 2,041 million and Ps. 1,956 million, respectively, relating to insurance compensation for the Coke A unit damage and operational losses for 2015, 2014 and 2013. In addition, on March 21, 2014, a fire occurred at the Cerro Divisadero crude oil treatment plant, located 20 kilometers from the town of Bardas Blancas in the province of Mendoza. As of December 31, 2015, we have recognized Ps. 1,165 million for insurance compensation for Cerro Divisadero crude oil treatment plant damage and production losses for 2015. See Item 4. Information on the Company Insurance Argentine operations.

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Our business is inherently volatile due to the influence of external factors, such as internal demand, market prices, availability of financial resources for our business plan and its corresponding costs and government regulations. Consequently, our past financial condition, results of operations and the trends indicated by such results and financial condition may not be indicative of the financial conditions, results of operations or trends in future periods. We will focus on increasing productivity in 2016. We believe that we need to create a more efficient industry that is sustainable in a lower crude oil price environment. Therefore, we estimate that we will not see meaningful production growth this year. We expect to cut capital expenditures approximately 20% to 25% in U.S. dollar terms, which implies less activity mainly in our Upstream business unit. We already have several drilling and workover rigs in standby mode, and it is likely that some of them will not return to operation soon.

Most of our shale oil production comes from the Loma Campana area through our joint venture with Chevron, which was the first and largest farm-out. As we gathered more experience, drilling activity migrated to horizontal wells of 1,500 meters in lateral length and 18 frack stages, obtaining wells with a promising relation between expected EURs and well costs. These horizontal wells cost approximately U.S.\$13 million each, which we expect to be closer to U.S.\$10 million each by the end of 2016 as we push forward several initiatives to improve efficiency and significantly reduce the well costs. Our strategy is to continue to invest and de-risk, but at a slower pace than the last couple of years.

Crude oil prices in Argentina were recently renegotiated among market participants, which kept them at levels significantly above current international oil prices with the goal of avoiding significant domestic industry disruptions, taking into account that domestic prices and costs are decoupled from international prices. We expect diesel and gasoline prices to increase in peso terms during 2016, primarily to at least partially counteract the effects of the recent significant devaluation of the peso against the U.S. dollar.

Our cash position by the end of 2015 was U.S.\$1.0 billion, which represents approximately 50% of our debt maturing in 2016. However, we believe we will be able to refinance most of the debt maturing in 2016 and have a cash cushion ready to fund negative free cash flow for the year. We intend to start to reverse this trend during 2016 to reach a neutral position, which we expect will become positive by 2017. In addition, we expect to reduce the collection cycle of accounts receivable from government entities in order to increase our cash flow from operations during 2016. See Item 3. Key Information Risk Factors A significant percentage of our cash flow from operations is derived from counterparties that are governmental entities.

Notwithstanding the foregoing, there can be no assurance that our production, costs, prices or our estimates of future cash flows from operations, among other items, could not be affected by factors beyond our control and, as such, differ from our estimates. See Item 3. Key Information Risk Factors.

***Macroeconomic conditions***

Substantially all of our revenues are derived from our operations in Argentina and are therefore subject to prevailing macroeconomic conditions in Argentina. Changes in economic, political and regulatory conditions in Argentina and measures taken by the Argentine government have had and are expected to continue to have a significant impact on us.

The Argentine economy has experienced significant volatility in past decades, characterized by periods of low or negative growth and high variable levels of inflation. Inflation reached its peak in the late 1980s and early 1990s. Due to inflationary pressures prior to the 1990s, the Argentine currency 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.

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

Strong economic growth in the world's developed economies, favorable raw material prices from 2003 through the first half of 2008 and the implementation of new macroeconomic policies paved the way for Argentina's economic recovery. Real GDP grew at an average cumulative rate of 8.5% between 2003 and 2008. As a result of the crisis in the global economy, Argentina's real GDP growth rate decelerated in 2009 to 0.9%, but recovered in 2010 and 2011 growing by approximately 9% each year.

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After the growth in 2010 and 2011, several factors led to a decrease in growth of the Argentine economy in 2012 and 2013. The growth of the global economy was not as strong as expected following the easing of U.S. economic crisis that started in 2007, and financial volatility continued at high levels. The decline in the price of Brent crude to below U.S.\$50 per barrel, the negative trend in prices of major agricultural commodities and the geopolitical tensions between the United States, Russia and Ukraine as well as countries in the Middle East presents a complicated new international scenario that creates uncertainty about the future performance, including potential downside risks, of developed and emerging economies, including Argentina.

Mauricio Macri was elected president of Argentina, and his administration took office on December 10, 2015. The new administration faces challenges in respect of Argentina's economy, such as reducing the rate of inflation and a further devaluation of the Argentine peso, improving the competitiveness of the local industries and normalizing or adjusting prices of certain goods and services, such as electricity and natural gas for certain residential consumers of Argentina. Some of the measures necessary to meet these objectives could be unpopular and generate political and social opposition or unrest. As a result, it is difficult to predict the impact of these measures on the Argentine economy as a whole and the energy sector in particular, including revisions and reforms to pricing mechanisms for oil and gas and elimination of energy subsidies, as well as other policy changes that may affect the energy sector. This includes decisions that the new administration has already taken, such as the elimination of exchange restrictions, or future measures it may take to address inflation or changes to the exchange rate. Uncertainty regarding the measures to be taken by the new administration on the economy could further lead to price volatility of Argentine companies, including in particular companies like ours in the energy sector, given the high level of regulation. In addition, there can be no assurance that current government programs and policies that apply to the oil and gas sector will continue to be in place in the future. See [Limitations on local pricing in Argentina may adversely affect our results of operations](#) and [Oil and gas prices, including the recent decline in global prices for oil and gas, could affect our business](#).

According to the IMF's estimates, global economic growth reached 3.1% in 2015, although the rate of growth or, in some cases, contraction, varied significantly from region to region. On March 27, 2014, the Argentine government announced a new method of calculating GDP by reference to 2004 as the base year as opposed to 1993, which was the base reference year under the prior method of calculating Argentine GDP. As a result of the application of this new method, the estimated Argentine GDP growth rate for 2013 was revised from 4.9% to 2.9%. As of the date of this annual report, the provisional figures of Argentina's estimated GDP for 2014 and the first half of 2015 published by the National Statistics Institute (*Instituto Nacional de Estadística y Censos*) (INDEC) are 0.5% and 2.2% respectively. As mentioned previously, on January 7, 2016 through Decree No. 55/2016, the new leadership of INDEC issued a report declaring a national statistical emergency. INDEC stated that its administration since 2006 was irregular and it would reorganize. As a result, INDEC would not publish new information until at least June 2016.

The official exchange rate of the Argentine peso to the U.S. dollar as of December 31, 2014 was Ps. 8.55 per U.S.\$1.00, a devaluation of approximately 31.1% compared to Ps. 6.52 per U.S.\$1.00 as of December 31, 2013. In December 2015, the new authorities of the national government decided to eliminate certain exchange controls imposed by the previous government. Due to the above, as of December 31, 2015, the peso fell to Ps. 12.99 per U.S.\$1.00, a devaluation of approximately 52% compared to the rate as of the end of 2014 (approximately 40% devaluation from the exchange rate in place on December 16, 2015).

Argentina has confronted and continues to confront inflationary pressures. According to inflation data published by INDEC, from 2008 to 2013, the Argentine consumer price index (CPI) increased 7.2%, 7.7%, 10.9%, 9.5%, 10.8% and 10.9%, respectively, and the wholesale price index increased 8.8%, 10.3%, 14.5%, 12.7%, 13.1% and 14.7%, respectively. In 2014, the Argentine government established a new consumer price index known as the IPCNU that more broadly reflects consumer prices by considering price information from the 24 provinces of the country, divided into six regions. According to INDEC, the IPCNU increased 23.9% in 2014 and increased 10.7% from January 2015

to September 2015. The wholesale price index increased 28.3% in 2014 and increased 11.9% from January 2015 to October 2015. Before the new administration took office, certain private sector analysts believed that the inflation was significantly higher than the rate published by INDEC. However, on January 7, 2016, through Decree No. 55/2016, the new leadership of INDEC issued a report declaring a national statistical emergency. INDEC stated that its administration since 2006 was irregular and it would reorganize. As a result, INDEC would not publish new information until at least June 2016. There can be no assurance of the potential impact these changes may have on our results of operations and financial condition. According to a price index published by the government of the City of Buenos Aires, inflation in the city was 3.9%, 4.1% and 4.0% in December 2015, January 2016 and February 2016, respectively. Previously, from December 2014 to November 2015, inflation averaged less than 2.0% per month. There can be no assurance that inflation rates will increase in the future. See Item 3. Key Information Risk Factors-Risks Relating to Argentina Our business is largely dependent upon economic conditions in Argentina.

During 2015, Argentina's trade balance was a deficit of approximately U.S.\$3.0 billion according to preliminary estimates from INDEC, with total exports of approximately U.S.\$56.7 billion during 2015, representing a 16.9% decrease compared to the same period in 2014. Total imports were approximately U.S.\$59.8 billion, representing a decrease of 8.3% compared to the same period in 2014.

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In Argentina, domestic fuel prices have increased over the past five years, but have not kept pace with either increases or decreases in international market prices for petroleum products due to the market conditions and regulations affecting the Argentine market.

The drop in the international price of Brent crude has affected and will likely continue to affect the oil industry's expected activities worldwide, particularly with respect to expected investments in the industry. In 2015, this decline resulted in an approximately U.S.\$7 reduction to the domestic price per barrel compared to the price in effect on December 31, 2014. This change stemmed from negotiations between producers and refiners to reduce the domestic price of Medanita and Escalante crude during January 2015 to U.S.\$77 and U.S.\$63 per barrel, respectively. These prices stood at U.S.\$75 and U.S.\$61, respectively, as of November 30, 2015.

In 2016, following the continuous drop in the international price of Brent crude, a new reduction of approximately 10% in the domestic crude oil price per barrel compared to the price in effect on December 31, 2015 was agreed upon. This change stemmed from negotiations between producers, refiners and the Ministry of Energy and Mining, whereby it was agreed to reduce the domestic price of Medanita crude and Escalante crude since January 2016 to U.S.\$67.50 and U.S.\$54.90 per barrel, respectively.

Energy consumption in Argentina has increased significantly since 2003. Continued growth in demand has led to fuel shortages and power outages, prompting the Argentine government to take additional measures to assure domestic supply. As a result of this increasing demand, declines in the production of certain products and companies in our industry, and actions taken by the Argentine regulatory authorities to prioritize domestic supply the volumes of hydrocarbon product exports, especially natural gas, have declined steadily during this period. At the same time, in recent years, Argentina has increased its imports of natural gas and refined products.

On December 17, 2015, as a result of Decree No. 134/2015, the new government declared an emergency of the national electricity system until December 31, 2017 and instructed the Minister of Energy and Mining to develop and propose measures that would ensure power supply under adequate technical conditions. In light of this circumstance, by Resolution No. 06/2016, published January 2016, the Ministry of Energy and Mining established the new seasonal reference prices of power and energy in the MEM from February 1, 2016 to April 30, 2016. The aforementioned resolution has among its objectives adapting the quality and security of the electric supply and ensuring the provision of the public electric supply under adequate technical and economical conditions, considering, among others, that: a) the remuneration systems established by the MEM from 2003 involved the gradual adoption of regulatory decisions that did not meet the objectives set out in Law No. 24,065 in ensuring the supply and quality under the conditions laid out at the minimum possible cost to the Argentine electricity system; b) the regulatory framework consisting of Laws No. 15,336 and 24,065 prescribed that the price to be paid for the demand for electricity in the MEM must meet the economic cost to supply it; c) the abandonment of economic criteria in the definition of prices in the MEM distorted economic signals, increasing the cost of supply, discouraging risk private investment directed to efficiently increase the offer and subtracting savings incentives and proper use of the energy resources by the consumers and users; and d) only a small proportion of the cost of supply was offset by the electricity fees from demand, requiring the resources of the Argentine national treasury to cover a substantial portion of this cost, which significantly contributed to progressively increased tax pressure. Based on the above, Resolution 06/2016 establishes increases in seasonal reference prices of power and energy from January 1, 2016 to April 30, 2016, thereby substantially eliminating the application of existing subsidies. The resulting percentage price increases depend on the prices and consumption prior to the implementation of the resolution, but it is estimated that on average prices will increase by 500% or more. The increase indicated above does not improve the operational situation for generation or distribution of energy (which is pending), since its main effect is the partial removal of existing subsidies as mentioned previously. Notwithstanding the above increases, the resolution also establishes a stimulus plan, which focuses primarily on efficient users (with reference prices for residential users that reduces consumption over the same month of 2015) and a social tariff for



users with basic needs and those that meet the criteria defined in Resolution 7/2016.

In 2005, Argentina restructured a substantial portion of its bond indebtedness with approximately 76% of its bondholders, and in 2006 it settled all of its debt with the IMF. In June 2010, Argentina restructured additional defaulted bond indebtedness that was not swapped in 2005. As a result of the 2005 and 2010 debt swaps, over 92% of the bond indebtedness on which Argentina had defaulted in 2002 has been restructured ( Exchange Bonds ).

Certain holders of bonds that were not swapped in the debt restructuring have sued Argentina for payment ( Holdout Bondholders ). On December 7, 2011, the U.S. District Court for the Southern District of New York held that Argentina was required by the *pari passu* clause in the 1994 Fiscal Agency Agreement governing the defaulted bonds to rank its payment obligations to the Holdout Bondholders equally with those of its other debt, including the Exchange Bonds. On February 23, 2012, the District Court enjoined Argentina from making payments on the Exchange Bonds without making ratable payments on the defaulted debt, and on October 2012, the District Court s injunction was affirmed by the U.S. Court of Appeals for the Second Circuit.

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On November 21, 2012, the District Court issued an amended order requiring Argentina to pay 100% of the amounts due to the Holdout Bondholders upon payment of the amounts due on the next maturity date to the Exchange Bondholders. Argentina appealed the District Court's November 21, 2012 order to the Second Circuit Court of Appeals, which granted Argentina's request for a stay of the order. On August 30, 2013, the Second Circuit Court of Appeals affirmed the District Court's November 21, 2012 order, but stayed its decision pending an appeal to the U.S. Supreme Court. On June 16, 2014, the U.S. Supreme Court denied Argentina's appeal, and with the appeal process exhausted, the Second Circuit Court of Appeals lifted its stay of the District Court's order on June 18, 2014.

On June 26, 2014, Argentina deposited U.S.\$832 million due to the Exchange Bondholders for the payment of interest that matured on June 30, 2014, of which U.S.\$539 million was deposited in accounts of the Bank of New York Mellon ( BoNY ), as indenture trustee, in the Central Bank of Argentina. On June 27, 2014, the District Court referred to such funds as an illegal payment. On October 22, 2014, the Second Circuit Court of Appeals dismissed Argentina's appeal of the District Court's decision finding that the payment on the Exchange Bonds was illegal and that BoNY, therefore, should retain such funds.

BoNY has invoked the decision of the District Court to not deliver the funds deposited by Argentina to the Exchange Bondholders. Argentina has asserted that it has complied with its obligation to the Exchange Bondholders by making said deposit, and that BoNY, as the indenture trustee, has the obligation to deliver those funds to their beneficiaries.

On September 11, 2014, Argentina promulgated Law No. 26,984, which provided for various mechanisms to pay 100% of the amounts owed on the Exchange Bonds, authorizing for that purpose, among other things, the Minister of Economy and Public Finance to replace BoNY as indenture trustee and appoint Nación Fideicomisos S.A. instead, and to deposit funds owed to the Exchange Bondholders in an account created to that end, providing also the possibility for the bondholders to change the trustee, the jurisdiction or the governing law of the bonds.

On September 29, 2014, the District Court declared Argentina in contempt of court but did not impose sanctions. On October 3, 2014, the District Court ordered Argentina to repair its relations with BoNY, remove Nación Fideicomisos as indenture trustee and resolve the situation with the Holdout Bondholders.

On March 12, 2015, the District Court held that U.S. dollar-denominated bonds issued by Argentina under Argentine Law constitute external indebtedness, and, therefore, are covered by the court's amended injunction dated November 21, 2012.

On May 11, 2015, certain Holdout Bondholders moved to amend the complaint to add two claims: (i) a claim for a declaratory judgment stating that the BONAR 2024 bonds issued by Argentina are considered foreign debt, and (ii) a claim for a *pari passu* order stating that Argentina must make ratable payments to claimants each time the BONAR 2024 bonds or other amounts are paid on past or future external debt. On July 16, 2015, the District Court accepted the amended complaint.

Other holders of bonds that were not exchanged in the 2005 and 2010 debt swaps have sought relief similar to that sought by the Holdout Bondholder plaintiffs ( Me Too Plaintiffs ). On June 5, 2015, the District Court granted summary judgment in 36 of these cases, declaring that Argentina was in breach of the *pari passu* clause contained in their bonds. By an order of October 22, 2014 the District Court granted identical summary judgment in fifteen other Me too Plaintiffs actions. On August 14, 2015, certain Me Too Plaintiffs submitted motions requesting a *pari passu* order similar to that previously obtained by other Holdout Bondholders. Those Me too Plaintiffs were afterwards followed by many others, and on October 30, 2015, the District Court granted 49 such motions.

Since the *pari passu* injunction became effective, litigation has continued regarding Argentina's efforts to make payments to Exchange Bondholders. Payments by Argentina have been blocked from reaching the Exchange Bondholders by judicial orders, and various Exchange Bondholders have sought release of such funds through litigation before the District Court and in various jurisdictions.

In connection with the Holdout Bondholder litigation against Argentina, the Holdout Bondholders served subpoenas on various financial institutions in New York seeking the production of documents concerning the accounts and transfers of hundreds of entities allegedly owned or controlled, in whole or in part, by Argentina, including YPF. During a hearing on September 3, 2013, the District Court ruled that such discovery could proceed as to, among others, YPF, in order for the Holdout Bondholders to determine if those documents supported an argument that YPF is an alter ego of Argentina. YPF is not a recipient of any such subpoenas and, as such, has no obligation to produce documents or otherwise participate in discovery.

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On June 17, 2015, the plaintiff NML and other Holdout Bondholders submitted a motion to the District Court alleging Argentina did not comply with the court's discovery order dated September 25, 2013 and seeking sanctions, including precluding Argentina from disputing the Holdout Bondholders' alter ego allegations as to the Central Bank of Argentina, Energía Argentina Sociedad Anónima ( ENARSA ), and YPF, and deeming that Argentina's assets in United States were used for commercial purposes. During a hearing on August 12, 2015, the District Court found that Argentina had not complied with the September 25, 2013 discovery order and ordered that Argentina's assets in the United States, except for diplomatic and military assets, be deemed to be used for commercial purposes. The District Court made no determination as to sanctions, if any, with respect to the alter ego issues.

Notably, the District Court has previously held that BNA is not an alter ego of Argentina, and on August 31, 2015, the Second Circuit Court of Appeals ruled that the Central Bank of Argentina is not an alter ego of Argentina and dismissed claims asserted against it on that basis. On January 7, 2016, NML filed a writ of certiorari before the Supreme Court of the United States on appeal of this issue. In addition, the U.S. District Court for the Northern District of California on December 1, 2015 affirmed a magistrate judge's ruling that the Holdout Bondholders' assertion that YPF was an alter ego of Argentina was insufficient to support discovery concerning YPF. This decision was appealed by NML on December 23, 2015.

In February 2016, Argentina negotiated and reached agreements in principle with respect to a substantial number of the Holdout Bondholders. On February 5, 2016, Argentina published its proposal to other Holdout Bondholder plaintiffs. Argentina has indicated that it estimates that the settlement payments for the Holdout Bondholders covered by the *pari passu* injunctions, if made, would total approximately U.S.\$6.5 billion in cash.

On February 19, 2016, the District Court issued an indicative ruling stating that in light of Argentina's settlement proposal, and upon remand of Argentina's motion to vacate the *pari passu* injunctions in the Me Too Plaintiffs' actions from the Court of Appeals, it would grant a motion to vacate the injunctions in all cases upon the occurrence of two conditions: (1) Argentina's repeal of the legislative obstacles to settlement, and (2) Argentina's payment to all Holdout Bondholders that entered into agreements in principle with Argentina on or before February 29, 2016 in accordance with the terms of such agreements, and notification of such payment to the District Court.

On February 24, 2016, the Court of Appeals remanded the *pari passu* cases on appeal to the District Court, stating that the order formalizing the indicative ruling was subject to a motion from Argentina, with notice to all parties and an opportunity to be heard, and that any such order will be stayed for up to two weeks. Argentina submitted that motion, and the District Court held a hearing of oral arguments on March 1, 2016. On March 2, 2016, the District Court vacated the injunctions on all actions upon the occurrence of the conditions set forth in the indicative ruling. During the two week stay, plaintiffs filed appeals and consented to an extended stay. On March 11, the Second Circuit entered an order staying enforcement of the District Court's March 2 order pending resolution of the appeals.

See Item 3. Key Information Risk Factors Risks Relating to Argentina Our business is largely dependent upon economic conditions in Argentina and Risks Relating to Argentina.

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

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Crude Oil in Argentina</b>			

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Production (mmbbl)	186.63	189.40	191.7
Exports (mmbbl)	13.27	13.41	13.7
Imports (mmbbl)	1.84	3.45	2.6
<b>Diesel oil in Argentina</b>			
Sales (mcm) <sup>(1)</sup>	14,290.54	14,012.95	14,490.6
Production (mmbbl)	12,181.12	11,521.57	11,680.8
Exports (mcm)			
Imports (mcm)	1,933.69	2,001.31	2,427.1
<b>Gasoline in Argentina</b>			
Sales (mcm) <sup>(1)</sup>	8,720.81	8,360.31	8,579.7
Production (mmbbl)	7,280.89	7,280.89	7,609.8
Exports (mcm)			14.0
Imports (mcm)	15.00	449.16	378.7

(1) Includes domestic market sales.

Source: Argentine Secretariat of Energy

**Table of Contents*****Policy and regulatory developments in Argentina, including the Expropriation Law***

The Argentine oil and gas industry has been subject to certain governmental policies and regulations that have resulted in: (i) domestic prices that do not keep pace with those prevailing in international markets (which usually resulted in lower local prices compared to prevailing international market prices before the recent decrease in international oil prices); (ii) export and import regulations; (iii) domestic supply requirements that oblige us from time to time to divert supplies from the export or industrial markets in order to meet domestic consumer demand; (iv) increasingly higher export duties on the volumes of hydrocarbons allowed to be exported, before the recent decrease in international oil prices and the related measures recently taken by the Argentine government to incentivize domestic investment and production through the temporary reduction of export duties; (v) increasingly higher investment and costs expenditure requirements in order to satisfy domestic demand and (vi) increasingly higher taxes, although certain taxes have recently declined as a result of the incentives set by the Argentine government in response to the decrease in international oil prices to promote domestic activity. See [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government](#). These governmental pricing and export administration and tax policies have been implemented in an effort to satisfy increasing domestic market demand and, recently, to incentivize domestic activity as a result of recent decreases in international oil prices. As discussed in [Item 3. Key Information Risk Factors](#) and elsewhere in this annual report, actions by the Argentine government have had and will continue to have a significant effect on Argentine companies, including us.

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

*Price administration.* In order to support economic growth, the Argentine government has sought a number of policies and measures to limit increases in hydrocarbon prices which could directly affect final consumers. See [Macroeconomic conditions](#). Notwithstanding the foregoing, the Argentine government has implemented from time to time certain price and investment incentives for certain products which allowed companies to receive increased prices mainly in connection with investments and certain sales. See [Gas programs](#) and [Refining Plus and Petroleum Plus programs](#). In addition, as a result of the decline in international oil prices, the Argentine government had established incentives to domestic oil producers, aiming to promote domestic activity. For more information, see [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Resolution 14/2015](#). As a result, fluctuations in Argentina's domestic hydrocarbon prices have not matched increases or decreases at the pace of international and regional prices.

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

*Export duties.* Since the economic crisis in 2002, the Argentine government has imposed export taxes on certain hydrocarbon products. These taxes have substantially increased over time as international prices have surged. In addition, the Argentine government launched a series of measures designed to sustain the activity and production in the domestic oil industry, including reductions to withholding taxes applicable to exports of certain petroleum products. For more information, see [Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Taxation](#). For a description of the most recent export duties on hydrocarbon exports, see [International oil and gas prices and Argentine export taxes](#).

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

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*Gas programs.* (a) The Argentine Secretariat of Energy, by Resolution S.E. No. 24/2008 of March 13, 2008, created the Gas Plus program to encourage the production of natural gas from newly discovered reserves, new fields and tight gas, among other sources. Natural gas produced under the Gas Plus program is not subject to the prices set forth in Agreement 2007-2011. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Natural Gas. (b) On February 14, 2013, Resolution 1/2013 of the Commission was published and formally created the Gas Plan. Under this regulation, gas producing companies were invited to file with the Commission before June 30, 2013 projects to increase natural gas injection, in order to receive an increased price of U.S.\$7.50/mmBtu for all additional natural gas injected. These projects shall comply with minimum requirements established in Resolution 1/2013, and will be subject to approval by the Commission. The projects will have a maximum term of five years, renewable at the request of a company, upon decision of the Commission. If a company in a given month does not reach the committed production increase, it will be required to make up for such volumes not produced. On May 23, 2013, the Commission approved the project submitted by YPF. (c) On November 29, 2013, Resolution 60/2013 of the Commission was published and formally created the Natural Gas Additional Injection Stimulus Program for Companies with Reduced Injection. Under this regulation, gas-producing companies with a natural gas average injection lower than 3,500,000 cubic meters per day during the six months preceding the issuance of Resolution 60/2013 may apply, including those with no gas injection at all. Companies were invited to file with the Commission before March 31, 2014 projects to increase natural gas injection. Companies that currently participate in the Natural Gas Additional Injection Stimulus Program and are eligible for the new program may withdraw from the original program and apply to the new program. Projects may have a maximum term of four years, and participants may petition the Commission for a one-year extension, granted at the Commission's discretion. The program sets a range of guaranteed prices from U.S.\$7.50/mmBtu to U.S.\$4.00/mmBtu, depending on the natural gas injection performance of each producer. (d) A similar program was created under Resolution 60/2013 of the Hydrocarbon Commission, as amended by Resolution 83/2013 of the Hydrocarbon Commission, for gas producers that failed to file their natural gas additional injection program filings before the expiration date established by Resolution 1/2013 of the Hydrocarbon Commission. The compensation to be received under this new program varies from U.S.\$4.00 per mmBtu to U.S.\$7.50 per mmBtu, depending on the production curve reached by the applicable company. Additionally, a third stimulus program entered into effect under Commission Resolution No. 185/2015 for companies without any prior gas production in Argentina at the time of issuance of the resolution. Similar to the Gas Plan, companies with an approved program under this new Resolution will receive compensation for the difference between the price obtained in the market for the sale of all their gas production and U.S.\$7.50/mmBtu. The gas production subject to such compensation will be only the production proceeding from areas acquired by companies with approved programs under either Resolution 1/2013 or Resolution 60/2013 and as long as such production was computed under these programs as increase injection as opposed to base injection.

*Refining Plus and Petroleum Plus programs.* Decree No. 2014/2008 of the Department of Federal Planning, Public Investment and Services of November 25, 2008 created the Refining Plus and the Petroleum Plus programs to encourage (a) the production of diesel and gasoline and (b) the production of crude oil and the increase of reserves through new investments in exploration and operation. The Argentine Secretariat of Energy, by Resolution S.E. No. 1312/2008 of December 1, 2008, approved the regulation of these programs. The programs entitle refining companies that undertake the construction of a new refinery or the expansion of their refining and/or conversion capacity and production companies that increase their production and reserves within the scope of the program to receive export duty credits to be applied to exports of products within the scope of Resolution No. 394/2007 and Resolution No. 127/2008 (Annex) issued by the Department of Economy and Production. In February 2012, by Notes Nos. 707/12 and 800/12 of the



Argentine Secretariat of Energy, YPF was notified that the benefits granted under the Refining Plus and the Petroleum Plus programs have been temporarily suspended. The reasons alleged for such suspension are that the programs were created in a context where domestic prices were lower than currently prevailing prices and that the objectives sought by the programs have already been achieved. Executive Decree No. 1330/2015 of July 13, 2015 declared the termination of the Petroleum Plus program, establishing compensation in public bonds ( BONAR 2024 ). As of the date of this annual report, YPF has not been compensated for the benefits accrued and not yet redeemed by YPF.

*Sworn declaration regarding imports.* On January 5, 2012, the Federal Administration of Public Revenue ( AFIP ) issued Resolution No. 3252, which requires importers to submit a sworn declaration prior to the placing of a purchasing order for all imports to Argentina, with effect from February 1, 2012. Depending on the nature of the goods to be imported as well as other criteria, certain State agencies may have access to this declaration and can raise objections. The criteria for the approval or rejection of the sworn declaration are not legally defined. On December 23, 2015, the Ministry of Production published Resolution No. 5/2015, which reinstated the automatic and non-automatic import licenses. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Automatic and Non-Automatic Import Licenses.

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

The Expropriation Law declared achieving self-sufficiency in the supply of hydrocarbons, as well as in the exploitation, industrialization, transportation and sale of hydrocarbons, a national public interest and a priority for Argentina. In addition, its stated goal is to guarantee socially equitable economic development, the creation of jobs, the increase of the competitiveness of various economic sectors and the equitable and sustainable growth of the Argentine provinces and regions. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law. Upon the passage of the Expropriation Law, the Argentine government gained control over the Company. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government will control the Company according to domestic energy policies in accordance with Law No. 26,741 ( the Expropriation Law )

**Table of Contents*****Declining export volumes***

The exported volumes of many of our hydrocarbon products have declined significantly in recent years, driven mainly by increasing domestic demand and export administration, as well as by declines in production. This shift from exports to domestic sales has impacted our results of operations as the prices for hydrocarbons in the domestic market have, due to price administration, generally not kept pace with international and regional prices. Notwithstanding the foregoing, and as a result of export taxes affecting hydrocarbon products ( Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Exploration and Production. ), prices in the export market do not materially differ from those prevailing in the domestic market.

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

<b>Product</b>	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(units sold)</b>		
Natural gas (mmcm)	2	9	27
Gasoline (mcm)	90	72	74
Fuel oil (mtn) <sup>(1)</sup>	462	607	567
Petrochemicals (mtn)	301	254	281

(1) Includes bunker oil sales of 462 mtn, 607 mtn and 567 mtn in 2015, 2014 and 2013, respectively.

Due to the decreased export product volumes indicated above, the portion of our revenues accounted for by exports decreased steadily in recent years. Exports accounted for 7.9%, 17.1% and 13.3% of our consolidated revenues in 2015, 2014 and 2013, respectively. Export duties are accounted for as tax expenses in our Audited Consolidated Financial Statements.

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

***International oil and gas prices and Argentine export taxes***

Since the economic crisis in 2002, the Argentine government has imposed export taxes on certain hydrocarbon products. These taxes have substantially increased over time as international prices surged, prior to significant price decreases since late 2014. Notwithstanding the foregoing, the Argentine government launched a series of measures designed to sustain the activity and production in the domestic oil industry, including reductions to withholding taxes applicable to exports of certain petroleum products. For a description of these taxes, reference prices and prices allowed to producers, see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation and Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Taxation.

Export taxes have affected the profitability of hydrocarbon exportation. They have also contributed to a shift away from exports and towards domestic sales and reduced the export parity prices. For more information, see Declining export volumes.

*Seasonality*

Historically, our results have been subject to seasonal fluctuations during the year, particularly as a result of greater natural gas sales during the winter. After the 2002 devaluation and as a consequence of the natural gas price freeze imposed by the Argentine government, the use of this fuel has diversified, generating an increase in its long-term demand throughout the year. However, sales of natural gas are still typically much higher in the winter to the residential sector of the Argentine domestic market, the prices for which are significantly lower than in other sectors of the Argentine market. Notwithstanding the foregoing, under the Gas Plan, gas producing companies were invited to file with the Commission before June 30, 2013 projects to increase natural gas injection, in order to receive an increased price of U.S.\$7.50/mmBtu for all additional natural gas injected. These projects shall comply with minimum requirements established in the Gas Plan, and will be subject to approval by the Commission, including a maximum term of five years, renewable at the request of the beneficiary, upon decision of the Commission. If the beneficiary company in a given month does not reach the committed production increase it will have to make up for such volumes not produced. The natural gas pricing program was recently incorporated into the Hydrocarbons Law, as modified by Law No. 27,007.

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**Critical Accounting Policies**

Our accounting policies are described in Note 1 to the Audited Consolidated Financial Statements. IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent assets and liabilities in our financial statements. Actual results could differ from those estimates. We consider the following policies or matters to be most critical in understanding the judgments that are involved in preparing our Audited Consolidated Financial Statements and the uncertainties that could impact our results of operations, financial condition and cash flows:

Functional and reporting currency. See Note 1.b.1) to the Audited Consolidated Financial Statements.

Impairment of long-lived assets. See Notes 1.b.8) and 1.b.9) to the Audited Consolidated Financial Statements. Furthermore, for additional information regarding assumptions used for our impairment calculation as of December 31, 2015, see Note 1.c to the Audited Consolidated Financial Statements.

Depreciation of oil and gas producing properties. See Note 1.b.6) to the Audited Consolidated Financial Statements.

Asset retirement obligations. See Note 1.b.6) to the Audited Consolidated Financial Statements.

Environmental liabilities, litigation and other contingencies. See Note 10 and 11 to the Audited Consolidated Financial Statements.

Income tax and deferred tax. See Note 6.i) to the Audited Consolidated Financial Statements. In addition, for information regarding our estimates of oil and gas reserves, see Item 4. Information on the Company Exploration and Production Oil and Gas reserves.

It is difficult to predict with reasonable certainty the amount of expected future impairment losses given the many factors impacting the asset base and the cash flows used in the prescribed ceiling test calculation. These factors include, but are not limited to, future prices, operating costs and negotiated savings, foreign exchange rates, capital expenditures timing and negotiated savings, production and its impact on depletion and cost base, upward or downward reserve revisions, reserve additions, and tax attributes. According to the foregoing, and in connection with impairment of long-lived assets according to our estimation as of December 31, 2015, if the average of the oil prices used for impairment tests as of December 31, 2015 were reduced by U.S.\$5 each year, holding all other factors constant, our ceiling test limitation related to the net book value of our proved oil properties would be reduced by approximately U.S.\$2.2 billion. As a result of the estimated reduction in the ceiling test limitation, a negative charge of U.S.\$1.4 billion would be recorded, net of the effect in the income tax. This hypothetical calculation was prepared assuming all other factors remain constant to isolate the impact of commodity prices on our ceiling test limitation. Consequently, as noted above, actual cash flows may be materially affected by other factors. There are numerous uncertainties inherent in the estimation present value of future cash flow, so this hypothetical calculation should not be construed as indicative of our development plans or future results. For more information on recent declines in the

international Brent crude oil prices, domestic crude oil prices and domestic gasoline prices, see [Macroeconomic Conditions](#).

For information regarding our domestic oil prices and reserves sensitivity analysis, See [Item 3. Key Information Risk Factors Risks Relating to Argentina](#) Our oil and natural gas reserves are estimates.

### **Principal Income Statement Line Items**

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

#### ***Revenues***

Revenues include primarily our consolidated sales of crude oil and natural gas and refined fuel and chemical products net of the payment of applicable fuel transfer taxes and turnover taxes. Customs duties on exports are accounted as selling expenses in our consolidated results of operations. Royalty payments required to be made to a third party, whether payable in cash or in kind, which are a financial obligation, or are substantially equivalent to a production or similar tax, are accounted for as a cost of production and are not deducted from revenues. See [Item 4. Information on the Company Exploration and Production Oil and gas production, production prices and production costs](#) and [Note 6.1 to the Audited Consolidated Financial Statements](#).

**Table of Contents****Cost of sales**

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

	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of pesos)</b>		
Inventories at beginning of year	13,001	9,881	6,922
Purchases for the year	33,886	35,951	25,846
Production costs <sup>(1)</sup>	85,550	68,840	42,980
Translation effect	6,358	2,821	2,227
Inventories at end of year	(19,258)	(13,001)	(9,881)
<b>Cost of sales</b>	<b>119,537</b>	<b>104,492</b>	<b>68,094</b>

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

	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of pesos)</b>		
Salaries and social security costs	7,566	5,341	4,211
Fees and compensation for services	775	554	393
Other personnel expenses	2,303	1,622	1,108
Taxes, charges and contributions	1,144	2,260	1,123
Royalties and easements	11,932	9,503	5,845
Insurance	831	705	520
Rental of real estate and equipment	3,360	2,630	1,747
Depreciation of fixed assets	25,706	19,201	10,766
Amortization of intangible assets	185	140	95
Industrial inputs, consumable material and supplies	3,801	3,415	1,992
Operational services and other service contracts	6,261	5,297	2,540
Preservation, repair and maintenance	14,231	11,322	7,673
Contractual commitments	31	52	167
Transportation, products and charges	4,796	3,874	2,582
Fuel, gas, energy and miscellaneous	2,628	2,924	2,218
<b>Total</b>	<b>85,550</b>	<b>68,840</b>	<b>42,980</b>

Our cost of sales accounted for 76.6%, 73.6% and 75.6% of our consolidated revenues in 2015, 2014 and 2013, respectively. Our cost of sales increased by 14.4%% from 2014 to 2015, mainly as a result of: (i) increased purchases

of crude oil from third parties driven by the increase in oil prices in pesos in the domestic market; (ii) increased royalties, driven mainly by higher crude oil prices at the wellhead as a result of the foregoing and higher natural gas prices; (iii) higher labor costs; (iv) higher costs related to the renegotiation of certain service contracts and (v) increased depreciation of fixed assets as a result of the higher investment in fixed assets and asset remeasurement in pesos as a result of devaluation of the Argentine peso against the U.S. dollar, which is our functional currency. All of this was partially offset by (i) decreased purchases of refined products, principally gasoline and diesel, in the international market driven by lower volume and lower international prices and (ii) insurance compensation of Ps. 1,688 million recorded in 2015, compared to Ps. 2,041 million in 2014, related to a fire that occurred at the La Plata refinery in April 2013 and a fire that occurred at the Cerro Divisadero crude oil treatment plant in March 2014.

***Other operating results, net***

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

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The following items, among others, are also included as of December 31, 2015: (i) the recognition of a loss in the value of assets at the time of completion of the evaluation of impairment of Fixed Assets and Intangible Assets driven mainly by a reduction in the estimated future price of oil, (ii) the temporary economic assistance received by Metrogas in accordance with Resolution No. 263/2015 of the Argentine Ministry of Energy and (iii) the incentive for domestic manufacturers of capital goods received by A-Evangelista in accordance with the provisions of the Decree No. 379/2001 of the Ministry of Economy. For more information on the Metrogas temporary economic assistance, see Note 6.o to the Audited Consolidated Financial Statements as of December 31, 2015.

***Financial income (expense), net***

Financial income (expense), net consists of the net of gains and losses on interest paid and interest earned and foreign currency exchange differences.

***Taxes***

The effective income tax rates for the periods discussed in this annual report differ from the statutory tax rate (35%) mainly because: the registration of the deferred income tax as a result of the effect of applying the current tax rate (35%) on the difference generated between the tax basis of fixed and intangible assets (for which any asset remeasurement from the original value in pesos is not acceptable under income tax law) and their book value under IFRS, measured in its functional currency and converted into pesos, as described in Note 1.b.1 to our Audited Consolidated Financial Statements. See Note 6.i to the Audited Consolidated Financial Statements for a more detailed description of the difference between statutory income tax rate and effective income tax rate.

**Results of Operations*****Consolidated results of operations for the years ended December 31, 2015, 2014 and 2013***

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

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(percentage of revenues)</b>		
Revenues	100.0	100.0	100.0
Cost of sales	(76.6)	(73.6)	(75.6)
Gross profit	23.4	26.4	24.4
Administrative expenses	(3.6)	(3.2)	(3.0)
Selling expenses	(7.1)	(7.1)	(8.4)
Other operating results, net	(0.5)	(0.7)	0.3
Exploration expenses	(1.6)	(1.4)	(0.9)
Operating Income	10.6	14.0	12.4

The tables below present, for the years indicated, volume and price data with respect to our sales of our principal products in the domestic and export markets, respectively. Due to the decreased export product volumes, the portion



of our revenues accounted for by exports decreased steadily in recent years. Exports accounted for 7.9%, 17.1% and 13.3% of our consolidated revenues in 2015, 2014 and 2013, respectively.

### Domestic Market

Product	Year Ended December 31,					
	2015		2014		2013	
	Units sold	Average Price per unit <sup>(1)</sup> (in pesos)	Units sold	Average Price per unit <sup>(1)</sup> (in pesos)	Units sold	Average Price per unit <sup>(1)</sup> (in pesos)
Natural gas	12,365 mcm	1,620 /mcm	12,028 mcm	1,315 /mcm	11,092 mcm	817 /mcm
Diesel	8,134 mcm	6,912 /cm	8,166 mcm	6,466 /cm	8,098 mcm	4,277 /cm
Gasoline	4,894 mcm	6,867 /cm	4,723 mcm	6,146 /cm	4,545 mcm	3,895 /cm
Fuel oil	1,387 mtn	5,095 /ton	1,129 mtn	4,505 /ton	734 mtn	2,963 /ton
Petrochemicals	587 mtn	5,620 /ton	643 mtn	6,109 /ton	579 mtn	4,189 /ton

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

**Table of Contents****Export Markets**

Product	Year Ended December 31,					
	2015		2014		2013	
Units sold	Average Price per unit <sup>(1)</sup>	Units sold	Average Price per unit <sup>(1)</sup>	Units sold	Average Price per unit <sup>(1)</sup>	
	(in pesos)		(in pesos)		(in pesos)	
Gasoline	90 mcm	6,265 /cm	72 mcm	7,289 /cm	74 mcm	5,274 /cm
Fuel oil	462 mtn	2,972 /ton	607 mtn	4,382 /ton	567 mtn	3,157 /ton
Petrochemicals <sup>(2)</sup>	301 mtn	5,694 /ton	254 mtn	7,751 /ton	281 mtn	5,262 /ton

(1) Average prices shown are gross of applicable export withholding taxes payable by us.

(2) Includes exports of refined paraffinic.

**Revenues**

Revenues in 2015 were Ps. 156,136 million, representing a 10.0% increase compared to Ps. 141,942 million in 2014. Among the main factors contributing to the increase were:

Diesel revenues increased by Ps. 3,466 million, or 6.5%, as a result of an increase in the average price for diesel mix of approximately 11.0% with a decrease in sales volumes of approximately 0.4%, reflecting a 24.6% increase in sales volume of Eurodiesel, a premium diesel;

Gasoline revenues increased by Ps. 4,780 million, or 15.8%, primarily as a result of an increase in the average price for gasoline mix of approximately 14.1% and an increase in sales volumes of approximately 3.6%, reflecting a 25.6% increase of sales volume for Infinia gasoline;

Fuel oil revenues increased by Ps. 697 million, or 9.0%, primarily as a result of an increase in the average price of fuel oil of approximately 2.3% and an increase in sales volumes of 6.6%;

Natural gas revenues increased by Ps. 4,629 million, or 26.6%, primarily as a result of an increase in sales volumes of approximately 3.5%, which was driven by increased production. The increase was further due to an increase of 22.4% in the average sale price obtained by YPF in Argentine peso terms (or an 7.2% increase in U.S. dollar terms). This includes not only higher prices from third parties but also the Gas Plan, which increased the average prices obtained by YPF as a result of increasing YPF's natural gas production;

Crude oil revenues decreased by Ps. 826 million, or 31.4%, primarily due to a decrease in the average price for crude oil of approximately 7.0% and a decrease in sales volumes of approximately 26.2%, mainly as a result of a single significant export event in February 2014;

LPG and aviation fuel sales to foreign markets decreased by Ps. 1,434 million, or 27.2%, mainly due to a decrease in international aviation fuel prices of approximately 31.9%, which was partially offset by an increase in sales volumes of 6.9%;

Exports of flour, grain and oil increased by Ps. 570 million, or 18.6%, due to an increase in sales volumes of approximately 35.6%, which was partially offset by a decrease in international prices of 12.5%.

In addition, in 2015, the Company recorded Ps. 1,988 million of revenue corresponding to the Crude Oil Production Stimulus Program (*Programa de Estímulo a la Producción de Petróleo Crudo*) set forth under Resolution 14/2015 of the Hydrocarbon Commission. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Resolution No. 14/2015 in the 2015 20-F.

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Revenues in 2014 were Ps. 141,942 million, representing a 57.5% increase compared to Ps. 90,113 million in 2013. Among the main factors contributing to the increase were:

Diesel revenues increased by Ps. 18,165 million, or 52.4%, primarily as a result of an increase in the average price for diesel mix of approximately 51.2% and an increase in sales volumes of approximately 0.8%;

Gasoline revenues increased by Ps. 11,325 million, or 64.0%, primarily as a result of an increase in the average price for gasoline mix of approximately 57.8% and an increase in sales volumes of approximately 3.9%;

Fuel oil revenues increased by Ps. 3,777 million, or 95.3%, primarily as a result of an increase in the average price for fuel oil of approximately 46.4% and an increase in sales volumes of 33.4% in 2014, which were directed primarily to the domestic electricity generation market; and

Natural gas revenues in the domestic market increased by Ps. 8,317 million, or 91.5%, primarily as a result of an increase in sales volumes of approximately 21.7%, which was driven by (i) increased production, (ii) the YSUR acquisition, accounting for an increase of revenues of approximately Ps. 1,476 million and (iii) increased sales of natural gas by YPF Energía Eléctrica, accounting for an increase in revenues of approximately Ps. 84 million. The increase was further due to an increase of 57.4% in the average sale price obtained by YPF in Argentine peso terms (or a 6% increase in U.S. dollar terms), which includes not only higher prices from third parties but also the Gas Plan, which increased the average prices obtained by YPF as a result of increasing YPF's natural gas production.

***Cost of sales***

Cost of sales in 2015 was Ps. 119,537 million, representing a 14.4% increase compared to Ps. 104,492 million in 2014. Among the main factors contributing to this increase were:

Fixed asset depreciation costs increased by Ps. 6,505 million, or 33.9%, primarily as a result of (i) increased investments in assets and (ii) overall increases in Argentine peso terms of the value of fixed assets, which was related to the depreciation of the Argentine peso against the U.S. dollar, which is the functional currency of the Company;

Total lifting costs increased by Ps. 5,994 million, or 26.2%, primarily as a result of an increase of the unit indicator, expressed in pesos, of 22.9% and the previously mentioned increase of crude oil and natural gas production;

Refining costs increased by Ps. 912 million, or 17.8%. This increase was driven by inflation, wage increases and a higher processing level of refineries as mentioned above;

Royalty payments increased by Ps. 1,535 million, or 15.5%, primarily as a result of increases of (i) Ps. 692 million related to crude oil production and (ii) Ps. 843 million related to natural gas production;

Transportation costs increased by Ps. 922 million, or 23.8%, mainly due to increases in rates in 2015;

Imported gasoline, diesel, and jet fuel, especially premium and ultradiesel, decreased by Ps. 4,425 million, or 41.5%, primarily as a result of lower international prices of 40.6% and lower purchase volumes of 16.1%;

Purchases of crude oil from third parties increased by Ps. 1,175 million, or 11.5%, primarily as a result of an increase in average prices charged by third parties in Argentine peso terms of approximately 6.6%, which was mainly related to the devaluation of the Argentine peso and an increase in purchased volumes of approximately 4.6%. In comparison, there was a 7.0% decrease in average prices charged by third parties in U.S. dollar terms;

Purchases of biofuels increased by Ps. 803 million, or 11.6%, primarily as a result of an increase in volume purchased of FAME and bioethanol of 7% and 30%, respectively, partially offset by an approximately 3.6% decrease in the price of FAME and a 5.7% decrease in the price of bioethanol. Additionally, insurance payments related to the losses suffered from an incident at our La Plata refinery in April 2013 were Ps. 615 million in 2015, compared to Ps. 2,117 million in 2014. This had a negative impact on cost of sales for the current period compared to the same period last year. In addition, with respect to the incident that affected the facilities of our oil treatment plant in Cerro Divisadero in Mendoza in March 2014, an insurance payment amount of Ps. 1,165 million was recorded in 2015, of which Ps. 794 million was recorded as a lower cost for purchases and Ps. 371 million as other operating income.

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Cost of sales in 2014 was Ps. 104,492 million, representing a 53.5% increase compared to Ps. 68,094 million in 2013. Among the main factors contributing to this increase were:

An increase in imported gasoline and diesel, especially premium and ultradiesel, of Ps. 2,745 million, or 42.4%, primarily as a result of devaluation of the Argentine peso against the dollar (slightly lower in U.S. dollars), while diesel imported volumes remained flat and gasoline imported volumes increased slightly;

A net increase in purchases of crude oil from third parties of approximately Ps. 2,267 million, or 28.6%, primarily as a result of an increase in average prices charged by third parties in Argentine peso terms of approximately 55.3%, which was mainly related to devaluation of the Argentine peso. In comparison, there was a 5% increase in average prices charged by third parties in U.S. dollar terms. This increase was partially offset by (i) a 527,000 cm decrease in purchased volumes, primarily as a result of higher than usual purchases of heavy crude oil during the first quarter of 2013 to supply higher fuel oil production for electricity generation and (ii) the inclusion of crude oil production of YSUR;

An increase in purchases of biofuels of Ps. 2,799 million, or 70.3%, primarily as a result of an approximately 37% increase in the price of fatty acid methyl esters, known as FAME, and a 50% increase in the price of bioethanol. The volumes purchased of FAME and bioethanol increased 5% and 49%, respectively;

An increase in fixed assets depreciation costs of Ps. 8,435 million, or 78.4%, primarily as a result of (i) increased investments in assets, (ii) overall increases in Argentine peso terms of the value of fixed assets, which was related to the devaluation of the Argentine peso against the U.S. dollar (which is the functional currency of the Company), (iii) increases in production volumes with a consequential effect on depreciation rates and (iv) the depreciation of additional assets incorporated as a result of the YSUR acquisition;

An increase in the costs of operational services and other repair and maintenance service contracts of Ps. 6,201 million, or 64.5%, primarily as a result of (i) increases in services provided in the Upstream business segment related to oil and natural gas production increases, (ii) operational costs linked to YSUR's operations since the acquisition in early 2014 and (iii) an overall increase in prices;

An increase in royalty payments of Ps. 3,617 million, or 65.7%, primarily as a result of increases of (i) Ps. 2,586 million related to crude oil production of YPF S.A., (ii) Ps. 543 million related to natural gas production of YPF S.A., (iii) Ps. 460 million related to crude oil and natural gas production of YSUR and (iv) Ps. 28 million related to crude oil and natural gas production of YPF Energía Eléctrica S.A. These increases resulted from higher production volumes and also from higher prices in Argentine peso terms, which were mainly related to the devaluation of the Argentine peso against the U.S. dollar;

Increases in salaries and other personnel expenses of Ps. 1,644 million or 30.9%, mainly as a result of negotiations and agreements with corresponding unions;

Increases in environmental provisions of Ps. 205 million, primarily as a result of developments related to environmental liabilities in both the Exploration and Production and Downstream business segments; and

An increase in other production costs of Ps. 323 million, primarily as a result of the acquisition and incorporation of YSUR in our consolidated financial statements.

These increases were partially offset by insurance compensation of Ps. 2,041 million recognized during 2014, which stemmed from YPF's insurance coverage related to the April 2013 La Plata refinery fire. This compensation was recorded primarily as lower costs for purchases. In relation to this event, in 2013 we recorded compensation of Ps. 1,479 million under other operating results, net by way of pecuniary damage compensation and Ps. 477 million in lost profits, which is reflected as lower costs for purchases. We used a similar approach to record the compensation in 2014.

#### ***Administrative expenses***

Administrative expenses in 2015 were Ps. 5,586 million, representing a 23.3% increase compared to Ps. 4,530 million in 2014, primarily as a result of increases in personnel costs and IT service contracts.

Administrative expenses in 2014 were Ps. 4,530 million, representing a 68.7% increase compared to Ps. 2,686 million in 2013, primarily as a result of increases in publicity and advertising expenses, personnel cost increases for wage increases, IT service contracts and higher expenses due to the incorporation into the consolidation process as a result of the acquisitions of Metrogas since the takeover of that company in May 2013 and YSUR, as discussed in Note 2 to the Audited Consolidated Financial Statements.

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**Table of Contents*****Selling expenses***

Selling expenses in 2015 increased to Ps. 11,099 million, representing a 9.7% increase compared to Ps. 10,114 million in 2014, primarily as a result of higher charges for product transportation, mainly related to increased rates of transportation fuels in the domestic market and higher volumes transported and sold and higher personnel cost. This increase was partially offset by lower export taxes, mainly due to the rate reduction established by Resolution No. 1077/2014, lower export volumes of crude oil and the fall in prices for exports of LPG and petrochemicals, as well as lower charges related to recoveries of provisions for doubtful accounts in the segment of natural gas distributors.

Selling expenses in 2014 increased to Ps. 10,114 million, representing a 33.6% increase compared to Ps. 7,571 million in 2013, primarily as a result of higher bank transaction taxes as a consequence of our increased activity and increased transportation fees for fuel products in the domestic market.

***Exploration expenses***

Exploration expenses in 2015 increased to Ps. 2,473 million, representing a 21.6% increase compared to the Ps. 2,034 million in exploration expenses in 2014, primarily as a result of an increase in exploration activities in which the Company made investments. Total investments in exploration increased to Ps. 503 million, representing a 22.2% increase compared to the total investment in exploration in 2014. In addition, negative results from unproductive exploratory drilling in 2015 compared to 2014 increased by Ps. 160 million. Additionally, expenditures for the performance of geological and geophysical studies increased by Ps. 253 million, mainly as a result of seismic survey studies in the Chachahuén and Zampal Norte areas in the province of Mendoza.

Exploration expenses in 2014 increased to Ps. 2,034 million, representing a 145.4% increase compared to Ps. 829 million in 2013, primarily as a result of an increase in the exploration activity in Argentina. In 2014, investments of exploration assets increased to Ps. 2,259 million, representing an approximately 149% increase compared to the previous year.

***Other operating results, net***

Other operating results, net in 2015 decreased to a loss of Ps. 853 million, representing a 17.2% decrease compared to a loss of Ps. 1,030 million in 2014. In 2015, while conducting an evaluation of impairment of fixed assets and intangible assets, the Company recognized an impairment of Ps. 2,535 million, which was recorded as other operating results, net. This impacted field assets in Argentina with reserves and production primarily of oil within the Upstream business segment by Ps. 2,361 million, driven mainly by lower estimated future oil prices. Field assets with oil production and intangible assets in the U.S. decreased by Ps. 174 million due to the decline in international crude oil prices.

In addition, our subsidiary Metrogas recorded additional revenues of Ps. 711 related to the temporary economic assistance established by Resolution No. 263/2015 of the Ministry of Energy. Also, the provision for contingencies increased by Ps. 650 million in connection with a ruling against YPF regarding a claim filed by the Union of Consumers and Users (Unión de Usuarios y Consumidores) for claims from 1993 to 1997. The claim alleges that excess fees were charged to GLP consumers during that period. In the fourth quarter of 2015, there was also a decrease in the provision for abandonment and dismantling obligations for wells of Ps. 524 million, mainly due to the agreement reached with our partner in the Magallanes area. In 2014, a provision of Ps. 1,227 million was recorded by Maxus Energy Corporation, a subsidiary of YPF Holdings, linked to third party claims based on alleged breach of contract. See Note 10 to the Consolidated Financial Statements.



Other operating results, net in 2014 decreased to a loss of Ps. 1,030 million, compared to income of Ps. 227 million in 2013, a decrease of Ps. 1,257 million. The net loss recorded in 2014 was primarily as a result of (i) a provision of Ps. 1,227 million that was recorded in 2014 by Maxus Energy Corporation, a subsidiary of YPF Holdings, which was related to third party claims based on alleged contractual responsibilities, which it is contesting (see Note 10 to the Audited Consolidated Financial Statements); (ii) revenues of Ps. 369 million recorded during 2014 from the sale of a 30% interest in the extension of the La Ventana concession area in the province of Mendoza to Sinopec; and (iii) the income for the transfer of assets to Pluspetrol (primarily Cerro Arena) for Ps. 188 million. The net income recorded in 2013 was primarily as a result of (i) expenses during the second quarter of 2013 related to the AESU and Transportadora de Gas del Mercosur ( TGM ) arbitration based on a partial award rendered by the International Chamber of Commerce Arbitration Tribunal; and (ii) revenue of Ps. 1,479 million recorded in 2013 corresponding to the accrual of insurance for material damage of the Coke A unit and Topping C unit, both as a result of the previously-discussed April 2, 2013 fire at the La Plata refinery.

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**Table of Contents*****Operating income***

Operating income in 2015 was Ps. 16,588 million due to the factors discussed above, representing a 16.0% decrease compared to Ps. 19,742 million in 2014.

Operating income in 2014 was Ps. 19,742 million, representing a 76.9% increase compared to Ps. 11,160 million in 2013.

***Financial results, net***

In 2015, financial results, net were an income of Ps. 12,157 million, representing a 586.1% increase compared to income of Ps. 1,772 million in 2014. The Company registered a higher positive foreign exchange difference in net monetary liabilities in pesos due to higher depreciation of the Argentine peso against the U.S. dollar in 2015 compared to the same period in 2014. The Company registered higher interest expenses as a result of higher average indebtedness and higher interest rates in 2015 compared to the same period in 2014. The average net debt in 2015 was Ps. 64,956 million, while the average net debt in 2014 was Ps. 30,362 million. The average net amount of financial indebtedness was calculated as the linear average of current and non-current loans at the beginning and end of the corresponding period, net of the linear average of cash and cash equivalents at the beginning and end of the corresponding period.

Financial results, net in 2014 were income of Ps. 1,772 million compared to income of Ps. 2,835 million in 2013, primarily as a result of higher net financial interest expenses due to overall higher levels of indebtedness and higher interest rates in 2014, which was partially offset by the effect of higher foreign exchange gains on net monetary liabilities in Argentine pesos related to the devaluation of the Argentine peso against the U.S. dollar. The average net amount of financial indebtedness in 2014 was Ps. 30,362 million, compared to Ps. 16,767 million in 2013. The average net amount of financial indebtedness was calculated as the linear average of current and non-current loans at the beginning and end of the corresponding period, net of the linear average of cash and cash equivalents at the beginning and end of the corresponding period.

***Income tax***

Income tax in 2015 was Ps. 24,637 million, representing a 86.3% increase compared to Ps. 13,223 million in 2014. This increase was due to higher deferred tax related to greater devaluation of the Argentine peso compared to 2014. This resulted in a deferred tax liability substantially higher than last year. In addition, a lower current tax was recorded in 2015 because the devaluation of the Argentine peso resulted in no current tax in 2015.

Income tax in 2014 was Ps. 13,223 million, representing a 42.7% increase compared to Ps. 9,269 million in 2013, primarily as a result of (i) an increase in current income tax payable of Ps. 4,479 million as a result of increased taxable income for the reasons discussed above and (ii) a decrease of deferred tax liabilities of Ps. 525 million.

***Net income and other comprehensive income***

Net income in 2015 was Ps. 4,426 million, representing a 50.0% decrease compared to Ps. 8,849 million in 2014.

Other comprehensive income in 2015 was Ps. 43,758 million, representing a 168.8% increase compared to Ps. 16,276 million in 2014. This increase was mainly attributable to higher appreciation of fixed assets.

As a result of the foregoing, total comprehensive income in 2015 was Ps. 48,184 million, representing a 91.8% increase compared to Ps. 25,125 million in 2014.

Net income in 2014 was Ps. 8,849 million, representing a 74.2% increase compared to Ps. 5,079 million in 2013.

Other comprehensive income in 2014 was Ps. 16,276 million, representing a 35.3% increase compared to Ps. 12,031 million in 2013, primarily as a result of higher currency translation difference of fixed assets, taking into account that the U.S. dollar is the functional currency of the Company and changes in the exchange rate.

As a result of the foregoing, total comprehensive income in 2014 was Ps. 25,125 million, representing an approximately 46.8% increase compared to Ps. 17,110 million during the same period in 2013, as a result of the factors discussed above.

### **Consolidated results of operations by business segment for the years ended December 31, 2015, 2014 and 2013**

In 2013, we reorganized our reporting structure by grouping the Chemical and Refining and Marketing business segments into a new Downstream business segment. We made this change primarily because of the common strategy shared by the former Chemical and Refining and Marketing segments, in light of the synergies involved in their activities to maximize the volume and quality of fuel offered to the market.

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The following table sets forth revenues and operating income for each of our business segments for the years ended December 31, 2015, 2014 and 2013:

	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of pesos)</b>		
<b>Revenues <sup>(1)</sup></b>			
<b>Exploration and production</b>			
Revenues	16,044	8,853	3,851
Revenue from intersegment sales <sup>(3)</sup>	64,243	61,844	38,846
<b>Total exploration and production</b>	<b>80,287</b>	<b>70,697</b>	<b>42,697</b>
<b>Downstream</b>			
Revenues	138,962	132,254	85,624
Revenue from intersegment sales	1,535	1,489	1,147
<b>Total refining and marketing</b>	<b>140,497</b>	<b>133,743</b>	<b>86,771</b>
<b>Corporate and other</b>			
Revenues	1,130	835	638
Revenue from intersegment sales	6,182	5,212	2,285
<b>Total corporate and other</b>	<b>7,312</b>	<b>6,047</b>	<b>2,923</b>
Less inter-segment sales and fees	(71,960)	(68,545)	(42,278)
<b>Total revenues</b>	<b>156,136</b>	<b>141,942</b>	<b>90,113</b>
<b>Operating income (Loss) <sup>(2)</sup></b>			
Exploration and production	7,535	12,353	6,324
Downstream	8,446	10,978	6,721
Corporate and other	(2,331)	(3,343)	(1,522)
Consolidation adjustments	2,938	(246)	(363)
<b>Total operating income</b>	<b>16,588</b>	<b>19,742</b>	<b>11,160</b>

(1) Revenues are net of payment of a fuel transfer tax and turnover tax. Customs duties on hydrocarbon exports are disclosed in Taxes, charges and contributions, as indicated in Note 6.n to the Audited Consolidated Financial Statements. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining revenues. See Note 1.b.15 to the Audited Consolidated Financial Statements.

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

- (3) Intersegment revenues of crude oil to Downstream are recorded at transfer prices that reflect our estimate of Argentine market prices.

*Exploration and Production*

Revenues from the Exploration and Production business segment in 2015 were Ps. 80,287 million, representing a 13.6% increase compared to Ps. 70,697 million in 2014.

Operating income in 2015 for the Exploration and Production business segment was Ps. 7,535 million, a decrease of 39.0% compared to Ps. 12,353 million in 2014. This decrease in operating income was principally due to the following factors:

The intersegment oil price measured in U.S. dollars decreased 8.4%, while increasing 4.5% in Argentine peso terms. Oil production in respect of our operations in Argentina in 2015 reached 248,500 barrels per day, representing a 2.1% increase compared to 2014. This contributed to the increase of 0.2 million cm of crude oil, or 1.7%, transferred from the Exploration and Production business segment to the Downstream business segment and a decrease of 167,000 cm of crude oil, or 26.2%, in sales to third parties.

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Natural gas production in respect of our operations in Argentina in 2015 reached 44.1 million cm per day, representing a 4.2% increase compared to 2014. With the exception of the YSUR production, all natural gas produced, net of internal consumption, is assigned to the Downstream segment for sale to third parties. Sales volumes increased 3.5% in 2015 compared to 2014. The Exploration and Production business segment records the average price obtained by YPF in such sales net of sales and marketing fees. The Exploration and Production segment also includes revenues from the Gas Plan, which increases the average prices obtained by YPF as a result of increasing YPF and YSUR's natural gas production. The average natural gas revenue recorded by the Company in 2015, including revenues from the Gas Plan, reached U.S.\$4.62 per million BTU, a 7.2% increase compared to U.S.\$4.31 per million BTU in 2014.

In addition, in 2015, the Company recorded Ps. 1,988 million corresponding to the Crude Oil Production Stimulus Program (*Programa de Estímulo a la Producción de Petróleo Crudo*) set forth by Resolution 14/2015 of the Hydrocarbon Commission. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Market Regulation Resolution No. 14/2015.

In addition, with respect to the incident that affected the facilities of our oil treatment plant in Cerro Divisadero in Mendoza in March 2014, an insurance payment of Ps. 1,165 million was recorded in 2015. Of this amount, Ps. 794 million was recorded as a lower cost for purchases and Ps. 371 million as other operating income.

All of this was partially offset by:

Total operating costs in respect of our operations in Argentina in 2015 were Ps. 67,744 million (excluding exploration costs and impairment charges), representing a 20.3% increase compared to Ps. 56,311 million in 2014. Among the main factors contributing to the increase were:

- i Fixed asset depreciation costs increased by Ps. 5,895 million, or 34.3%, primarily as a result of overall increases of the value of fixed assets in Argentine peso terms, which was related to the devaluation of the Argentine peso against the U.S. dollar, as well as increased investments in fixed assets and increased production;
- i Lifting costs increased by Ps. 5,994 million, or 26.2%, due to an increase of the unit indicator, expressed in pesos, of 22.9% and the increase of crude oil and natural gas production discussed above;
- i Royalty payments increased by Ps. 1,535 million, or 15.5%, primarily as a result of increases of (i) Ps. 692 million related to crude oil production and (ii) Ps. 843 million related to natural gas production.

Exploration expenses in 2015 increased to Ps. 2,473 million, representing a 21.6% increase compared to the Ps. 2,034 million in exploration expenses in 2014, primarily as a result of an increase in exploration activities in which the

Company made investments. Total investments in exploration increased to Ps. 503 million, representing a 22.2% increase compared to the total investment in exploration in 2014. In addition, negative results from unproductive exploratory drilling in 2015 compared to 2014 increased by Ps. 160 million. Additionally, expenditures for the performance of geological and geophysical studies increased by Ps. 253 million, mainly as a result of seismic survey studies in the Chachahuén and Zampal Norte areas in the province of Mendoza.

As discussed above, while conducting an evaluation of impairment of fixed assets and intangible assets, the Company recognized an impairment of Ps. 2,535 million, which was recorded as other operating results, net. This impacted field assets in Argentina with reserves and production primarily of oil within the Upstream business segment by Ps. 2,361 million, driven mainly by estimated future lower oil prices. Field assets with oil production and intangible assets in the U.S. decreased by Ps. 174 million due to the decline in international crude oil prices.

Revenues from the Exploration and Production business segment in 2014 were Ps. 70,697 million, representing a 65.6% increase compared to Ps. 42,697 in 2013.

Operating income for the Exploration and Production business segment in 2014 was Ps. 12,353 million, representing a 95.3% increase compared to Ps. 6,324 million in 2013. This increase in operating income was principally due to the following factors:

The intersegment oil price measured in U.S. dollars increased 2.2%, representing an approximately 51% increase in Argentine peso terms, which was related primarily to the devaluation of the Argentine peso against the U.S. dollar. Oil production in respect of our operations in Argentina in 2014 reached 235,700 barrels per day, representing a 2.0% increase, in addition to 7,800 barrels per day as a result of the YSUR acquisition. This contributed to the increase of 1.2 million cm of crude oil, or 9.3%, transferred from the Exploration and Production business segment to the Downstream business segment and a decrease of 212,000 cm of crude oil sales to third parties principally outside Argentina.

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Natural gas production in respect of our operations in Argentina in 2014 reached 37.6 million cm / day, representing approximately an 11.1% increase, in addition to a 4.8 million cm per day increase as a result of the YSUR acquisition. With the exception of the YSUR production, all natural gas produced, net of internal consumption, is assigned to the Downstream segment for sale to third parties. The Exploration and Production business segment records the average price obtained by YPF in such sales net of sales and marketing fees. The Exploration and Production business segment also includes revenues from the Gas Plan, which increases the average prices obtained by YPF as a result of increasing YPF and YSUR's natural gas production. The average gas income per million BTU recorded by the Company in 2014, including revenues from the Gas Plan, reached U.S.\$4.31 representing a 6.5% increase compared to U.S.\$4.05 per million BTU in 2013.

Total operating costs in respect of our operations in Argentina in 2014 were Ps. 56,311 million, (excluding exploration costs and impairment charges), representing a 58.4% increase compared to Ps. 35,544 million in 2013. Among the main factors contributing to the increase were:

Fixed asset depreciation costs increased by Ps. 7,589 million, or 79.1%, primarily as a result of overall increases of the value of fixed assets in Argentine peso terms, which was related to the depreciation of the Argentine peso against the U.S. dollar, as well as increased investments in fixed assets and increased production;

Operational services and other repair and maintenance service contract costs increased by Ps. 5,057 million, or 57.9%, primarily as a result of (i) increases in production activity, including crude oil and natural gas production, (ii) an increase in rates charged due to a general increase in prices and (iii) an increase in prices as a result of the depreciation of the Argentine peso;

Environmental expenditures and provisions increased by Ps. 282 million;

Royalty payments increased by Ps. 3,617 million, or 65.7%, principally due to increases of (i) Ps. 2,586 million relating to crude oil production of YPF S.A., (ii) Ps. 543 million relating to natural gas production of YPF S.A., (iii) Ps. 460 million relating to the production of crude oil and natural gas of YSUR and (iv) Ps. 28 million relating to the production of crude oil and natural gas of YPF Energía Eléctrica S.A. These increases resulted from higher production volumes and higher prices in Argentine pesos, which was principally due to depreciation of the Argentine peso against the U.S. dollar;

In 2014, we recorded revenues of Ps. 369 million for the sale of a 30% interest in the extension of the La Ventana concession area in the province of Mendoza to Sinopec and Ps. 188 million for the transfer of assets to Pluspetrol (primarily Cerro Arena). In 2013, expenses related to the AESU and TGM arbitration were recorded, based on a partial award rendered by the International Chamber of Commerce Arbitration Tribunal.



Exploration expenses in 2014 were Ps. 2,034 million, representing a 145.4% increase compared to Ps. 829 million in 2013, primarily as a result of an increase in domestic exploration activity. In 2014, investment in exploration assets increased to Ps. 2,259 million, representing an approximately 149% increase compared to the previous year.

*Downstream*

Revenues from the Downstream business segment in 2015 were Ps. 140.497 million, representing a 5.0% increase compared to Ps. 133.743 in 2014.

Operating income for the Downstream business segment in 2015 was Ps. 8.446 million, representing a 23.1% decrease compared to Ps. 10,978 million in 2014. This decrease in operating income is primarily due to the following factors:

The average volume of oil processed per day in YPF's refineries increased 2.9% to 299,000 barrels of oil per day, with diesel production increasing by 1.4%, gasoline by 7.6% and fuel oil by 10.4%;

Diesel revenues increased by Ps. 3,466 million, or 6.5%, as a result of an increase in the average price for diesel mix of approximately 11.0% with a decrease in sales volumes of approximately 0.4%, reflecting a 24.6% increase in sales volume of Eurodiesel, a premium diesel;

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Gasoline revenues increased by Ps. 4,780 million, or 15.8%, primarily as a result of an increase in the average price for gasoline mix of approximately 14.1% and an increase in sales volumes of approximately 3.6%, reflecting a 25.6% increase of sales volume for Infinia gasoline;

Fuel oil revenues increased by Ps. 697 million, or 9.0%, primarily as a result of an increase in the average price of fuel oil of approximately 2.3% and an increase in sales volumes of 6.6%;

Petrochemical products revenues decreased by Ps. 879 million, or 14.9%, mainly due to the fall in prices in both the domestic and international market;

LPG and aviation fuel sales to foreign markets decreased by Ps. 1,434 million, or 27.2%, mainly due to a decrease of international aviation fuel prices of approximately 31.9% which was partially offset by an increase in sales volumes of 6.9%;

Exports of flour, grain and oil increased by Ps. 570 million, or 18.6%, due to an increase in sales volumes of approximately 35.6% which was partially offset by a decrease in international prices of 12.5%.

All of this was partially offset by:

Oil prices increased in Argentine peso terms as a result of the devaluation of the Argentine peso against the U.S. dollar as well as higher volumes of crude oil transferred from the Exploration and Production business segment and an increase in the volume of crude oil purchased from third parties of approximately 4.6% (about 117,000 cm). The average purchase price in Argentine peso terms for crude oil transferred from the Exploration and Production business segment increased approximately 4.5% compared to an increase for oil purchased from third parties of approximately 6.6%. This variation in the percentage amounts is due to different mixes of grades of crude oil purchased from third parties;

Imported gasoline, diesel and jet fuel, especially premium and ultradiesel, decreased by Ps. 4,425 million, or 41.5%, primarily as a result of lower international prices of 40.6% and lower purchase volumes of 16.1%;

Purchases of biofuels increased by Ps. 803 million, or 11.6%, primarily as a result of an increase in volume purchased of FAME and bioethanol of 7% and 30%, respectively, partially offset by an approximately 3.6% decrease in the price of FAME and a 5.7% decrease in the price of bioethanol;

Production costs related to refining costs increased by Ps. 912 million, or 17.8%. This increase was driven by inflation wage increases, and also considering a higher processing level of refineries as mentioned above;

Fixed asset depreciation increased by Ps. 723 million, or 29.6%, primarily as a result of (i) increased investments in assets and (ii) an overall increase in fixed assets values in Argentine pesos, which was related to the depreciation of the Argentine peso against the U.S. dollar, which is the functional currency of the Company;

Selling expenses increased by Ps. 1,028 million, or 11.0%, primarily as a result of (i) higher product transportation charges, mainly related to increased costs for transportation related to increased fuel prices in the domestic market and (ii) higher volumes transported and sold. This increase was partially offset by lower withholdings over exports, mainly due to the rate reduction established by Resolution No. 1077/2014, the fall of export prices of LPG and petrochemicals and lower charges related to recoveries in provisions for indebtedness in the segment of natural gas distributors; and

The provision for contingencies increased by Ps. 650 million in connection with a ruling against YPF regarding a claim filed by the Union of Consumers and Users (*Unión de Usuarios y Consumidores*) for claims from 1993 to 1997. The claim alleges that excess fees were charged to GLP consumers during that period. See Note 10 to the Consolidated Financial Statements.

Our subsidiary Metrogas recorded additional revenues of Ps. 711 million related to the temporary economic assistance established by Resolution No. 263/2015 of the Ministry of Energy.

Revenues from the Downstream business segment in 2014 were Ps. 133,743 million, representing a 54.2% increase compared to Ps. 86,771 million in 2013.

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Operating income for the Downstream business segment in 2014 was Ps. 10,978 million, representing a 63.3% increase compared to Ps. 6,721 million in 2013. This increase in operating income is primarily due to the following factors:

The average volume of oil processed per day in YPF's refineries increased 4.6% to 290,000 barrels of oil per day, primarily as a result of the restoration of the refining capacity at the La Plata refinery after the damage on April 2, 2013 and, to a lesser extent, the increased availability of light crude in 2014.

An increase in diesel revenues of Ps. 18,165 million, or 52.4%, primarily as a result of an increase in the average price received for diesel mix of approximately 51.2% and an increase in sales volumes of approximately 0.8%;

An increase in gasoline revenues of Ps. 11,325 million, or 64.0%, primarily as a result of an increase in the average prices received for gasoline mix of approximately 57.8% and an increase in sales volumes of approximately 3.9%;

An increase in fuel oil revenues of Ps. 3,777 million, or 95.3%, primarily as a result of an increase in the average price received for fuel oil of 46.4% and an increase in sales volumes, mainly in the domestic market, of 33.4%;

An increase in petrochemical revenues of Ps. 1,989 million, or 50.9%, primarily in the local market as a result of an increase in the average prices received for methanol and aromatics and an increase in sales volumes, which increased revenues by Ps. 1,500 million. Exports increased by Ps. 489 million driven by higher sales volumes of methanol and generally higher prices in Argentine peso terms, which was partially offset by lower overall export volumes of solvents and light paraffinics; and

An increase in natural gas sales volumes and higher average prices received for sales to third parties, which increases the average prices obtained by YPF when increasing natural gas production. Sales volumes of natural gas, most of which are domestic, increased approximately 22%. This increase in natural gas sales had a positive effect on the Downstream results as a consequence of increased marketing fees.

All of this was partially offset by:

An increase in costs to purchase crude oil from third parties and the Exploration and Production business segment of Ps. 22,547 million, or 58.2%, primarily as a result of increases in crude oil prices in Argentine peso terms related to the devaluation of the Argentine peso against the U.S. dollar as well as higher volumes of crude oil transferred from the Exploration and Production business segment. This in turn was partially offset by a decrease in the volume of crude oil purchased from third parties of approximately 17% (about 527,000 cm). The average purchase price in Argentine peso terms for crude

oil transferred from the Exploration and Production business segment increased approximately 51% compared to an increase for oil purchased from third parties of approximately 55%. This variation in the percentage amounts is due to different mixes of grades of crude oil purchased from third parties;

An increase in the cost of imported gasoline and diesel, especially premium and ultradiesel, of Ps. 2,745 million, or 42.4%, primarily as a result of the effect of the devaluation of the Argentine peso (slightly lower in U.S. dollars), while diesel imported volumes remained flat and gasoline imported volumes increased slightly;

An increase in purchases of biofuels of Ps. 2,799 million or 70.3%, primarily as a result of an approximately 37% increase in the price of FAME and a 50% increase in the price of bioethanol. The volumes purchased of FAME and bioethanol increased 5% and 49%, respectively; and

An increase in production costs of Ps. 1,895 million, representing a 51.5% increase, primarily as a result of increases in (i) freight costs for transporting crude oil and raw material, (ii) fees for use of port facilities, (iii) contracted services rates for refinery repair and maintenance and (iv) insurance policies. These increases were driven by different factors, including general price increases in the economy and wage increases. Decreased costs were also recorded with respect to provisions for environmental liabilities of Ps. 77 million. As a result of these cost increases as well as increased refining activities, refining costs increased 45% in Argentine peso terms during 2014.

These increases to costs were partially offset by insurance compensation of Ps. 2,041 million recorded during 2014, which stemmed from YPF's insurance coverage related to the April 2013 La Plata refinery fire. This compensation was registered primarily as lower costs for purchases. In relation to this event, in 2013 we had recorded a gain of Ps. 1,479 million under Other (expense) income, net by way of pecuniary damage compensation and Ps. 477 million in lost profits, which is reflected as lower costs for purchases. We used with a similar approach to recording the income in 2014.

**Table of Contents***Corporate and other*

The operating loss for the Corporate and Other business segment in 2015 was a loss of Ps. 2,331 million, representing a 30.3% decrease compared to a loss of Ps. 3,343 million in 2014. The results in 2014 were affected mainly by a provision of Ps. 1,227 million recorded by our subsidiary Maxus Energy Corporation linked to third party claims based on alleged breach of contract. See Note 10 to the Consolidated Financial Statements. In addition, in 2015 higher costs from increased wages, social contributions and higher IT services costs were recorded.

The operating loss for the Corporate and Other business segment in 2014 was Ps. 3,343 million, representing a 120% increase compared to a loss of Ps. 1,522 million in 2013, primarily as a result of (i) a provision of Ps. 1,227 million, recorded in 2014 by Maxus Energy Corporation, a subsidiary of YPF Holdings, which was related to third party claims based on alleged contractual responsibilities, which it is contesting (see Note 10 to the Audited Consolidated Financial Statements); (ii) increased wages and social contributions; and (iii) higher fees for services and publicity and advertising, all of which was partially offset by improved results from our subsidiary A-Evangelista S.A.

**Liquidity and Capital Resources***Financial condition*

Total loans outstanding as of December 31, 2015, 2014 and 2013 were Ps. 105,751 million, Ps. 49,305 million and Ps. 31,890 million, respectively, consisting of (i) current loans (including the current portion of non-current loans) of Ps. 27,817 million and non-current loans of Ps. 77,934 million as of December 31, 2015, (ii) current loans of Ps. 13,275 million (including the current portion of non-current loans) and non-current loans of Ps. 36,030 million as of December 31, 2014 and (iii) current loans of Ps. 8,814 million (including the current portion of non-current loans) and non-current loans of Ps. 23,076 million as of December 31, 2013. As of December 31, 2015, 2014 and 2013, 74%, 66%, and 60% of our loans were denominated in U.S. dollars, respectively.

In the past we have repurchased certain of our publicly-traded bonds in open market transactions on an arms-length basis. As of December 31, 2015, we had repurchased U.S.\$41.9 million of our outstanding bonds. We may, from time to time, make additional purchases of, or effect other transactions relating to, our publicly-traded bonds if, in our own judgment, the market conditions are attractive.

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

	<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of pesos)</b>		
Net cash flows provided by operating activities	41,404	46,154	20,964
Net cash flows used in investing activities	(64,049)	(53,405)	(22,201)
Net cash flows provided by financing activities	23,665	4,986	6,979
Translation differences generated by cash and equivalents	4,609	1,310	224
Net (decrease) increase in cash and equivalents	5,629	(955)	5,966
Cash and equivalents at the beginning of period	9,758	10,713	4,747

Cash and equivalents at the end of period	15,387	9,758	10,713
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Net cash flows provided by operating activities were Ps. 41,404 million in 2015 compared to Ps. 46,154 million in 2014. This 10% decrease was primarily attributable to the increase in working capital in 2015, related to the accrual of accounts receivable, including the Crude Oil Production Stimulus Program and the Gas Plan and higher income tax, which was partially offset by higher operating income of the Company, without considering depreciation of fixed assets and increased non-cash provisions, which did not involve expenditures. We believe that, given the high level of cash flow provided by operating activities, including our expectation of reducing accounts receivable from transactions with government entities (see Item 3. Key Information Risk Factors A significant percentage of our cash flow from operations is derived from counterparties that are governmental entities ), our working capital is reasonable for the current requirements of the Company.

Net cash flows provided by operating activities were Ps. 46,154 million in 2014, compared to Ps. 20,964 million in 2013. This 120% increase was primarily attributable to better operating results, without considering depreciation of fixed assets and increased non-cash provisions. See Note 10 to the Audited Consolidated Financial Statements. In addition, in 2014 we collected Ps. 1,689 million in insurance payments for lost profits in connection with the La Plata refinery fire in April 2013.

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Cash flows used in investing activities were Ps. 64,049 million in 2015, compared to Ps. 53,405 million in 2014, representing a 19.9% increase compared with 2014, which related mainly to investments made by our Exploration and Production business segment and investment in our refineries. This was partially offset by the fact in 2014 we registered the acquisitions of YSUR and the additional interests in the Puesto Hernández, Lajas, La Amarga Chica and Bajada de Añelo areas as well as the collection of insurance payments for material damages related to the incident suffered by our La Plata refinery in April 2013.

Cash flows used in investing activities were Ps. 53,405 million in 2014, compared to Ps. 22,201 million in 2013, representing a 140.6% increase, which related mainly to investments made by our Exploration and Production segment and investment in our refineries, and also considering the contributions of capital investments in companies, for a total of Ps. 29,731 million, including the acquisitions of YSUR, and additional interests in the Puesto Hernández, Lajas, La Amarga Chica and Bajada de Añelo areas. Moreover, there was also a lower collection from sale of fixed assets and intangible assets of Ps. 3,291 million, based on 2014 revenues from the sale of assets to Pluspetrol and partial sales extensions concessions of La Ventana and Magallanes concessions, which in 2013 included the collection from the investment agreement with Chevron in the Loma Campana area. There is also the collection in 2014 of Ps. 1,818 million in property damage insurance, related to the loss suffered by our La Plata refinery in 2013.

Net cash flows provided by financing activities in 2015 were Ps. 23,665 million, which came primarily from the issuance of notes in the local market and international markets, net of repayments of principal and interest, including issuance of notes in the international debt capital markets for an aggregate principal amount of U.S.\$2.1 billion.

Net cash flows provided by financing activities in 2014 were Ps. 4,986 million, which came primarily from the issuance of notes in the local market and international markets, net of repayments of principal and interest, including issuance of notes in the international debt capital markets for an aggregate principal amount of U.S.\$1.06 billion, which was the largest made by an Argentine company in history.

In 2015, at the shareholders' ordinary and extraordinary general meeting held on April 30, 2015, a dividend of Ps. 503 million (Ps. 1.28 per share or ADS) was authorized for payment in 2015. In 2014, at the shareholders' general ordinary and extraordinary meeting held on April 30, 2014, and its continuation on May 21, 2014, a dividend of Ps. 464 million (Ps. 1.18 per share or ADS) was authorized for payment in 2014. In 2013, at the ordinary and extraordinary general shareholders' meeting held on April 30, 2013 and its continuation on May 30, 2013, a dividend of Ps. 326 million (Ps. 0.83 per share or ADS) was authorized for payment in 2013.

A Global Medium-Term Notes Program was approved at a shareholders' meeting held on January 8, 2008 for an amount up to U.S.\$1.0 billion. On September 13, 2012 and on April 30, the shareholders' meeting approved the increase of the amount of the program, mentioned above, for an amount of U.S.\$2.0 billion each time, resulting in a maximum nominal amount in circulation at any time under the program of U.S.\$5.0 billion, or its equivalent in other currencies, and providing the use of the proceeds to cover all alternatives contemplated by Article 36 of Law No. 23,576 of Negotiable Obligations and Supplementary rules. On February 5, 2015, the shareholders' meeting resolved by a majority of computable votes to approve the increase of the amount of the Company's Global Medium-Term Notes Program of U.S.\$5.0 billion or its equivalent in other currencies by U.S.\$3.0 billion, resulting in the total maximum nominal amount outstanding under the program at any time becoming U.S.\$8.0 billion, or its equivalent in other currencies, or a lower amount as may be determined by the Board of Directors.

Under the Global Medium-Term Notes Program, the Company issued several series of notes in the local and international markets at different interest rates. All such securities are authorized to be traded on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and the Electronic Open Market (*Mercado Abierto Electrónico*) in Argentina. In addition, in 2013 we acquired the control of GASA, including our controlled company



Metrogas S.A., which has outstanding notes for an amount of Ps. 2,091 million as of December 31, 2015. For additional information about the outstanding notes of YPF S.A. and our controlled companies as of December 31, 2015, see Note 2 and 6.j to the Audited Consolidated Financial Statements.

The following table sets forth our commitments for the periods indicated below with regard to the principal amount of our debt, as of December 31, 2015, plus accrued but unpaid interest as of that date:

	<b>Total</b>	<b>Less than 1 year</b>	<b>Expected Maturity Date</b>					<b>More than 5 years</b>
			<b>1 2 Years</b>	<b>2 3 Years</b>	<b>3 4 Years</b>	<b>4 5 Years</b>		
			<b>(in millions of pesos)</b>					
Loans	105,751	27,817	6,888	21,928	3,892	5,914	39,312	

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For detailed information regarding our indebtedness, see Note 2.i to the Audited Consolidated Financial Statements.

**Contractual obligations**

The following table sets forth information with regard to our commitments, expressed in U.S. dollars, under commercial contracts for the periods indicated below, as of December 31, 2015:

Contractual Obligations	Total	Less than 1	1 3	3 5	More than 5
		year	Years	Years	years
(in millions of U.S.\$) <sup>(5)</sup>					
Debt <sup>(1)</sup>	11,983	2,792	3,567	1,560	4,064
Operating lease obligations	864	284	352	196	31
Purchase obligations <sup>(2)</sup>	2,857	1,952	682	198	26
Purchases of services	1,955	1,088	643	198	26
Purchases of goods	903	864	38	0	0
LPG	2	2	0	0	0
Electricity	18	11	7		
Gas	6	5	0	0	0
Steam	14	5	9		
Others	863	841	22		
Other liabilities <sup>(3)(6)</sup>	9,755	3,990	1,420	1,459	2,886
Total <sup>(3)(4)</sup>	25,459	9,018	6,021	3,413	7,008

- (1) These projected amounts include interest due during all the periods presented. Interest on variable rate instruments is calculated using the rate as of December 31, 2015 for all periods. See additionally Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Covenants in our indebtedness.
- (2) Includes purchase commitments under commercial agreements that do not provide for a total fixed amount, which have been valued using our best estimates. Accordingly, our actual purchase obligations may differ from the estimated amounts shown in the table.
- (3) Provisions for contingent liabilities under commercial contracts, which amounted to U.S.\$810 million as of December 31, 2015, are not included in the table above since we cannot, based on available evidence, reasonably estimate the settlement dates of such contingencies.
- (4) In addition to the contractual obligations detailed in the preceding table, we are also committed to carry out exploration activities in certain exploration areas and to make certain investments and expenditures until the expiration of some of our concessions. These commitments amounted to U.S.\$22.1 million as of December 31, 2015.
- (5) The table is presented in U.S.\$, which is the Company's functional currency, and not in its reporting currency, as the majority of the Company's contractual obligations are originally denominated in U.S.\$.
- (6) Includes accounts payable, salaries and social security, taxes payable, provisions for pensions, provisions for environmental liabilities and provisions for hydrocarbon wells abandonment obligations as set forth in our audited consolidated financial statements included as of December 31, 2015.

We have additional commitments under guarantees. For a discussion of these additional commitments see Guarantees provided.

**Covenants in our indebtedness**

Our financial debt generally contains customary covenants. With respect to a significant portion of our loans totaling Ps. 105,751 million, including accrued interest (current and non-current debt) as of December 31, 2015, we have agreed, among other things and subject to certain exceptions, not to establish liens or charges on our assets. In addition, approximately 51.5% of our loans outstanding as of December 31, 2015 were subject to financial covenants related to our leverage ratio and debt service coverage ratio.

Regarding our outstanding notes amounting to Ps. 83,962 million as of December 31, 2015, the holders of such notes may, upon an event of default, declare due and immediately payable the principal and accrued interest on amounts owed to them.

Almost all of our total outstanding financial debt is subject to cross-default provisions. As a result of these cross-default provisions, a default on our part or, in certain cases, 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.

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As of the date of this annual report, none of our debt is under any event of default that could trigger an acceleration provision. As of December 31, 2015, we were in compliance with all covenants in connection with our indebtedness.

***Guarantees provided***

As of December 31, 2015, we have issued letters of credit in an aggregate total amount of U.S.\$27 million to guarantee certain environmental obligations and guarantees in an aggregate amount of U.S.\$199 million in relation with the performance of contracts of certain of our controlled companies.

In addition, see Note 11.c to the Audited Consolidated Financial Statements for a description of the transaction we entered into with Chevron.

***Capital investments, expenditures and divestitures***

Capital investments and expenditures

Capital investments in 2015 totaled Ps. 62,209 million. The table below sets forth our capital expenditures and investments by activity for each of the years ended 2015, 2014 and 2013.

	2015		2014		2013	
	(in millions of pesos)	(%)	(in millions of pesos)	(%)	(in millions of pesos)	(%)
Capital expenditures and investments(1) Exploration and Production	50,927	82	42,408	81	24,807	82
Downstream	9,343	15	8,392	16	4,903	16
Corporate and Other	1,939	3	1,408	3	453	2
Total	62,209	100%	52,208	100%	30,163	100%

(1) Includes acquisitions of fixed assets and exploration expenses, net of unproductive drilling expenses and well abandonment costs.

Our strategy intends to reaffirm our commitment to creating a new model of the Company in Argentina which aligns our objectives, seeking profitable and sustainable growth that generates shareholder value, with those of the country, thereby positioning YPF as an industry-leading company aiming at the reversal of the national energy imbalance and the achievement of hydrocarbon self-sufficiency in the long term.

To achieve the goals set forth above, we intend to focus on (i) continuing to increase production, especially of natural gas; (ii) improving efficiency and productivity to enable us to adapt to a scenario of a prolonged decline in international oil prices; (iii) increasing exploration of mature areas; (iv) developing unconventional resources; (v) improving our capacity to refine in order to accommodate the growth in demand for refined products; (vi) exploring conventional and unconventional resources and pushing the limits of existing deposits and exploring

new frontiers, including offshore, and (vii) maintaining a solid capital structure. The investment plan related to our growth needs to be accompanied by an appropriate financial plan, whereby we intend to reinvest earnings, search for strategic partners and acquire debt financing at levels we consider prudent for companies in our industry. Consequently, the financial viability of these investments and hydrocarbon recovery efforts will generally depend, among other factors, on the prevailing economic and regulatory conditions in Argentina, the ability to obtain financing in satisfactory amounts at competitive costs, as well as the market prices of hydrocarbon products. See Item 3. Key Information Risk Factors Risks Relating to Argentina and Item 5. Operating and Financial Review and Prospects Factors Affecting Our Operations for additional information regarding 2016 activity.

*Capital divestitures*

We have not made any significant divestitures in the past three years.

**Quantitative and Qualitative Disclosures about Market Risk**

For a description of our exposure to market risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

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### **Off-Balance Sheet Arrangements**

We do not have any material off-balance sheet agreements. Our off-balance sheet agreements are described in Liquidity and Capital Resources Guarantees provided.

### **Research and Development, Patents and Licenses, etc.**

For a description of our research and development policies, see Item 4. Information on the Company Research and Development.

## **ITEM 6. Directors, Senior Management and Employees Management of the Company**

On May 3, 2012, the Argentine congress enacted the Expropriation Law. Among other matters, the Expropriation Law provided for the expropriation of 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol and its controlled or controlling entities. The shares subject to expropriation, which have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed.

The Expropriation Law states that YPF shall continue as a publicly traded corporation and the management of the shares subject to expropriation shall be carried out according to the following principles: (i) strategic contribution of the Company to the aims established in the Expropriation Law; (ii) the management of the Company in accordance with the best industry and corporate governance practices, preserving the interests of the Company's shareholders and creating value for them; and (iii) the professional management of the Company.

The information provided below describes the composition and responsibilities of our Board of Directors and committees as of the date of this annual report.

### **Board of Directors**

#### *Composition of our Board of Directors*

Our business and affairs are managed by the Board of Directors in accordance with our by-laws and the Argentine Corporations Law). Our by-laws provide for a Board of Directors of eleven to 21 members, and up to an equal number of alternates. Alternates are those elected by the shareholders or the Supervisory Committee, when applicable, to replace directors who are absent from meetings or who are unable to exercise their duties, when and for whatever period appointed to do so by the Board of Directors. Alternates have the responsibilities, duties and powers of directors only if and to the extent they are called upon to attend board meetings and as long as they perform the duties of a director.

Directors shall hold office from one to three years, as determined by the shareholders' meetings.

Since the Board of Directors Meeting held on December 22, 2015, our Board of Directors is composed of 15 directors and seven alternates.

In accordance with our by-laws, the Argentine government, as the sole holder of Class A shares, is entitled to elect one director and one alternate.

Under the Argentine Corporations Law, a majority of our directors must be residents of Argentina. All directors must establish a legal domicile in Argentina for service of notices in connection with their duties.

Our by-laws require the Board of Directors to meet at least once every quarter in person or by video conference, and a majority of directors is required in order to constitute a quorum. If a quorum is not met one hour after the start time set for the meeting, the President or his substitute may invite alternates of the same class as that of the absent directors to join the meeting, or call a meeting for another day. Resolutions must be adopted by a majority of the directors present (including those connected by video conference), and the President or his substitute is entitled to cast the deciding vote in the event of a tie.

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The current members of our Board of Directors, the year in which they were appointed and the year their term of appointment expires is as follows:

<i>Name</i>	<i>Position</i>	<i>Age</i>	<i>Director Since</i>	<i>Term Expiration</i>
Miguel Galuccio (6)(7)	Chairman, Chief Executive Officer (CEO) and Director	47	2015	2016
Jorge Marcelo Soloaga (6)	Director	58	2015	2016
Gustavo Alejandro Nagel (6)	Director	48	2015	2016
Néstor José Di Pierro (1)	Director	60	2015	2016
Juan Franco Donnini (1)	Director	32	2015	2016
Enrique Andrés Vaquié (1)	Director	51	2015	2016
Nicolás Alfredo Trotta (2)	Director	40	2015	2016
Carlos Alberto Felices (3)	Director	70	2015	2016
Miguel Ángel Gutiérrez (3)	Director	57	2015	2016
Daniel Gustavo Montamat (3)	Director	61	2015	2016
Fabián Jorge Rodríguez Simón (3)	Director	57	2015	2016
Fernando Dasso (6)	Director and Human Resources Vice President	50	2015	2016
Daniel Cristian González Casartelli (6)	Director	46	2015	2016
Carlos Alberto Alfonsi (6)	Director and Downstream Executive Vice President	55	2015	2016
Emilio José Apud (4)	Director	70	2015	2016
Sergio Affronti (6)	Alternate Director and Shared Services Vice President	46	2015	2016
Omar Gutiérrez	Alternate Director	48	2015	2016
Luis Gustavo Villegas (5)	Alternate Director	43	2015	2016
Lucio Mario Tamburo (5)	Alternate Director	55	2015	2016
Pedro Martín Kerchner Tomba (5)	Alternate Director	41	2015	2016
Fernando Pablo Giliberti (6)	Alternate Director and Strategy and Business Development Vice President	49	2015	2016
Jesús Guillermo Grande (6)	Alternate Director and Upstream Executive Vice President	47	2015	2016

- (1) Messrs Di Pierro, Donnini and Vaquié were designated by the Supervisory Committee and assumed the position of Directors at the Board of Directors meeting held on December 22, 2015, replacing Messrs. Jorge Manuel Gil, Ignacio Perincioli and Omar Chafi Félix, respectively, who resigned.
- (2) Designated by the Supervisory Committee and assumed the position of Director at the Board of Directors meeting held on November 5, 2015, replacing Mrs. Andrea Mariana Confini, who resigned.
- (3) Designated by the Supervisory Committee and assumed the position of Director at the Board of Directors meeting held on December, 22, 2015, replacing Messrs. Rodrigo Cuesta, Nicolás Marcelo Arceo, Patricia María Charvay and Juan Franco Donnini, who resigned.
- (4) Representing our Class A shares.



- (5) Messrs Villegas, Tamburo and Kerchner Tomba were designated by the Supervisory Committee and assumed the position of Alternate Directors at the Board of Directors meeting held on December 22, 2015, replacing Messrs. Oscar Alfredo Cretini, Edgardo Raúl Valfré and Francisco Ernesto García Ibáñez, respectively, who resigned.
- (6) As of March 8, 2016, the person owns less than one percent of our Class D shares.
- (7) On March 9, 2016 our Chairman and CEO Miguel Galuccio announced that he will step down at the end of his term, which ends at our next annual shareholders meeting, expected to be held in April 2016.

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The Chairman of the Board of Directors, who, according to our by-laws, must be a Class D director, was elected by the Board of Directors in the meeting held on April 30, 2015. All other officers serve at the discretion of the Board of Directors and may be terminated at any time without notice.

Pursuant to the information published by the Ministry of Energy and Mining, Mr. Miguel Ángel Gutiérrez will be proposed as President of YPF once the term of Mr. Miguel Galuccio ends, as discussed above. Furthermore, the Ministry of Energy and Mining has stated that the Argentine government will propose to separate the positions of President and CEO. To fill this position, a national and international search process has commenced. See Item 3. Key Information Risk Factors Our performance is largely dependent on recruiting and retaining key personnel.

## **Outside business interests and experience of the members of our Board of Directors**

### *Miguel Galuccio*

Mr. Galuccio holds a degree in oil engineering from the Technological Institute of Buenos Aires. Until April 16, 2012, Mr. Galuccio was part of the management team of Schlumberger in London. He has more than 20 years of international experience in the oil and gas industry. During his career at Schlumberger, he held the positions of Real Time Reservoir Manager, Mexico and Central America General Manager, President of Integrated Project Management IPM and President of Production Management. In 2011, he created the strategic Schlumberger Production Management division, based in London, which he led until joining YPF. Throughout his career at Schlumberger, Mr. Galuccio led companies and working teams in the United States, Middle East, Asia, Europe, Latin America, Russia and China. Prior to joining Schlumberger, he worked at YPF where he participated in the Company's internationalization process as Manager within Maxus Energy. During his career at YPF, he held among others the positions of Development Manager YPF Division South, Asset Manager Advisor at Maxus YPF International and Business Unit Manager at Maxus YPF International. On May 7, 2012, through Decree No. 676/2012 of the National Executive Office, Mr. Galuccio was appointed General Manager of the Company during the Intervention period and was appointed Chairman of the Company by the General Shareholders Meeting held in June 4, 2012 and was appointed CEO of the Company by the Board of Directors meeting held on June 4, 2012. Currently he has been the Chairman of the Board and CEO since June 2012.

On March 9, 2016 our Chairman and CEO Miguel Galuccio announced that he will step down at the end of his term, which ends at our next annual shareholders meeting, expected to be held in April 2016. He has committed to supporting the Board of Directors to ensure an orderly transition and cooperating in the search for his replacement.

### *Jorge Marcelo Soloaga*

Mr. Soloaga graduated from the Industrial School in Caleta Olivia as a chemical technician. Currently, he is an employee of the Company and is Chairman of the commune of Cañadón Seco since 2015. Since 1993, he has acted as General Secretary of the Oil and Hydrocarbon Union (*Sindicato Unido Petroleros e Hidrocarburiíferos*), in Santa Cruz. Among other offices, he served as a member of congress in the low chamber of the province of Santa Cruz for the period between 1985 and 1989.

### *Gustavo Alejandro Nagel*

Mr. Nagel graduated as an industrial engineer with a major in mechanics from the National University of the Comahue in Neuquén, and was awarded a master's degree in business administration from the International School of Business. He has served at Skanska as the head of Teams and Maintenance (southwest affiliate), as Service and Operations team leader in Venezuela, as business area manager in Neuquén, Mendoza and Rosario), as Oil and Gas

manager for Argentina and Bolivia and country manager for the Andean Region, among other positions. He was the Undersecretary of Planning and Public Services in the province of Neuquén. Currently, he is the Director Representative for the Province of Neuquén at Hidroelectrica Piedra del Águila.

*Néstor José Di Pierro*

Mr. Di Pierro served among other positions, as Deputy in the Legislature of the Province of Chubut between 1991 and 1995, as Secretary of Social Welfare of the Municipality of Comodoro Rivadavia, Province of Chubut, between 1995 and 1999 and as Councilman in the Deliberative Council of Comodoro Rivadavia between 1999 and 2001. He was appointed Controller of Petrominera Chubut S.E. between 2003 and 2009. Additionally, he was President of Correo Oficial de Argentina S.A. between 2009 and 2011. He served as Mayor of the Municipality of Comodoro Rivadavia from 2011 to December 2015.

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*Juan Franco Donnini*

Mr. Donnini earned an economics degree from the Argentine University of Business ( UADE ). He has completed a specialization in economy of oil and natural gas at the Technological Institute of Buenos Aires and earned a master s degree in finance from CEMA University. Among other positions, he served as Advisor in the Mining, Energy and Combustible Commission at the Senate in 2012 and as Advisor at the Undersecretary of Economic Policy and Development Planning at the National Ministry of Economy and Public Finance in 2013. Additionally, he worked as Administrative Secretary of the Planning and Strategic Coordination of the National Plan of Hydrocarbon Investments Commission and was Undersecretary of Economic Policy at the National Ministry of Economy and Finance. He is currently Minister of Economy and Public Works for the Province of Santa Cruz.

*Enrique Andrés Vaquié*

Mr. Vaquié obtained an economics degree from the National University of Cuyo and has a master s degree in public policy from the Torcuato Di Tella Institute. He served as Undersecretary of Finance of the Province of Mendoza, Minister of Finance of the Province of Mendoza, from 1999 to 2001 and provincial Senator, from 2003 to 2007. He worked as an economic consultant from 2008 to 2011. In addition, he was Advisor of the National Vice-Presidency from 2009 to 2011. He was elected National Deputy for the Province of Mendoza from 2011 to 2015. Currently, he is the Minister of Economics, Infrastructure and Energy of the Province of Mendoza.

*Nicolás Alfredo Trotta*

Mr. Trotta earned a law degree from the Belgrano University and is a doctoral candidate in education at the Philosophy and Arts School at the University of Buenos Aires ( UBA ). He is also a professor at the Belgrano University. Among other positions, he served in several public functions in the Chief Cabinet of Ministers and also in the Autonomous City of Buenos Aires. Currently, he is Dean of the University for Education and Work and President of the UMETEC Foundation.

*Carlos Felices*

Mr. Felices holds a bachelor s degree in business administration from UBA and postgraduate studies in the U.S. He worked in various capacities at Pfizer Inc. He served in Argentina as Treasurer, in Brazil as CFO and in the U.S. as Director of Administration for Latin America. From 1993 to 2002, he worked for YPF, eventually serving as CFO. He was later appointed CEO of Telecom Argentina S.A. until 2007 and Chairman of the Board of Directors of Telecom Argentina S.A. until April 2008.

*Daniel Gustavo Montamat*

Mr. Montamat holds a degree in Economics, Certified Public Accountant and Law. He has two doctoral degrees in Economic Sciences and in Law and Social Sciences, both from the Catholic University of Córdoba. He obtained a master s degree in Economy from Michigan State University in the U.S. Among other positions, he was Director of Gas del Estado, Director and President of YPF S.E. and Secretary of Energy of Argentina. In 1991, he founded Montamat & Asociados in the Autonomous City of Buenos Aires, where he is the Executive Director. Currently, he is a consultant at the World Bank and the Inter-American Development Bank. He is a postgraduate professor of the Energetic Regulation Study Centre of UBA.

*Miguel Ángel Gutiérrez*

Mr. Gutiérrez is a founding partner of The Rohatyn Group, where he is in charge of private investments, real estate, infrastructure and renewable energy activities. From 1980 to 2001, he held various positions at J.P. Morgan, where he became Managing Director responsible for Global Emerging Markets and a member of the Management Committee for Global Markets. In addition, he served as Chairman of the Board of Directors of Autopistas de Oeste S.A. and he was the President and CEO of Grupo Telefonica de Argentina S.A. Currently, he is a member of the Consultative Council of CIPPEC, the Economic and Social Council of the University Torcuato Di Tella, the International Advisory Board of the IAE Business School and the Council of the Fundación Cruzada Argentina.

*Fabián Jorge Rodríguez Simón*

Mr. Rodríguez Simón earned a law degree from UBA and completed coursework at Harvard Law School. Among other positions, he served as Advisor to the Mayor of the Autonomous City of Buenos Aires, as Chief of Staff of the Ministry of Environment and Public Space of the Autonomous City of Buenos Aires between 2007 and 2009, and President of the Commission Act 1840 Zero Waste. He was a founding partner of Llerena & Abogados and was Director of its Executive Committee. He is a member of the Governing Council of the Instituto de Empresa (Madrid) and is President of the Fundación Pericles (Buenos Aires). Currently, he is senior partner of AlfaLegalGroup.

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*Fernando Dasso*

Mr. Dasso earned a degree in labor relations from UBA and completed a management development program at IAE in 1993 company. He has held various positions within the Company. In 2006, he was appointed Director of Human Resources of Argentina, Bolivia and Brazil of the Exploration and Production business. He has been our Human Resources Vice President since July 2007.

*Daniel Cristian González Casartelli*

Mr. Gonzalez is the President of the Disclosure Committee. Daniel Gonzalez holds a degree in business administration from the Argentine Catholic University. He served for 14 years in the investment bank Merrill Lynch & Co in Buenos Aires and New York, holding the positions of Head of Mergers and Acquisitions for Latin America and President for the Southern Cone (Argentina, Chile, Peru and Uruguay), among others. While at Merrill Lynch, Mr. Gonzalez played a leading role in several of the most important investment banking transactions in the region and was an active member of the firm's global fairness opinion committee. He remained a consultant to Bank of America Merrill Lynch after his departure from the bank. Previously, he was Head of Financial Planning and Investor Relations in Transportadora de Gas del Sur SA. He currently is also member of the Board of Directors of Adecoagro S.A. Mr. Gonzalez has been our Chief Financial Officer since July 2012.

*Carlos Alberto Alfonsi*

Mr. Alfonsi graduated with a degree in chemistry from the Technological University of Mendoza. Additionally, he has a degree in IMD Managing Corporate Resources from Lausanne University and has studied at the Massachusetts Institute of Technology. Since 1987, he has held various positions at the Company, serving as an operations manager, Director of the La Plata refinery, Operation Planning Director, Director of Commerce and Transportation for Latin America, Director of Refinery and Marketing in Peru, Country Manager for Peru and R&M for Peru, Chile, Ecuador and Brazil. Mr. Alfonsi has been our Downstream Executive Vice President since June 2010.

*José Emilio Apud*

Mr. Apud graduated as an industrial engineer from the Engineering School of UBA. He completed postgraduate degrees in Energy Economics and Management Control of Large Projects at the Engineering School of UBA, in Regional Economic Analysis at the Institute for Economic and Social Development Di Tella Institute; and obtained a postgraduate specialization in Energy Conservation at Dupont WL, in the U.S. Among other positions, he served as Director of CAMMESA and Secretary of Energy and Mining of Argentina, in 2001. He was Founder and Vice President of IAE, Energy Institute G. Mosconi, between 1983 and 1989. He has owned Apud & Associates, a consulting firm in energy and the environment, since 2005. He serves as partner and director of AMPAR, a Paraguayan consulting firm and of Ecoriental, an Uruguayan consulting firm. In addition, he serves as Chairman of BAE S.A., a builder and developer, as Counselor at the Fundación Libertad y Progreso and as member of Fundación Pensar.

*Sergio P. Affronti*

Mr. Affronti earned a certified public accountant degree and a degree in business administration from the Argentine Catholic University, and a degree from the Management and Engineering Program of the University of Texas, Austin. He has more than 20 years of experience in the oil and gas industry in Latin America, Europe and North Africa. Among other positions, he was Strategic Planning Manager for YPF Upstream Latin America, Country and General Manager for Repsol in Ecuador, Director for Corporate Development for Repsol Upstream, Director of Procurement

for Repsol Upstream, Director of Planning and Control for Europe, Asia and Africa for Repsol Upstream and Technical Planning Director for Algeria projects. He has been our Shared Services Vice President since June 2012.

*Omar Gutiérrez*

Mr. Gutiérrez obtained a certified public accountant degree from National University of the Comahue in Neuquén. He served as General Director of Administration from 1992 to 2004 and, during 1995, General Director of Coordination, both within the Ministry of Government of the province of Neuquén. He was administrative prosecretary from 1999 to 2001 and Secretary in the Legislature of the province, from 2002 to 2003. He was the President of the Board of Directors of the Banco Provincia del Neuquén from 2005 to 2011. He was a member of the Deliberate Council of the city of Neuquén's Municipality and President of the Committee on Finance and Budget. He served as Minister of Economy and Public Work of the province of Neuquén. Currently, he serves as Governor of the Province of Neuquén.

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### *Luis Gustavo Villegas*

Mr. Villegas has worked in several positions in the oil industry since 1990. Currently, he serves as Undersecretary of the Union of Senior Staff and Professionals of Southern Patagonian Oil and Gas Private Sector and as a senior staff member of the Oil Tankers Mutual Commission.

### *Lucio Mario Tamburo*

Mr. Tamburo graduated as a civil engineer from the National University of the South, Bahía Blanca. Among other positions, he served as Inspection assistant of the Provincial Roads Direction of the Province of Río Negro and as sanitation consultant in the National Undersecretary of Water Resources. He was the Engineering and Construction Manager and Service and Maintenance Chief of Bahía Blanca at Azurix Buenos Aires SA. He also served as Administrator of the National Entity of Water Works of Sanitation ENOHSA until December 2015.

### *Pedro Martín Kerchner Tomba*

Mr. Kerchner Tomba obtained a degree as a certified public accountant from the Economic School of the Argentine Catholic University. He completed postgraduate degrees in financial strategy at the National University of Cuyo and in Taxation at the University of Tres de Febrero with a specialization in local taxation. Among other positions, he served as Administration Director of Justice and Security Minister of the Province of Mendoza, as Secretary of Finance of the Municipality of Godoy Cruz, Province of Mendoza and he was elected as provincial Deputy for the third electoral district of the Province of Mendoza. Currently, Mr. Kerchner Tomba is Minister of Finance of the Province of Mendoza.

### *Fernando Pablo Giliberti*

Mr. Giliberti earned a certified public accountant degree from the Argentine Catholic University, an MBA from the Argentine University of the Enterprise, a postgraduate diploma in Management and Economics of Natural Gas from the College of Petroleum Studies, Oxford University, and master's degree in the Science of Management, from the Sloan Program at Stanford University. Among other positions, he previously served at YPF as Head of Accounting and Finance at our headquarters in Mendoza, as South Division Business Support Manager, as Asset Manager of the El Guadal-Lomas del Cuyo, as Business Development Manager and Exploration and Production Business Development Director. In San Antonio, he was Vice President of Business Development and Vice President of the Latin America Division of Pride International. He later served as Vice President of Business Development at Pioneer Natural Resources of Argentina. In 2006, he founded Oper-Pro Services S.A. He has been our Strategy and Business Development Vice President since June 2012.

### *Jesús Guillermo Grande*

Mr. Grande graduated with honors from the National University of Tucumán with an engineering degree. He worked in Schlumberger from 1993 to 2012. Over those 20 years, he held operational, managerial and staff positions in Kuwait, Argentina, Brazil, Angola, France and the United States. In his last five years, he served as Director of Human Resources and President of Testing Services. His specialty is management and operations optimization. Mr. Grande has been our Upstream Executive Vice President since January 2013.

## **Board practices**

The information provided below describes the composition and responsibilities of our Board of Directors.



*Board practices of our Board of Directors*

In accordance with the Argentine Corporations Law, directors have an obligation to perform their duties with loyalty and with the diligence of a prudent business person. Directors are jointly and severally liable to us, our shareholders and to third parties for the improper performance of their duties, for violating the law or our by-laws or regulations, and for any damage caused by fraud, abuse of authority or gross negligence. Specific duties may be assigned to a director by the by-laws, applicable regulations, or by resolution of the shareholders' meeting. In such cases, a director's liability will be determined by reference to the performance of such duties as long as the director's appointment and the determination of duties approved by a shareholders' meeting is registered with the Superintendency of Corporations.

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Only shareholders, through a shareholders meeting, may authorize directors to engage in activities in competition with us. Transactions or contracts between directors and us in connection with our activities are permitted to the extent they are performed under fair market conditions. Transactions that do not comply with the above requirements may only be carried out with prior approval of the Board of Directors or, in the case of an absence of a quorum in a Board of Directors meeting, the Supervisory Committee. In addition, these transactions must be subsequently approved by the shareholders at a general meeting. If our shareholders do not approve the relevant transaction, the directors and members of the Supervisory Committee who approved such transactions are jointly and severally liable for any damages caused to us.

Any director whose personal interests are adverse to ours with respect to any matter shall notify the Board of Directors and the Supervisory Committee and abstain from voting on such matters. Otherwise, such director may be held liable to us.

A director will not be liable if, notwithstanding his presence at the meeting at which a resolution was adopted or his knowledge of such resolution, a written record exists of his opposition to such resolution and he reports his opposition to the Supervisory Committee before any complaint against him is brought before the Board of Directors, the Supervisory Committee, the shareholders meeting, the appropriate governmental agency or the courts. Any liability of a director to us terminates upon approval of the director's actions by the shareholders at a general meeting, provided that shareholders representing at least 5% of our capital stock do not object and provided further that such liability does not result from a violation of the law, our by-laws or other regulations.

**Senior Management**

Our current senior management as of the date of this annual report consists of:

Name	Position
Miguel Galuccio <sup>(2)</sup>	Chairman, Chief Executive Officer and Director
Daniel González	Chief Financial Officer
Germán Fernández Lahore <sup>(1)</sup>	Legal Affairs Corporate Vice President
Jesús Grande	Upstream Executive Vice President
Carlos Alfonsi	Downstream Executive Vice President
Fernando Giliberti	Strategy and Business Development Vice President
Vacant	Communication and Institutional Relations Vice President
Fernando Dasso	Human Resources Vice President
Sergio Affronti	Shared Services Vice President
Daniel Palomeque <sup>(1)</sup>	Quality, Environment, Security and Health Vice President

(1) Owns less than one percent of our Class D shares as of March 8, 2016.

(2) On March 9, 2016 our Chairman and CEO Miguel Galuccio announced that he will step down at the end of his term, which ends at our next annual shareholders meeting, expected to be held in April 2016. See Board of Directors above.

In addition to the above, the Company recently announced the creation of a new Gas and Energy Vice-President position for our gas and energy activities. Mr. Marcos Browne has been appointed to this position. Mr. Browne obtained his degree in industrial engineering from the Buenos Aires Institute of Technology ( IBTA ). He holds an MBA from Henley Management College in the U.K. and a degree in natural gas management and economics from the College of Petroleum and Energy Studies at the University of Oxford in the U.K. He also holds a specialization in economics of petroleum and natural gas from ITBA and a Management Development Program Certification from IAE Business School. He has held different positions at YPF, including the Head of Supply and Processing of Natural Gas between February 1994 and May 2000. He was the Head of Gas and Liquid Gas Processing business at TGS S.A., a company at which he held various positions between June 2000 and March 2004. He is a founding partner of Endriven S.A. and served as a Director until March 14, 2016. He also served as General Manager of Gas Meridional S.A., General Manager of C3Plus S.A. and President of Fuels Meridional S.A.

In addition to the members of our senior management for whom outside business interests and experience were described above, we include the following:

*Germán Fernandez Lahore*

Mr. Fernández Lahore joined the Oil Affairs Management of YPF in February 2002. Prior to that, he worked as an attorney at Beccar Varela and as a foreign associate at Haynes and Boone, LLP in Dallas, Texas. He earned his law degree from UBA and participated in the Academy for American and International Law. As a Chevening scholar, he earned a master's degree in Natural Resources Law and Policy from the University of Dundee, Scotland, United Kingdom. He obtained a postgraduate degree in tax law from the Austral University, Argentina. He completed the management development program at IAE. He is a member of the Academic Council of Argentine Journal of Energy, Hydrocarbons and Mining Law (*Revista Argentina de Derecho de la Energía, Hidrocarburos y Minería*). His areas of expertise include Oil, Natural Gas and Mining Law and Natural Resource Taxation and Financing. Among other positions held, he served as YPF Upstream Legal Affairs Manager. He currently serves as our Legal Affairs Corporate Vice President.

*Daniel Palomeque*

Mr. Palomeque graduated with a degree in Chemical Engineering from UNLP and obtained a master degree in Environmental Engineering from the Technological University of La Plata ( UTN ). He has also studied at the Massachusetts Institute of Technology. He began his career at YPF in 1980 in the area of lubricants at the La Plata refinery in various positions until his appointment as Planning Manager in 1998 and Latin America. Planning Director in 2000. He was promoted as Director of the Lujan Industrial Complex Cuyo in 2002 and in 2005 was appointed Director of the Industrial Complex in La Plata. He was also our Executive Manager Refining, and he is Chairman of the Argentine Institute of Oil and Gas of La Plata and professor at the UTN and UNLP. He has been our Quality, Environment, Security and Health Vice President since June 2014.

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### **The Audit Committee**

The information provided below describes the composition and responsibilities of our Audit Committee.

#### **Composition and responsibilities of our Audit Committee**

The Stock Market Law as defined in Item 9. The Offer and Listing Argentine Securities Market and Resolution No. 622/2013 of the Argentina National Securities Commission (*Comision Nacional de Valores*) (the CNV), require that Argentine public companies appoint an audit committee (*comité de auditoría*) composed of at least three members of the Board of Directors. The by-laws must set forth the composition and regulations for the operation of the Audit Committee. A majority of the members of the Audit Committee must be independent directors. See Independence of the Members of our Board of Directors and Audit Committee.

The Board of Directors of the Company, at its meeting held on December, 22, 2015, appointed, the current members of the Audit Committee, who as of the date of this filing are: president Carlos Felices, members Miguel Angel Gutiérrez and Daniel Gustavo Montamat. Additionally, Mr. Felices was determined by our Board of Directors to be an Audit Committee Financial Expert pursuant to the rules and regulations of the SEC.

Executive directors may not sit on the Audit Committee.

Our Audit Committee, among other things:

periodically inspects the preparation of our financial and economic information;

reviews and opines with respect to the Board of Directors proposals regarding the designation of the external auditors and the renewal, termination and conditions of their appointment;

evaluates internal and external audit work, monitors our relationship with the external auditors, and assures their independence;

provides appropriate disclosure regarding operations in which there exists a conflict of interest with members of the corporate committees or controlling shareholders;

opines on the reasonability of the proposals by the Board of Directors for fees and stock option plans of the directors and administrators;

verifies compliance with applicable national or international regulations in matters related to behavior in the stock markets; and

ensures that the internal Code of Ethics complies with normative demands and is adequate.

*Activities of the Audit Committee*

The Audit Committee, which pursuant to its regulations shall meet as many times as needed and at least once every quarter, held twelve meetings between March 2015 and March 2016.

Performing its basic function of supporting the Board of Directors in its oversight duties, the Audit Committee periodically reviews economic and financial information relating to us, supervises the internal financial control systems and oversees the independence of the external auditors.

*Economic and financial information*

With the assessment of the CFO and considering the work performed by our external and internal auditors, the Audit Committee analyzes the consolidated annual and quarterly financial statements before they are submitted to the Board of Directors. The Audit Committee reviewed our consolidated financial statements as of and for the year ended December 31, 2015, and comparative information, included in our report on Form 6-K submitted to the SEC on March 11, 2016.

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### *Oversight of the internal control system*

To supervise the internal financial control systems and ensure that they are sufficient, appropriate and efficient, the Audit Committee oversees the progress of the annual internal audit, which is aimed at identifying our critical risks.

Throughout each year, the Audit Committee is informed by our internal audit department of the most relevant facts and recommendations arising out of its work, and the status of the recommendations issued in prior years.

Our internal control system for financial reporting was aligned with the requirements established by Section 404 of the Sarbanes-Oxley Act, a process supervised by the Audit Committee. These regulations require that, along with the annual audit, a report must be presented from our management relating to the design, maintenance and periodic evaluation of the internal control system for financial reporting, accompanied by a report from our external auditor. Several of our departments are involved in this activity, including the internal audit department.

### *Relations with the external auditors*

The Audit Committee maintains a close relationship with the external auditors, allowing it to make a detailed analysis of the relevant aspects of the audit of financial statements and to obtain detailed information on the planning and progress of the work.

The Audit Committee also evaluates the services provided by our external auditors, determines whether the condition of independence of the external auditors, as required by applicable law, is met and monitors the performance of external auditors to ensure that it is satisfactory.

As of the date of this annual report, and pursuant to the evaluation process described in the paragraph above, the Audit Committee had no objections to the designation of Deloitte & Co. S.A. as our external auditors of the financial statements for the year ended December 31, 2015. In addition, the Audit Committee at its meeting in March 2016, as a result of the evaluation process outlined in the preceding paragraph, had no objections to the designation of Deloitte & Co. S.A. as our external auditors for the year ended December 31, 2016, which will be treated in a general shareholders meeting to be held this year.

### *Independence of the Members of our Board of Directors and Audit Committee*

Pursuant to CNV regulations, a director is not considered independent when such director (i) owns at least a 15% equity interest in a company, or a lesser interest if the director has the right to appoint one or more directors of the company, which we refer to as a Significant Participation, or has a Significant Participation in another company that in turn has a Significant Participation in the company or a significant influence on the company (significant influence as defined by Argentine GAAP); (ii) is a member of the board of directors of, or depends on, or is otherwise related to shareholders, who have a Significant Participation in the company or another company in which these shareholders have a direct or indirect Significant Participation or significant influence; (iii) is or has been in the previous three years an employee of the company; (iv) has a professional relationship with, or is a member of a company that maintains professional relationships with, or receives remuneration (other than that received in consideration of his performance as a director) from the company or any of its shareholders who has a direct or indirect Significant Participation in or significant influence on the company, or with a third-party company that has a direct or indirect Significant Participation or a significant influence; (v) directly or indirectly sells or provides goods or services to the company or to any of its shareholders who has a direct or indirect Significant Participation in or significant influence on the company for an amount exceeding his remuneration as a member of the Board of Directors or audit committee; or (vi) is the spouse or parent (up to second grade of affinity or up to fourth grade of consanguinity) of persons who, if

they were members of the Board of Directors or Audit Committee, would not be independent, according to the above-listed rules.

As of the date of this annual report, Directors Gustavo Alejandro Nagel, Néstor José Di Pierro, Juan Franco Donnini, Enrique Andrés Vaquié, Nicolás Alfredo Trotta, Carlos Felices, Miguel Ángel Gutiérrez, Daniel Gustavo Montamat, Fabián Rodríguez Simón and Emilio José Apud, and Alternate Directors Luis Gustavo Villegas, Lucio Mario Tamburo and Pedro Martín Kerchner Tomba qualified as independent members of our Board of Directors under the above-described criteria.

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**Disclosure Committee**

**Composition and responsibilities of our Disclosure Committee**

In February 2003, we created a Disclosure Committee to:

monitor overall compliance with regulations and principles of conduct of voluntary application, especially in relation to listed companies and their corporate governance;

direct, establish and maintain procedures for the preparation of accounting and financial information to be approved and filed by us or which is generally released to the markets;

direct, establish and maintain internal control systems that are adequate and efficient to ensure that our financial statements included in annual and quarterly reports, as well as any accounting and financial information to be approved and filed by us, are accurate, reliable and clear;

identify significant risks to our businesses and activities that may affect the accounting and financial information to be approved and filed;

assume the activities that, according to U.S. laws and SEC regulations, are applicable to us and may be assumed by disclosure committees or other internal committees of a similar nature, especially those activities relating to the SEC regulations dated August 29, 2002 ( Certification of Disclosure in Companies Quarterly and Prospectus SEC Release number 33-8124), in relation to the support for the certifications by our Chief Executive Officer and Chief Financial Officer as to the existence and maintenance by us of adequate procedures and controls for the generation of the information to be included in our annual reports on Form 20-F, and other information of a financial nature;

take on activities similar to those stipulated in SEC regulations for a disclosure committee with respect to the existence and maintenance by us of adequate procedures and controls for the preparation and content of the information to be included in the annual financial statements, and any accounting or financial information to be filed with the CNV and other regulators of the stock markets on which our stock is traded; and

formulate proposals for an internal code of conduct on the stock markets that follow applicable rules and regulations or any other standards deemed appropriate.

In addition, the Disclosure Committee reviews and supervises our procedures for the preparation and filing of:

official notices to the SEC, the Argentine stock market authorities and other regulators of the stock markets on which our stock is traded;



interim financial reports;

press releases containing financial data on results, earnings, large acquisitions, divestitures or any other information relevant to the shareholders;

general communications to the shareholders; and

presentations to analysts, investors, rating agencies and lending institutions.

As of the date of this annual report, the Disclosure Committee was composed of the following persons:

Name	Position
Miguel Galuccio <sup>(1)</sup>	Chairman, Chief Executive Officer and Director
Daniel González	Chief Financial Officer and President of the Disclosure Committee
Germán Fernández Lahore	Legal Affairs Corporate Vice President and Secretary of the Disclosure Committee
Jesús Grande	Upstream Executive Vice President
Daniel Palomeque	Quality, Environment, Security and Health Vice President
Carlos Alfonsi	Downstream Executive Vice President
Fernando Giliberti	Strategy and Business Development Vice President
Vacant	Communication and Institutional Relations Vice President
Fernando Dasso	Human Resources Vice President
Javier Fevre	Internal Auditor
Javier Sanagua	Reserves Auditor

(1) On March 9, 2016 our Chairman and CEO Miguel Galuccio announced that he will step down at the end of his term, which ends at our next annual shareholders meeting, expected to be held in April 2016. See Board of Directors above.

Recently, the Company announced the creation of a new Gas and Energy Vice-President position for our gas and energy activities. Mr. Marcos Browne has been appointed to this position. See Senior Management above.

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In addition to the members of our senior management for whom outside business interests and experience were described above, we include the following:

### *Javier Sanagua*

Mr. Sanagua obtained a degree in geology from the National University of Tucumán with postgraduate studies at the management executive development program from the IAE at Austral University. Following positions as a university teacher and researcher. He joined YPF in 1996. Over 18 years of experience, he held positions in different areas such as Reservoir, Development, Exploration and Production. Also, he was District Chief, Manager of the Los Perales area, Manager of the Economic Unit from Cañadón Seco, province of Chubut, and after that, Director of Business Unit in Mendoza. He has been our Reserves Auditor since February 2013.

### *Javier Fevre*

Mr. Fèvre obtained a certified public accountant degree from UADE. He has served as Auditor at the General Auditor Office, and as Advisor to the Deputy General Syndic at the Argentine Office of the General Comptroller. He was also Assistant Internal Auditor at the Ministry of Foreign Affairs, International Trade and Worship and General Coordinator of Internal Audit at Aerolíneas Argentinas S.A. He has been our Internal Auditor since September 2012.

## **Compliance with New York Stock Exchange Listing Standards on Corporate Governance**

In accordance with the NYSE corporate governance rules, as of July 31, 2005, all members of the Audit Committee were required to be independent. Independence is determined in accordance with highly detailed rules promulgated by the NYSE and SEC. Each of the members of our Audit Committee was determined to be independent in accordance with the applicable NYSE and SEC rules.

## **Significant differences between our corporate governance practices and those required by NYSE listing standards**

Non-U.S. NYSE-listed companies may, in general, follow their home country corporate governance practices in lieu of most of the NYSE corporate governance requirements. The NYSE rules, however, require that non-U.S. companies disclose any significant ways in which their specific corporate governance practices differ from U.S. companies under the NYSE listing standards.

The following is a summary of the significant differences between our corporate governance practices and those applicable to U.S. companies under the NYSE listing standards.

### *Independence of the directors on the Board of Directors*

In accordance with the NYSE corporate governance rules, a majority of the board of directors of U.S. companies listed on the NYSE must be composed of independent directors, whose independence is determined in accordance with highly detailed rules promulgated by the NYSE. The relevant Argentine rules for determining director independence are described under Independence of the Members of our Board of Directors and Audit Committee above.

### *Compensation and nomination committees*

In accordance with the NYSE corporate governance rules, all U.S. companies listed on the NYSE must have a compensation committee and a nomination committee and all members of such committees must be independent in accordance with highly detailed rules promulgated by the NYSE. Under Argentine law, these committees are not required as mandatory, but are recommended by the CNV under CNV's General Resolution No. 622/13. The Company follows the CNV's recommendation and has a Compensation Committee, established by the Board of Directors under the option provided in Article 17 clause (xii) of the Company's by-laws, which currently is composed of Directors Miguel Galuccio, Carlos Alberto Felices, Miguel Ángel Gutiérrez, Fabián Jorge Rodríguez Simón and Fernando Dasso. Miguel Galuccio and Fernando Dasso are not independent. As a result of the foregoing, most of the members of the Compensation Committee are independent.

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*Shareholder approval of equity compensation plans*

The NYSE rules require that, with limited exemptions, all equity compensation plans must be subject to a shareholder vote. Under Argentine law, the approval of equity compensation plans is within the authority of the board of directors.

*Separate meetings for non-management directors*

In accordance with the NYSE corporate governance rules, independent directors must meet periodically outside of the presence of the executive directors. Under Argentine law, this practice is not required and as such, the independent directors on our Board of Directors do not meet outside of the presence of the other directors, except for the meetings of the Audit Committee, which members are independent directors.

**Compensation of members of our Board of Directors and Supervisory Committee**

Argentine law provides that the aggregate annual compensation paid to the members of the Board of Directors (including those directors acting in an executive capacity) and the Supervisory Committee with respect to a fiscal year may not exceed 5% of net income for such year if YPF is not paying dividends in respect of such net income, which percentage is increased up to 25% of net income based on the amount of dividends, if any, are paid. The compensation of the Chairman and other directors acting in an executive capacity, together with the compensation of all other directors and members of the Supervisory Committee, requires the ratification of an ordinary general shareholders meeting as provided by Argentine law. When the exercise of special commissions or technical administrative functions by one or more directors and the reduced or lack of profits imposed the need to exceed the limits, such remunerations may only be paid in excess if expressly agreed by the shareholders meeting, for which the matter should be included as one of the agenda points.

For the year ended December 31, 2015 the aggregate compensation accrued to the members of the Board of Directors and YPF's executive officers for services in all capacities was Ps. 208.9 million, without including social security payments made by the Company as required by law, including Ps. 45.7 million in the form of an equity compensation plan, pension, retirement or similar benefits that YPF provides to members of its Board of Directors and executive officers and including Ps. 2.7 million in compensation paid to the members of the Supervisory Committee. During 2015, YPF's performance-based compensation programs included a performance bonus program for approximately 6,700 non-unionized YPF employees and 9,000 unionized YPF employees. This bonus program is intended to motivate and reward individuals for annual achievement of business objectives. The program provided for cash to be paid to its participants based on a measurable and specific set of objectives under YPF's Management by Objectives program and the results of the review of individual performance. The participation of each eligible employee in the bonus plan ranged from 6% to 50% of such employee's annual base salary.

In 2015, our Shareholders Meeting, as proposed by our Board of Directors, approved the creation of a voluntary reserve of Ps. 120 million to be set aside to fulfill our long-term incentive plan which contemplates compensation in shares for certain employees. To that end, the Company purchased its own shares in accordance with Section 64 et seq. of Law No. 26,831. For additional information see Note 1.b.10.iii to our Audited Consolidated Financial Statements. The share-based benefit plan: (i) encourages the alignment of performance of key personnel with the objectives of the strategic plan of the company, (ii) generates a clear and direct link between the creation of shareholder value and compensation of key personnel, rewarding them for achieving long-term results reflected in share price and (iii) assists in the retention of key personnel in the organization.

YPF's directors do not have any service contracts with YPF involving the payment of compensation other than those previously mentioned and the performance of their duties in the Company.

## **Supervisory Committee**

The Supervisory Committee is responsible for overseeing compliance by the management and the Board of Directors with the Argentine Corporations Law, the by-laws and regulations (if any), and shareholders' resolutions. The functions of the Supervisory Committee include, among others, attending all meetings of the Board of Directors, preparing a report of the financial statements for our shareholders, attending shareholders' meetings and providing information upon request to holders of at least 2% of our capital stock.

The by-laws provide for a Supervisory Committee consisting of three to five members and three to five alternate members, elected to one-year terms. The Class A shares are entitled to elect one member and one alternate member of the Committee so long as one share of such class remains outstanding. The holders of Class D shares elect up to four members and up to four alternates. Under the by-laws, meetings of the Supervisory Committee may be called by any member. The meeting requires the presence of all members, and a majority vote of the members in order to make a decision. The members and alternate members of the Supervisory Committee are not members of our Board of Directors. The role of our Supervisory Committee is distinct from that of the Audit Committee. See The Audit Committee. In 2015, the aggregate compensation paid to the members of the Supervisory Committee was Ps. 2.7 million.

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The current members of the Supervisory Committee, the year in which they were appointed and the year their current term expires are as follows:

Name	Class of Shares Represented	Age	Member Since	Term Expires
Gustavo Adolfo Mazzoni	A	64	2015	2016(*)
Guillermo Cadirola	D	40	2015	2016(*)
Enrique A. Fila	D	56	2015	2016(*)
Raquel Inés Orozco (alternate member)	A	60	2015	2016(*)
Cecilia Carabelli (alternate member)	D	45	2015	2016(*)

(\*) Members of our Supervisory Committee are appointed in connection with a fiscal year. Our shareholders, in the ordinary and extraordinary general shareholders meeting held on April 30, 2015 appointed the members of our Supervisory Committee for fiscal year 2015.

*Gustavo Adolfo Mazzoni*

Mr. Mazzoni earned a certified public accountant degree and a postgraduate degree in finance from UBA. He also earned a degree in social psychology from the Pichon Riviere School of Psychology. Among other positions, he previously worked as a senior auditor for Price Waterhouse & Co., and the Argentine National Office of the Comptroller General, supervising private companies and different national ministries, including Justice, Labor, Health and Social Development, among others. He is currently the statutory auditor of several companies such as Aerolíneas Argentinas S.A., Austral S.A., Optar S.A., Centro de Ensayos de Alta Tecnología S.A., among others.

*Guillermo Leandro Cadirola*

Mr. Cadirola earned his degree as a certified public accountant from UBA, and has a master's degree in Economics and Business Administration from the IESE Business School in Barcelona, Spain. Currently, he is a member of the Argentine National Office of the Comptroller General, performing duties as statutory auditor at Administración General de Puertos S.E., ADIF S.E., All Central S.A. and All Mesopotámica S.A., among other public companies. He has extensive experience with the management of different multinational companies in the areas of operations, purchasing and finance.

*Enrique Alfredo Fila*

Mr. Fila earned a certified public accountant degree from the University of La Plata. Among other positions, previously he was a councilor in the City of La Plata, an advisor to the mayor of La Plata, and a consultant to the Argentine National Ministry of Social Development between 2008 and 2009. Currently, he is member of the Supervisory Committee of Tandanor S.A.I.C. y N., Aeropuertos Argentina 2000 S.A., Distribuidora de Gas Cuyana S.A., Radio y Television Argentina S.E., Veng S.A. and YPF Gas S.A., and alternate member of the Supervisory Committee of Nación A.F.J.P. S.A., Servicios de Radio y Televisión de la Universidad Nacional de Córdoba S.A., Empresa de Transporte de Energía Eléctrica Por Distribución Troncal de la Provincia de Buenos Aires S.A., Compañía de Transporte de Energía Eléctrica S.A., Compañía Inversora de Trasmisión Eléctrica S.A., Telam S.E., and Sociedad del Estado Casa de Moneda.

*Raquel Inés Orozco*

Ms. Orozco obtained a law degree from UBA. Currently, she is member of the Supervisory Committee at the following companies: Central Térmica Guemes S.A., Telam S.E., Ubatec S.A., Inder S.E. (e.I), Foncap S.A., LT10 Radio Universidad del Litoral S.A., and alternate member of the Supervisory Committee at Loteria Nacional S.E.

**Table of Contents***Cecilia Leonor Carabelli*

Ms. Carabelli has a law degree from the School of Law and Social Science of UBA. She completed postgraduate studies in Governmental Control at the Economics School of UBA. Among other positions she previously worked for the legal affairs Direction of the National Social Security Administration, in the Secretary of Social Development, she was also head of a Senators Bureau at the Argentine National Senate, and she served as Member of the Administration Committee to the Fiduciary Fund for Mortgage Debtors, representing the Argentine National Ministry of Economy and Finance. She worked as Manager on behalf of the National Social Security Administration for the Federal Projects Anses I and Anses II, financed partly by the World Bank. Currently, she is a member of the Argentine National Office of the Comptroller General, and is member of the Supervisory Committee of SIDERAR SACI (since 2001) and Nación Fideicomisos S.A.

**Employee Matters**

Our total workforce consists of permanent and temporary employees. As of December 31, 2013, 2014 and 2015, we had 17,747, 22,032 and 22,025 employees, respectively. In 2015, this included 10,192 employees in the Downstream business segment, 4,443 employees in the Upstream business segment, and 7,390 employees in the Corporate and Other business segments. We had 2,608 temporary employees in 2015. The most significant variations in 2015 included an increase in the Upstream business of 225 employees and the increase of 96 employees in OPESSA as a result of natural rotation of oil station personnel. In addition, a decrease of 125 employees as a result of the merging process of staff units in YSUR (2015 acquisition of Apache Group in Argentina), a part of the Upstream business, and A-Evangelista S.A., which is part of the Corporate and Other business segments, decreased during 2015 by approximately 423 employees (411 of which are temporary labor contracts to prevent further claims which is standard in construction hires) mostly dedicated to the final stage of the coke unit at our refinery in La Plata. Approximately 40% of our employees are represented by the Federation of Oil Workers Union ( SUPeH ) that negotiates labor agreements and salaries that apply to YPF and OPESSA unionized employees. SUPeH is continually negotiating with us, and we maintain a good level of communication. In general, requests of labor unions related to the petrochemical industry were consistent with general wage increases given by the General Unions Confederation.

In addition, labor conditions and salaries of third-party employees, are represented by sixteen other unions. Approximately 60% of third-party employees, mostly in Upstream business, are represented by nine unions with whom we directly negotiate their labor agreements and salaries. These unions are clustered in three groups, Petroleros Privados with five unions, Personal Jerárquico with three unions and SUPeH Emprendimientos. The remaining 40% of third-party employees are represented by unions with whom we do not participate in labor agreements.

As part of its privatization, YPF restructured its internal organization and significantly reduced the number of its employees. YPF reduced its work force from over 51,000 employees (including approximately 15,000 personnel under contract) as of December 31, 1990 to approximately 7,500 at December 31, 1993. YPF paid to the employees affected by these reductions the termination payments required under Argentine labor laws that amounted to Ps. 686 million. A substantial majority of lawsuits that originated as a consequence of this restructuring process have been brought by former employees who allege that they received insufficient severance payments in connection with their dismissal and various job-related illnesses, injuries, typically seeking unspecified relief.

As of December 31, 2015, YPF was a party in approximately 1,243 labor lawsuits that relate to events or acts that took place after December 31, 1990. The outcome of said lawsuits depends on factual issues that vary from case to case, and it is not always feasible to predict the outcome of particular cases. However, based on the number and character of the lawsuits already commenced, the estimated likelihood of additional claims in view of the number of dismissed employees, applicable statutes of limitations, the legal principles involved in the suits and the financial



statement reserves previously established, our management does not expect the outcome of these lawsuits to have a material adverse effect on our financial condition or future results of operations.

Maxus (a YPF subsidiary) has a number of contributory health and welfare plans covering its full-time employees and their dependents. Maxus provides matching contributions of up to 6% of employees' deferrals to the employee savings plan, along with a non-discretionary contribution of 7.5%, which was implemented following the termination of the Maxus pension plan. There is a non-qualified pension plan where a small number of executives receive contributions associated with the savings plan, which would have been denied them due to IRS annual limits. Retiree health and life insurance coverage for active employees was terminated in October 2011. Maxus continues to provide health and welfare plans to a select group of retired employees who were promised coverage for life at no cost to them. The coverage provided varies by the year in which the employees retired and the companies they retired from. Due to the advanced ages of these retirees, this is a significantly decreasing population. Maxus continues to provide supplemental noncontributory and non-qualified retirement payments to certain former executives, officers, and surviving spouses, which is a closed group.

As of December 31, 2015, there were also approximately 49,000 third-party employees under contract, mostly with large international service providers. Although we have policies regarding compliance with labor and social security obligations by its contractors, we are not in a position to ensure that contractors' employees will not initiate legal actions to seek indemnification from us based upon a number of Argentine judicial labor court precedents recognizing joint and several liability between the contractor and the entity to which it is supplying services under certain circumstances.

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The following table provides a breakdown of our employees by business units as of December 31, 2015.

<i>Employees by Business Units</i>	
Upstream	4,443
Downstream	10,192
Refining and Marketing	8,765
Chemicals	39
Natural gas distribution and Electricity Generation(1)	1,388
Corporate and Other(2)	7,390
<b>Total YPF</b>	<b>22,025</b>

(1) Includes 1,303 employees of Metrogas S.A. and its subsidiaries

(2) Includes 5,437 employees of A-Evangelista S.A. and its subsidiaries.

The following table provides a breakdown of our employees by geographic locations.

<i>Employees by geographic location</i>	
Argentina	21,852
Rest of South America	146
United States	27
<b>Total YPF</b>	<b>22,025</b>

**ITEM 7. Major Shareholders and Related Party Transactions**

The Expropriation Law has significantly changed our shareholding structure. The Class D shares subject to expropriation from Repsol or its controlling or controlled entities, which represent 51% of our share capital and have been declared of public interest, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. In addition, the Argentine federal government and certain provincial governments already own our Class A and Class B shares. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government has taken control over the Company and will operate it according to domestic energy policies in accordance with the Expropriation Law. Additionally, see Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government Law No. 26,932 for a description of the agreement between Repsol and the Argentine Republic relating to compensation for the expropriation of 51% of the share capital of YPF owned, directly or indirectly, by Repsol.

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

proved reserves. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. In addition, in accordance with Article 9 of the Expropriation Law, each of the Argentine provinces to which shares subject to expropriation are allocated must enter into a shareholder's agreement with the federal government which will provide for the unified exercise of its rights as a shareholder. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law.

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The following table sets forth information relating to the beneficial ownership of our shares as of March 9, 2016:

	<i>Number of shares</i>	<i>(%)</i>
National State - Ministry of Energy and Mining <sup>(1)</sup>	200,589,525	51.000%
Public <sup>(2)(3)</sup>	171,545,458	43.621%
Slim Family <sup>(4)</sup>	21,126,000	5.372%
Argentine federal and provincial governments <sup>(5)</sup>	11,388	0.003%
Employee fund <sup>(6)</sup>	40,422	0.010%

- (1) The expropriated Class D shares, which represent 51% of our share capital, and which now are owned by the Republic of Argentina will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. The completion of this assignment is pending. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. In addition, in accordance with Article 9 of the Expropriation Law, each of the Argentine provinces to which shares subject to expropriation are allocated must enter into a shareholder's agreement with the federal government which will provide for the unified exercise of its rights as a shareholder. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law, Decree 13/2015 and Decree 272/2015.
- (2) According to data provided by The Bank of New York Mellon, as of March 9, 2016.
- (3) According to data provided by The Bank of New York Mellon, as of March 9, 2016, there were 172,078,241 ADSs outstanding and 54 holders of record of ADSs. Such ADSs represented approximately 44 % of the total number of issued and outstanding Class D shares as of such date.
- (4) According to Schedule 13G filed with the SEC on February 16, 2016. Slim Family consists of Carlos Slim Helú, Carlos Slim Domit, Marco Antonio Slim Domit, Patrick Slim Domit, María Soumaya Slim Domit, Vanessa Paola Slim Domit and Johanna Monique Slim Domit through Inmobiliaria Carso, S.A. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V.
- (5) Reflects the ownership of 3,764 Class A shares and 7,624 Class B shares by the Argentine federal government and provincial governments, respectively.
- (6) Reflects the ownership of 40,422 Class C shares.

**Related Party Transactions**

All material transactions and balances with related parties as of December 31, 2015 are set forth in Note 6 to the Audited Consolidated Financial Statements. The main related party transactions were our sales of refined and other products to certain joint ventures and affiliates (which amounted to Ps. 3,596 million in 2015), our purchase of petroleum and other products that we do not produce ourselves from certain joint ventures and affiliates (which amounted to Ps. 1,773 million in 2015), all this in addition to what is mentioned in the following paragraphs.

In addition, the Expropriation Law was passed by the Argentine congress, which was ruled by Decree No. 660 of the National Executive Office. Among other matters this Law declares of public interest and subject to expropriation 51% of the share capital of YPF represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol and its controlled or controlling entities. See Item 4. Information on the Company Regulatory Framework and

Relationship with the Argentine Government The Expropriation Law. Consequently, since the passage on May 3, 2012 of the Expropriation Law, the federal government is a related party of the Company. Consequently, and in addition to transactions mentioned in paragraph above, we are party to numerous agreements with the federal government, as well as with certain agencies or institutions dependent on such governments and stated-owned companies.

The information disclosed in Note 6 to the Audited Consolidated Financial Statements disclose the balances with joint ventures and affiliated companies as of December 31, 2015, December 31, 2014 and December 31, 2013, and transactions with the aforementioned parties for the twelve-month periods ended December 31, 2015, 2014 and 2013. Additionally, the balances and transactions held with the entities within the Repsol group are included until the date the conditions required to be considered as related parties were met. Information regarding major transactions with government entities are also described in Note 6 to the Audited Consolidated Financial Statements.

In addition, see Note 1.b.10.iii to our Audited Consolidated Financial Statements regarding our long-term share compensation plan offered to certain personnel.

For an organizational chart showing our organizational structure, including our interests in our principal affiliates, see Item 4. Information on the Company Overview.

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### **Argentine Law Concerning Related Party Transactions**

Section 72 of the Stock Market Law provides that before a company whose shares are listed in Argentina may enter into an act or contract involving a significant amount with a related party or parties, such company must obtain approval from its board of directors, and obtain an opinion, prior to such board approval, from its audit committee or from two independent valuation firms that states that the terms of the transaction are consistent with those that could be obtained on an arm's-length basis.

For the purpose of Section 72 of the Stock Market Law and CNV Regulations, significant amount means an amount that exceeds 1% of the issuer's net worth as reflected in the latest approved financial statements. For purposes of the Stock Market Law, related party means (i) directors, members of the supervisory committee or managers; (ii) the persons or entities that control or hold a significant participation in the company or in its controlling shareholder (to be regulated by CNV); (iii) any other company under common control; (iv) direct relatives of the persons mentioned in (i) and (ii); or (v) companies in which the persons referred to in (i) to (iv) hold directly or indirectly significant participations.

The acts or contracts referred to above, immediately after being approved by the board of directors, shall be disclosed to the CNV, making express indication of the audit committee's or independent valuation firm's opinion, as the case may be. Also, beginning on the business day following the day the transaction was approved by the board of directors, the audit committee's or independent valuation firm's reports shall be made available to the shareholders at the company's principal executive offices.

If the audit committee or the two independent valuation firms do not find that the contract is on arm's-length terms, prior approval must be obtained at the company's shareholders' meeting.

### **ITEM 8. Financial Information** **Financial Statements**

See Item 18 for our Audited Consolidated Financial Statements.

### **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, our predecessor, 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.

*Accrued, probable contingencies*

Accruals totaling Ps. 8,495 million net of Ps. 2,029 million corresponding to YPF Holdings, Ps. 6,513 million and Ps. 4,674 million as of December 31, 2015, 2014 and 2013, respectively, have been provided in connection with contingencies which are probable and can be reasonably estimated. In the opinion of our management, in consultation with our external counsel, the amount accrued reflects management's reasonable estimate, based on the information available as of the date of the issuance of the accompanying Financial Statements, of the probable outcome of the above-mentioned contingencies. The most significant legal proceedings and claims accrued are described in the following paragraphs.

*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, including ENARGAS Resolution No. 1410/10, imposed direct volume limitations on natural gas exports in different ways. On January 5, 2012, the Official Gazette published Resolution SE No. 172 which temporarily extends the allocation rules and other criteria established by Resolution No. 599/07. As a result of these measures, from 2004 to the present we have been required in many instances to partially or fully suspend natural gas export deliveries that are contemplated by our contracts with export customers. See Item 4. Information on the Company Exploration and Production Delivery commitments Natural gas supply contracts for additional information on the restrictions affecting contracted volumes.

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 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 a number of them have sought damages and/or penalties for breach of supply commitments under a contractual deliver or pay clause and/or preserving their rights for future claims related to these matters.

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On June 25, 2008, AES Uruguaiiana Emprendimientos S.A. ( AESU ) claimed damages in a total amount of U.S.\$28.1 million for natural gas deliver or pay penalties for cutbacks accumulated from September 16, 2007 through June 25, 2008. AESU also claimed an additional amount of U.S.\$2.7 million for natural gas deliver or pay penalties for cutbacks accumulated from January 18, 2006 until December 1, 2006. YPF has contested both claims. On September 15, 2008, AESU notified YPF of the interruption of the fulfillment of its commitments alleging delay and breach of YPF obligations. YPF has contested the arguments of this notification. On December 4, 2008, YPF notified AESU that the force majeure conditions had ceased and, pursuant to the contract in force, it would suspend its delivery commitments due to the repeated breaches of AESU's obligations. AESU has contested this notification. On December 30, 2008, AESU contested YPF's right to suspend its natural gas deliveries and on March 20, 2009, notified YPF of the termination of the contract. On March 20, 2009 AESU formally notified YPF of the termination of the contract. On April 6, 2009, YPF initiated an arbitration process at the International Chamber of Commerce ( ICC ) against AESU, Companhia do Gas do Estado do Rio Grande do Sul ( Sulgás ) and Transportadora de Gas del Mercosur S.A. ( TGM ). On the same date YPF was notified by the ICC of an arbitration process initiated by AESU and Sulgás against YPF in which they claim, among other matters considered inadmissible by YPF, consequential loss, AESU's plant dismantling costs and the payment of deliver or pay penalties mentioned above, all of which totaled approximately U.S.\$1,052 million.

Additionally, YPF was notified of an arbitration process brought by TGM at the ICC, claiming YPF owed approximately U.S.\$10 million plus interest up to the date of effective payment in connection with the payment of invoices related to a gas transportation contract entered into in September 1998 between YPF and TGM, associated with the aforementioned natural gas exportation contract signed with AESU. On April 8, 2009, YPF requested that this claim be denied and counterclaimed for the termination of the natural gas transportation contract based on its rights upon the termination by AESU and Sulgás of the related natural gas export contract. In turn, YPF initiated an arbitration process at the ICC against TGM, among others. YPF received the reply to the complaint from TGM, who requested the full denial of YPF's claims and introduced a counterclaim against YPF asking the arbitration tribunal to compel YPF to compensate TGM for all present and future damages suffered by TGM due to the termination of the gas transportation contract and the memorandum of agreement dated October 2, 1998 by which YPF undertook to pay irrevocable non-capital contributions to TGM in return for the Uruguayana Project pipeline expansion. TGM also requested the panel hold AESU-Sulgás if it finds that the termination of the Gas Contract occurred due to the breach of AESU or Sulgás jointly and severally liable to indemnify TGM for all damages caused by such termination. Additionally, on July 10, 2009, TGM increased the amount of its claim to U.S.\$17 million and claimed an additional amount of approximately U.S.\$366 million for loss of profits, both contested by YPF.

On April 6, 2011, the arbitration tribunal appointed in the YPF vs. AESU arbitration sustained YPF's motion, and consolidated all the related arbitrations ( AESU vs. YPF, TGM vs. YPF and YPF vs. AESU ) into the YPF vs. AESU arbitration.

On May 24, 2013 YPF was notified of the partial award decreed by a majority in the YPF vs. AESU and TGM arbitration whereby YPF was held responsible for the termination in 2009 of the natural gas export and transportation contracts signed with AESU and TGM. The award only determined the liability of the parties, leaving the determination of the damages that could exist subject to the subsequent proceedings before the same tribunal. Moreover, the tribunal rejected the admissibility of deliver or pay claims asserted by Sulgás and AESU for the years 2007 and 2008 for U.S.\$28 million and for the year 2006 for U.S.\$2.4 million.

On May 31, 2013, YPF filed with the arbitration tribunal a writ of nullity, in addition to making several presentations in order to safeguard its rights. Against the rejection of the writ of nullity, on August 5, 2013 YPF filed an appeal with the National Court of Appeals in commercial matters.



On July 29, 2013, the arbitration tribunal rejected the nullity request and suspended the arbitration proceedings until September 30, 2013. On October 17, 2013 the arbitration tribunal resumed the proceedings and established a proceeding schedule to be held during 2014, during which the reports of the experts proposed by the parties occurred.

On October 23, 2013 the National Court of Appeals in commercial matters declared its jurisdictional incompetency and reassigned the nullity request to the National Court of Appeals in the Federal Contentious Administrative Tribunal. On December 16, 2013, the intervening official issued its opinion in favor of the competence of this court.

On December 27, 2013, the Federal Court of Appeals in administrative litigation matters granted the reconsideration motion from denial on appeal, then sustained the appeal for procedural violations and stayed relief pending the arbitration process. In addition, the court granted, until the appeal for procedural violations is finally admitted, a restrictive injunction to prevent the advance of the arbitration process while a decision on the reconsideration motion from denial on appeal and on the appeal for procedural violations filed by YPF is pending.

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On January 10, 2014, YPF was served with (i) the complaint for damages filed by AESU with the arbitration tribunal claiming a total amount of U.S.\$815.5 million and (ii) the complaint for damages filed by TGM with the arbitration tribunal claiming a total amount of U.S.\$362.6 million. On April 25, 2014, YPF filed a reply to the complaint for damages with the arbitration tribunal, contesting the amounts claimed by TGM and AESU and alleging that the amounts were incorrect due to errors in the technical valuations. On July 8, 2014, TGM filed an answer to the reply, to which YPF in turn replied on September 23, 2014 with a second answer.

On October 7, 2014, the Argentine Federal Court of Appeals ordered a suspension of the second stage of arbitration until it issues a final decision on the writ of nullity filed by YPF against the arbitral award on adjudication of liability. On October 31, 2014, the arbitration tribunal suspended the arbitration process until February 2, 2015. On April 24, 2015, the arbitral panel resumed the proceedings and invited the parties to consult with each other regarding the continuation of the arbitration and to provide a joint or individual report on next steps. YPF notified the Federal Contentious Administrative Tribunal of the decision on April 27, 2015 given that the order to suspend the arbitration proceedings was in effect. On July 2, 2015 the arbitration tribunal ordered hearings for the second stage of arbitration to take place on November 16 and 17 of 2015. YPF notified the Federal Court of Appeals of the decision on July 13, 2015. Although the Federal Court of Appeals ordered the suspension of the second stage of the arbitration, the hearings proceeded without the presence of TGM and YPF. On December 23, 2015, the National Court of Appeals in the Federal Contentious Administrative Tribunal granted the nullity request and vacated the partial arbitral award. On the same date, YPF notified the arbitration tribunal of the decision and requested the termination of the arbitration proceeding. On February 3, 2016 TGM filed an extraordinary appeal against the National Court of Appeals ruling to the Supreme Court of Justice. On February 2, 2016 AESU and Sulgas filed a nullity request against the National Court of Appeals ruling. On February 23, 2016 the National Court of Appeals rejected AESU and Sulgas nullity request in limine.

AESU petitioned the Uruguayan courts to nullify the rulings of the arbitration tribunal regarding the suspension of the arbitration process and injunction preventing YPF from attempting to halt the arbitration process. AESU has attempted to serve notice of the rulings of the Uruguayan courts, and YPF opposed this notice due to formal defects and the lack of jurisdiction of the Uruguayan courts in this matter. The Argentine Federal Court of Appeals notified the Uruguayan courts. On July 16, 2015 the Federal Contentious Administrative Tribunal 3 rejected one of the judicial petitions through which AESU tried to serve the nullity petition of the Arbitration Tribunal that declared the suspension of the Arbitration. On September 4, 2015 AESU requested an appeal. On December 23, 2015 the National Court of Appeals in the Federal Contentious Administrative Tribunal rejected the appeal and confirmed the resolution of the lower court.

Considering the information available as of the date of issuance of the accompanying financial statements, the estimated time remaining until the end of the proceedings, the outcomes of the additional evidence presented in the continuation of the dispute and the provisions of the partial award, YPF has accrued its best estimate with respect to the amount of the claims.

In addition, YPF is subject to certain claims related to transportation fees and charges associated with transportation services under contracts associated with natural gas exports. Transportadora de Gas del Norte S.A. ( TGN ), one of the parties to these contracts, initiated mediation proceedings with us in order to determine the merits of its claim. The mediation proceedings did not result in an agreement and, on March 12, 2010, YPF was notified of the lawsuit filed by TGN claiming the fulfillment of contractual obligations and the payment of unpaid invoices while reserving the right to claim for damages. TGN subsequently claimed the alleged related damages in a notice addressed to the Company in November 2011. On April 3, 2013, YPF was notified of the lawsuit filed by TGN claiming damages. The total amount claimed by TGN amounts to approximately U.S.\$207 million. Additionally, the plaintiff notified us that it was terminating the contract, claiming YPF's alleged breach of such contract due to an alleged lack of payment of

the related transportation fees. The Federal Court of Appeals in civil and commercial matters has ruled in favor of the jurisdiction of the federal civil and commercial courts (and against the jurisdiction of ENARGAS) to resolve this matter. Additionally, on January 12, 2012 and following a mediation process which ended without any agreement, Nación Fideicomisos S.A. ( NAFISA ) filed a complaint against YPF before ENARGAS, under Article 66 of Law No. 24,076, claiming the payment of Ps.339 million in relation to payments of applicable fees for natural gas transportation services to Uruguaiiana relating to the transportation invoices claimed by TGN. On February 8, 2012, we answered the claim raising ENARGAS' s lack of jurisdiction as we did in the proceeding against TGN, in consolidation with the trial TGN / YPF , and rejecting the claim based on the theory of legal impossibility. On the same date, a similar order of confirmation was also submitted in the TGN / YPF matter. On April 12, 2012, ENARGAS ruled in favor of NAFISA.

On May 12, 2012, YPF filed an appeal against such ruling to the National Court of Appeals in the Federal Contentious Administrative Tribunal. On November 11, 2013 the National Court of Appeals in the Federal Contentious Administrative Tribunal ruled in favor of NAFISA. On November 19, 2013, YPF filed an ordinary appeal against such ruling to the Supreme Court of Justice. On November 27, 2013 YPF filed an extraordinary appeal against such ruling to the Supreme Court of Justice. In the opinion of YPF' s management, the matters referred to above will not have a material adverse effect on the Company' s results of operations. On September 29, 2015, the Supreme Court of Justice overruled the National Court of Appeals in the Federal Contentious Administrative Tribunal holding that ENARGAS has no jurisdiction in order to hear NAFISA' s claim.

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On September 18, 2012, the judge presiding in the TGN / YPF matters: a) dismissed the order of consolidation made by YPF on the ground that the court has no jurisdiction to hear the case because it lacks administrative jurisdiction in NAFISA litigation and considering that there is no possibility that the decision made to any of them have the same effect on the other; b) accepted YPF's claim that notification made by TGN on December 16, 2010 in respect of the termination of the contract and the call of a public tender by TGN on March 10, 2011 to award the public and firm service transportation of natural gas through its northern pipeline system, including transport capacity remaining under the contract with YPF, terminated the contract; c) extended the demand for which TGN claims invoices relating to services for November and December 2010; and d) opened the case to trial.

In connection with the above, on April 8, 2009, YPF filed a complaint against TGN with ENARGAS, seeking the termination of the natural gas transportation contract with TGN for the transport of natural gas in connection with the natural gas export contract entered with AESU and other parties. The complaint is based on the termination of the referenced natural gas export contract and the legal impossibility of assigning the transportation contract to other shippers because of certain changes in law in effect since 2002; as a second matter, the legal impossibility for TGN to render the transportation service on a firm basis because of certain changes in law in effect since 2004; and as a third matter, the Teoría de la Imprevisión (hardship provision under Article 1198 of the Argentine Civil Code) available under Argentine law when extraordinary events render a party's obligations excessively burdensome.

On April 3, 2013, the complaint for damages brought by TGN was filed, whereby TGN claimed YPF should pay the amount of U.S.\$ 142 million, plus interests and legal fees for the termination of the transportation contract, and that YPF would have 30 days to file and answer thereto. On May 31, 2013, YPF answered the claim requesting the dismissal thereof. On April 3, 2014, the evidence production period commenced for a 40-day lapse, and the court notified the parties that they shall submit a copy of evidence offered by them to create exhibit binder. As of the date of these annual report, evidence offered by the parties is being produced.

*La Plata and Quilmes 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 and for payment 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 National Executive Office that there is a chance that the tribunal may find us responsible for the damages. In such event, due to the indemnity provided by Privatization Law (Law No. 24,145) and in accordance with that law, we should 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. 42 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 approximately Ps. 16 million, the second group has made a claim for compensation of approximately Ps. 45 million and the third one has made a claim of approximately Ps. 16 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. On August 11, 2011, the judge ruled against YPF and the Argentine government requiring us to pay approximately Ps. 3.5 million plus interest. The Court of Appeals confirmed the lower court judge's ruling and ordered YPF to file an improvement plan to reduce gaseous emissions

produced by the refinery. YPF filed an appeal before the Supreme Court but it was rejected on March 2013. Subsequently, the Judge ordered YPF to file an improvement plan, which YPF filed on March 2013. The plan was analyzed by court experts, who presented their report. YPF was served and presented a request for clarification. The court approved the improvement plan on June 25, 2013. On March 17, 2015, the court requested YPF to provide certain information on the plan and stated it would be premature to start a monitoring program.

On January 25, 2011, we entered into an agreement with the Provincial Entity for Sustainable Development ( OPDS ) of the government of the province of Buenos Aires, within the scope of the remediation, liability and environmental risk control program, created by Resolution 88/10 of the OPDS. Pursuant to such agreement, YPF and the relevant authorities agreed to jointly perform an eight-year work program in the canals adjacent to the La Plata refinery, including the conduct of characterization and risk assessment studies of sediments. The agreement provides that when a required remediation action is identified as a result of a risk assessment study, different alternatives and available techniques will be considered, as well as the steps needed for its implementation. Studies to determine how old the contamination is will also be performed pursuant to the agreement, in order to evaluate whether the Argentine government should be liable for such contamination pursuant to its obligation to hold us harmless under the Privatization Law, which established the procedures for our privatization. YPF has provided an accrual of the estimated cost of the characterization and risk assessment studies mentioned above. The cost of the remediation actions, if required, will be recorded in those situations where the loss is probable and can be reasonably estimated.

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*Quilmes claims.* We have been notified of several 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 La Plata Dock Sud pipeline, which occurred in 1988 as third parties damaged and stole fuel from the pipeline, which was then repaired by Yacimientos Petrolíferos Fiscales.

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 answered the complaint requesting its rejection and impleading the Argentine government. We have also notified the Argentine government of the existence of this claim and that we plan to request that it hold us harmless and indemnify us against any liability derived from this lawsuit, as provided by the Privatization Law. The Argentine government, through an administrative decision, has denied any responsibility to indemnify us for this matter; therefore, we have sued the Argentine government to obtain a declaratory judgment declaring this administrative decision null and void. Such declaratory judgment is still pending. On December 18, 2014 the Argentine government was cited, by notification of the demand and its extensions, by letter to the Ministry of Federal Planning.

There are 24 other judicial claims that have been brought against us based on similar allegations, amounting to approximately Ps. 19 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. As of the date of this annual report, a remediation plan is being performed in the affected area, under the supervision of the environmental authority of the province of Buenos Aires.

*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. See Item 4. Information on the Company Environmental Matters YPF Holdings-Operations in the United States. YPF International S.A. and Maxus International Energy Company were added to the claim in 2010. For detailed information about this legal proceeding, see YPF Holdings Passaic River/Newark Bay, New Jersey New Jersey litigation with DEP.

*Tax claims.* We have received several claims from the AFIP and from the provincial and municipal fiscal authorities, which are not individually significant, and which have been accrued based on the best information available as of the date of the issuance of the accompanying financial statements.

*Users and Consumers Union Association claim.* The Users and Consumers Union Association is seeking reimbursement of allegedly excessive prices charged to bulk LPG consumers between 1993 and 2001. The original claim was against Repsol YPF but has been extended to YPF. The claim is for a sum of Ps. 91.2 million for the period 1993 to 1997 (this sum, in current pesos, would amount to approximately Ps. 502 million), together with an undetermined amount for the period 1997 to 2001. We invoked the statute of limitations, since the applicable two-year statute of limitations had already elapsed.

On December 28, 2015, the Court of First Instance ruled partially in favor of the plaintiffs. The court ordered YPF to remit Ps. 98.2 million plus interest to the National Secretariat of Energy into the trust fund created by Law No. 26,020. This amount pertains to the claims for the period 1993 through 1997. Determination of the final amount is pending a subsequent settlement stage.

The court ruled against the plaintiffs in respect of their claim for damages from 1997 to 2001. YPF appealed the decision. As of December 31, 2015, YPF has provisioned approximately Ps. 503 million plus trial costs for these matters.

*Non-accrued, possible contingencies*

In addition to the probable contingencies described in the preceding paragraphs, we are subject to several labor, civil, commercial and environmental claims in respect of which, we have not provided any accrual since management, based on the evidence available to the date of issuance of the accompanying financial statements and in consultation with our external counsel, have considered them to be possible contingencies.

Based on the information available to the Company, including the amount of time remaining before trial, the results of discovery and the judgment of internal and external counsel, the Company is unable to estimate the reasonably possible loss or range of loss resulting for these contingencies.

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The most significant of these contingencies are described below:

*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 development 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, 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 served, we and the other defendants filed a motion for a more definitive statement of claims. 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 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 the Privatization Law 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 and procedural issues are resolved. The provinces of Río Negro, Buenos Aires, Neuquén, Mendoza, and the Argentine government have presented their arguments to the Supreme Court, although such arguments are not available to us. The provinces of Neuquén and La Pampa have claimed lack of jurisdiction, which has been opposed by the plaintiff, and the claim is pending resolution. On December 13, 2011, the Supreme Court suspended the proceeding for 60 days and ordered YPF and the plaintiff to present a schedule of the conferences that would take place during said suspension, authorizing the participation of the rest of the parties as well as third parties in such conferences. ASSUPA reported the interruption of the negotiations in the claim and the Supreme Court finalized the 60-day period of suspension ordered.

On December 1, 2014, ASSUPA sued the companies operating production concessions and exploration permits in the Northwest basin, including us, claiming for the remediation of 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. YPF expects to respond within the required time period and to assert available defense appropriate to the case. The required time period to answer the complaint is currently suspended.

On December 30, 2014 the Supreme Court issued two interlocutory judgments. In the first judgment, it supported the claim of the Provinces of Neuquén and La Pampa, and declared that all environmental damages related to local and provincial situations were outside the scope of his original competence, and that only inter-jurisdictional situations (such as the Colorado River basin) would fall under his venue.

In the second judgment, the court rejected the petition filed by ASSUPA to incorporate Repsol and the directors who served in YPF until April 2012 as a necessary third party. The Court also rejected precautionary measures and other proceedings related to such request. Additionally, it should be noted that the Company is aware of three other legal claims that have been brought by ASSUPA against:



- i) Concessionaire companies in the San Jorge Gulf basin areas: YPF received a notification which was declared invalid because of formalities that were not followed. As a result, the terms of the procedure were suspended;
- ii) Concessionaire companies in the Austral basin areas: In this case, a highly expedited action has been ordered. A precautionary measure has also been ordered to inform different entities about the existence of the trial and the defendants may provide certain information, a decision already appealed by YPF, which has not been ruled on by the Appellate Court. On November 3, 2015, YPF was served with the complaint. Currently, the reply period is suspended at YPF's request.
- iii) Concessionaire companies in the Northwest basin areas: On December 1, 2014, YPF was notified of the complaint. Currently, the reply period is suspended at YPF's request. In addition, Pan American Energy peremptorily challenged the intervening judge, and as a result the case was referred to the Federal Court No. 2 of Salta.

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*Dock Sud environmental claim.* We have been sued in the following environmental lawsuits that have been filed by residents living near Dock Sud, in the province of Buenos Aires: (i) Mendoza, Beatriz against National State et al., and (ii) Cicero, María Cristina against Antivari S.A.C.I. et al. for damages. In the Mendoza lawsuit before the Argentine Supreme Court, 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 prior to January 1, 1991, according to the Privatization Law and Decree No. 546/1993. In July 2008, the Argentine Supreme Court decided that the Basin Authority (Law 26,168) ( ACUMAR ) will be in charge of performing a remediation plan as well as taking preventive measures in the area. The Argentine government, 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*). We have been notified of certain resolutions issued by ACUMAR, pursuant to which we are required to submit a Restructuring Industrial Plan regarding certain of our facilities. While we have appealed such resolutions, we have submitted to the relevant authority a Restructuring Industrial Plan. Additionally, the Argentine Supreme Court declared that it will determine whether and how much liability is to be borne by the parties involved. In the Cicero lawsuit, 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 prior to January 1, 1991, according to the Privatization Law and Decree No. 546/1993.

*Claims related to the gas market and others.* In addition to the claims described under Accrued, probable contingencies Alleged defaults under natural gas supply contracts, we are involved in the following proceedings also related to the administration of exports imposed by the Argentine government in the natural gas market:

*CNDC claims.* On November 17, 2003, the CNDC requested explanations, within the framework of an official investigation pursuant to Article 29 of the antitrust protection law, from a group of almost 30 natural gas production companies, including us, with respect to the following items: (i) the inclusion of clauses purportedly restraining trade in natural gas purchase/sale contracts and (ii) gas imports from Bolivia, in particular (a) expired contracts signed by YPF, when it was state-owned, and YPFB (the Bolivian state-owned oil company), under which YPF allegedly sold Bolivian gas in Argentina at prices below the purchase price; and (b) the unsuccessful attempts in 2001 by Duke and Distribuidora de Gas del Centro to import gas into Argentina from Bolivia. On January 12, 2004, we submitted explanations in accordance with Article 29 of the Antitrust Protection Law, contending that no antitrust violations had been committed and that there had been no price discrimination between natural gas sales in the Argentine market and the export market. On January 20, 2006, we received a notification of resolution dated December 2, 2005, whereby the CNDC (i) rejected the non bis in idem petition filed by us, on the grounds that ENARGAS was not empowered to resolve the issue when ENARGAS Resolution No. 1,289 was enacted; and (ii) ordered that the preliminary opening of the proceedings be undertaken pursuant to the provisions of Section 30 of Law No. 25,156. On January 15, 2007, the CNDC charged us and eight other producers with violations of Law No. 25,156. We have contested the complaint on the basis that no violation of the Law took place and that the charges are barred by the applicable statute of

limitations, and have presented evidence in support of our position. On June 22, 2007, without acknowledging any conduct in violation of the Antitrust Protection Law, we filed with the CNDC a commitment according to Article 36 of the Antitrust Protection Law requesting that the CNDC approve the commitment, suspend the investigation and dismiss the proceedings. We are still awaiting a formal response. On December 14, 2007, the CNDC elevated the investigation to the Court of Appeals.

In addition, on January 11, 2012, the Argentine Secretary of Transport filed with the CNDC a complaint against five oil companies (including YPF) for alleged abuse of a dominant position regarding bulk sales of diesel to public bus transportation companies. The alleged conduct consists of selling bulk diesel to public bus transportation companies at prices higher than the price charged in service stations. According to the provisions of Article 29 of the Antitrust Protection Law, YPF has submitted the corresponding explanations to the CNDC, questioning certain formal aspects of the complaint, and arguing that YPF has acted at all times in conformity with current regulations and that it did not engage in any discrimination or abuse in determining prices.

On January 26, 2012, the Argentine Secretariat of Domestic Commerce issued Resolution No. 6/2012 whereby (i) each of these five oil companies was ordered to sell diesel to public bus transportation companies at a price no higher than the retail price charged by its service station located, in general terms, nearest to the place of delivery of diesel to each such transportation company, while maintaining both historic volumes and delivery conditions; and (ii) it created a price monitoring scheme of both the retail and the bulk markets to be implemented by the CNDC. YPF has challenged this Resolution and requested a preliminary injunction against its implementation. YPF's preliminary injunction has been granted and the effects of the Resolution No. 6/2012 have been temporarily suspended, until the appeal is ruled upon. Against that preliminary injunction, the Argentinian government presented an extraordinary federal appeal, which has not yet been served to YPF. On December 9, 2014, the Federal Civil and Commercial Appeals Court has ruled that the case has become moot and that there are no actual consequences for YPF arising from the challenged Resolution, since prices of the diesel to public bus transportation have suffered several variations since the date such Resolution entered into effect.

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We are also subject to other claims before the CNDC that are related to alleged price discrimination in the sale of fuels. Our management, based on the evidence available to date and upon the opinion of our external counsel, has considered them to be possible contingencies.

*Quilmes and other relevant claims.* The Company has been notified of a complaint filed by a group of neighbors of Quilmes, in the province of Buenos Aires, claiming approximately Ps. 421 million in compensation for personal damages.

*Petersen Energía Inversora, S.A.U. and Petersen Energía, S.A.U. claims.* On April 8, 2015, Petersen Energía Inversora, S.A.U. and Petersen Energía, S.A.U. (together, Petersen ) both former shareholders of YPF's Class D shares, sued the Argentine Republic and YPF in the United States District Court for the Southern District of New York.

The suit is being brought by Petersen's receiver pursuant to a liquidation proceeding in a Spanish bankruptcy court. The complaint sets forth claims relating to the expropriation of Repsol's majority interest in YPF by the Argentine Republic in 2012, alleging that it triggered an obligation by the Argentine Republic to make a tender offer to all other YPF shareholders. The claims are based on allegations that the expropriation violated contractual obligations in the prospectus for YPF's IPO and in YPF's bylaws and seeks unspecified damages.

The Company believes the lawsuit has no merit and has filed a motion to dismiss the complaint. Petersen has filed an opposition to YPF's motion. As of the date of this annual report, YPF's motion remains pending before the court.

*Bankruptcy petition by Pan American Sur S.A., Pan American Fuegoína S.A. and Pan American Energy LLC Sucursal Argentina:* On September 18, 2015, Metrogas became aware of the existence of bankruptcy petitions by Pan American Sur S.A., Pan American Fuegoína S.A. and Pan American Energy LLC Sucursal Argentina pending before the National Court of First Instance in Commercial Issues No. 26, Secretariat No. 51, Autonomous City of Buenos Aires. As of the date of this annual report, Metrogas has not received any notification regarding this petition; however, it will vigorously defend its rights.

*Non-accrued, remote contingencies*

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

*Congressional request for investigation to CNDC.* On November 7, 2003, certain former members of the Argentine congress, Arturo Lafalla, Ricardo Falu and others, filed with the CNDC a complaint against us for abuse of a dominant position in the bulk LPG market during 2002 and part of 2003. The alleged conduct consisted of selling bulk LPG in the domestic market at prices higher than the export price, thereby restricting the availability of bulk LPG in the domestic market. On December 15, 2003, the CNDC forwarded the complaint to us, and requested explanations under Article 29 of the Antitrust Protection Law. On January 21, 2004, we submitted explanations in accordance with Article 29 of the Antitrust Protection Law, contending that no antitrust violations had been committed. At this point, the CNDC may accept our explanations or begin a criminal investigation. We contend that we did not restrict LPG supply in the domestic market during the relevant period, that during this period all domestic demand for LPG could have been supplied by our competitors and that therefore our market share could not be deemed a dominant position. The CNDC requested information in relation to the prices in the internal and external markets for 2000 to 2008 and that we file the LPG export contracts signed from 2001 to 2004 as well as explain the evolution of the prices in the internal and external markets of propane and butane during the March to December period from 2001 to 2004. We provided the requested information. Having provided the requested information, we have become aware that the CNDC has issued an opinion suggesting that the proceedings be dismissed. However, the matter is still pending before

the Argentine Secretariat of Domestic Commerce.

Pursuant to the provisions of Resolution No. 189/99, referred to above, certain third parties have claimed compensation for alleged damages suffered by them as a consequence of our sanctioned conduct. We have denied these claims and presented our defenses.

*Other export tax disputes.* Between 2006 and 2009, the Customs General Administrations in Neuquén, Comodoro Rivadavia and Puerto Deseado informed us that certain summary proceedings had been brought against us based on alleged formal misstatements on forward oil deliveries (future commitments of crude oil deliveries) in the loading permits submitted before these agencies. In December 2008, the Customs General Administration of Neuquén rejected our arguments and issued a ruling against us. We will appeal before the National Fiscal Court. Although our management, taking into account the opinion of legal counsel, believes the claim has no legal basis, the potential fines imposed could be substantial.

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*La Plata refinery environmental claims.* We are aware of an action in which we have not yet been served, in which the plaintiff requests the cessation of contamination and the cleanup of the canals adjacent to the La Plata refinery, in Río Santiago, and other sectors near the coast (removal of mud, drainage of wetlands, restoration of biodiversity, among other things), and, if such cleanup is not practicable, the plaintiff request a compensation of Ps. 500 million or an amount to be determined from evidence produced in discovery. We believe that this claim partially overlaps with the requests made by a group of neighbors of the La Plata refinery on June 29, 1999. Accordingly, we consider that if we are served in this proceeding or any other proceeding related to the same subject matters, the cases will need to be consolidated to the extent that the claims overlap. With respect to claims that would not be included in the previous proceedings, for the time being we are unable to estimate the prospects of such claims. Additionally, we believe that most of the damages that do not overlap with the aforementioned claims may be attributable to events that occurred prior to YPF's privatization and could therefore be the responsibility of the Argentine government in accordance with the Privatization Law concerning YPF. The complaint was never served to the Company and the docket is filed.

***YPF Holdings***

The following is a brief description of certain environmental and other liabilities related to YPF Holdings, a Delaware corporation and a wholly-owned subsidiary of YPF, and certain of its subsidiaries, including Maxus and Tierra. See Item 4. Information on the Company Environmental Matters YPF Holdings Operations in the United States for additional information.

In connection with the sale of Maxus former chemical subsidiary, Chemicals Company, to Occidental in 1986, Maxus agreed to indemnify Chemicals Company and Occidental from and against certain liabilities relating to the business or activities of Chemicals Company prior to the Closing Date, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals Company prior to the Closing Date. See Item 4. Information on the Company Environmental Matters YPF Holdings Operations in the United States.

As of December 31, 2015, YPF Holdings accruals for environmental and other contingencies totaled approximately Ps. 3.821 million. YPF Holdings management believes it has adequately accrued for all environmental and other contingencies that are probable and can be reasonably estimated based on information available as of such time; however, such contingencies are subject to significant uncertainties, including the completion of ongoing studies, the discovery of new facts, allocation of responsibility among potentially responsible parties, and the possibility of administrative or judicial enforcement actions by authorities, which could result in material additions to such accruals in the future. It is possible that additional claims will be made, and additional information about new or existing claims (such as results of ongoing investigations, the issuance of court decisions, the signing of participation agreements, or the signing of settlement agreements) is likely to develop over time. YPF Holdings accruals for the environmental and other contingencies described below are based solely on available information as of the date of issuance of the accompanying Financial Statements and as a result, YPF Holdings, Maxus and Tierra may have to incur costs that may be material, in addition to the accruals already taken.

In the following discussion concerning plant sites and third party sites, references to YPF Holdings include, as appropriate and solely for ease of reference, references to Maxus and Tierra. As indicated above, Tierra is also a subsidiary of YPF Holdings and has assumed certain of Maxus's obligations.

- 1. Environmental matters at the Lister Avenue site and the Passaic River*

*1.1. Environmental issues related to the lower eight miles of the Passaic River*

*Newark, New Jersey.* A consent decree, previously agreed upon by the EPA, the New Jersey DEP and Occidental, as successor to Chemicals Company, was entered in 1990 by the United States District Court of New Jersey for Chemicals Company's former Newark, New Jersey agricultural chemicals plant. The approved interim remedy has been completed and paid for by Tierra pursuant to the above described indemnification agreement between Maxus and Occidental. Operations and maintenance of the constructed remedy are ongoing.

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*Passaic River/Newark Bay, New Jersey.* Maxus, acting on behalf of Occidental, negotiated an agreement with the EPA (the 1994 AOC ) under which Tierra has conducted testing and studies to characterize contaminated sediment and biota in a six-mile portion of the Passaic River near the Newark, New Jersey plant site described above. While some work remains, the work under the 1994 AOC was substantially subsumed by about 70 companies (including Occidental and TS) of the lower 17-mile portion of the Passaic River (including the portion already studied) pursuant to a 2007 administrative settlement agreement (the 2007 AOC ). The parties to the 2007 AOC are discussing the possibility of further remediation work with the EPA. The entities that have agreed to fund the remedial investigation and feasibility study ( RI/FS ) have negotiated an interim allocation of RI/FS costs among themselves based on a number of considerations. This group, consisting of approximately 70 companies is referred to as the Cooperating Parties Group (the CPG ). The 2007 AOC is being coordinated with a joint federal, state, local and private sector cooperative effort designated as the Lower Passaic River Restoration Project ( PRRP ). On May 29, 2012, Occidental, Maxus and Tierra withdrew from the CPG under protest and reserving all their rights. A description of the circumstances of such decision can be found below in the paragraph titled Passaic River Mile 10.9 Removal Action. However, Occidental remains a respondent to the 2007 AOC and its withdrawal from the CPG does not change its obligations under the aforementioned AOC. The RI/FS concerning the 2007 AOC is expected to be completed in 2016 together with the filing with the EPA by the CPG of a preliminary report containing its recommendation as to preferred remediation. The EPA will have to assess such recommendation and then render an opinion in this connection. This process may take from 12 to 18 months. After an agreement is reached by the CPG and the EPA on preferred remediation, the report will be published for public comment, which will be considered for the purpose of issuing an ROD or final decision on remediation of the RI/FS area (which includes the FFS area described in the ROD).

The EPA s findings of fact in the 2007 AOC indicate that combined sewer overflow/storm water outfall discharges are an ongoing source of hazardous substances to the Lower Passaic River Study Area (the 17-mile stretch of the Passaic River from the Dundee Dam south to Newark Bay). For this reason, during the first half of 2011, Maxus and Tierra negotiated with the EPA, on behalf of Occidental, a draft Administrative Settlement Agreement and Order on Consent for Combined Sewer Overflow/Storm Water Outfall Investigation ( CSO AOC ), which was signed and became effective in September 2011. Besides providing for a study of combined sewer overflows in the Passaic River, the CSO AOC confirms that there will be no further obligations to be performed under the 1994 AOC. In the second half of 2014, Tierra submitted to the EPA its report (thus completing phase 1) and still expects the EPA s comments on the proposed work plan. Tierra previously estimated that the total cost to implement the CSO AOC is approximately U.S.\$5.0 million and will take approximately two more years to be completed once the EPA authorizes phase 2 (the work plan).

Tierra, acting on behalf of Occidental, is also performing and funding a separate RI/FS to characterize sediment contamination and evaluate remedial alternatives in Newark Bay and portions of the Hackensack River, the Arthur Kill, and the Kill van Kull pursuant to a 2004 administrative order on consent with the EPA (the 2004 AOC ). The EPA has issued General Notice Letters to a series of additional parties concerning the contamination of Newark Bay and the work being performed by Tierra under the 2004 AOC. In addition, in August 2010, Tierra proposed to the other parties that, for the third stage of the RI/FS undertaken in Newark Bay, the costs be allocated on a per capita basis. As of December 31, 2013, the parties had not agreed to Tierra s proposal. In July 2014, the EPA advised Tierra that it anticipated at the end of 2014 to propose the means by which Tierra would accomplish the necessary modeling of Newark Bay sediment processes. Although the EPA was considering three alternatives, at December 31, 2015 EPA had not yet laid out a course of action for Tierra. At this time, YPF Holdings lacks sufficient information to determine additional costs, if any, it might have with respect to this matter once the final scope of the phase III is approved, as well as the proposed distribution mentioned above.



In December 2005, the DEP issued a directive to Tierra, Maxus and Occidental directing said parties to pay the State of New Jersey's costs of developing a Source Control Dredge Plan focused on allegedly dioxin-contaminated sediment in the lower six-mile portion of the Passaic River described above. The development of this Plan was estimated by the DEP to cost approximately U.S.\$2.3 million. The DEP has advised the recipients that they are not required to respond to the directive until otherwise notified.

In August 2007, the National Oceanic Atmospheric Administration (NOAA), as one of the Federal Natural Resources Trustees (Trustees), sent a letter to a number of entities that it alleged have liability for natural resource damages, including Tierra and Occidental, requesting that the group enter into an agreement to conduct a cooperative assessment of natural resources damages in the Passaic River and Newark Bay. In January 2008, the NOAA sent a letter to YPF Holdings, CLH Holdings Inc. and other entities. In November 2008, Occidental and Tierra entered into an agreement with the Trustees to fund a portion of the Trustees' past costs and conduct certain assessment activities during 2009. A group of approximately 20 other parties has also entered into a similar agreement with the Trustees. In November 2009, Tierra declined to extend this agreement.

**Table of Contents****Lister Avenue Removal Action.**

In June 2008, the EPA, Occidental, and Tierra entered into an Administrative Order on Consent ( Removal AOC 2008 ), pursuant to which Tierra (on behalf of Occidental) will undertake the removal of sediment from a portion of the Passaic River in the vicinity of Chemicals Company's former Newark, New Jersey facility described above. This action will result in the removal of approximately 200,000 cubic yards of sediment, which will be carried out in two phases. The field work on the first phase, which encompassed the removal of 40,000 cubic yards, started in July 2011 and was substantially completed in the fourth quarter of 2012. The EPA inspection was held in January 2013 and Tierra received written confirmation of completion in March 2013. The second phase, which will encompass the removal of approximately 160,000 cubic yards of sediment, will be completed on a different schedule. Pursuant to the Removal AOC of 2008, the EPA has required the provision of financial assurance for the execution of the removal work which could decrease or increase over time if the anticipated cost of completing the removal work contemplated by the AOC changes. The removal work will remove a number of contaminants, such as dioxin, PCBs, and mercury, which may have come from sources other than or in addition to the former Chemicals Company plant. YPF Holdings may seek cost recovery from the parties responsible for such contamination; however, at this time it is not possible to make any predictions regarding the likelihood of success or the funds potentially recoverable in a cost-recovery action. The removal work required pursuant to the Removal AOC will be conducted concurrently with and in addition to the other investigations and remedial actions described above, including those undertaken in connection with the FFS concerning the lower eight miles of the Passaic River, the RI/FS addressing the lower 17-mile portion of the Passaic River, and the RI/FS relating to contamination in Newark Bay, portions of the Hackensack River, the Arthur Kill and the Kill van Kull. The FFS published on April 11, 2014 states that Phase II of the removal action will be implemented consistently with the FFS. On September 18, 2014, the EPA requested TS develop a work plan to carry out an additional sampling of the Phase II area. The sampling was completed in the first quarter of 2015 and TS is expected to present the validated results to the EPA during 2016. The Record of Decision issued by the EPA on March 4, 2016 referred to in section 1.2 below assumes that Phase II would be implemented in advance of or in conjunction with the remedial work in the lower 8.3 miles of the Passaic River.

*1.2. Focused Feasibility Study ( FFS ) for remedial action in the lower eight miles of the Passaic River*  
*First draft 2007.* In June 2007, the EPA released a draft Focused Feasibility Study that outlined several alternatives for remedial action in the lower eight miles of the Passaic River. As a result of comments received, the EPA withdrew the FFS for revision and further consideration of the comments.

On November 14, 2013, the EPA described four alternatives it was considering in the revised FFS, including: (i) no action, (ii) deep dredging with backfill of 9.7 million cubic yards over 12 years, which it estimated would cost U.S.\$1.4 billion to U.S.\$3.5 billion, depending on whether the dredged sediment is disposed of in a confined aquatic disposal facility ( CAD ) at the bottom of Newark Bay, at an off-site disposal facility or locally decontaminated and put to beneficial use; (iii) capping with dredging of 4.3 million cubic yards over six years, which it estimated would cost U.S.\$1.0 billion to U.S.\$1.8 billion, depending on whether there is a CAD, off-site disposal or local decontamination and beneficial use; and (iv) one additional alternative that it subsequently discarded.

*Second draft 2014.* On April 11, 2014, the EPA published the revised FFS for the lower eight miles of the Passaic River in final form. In the final FFS, the EPA recommended as its preferred remedial action for this area removal of approximately 4.3 million cubic yards of sediment through bank-to-bank dredging, which sediments would then be dehydrated locally and transported by train for their incineration or disposal at an off-site disposal facility. An engineering cap (a physical barrier mainly consisting of sand and stone) would then be placed over the bank-to-bank dredged area. In its final FFS, the EPA estimated the cost of the preferred remedy (without CAD) for the lower eight miles of Passaic River to be U.S.\$1,731 million (present value estimated with a 7% discount rate).

On August 20, 2014, Maxus and Tierra, on behalf of Occidental, submitted extensive comments on the final FFS to the EPA. The main comments offered by Maxus, Tierra and Occidental on the final FFS were:

The FFS is not a process legally authorized to select the type and size of remediation proposed by the EPA for the lower eight miles of the Passaic River;

The FFS is based on a flawed site design;

The FFS overstates the human health and ecological risk issues;

The proposed remediation plan is not executable or economically reasonable in terms of cost-benefit;

The processes of the EPA Region 2 have a lack of public transparency; and

The inclusion in the remediation plan of dredging for navigational purposes is not covered by the regulation.

In addition to the comments received from Maxus and Tierra, the EPA also received comments from approximately 400 other companies, institutions, government agencies, non-governmental organizations and individuals, including the CPG, Amtrak (the federal railway company), NJ Transit, the American Army Corps of Engineers, the Passaic Valley Sewerage Commission, yacht clubs, public officials and others.

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In addition to commenting on the final FFS, Maxus and Tierra have proposed a preliminary project called In-ECO, which is an ecological and sustainable bio-remediation alternative, as a substitute for the remediation chosen by the EPA in its final FFS. Maxus and Tierra presented In-ECO to the EPA in May 2014. The EPA provided comments in September 2014, and Maxus and Tierra presented a revised version in November 2014. The EPA provided additional comments to the In-ECO Statement of Work in March 2015. Tierra subsequently developed responses to those comments and submitted them to the EPA. A meeting was held in September 2015 between Tierra, its experts, and the EPA. During this meeting, certain issues were resolved, and laboratory studies are now anticipated to begin sometime in early 2016.

In October 2015, the U.S. Government Accountability Office (the GAO ) advised Maxus, Tierra and Occidental that it had commenced a study on some Superfund sites with sediment contamination issues, including the Lower Section of the Passaic River, at the request of the Committee of Environmental Matters and Public Works of the United States Senate. It is anticipated that the GAO's report will be made public in the third quarter of 2016.

On March 4, 2016, subsequent to the issuance of the accompanying Financial Statements, EPA released the Record of Decision for the Lower 8.3 Miles of the Lower Passaic River, Part of the Diamond Alkali Superfund Site Essex and Hudson Counties, New Jersey (hereinafter, the ROD ).

The ROD presented the selected remedy to address contaminated sediments found in the lower 8.3 miles of the Lower Passaic River, a part of the Diamond Alkali Superfund Site. In this regard, the EPA selected Alternative 3 (capping with dredging for flooding and navigation of 3.5 million cubic yard over 6 years term). This approach is consistent with the alternative selected in the Second Draft FFS 2014 but for the amount of sediment to be removed through bank-to-bank dredging (which was approximately 4.3 million cubic yards in the FFS 2014 draft and is approximately 3.5 million cubic yards in the ROD).

The ROD provides that the estimated total net present value costs to be US\$ 1,382 million. This amount is consistent with the amount provided in the FFS 2014 Draft, taking in consideration a reduction of 0.8 million cubic yards to be removed between the two reports. According to the EPA, a major source of dioxin in the river was discharges from the former Diamond Alkali facility in Newark, where the production of Agent Orange and other pesticides during the 1960s generated dioxin that contaminated the land and the river.

The EPA further stated that the selected alternative is the first of three remedies to be selected for the Lower Passaic/Newark Bay waterway, highlighting that separate RI/FSs are being conducted for the full 17-mile Lower Passaic River Study Area and for the Newark Bay Study Area. Accordingly, the EPA expects the three remedies to be integrated into a comprehensive response action.

In accordance with the issuance of the ROD, the EPA stated that now that the cleanup plan has been selected, the EPA will immediately begin discussions with those responsible for the contamination to seek their performance of or payment for the cleanup work. The EPA stated that once the legal process concludes, the design of the activities necessary to carry out the cleanup will be outlined in a legally binding document. The EPA expects that the design will take three to four years to complete. In accordance with the EPA, the dredging, dewatering and disposal of dredged materials and related construction work will follow and is expected to take six years to complete.

At this time, there is significant uncertainty regarding the outcome of any allocation negotiation or mediation process to estimate the percentage share to Occidental for which Maxus might be liable under the indemnity.

Based on (a) the uncertainties identified by the Company as of the date of this annual report, including but not limited to (i) the extraordinary volume of sediment materials for which, to date, the sediment treatment technologies have

neither been constructed nor operated in the United States on a scale commensurate with the capacity that would be necessary for the remedial work this remediation that this project would be requiring, (ii) the results of the studies and discoveries yet to be produced, (iii) the number and diversity of contaminants of concern identified by the ROD (furans, PCB s, mercury, copper, dieldrin, PAHs, lead, dioxins and DDT), many of which have not been previously associated with the Lister Site and/or have been generated by other potentially responsible parties, (iv) the number and diversity of potential responsible parties involved in the matter (EPA identified more than one hundred potential responsible parties), and (v) the final allocation of the removal and remediation costs; (b) consultation with our internal and external counsel; (c) the amounts previously incurred and recorded by YPF Holdings in remediation activities in the area covered by the ROD; and (d) the limitation on responsibility that YPF may have as an indirect controlling shareholder of Maxus, no additional liability has been accrued for this environmental matter as of the date of this annual report.

**Table of Contents*****Environmental issues related to the lower 17-mile portion of the Passaic River***

***Passaic River Mile 10.9 Removal Action.*** In February 2012, the EPA issued to the CPG, of which Tierra then was a member, a draft Administrative Settlement Agreement and order on Consent ( AOC RM 10.9 ) for Removal Action and Pilot Studies to address high levels of contamination of TCDD, PCBs, mercury and other contaminants of concern in the vicinity of the Passaic River s mile 10.9, comprised of a sediment formation ( mud flat ) of approximately 8.9 acres. This proposed AOC RM 10.9 ordered that 16,000-30,000 cubic yards of sediments be removed and that pilot scale studies be conducted to evaluate ex situ decontamination beneficial reuse technologies, innovative capping technologies, and in situ stabilization technologies for consideration and potential selection as components of the remedial action to be evaluated in the 2007 AOC and the FFS and selected in one or more subsequent records of decision. Occidental declined to execute this AOC and Occidental, Maxus and Tierra formalized their resignations from the CPG, effective May 29, 2012, under protest and subject to a reservation of rights. On June 18, 2012, the EPA announced that it had signed an AOC for RM 10.9 with 70 Settling Parties, all members of the CPG, which contained, among other requirements, an obligation to provide to the EPA financial assurance, in the amount of U.S.\$20 million, that the work would be completed. On June 25, 2012, the EPA issued Occidental a Unilateral Administrative Order (UAO) for Removal Response Activities. Occidental sent to the CPG and EPA its notice of intent to comply with such order on July 23, 2012 followed by its good faith offer on July 27, 2012 to provide the use of Tierra s existing dewatering facility. On August 10, 2012, the CPG rejected Occidental s good faith offer and, on September 7, 2012, the CPG stated that it has alternative plans for handling sediment to be excavated at RM 10.9 and, therefore, has no use for the existing dewatering facility. The EPA, by letter of September 26, 2012, advised that it will be necessary for the EPA and Occidental to discuss other options for Occidental to participate and cooperate in the RM 10.9 removal action, as required by its Unilateral Administrative Order. On September 18, 2012, the EPA advised the Passaic River CAG that the bench scale studies of the treatment technologies did not sufficiently lower concentrations of the chemicals to justify the cost, so the RM 10.9 sediments will be removed offsite for disposal. In March 2014, responding to the EPA s request for action, Tierra, on behalf of Occidental, submitted a Statement of Work ( SOW ) for the conduct of surveys to more precisely locate two water mains that cross under the Passaic River at RM 10.9. The EPA granted conditional acceptance of the SOW, and Tierra in early April 2014 responded to EPA s comments on the SOW. EPA extended the deadline for delivering financial assurance to March 14, 2014 and later further extended the deadline indefinitely. The field work for this investigation was conducted in August. This work was inconclusive and an additional field investigation began in December 2014 and was completed in February 2015. Tierra submitted to the EPA its report on the pipeline probing survey in March 2015.

***FFS for remedial action in the lower 17-mile of the Passaic River.*** Notwithstanding the discussion above, for the lower 17-mile portion of the Passaic River, from its confluence with the Newark Bay to the Dundee Dam, under the 2007 AOC, the RI/FS is expected to be completed in 2016, after which the EPA would select a remedial action and open the decision for public comments.

The CPG submitted the Draft Remedial Investigation and Feasibility Study for the Lower 17 miles of the Passaic River during the first semester of 2015. As of the date of this annual report, the EPA has not submitted any comments.

***New Jersey Litigation with DEP.*** With respect to the alleged contamination, that dioxin, DDT and other hazardous substances discharged from Chemicals Company s former Newark plant and contaminated the lower 17-mile portion of the Passaic River, Newark Bay, and other nearby waterways and surrounding areas, in December 2005 the DEP, Commissioner of the New Jersey Department of Environmental Protection and the New Jersey Spill Compensation Fund sued YPF, YPF Holdings, Tierra, Maxus and other affiliates, as well as Occidental and Repsol (the New Jersey Litigation with DEP ). These plaintiffs sought damages for the past cost of investigation and cleanup of these waterways, property damage and other economic impacts (such as decreases in tax revenues and value of real estate and increases in public medical costs, etc.), and punitive damages. The defendants made responsive pleadings and/or

filings. Occidental sought leave to file cross-claims in June 2007, and was granted leave to file in October 2008. In March 2008, the court denied motions to dismiss for failure to state a claim by Occidental Chemical Corporation, and by Tierra and Maxus. 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 by YPF. 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 and sewage treatment authorities), which could have responsibility in connection with the claim were filed by Tierra and Maxus in February 2009. Anticipating this considerable expansion of the number of parties in the litigation, the court appointed a Special Master to assist the court in the administration of discovery. DEP filed its Third Amended Complaint in August 2010, adding Maxus International Energy Company and YPF International S.A. as additional named defendants. Plaintiffs and Occidental allege that defendants Repsol, YPF, YPF International S.A., YPF Holdings, CLH Holdings, Maxus, Maxus International Energy Company and Tierra are alter egos of one another and engaged in a scheme to defraud the plaintiffs through corporate restructurings designed to cap and strand the environmental liabilities associated with the contamination of the area. To this end, plaintiffs and Occidental asserted claims for the breach of contract, statutory contribution, fraudulent transfer of Maxus' assets, civil conspiracy, breach of fiduciary duty, aiding and abetting and alter ego liability. In September 2010, governmental entities of the State of New Jersey and a number of third-party defendants filed motions to dismiss and Maxus and Tierra filed their responses. Except in a few cases, these motions were rejected in January 2011. In October 2010, a number of public third-party defendants filed a motion to sever and stay, which would allow the State of New Jersey to proceed against the direct defendants. However, the judge ruled against this motion in November 2010. Third-party defendants have also brought motions to dismiss, which have been rejected by the Special Master in January 2011. Some of the mentioned third-parties appealed the decision, but the judge denied such appeal in March 2011.

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In May 2011, the judge issued Case Management Order XVII ( CMO XVII ), which contains the Trial Plan for the case. This Trial Plan divides the case into two phases and nine tracks. Phase One will determine liability and Phase Two will determine damages. Regarding the sub-stages: (a) sub-stages I to III (Tracks I to III) correspond to damage claimed by the Occidental and the State of New Jersey; (B) sub-stages IV to VII (Tracks IV to VII) correspond to liability by alter ego and fraudulent conveyance with respect to YPF, Maxus and Repsol and to the liability of third parties to Maxus; (C) sub-stage VIII (Track VIII) corresponds to damages claimed by the State of New Jersey; (D) sub-stage IX (Track IX) is the percentage of liability that would correspond to Maxus for the cleanup and remediation costs.

Specifically, sub-stage III (Track III) will determine the extent of Maxus' liability for the operation of the Lister Site; sub-stage IV (Track IV) will determine the possible scope of YPF and Repsol's liability for damages to the Lister Site (alter ego and conveyance).

Following the issuance of CMO XVII, the State of New Jersey and Occidental filed motions for partial summary judgment. The State of New Jersey filed two motions: one against Occidental and Maxus on liability under the Spill Act and the other against Tierra on liability under the Spill Act. In addition, Occidental filed a motion for partial summary judgment that Maxus owes a duty of contractual indemnity to Occidental for liabilities under the Spill Act. In July and August 2011, the judge ruled that, although the discharge of hazardous substances by Chemicals Company has been proved, liability cannot be imposed if the nexus between any discharge and the alleged damage is not established. Additionally, the court ruled that Tierra has Spill Act liability to the State of New Jersey based merely on its current ownership of the Lister Avenue site (an area located nearby the Passaic River); and that Maxus has an obligation under the 1986 Stock Purchase Agreement to indemnify Occidental for any Spill Act liability arising from contaminants discharged on the Lister Avenue site, and that Maxus and Tierra share each other's liabilities as alter egos.

During the fourth quarter of 2011, the parties agreed on a consensus trial plan for Track III under CMO XVII, which narrowed the scope of issues for discovery and trial in May 2012 to factual issues relevant to determining Maxus's alleged direct liability to the State of New Jersey and to issues relating to responsibility for discharges during the era when the Newark plant site was under the ownership of Kolker Chemical Works. The Court accepted six applications for Fast Track Arbitration-discovery proceeded in January 2012, to be followed by depositions and arbitration briefing. In addition, Maxus submitted to the Special Master and the Additional Dischargers' Committee a plan to sample the area around mile 10.9 of the Passaic River for the HCX chemical marker that Maxus suspects may be associated with dioxin discharged by one or more third-party defendants. The HCX sampling was completed in January 2012 and validated results were received in March.

In February 2012, plaintiffs and Occidental filed motions for partial summary judgment, seeking summary adjudication that Maxus has liability under the Spill Act. The judge held that Maxus and Tierra have direct liability for the contamination generated into the Passaic River. However, volume, toxicity and cost of the contamination were not verified (these issues will be determined in a later phase of the trial). Maxus and Tierra have the right to appeal such decision.

On September 21, 2012, the presiding judge granted the State's application for an Order to Show Cause to Stay all proceedings against third party defendants who entered into a Memorandum of Understanding ( MOU ) with the State to discuss settlement of the claims against the third party defendants.

On September 27, 2012, Occidental filed its Second Amended Cross-Claims and the following day, the State of New Jersey filed its Fourth Amended Complaint. The principal changes to the State of New Jersey's pleading concern the State of New Jersey's allegations against YPF and Repsol, all of which Occidental has adopted in its cross-claims. In



particular, there are three new allegations against Repsol involving asset stripping from Maxus and also from YPF based on the Argentine government's Mosconi Report.

During the fourth quarter of 2012 and the first quarter of 2013, YPF and certain affiliates (among them, YPF Holdings, Maxus and Tierra) and Repsol, engaged in on-going mediation and negotiation, seeking the possibility of a settlement with the State of New Jersey.

On February 14, 2013, the State of New Jersey and all defendants except Occidental appeared before the court to seek a stay of the litigation because they had agreed to recommend terms for a settlement framework to resolve the claims between them.

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YPF and certain affiliates (among them, YPF Holdings, Maxus and Tierra) subsequently approved a Settlement Agreement with Repsol and the State of New Jersey. The Settlement Agreement provides, without acknowledging any fact or right: (i) a payment of U.S.\$65 million by Maxus and/or YPF to the State of New Jersey and (ii) a hard cap of up to U.S.\$400 million with respect to certain of Occidental's unresolved cross-claims against Repsol, YPF and YPFI; and would resolve certain environmental claims of the plaintiffs against all Settling Defendants within a certain range of the Passaic River, and the deferral of Tracks II and IV until after trial of the State of New Jersey's damages against Occidental in Track VIII. The Settlement Agreement does not resolve Occidental's cross-claims.

On December 12, 2013, the court approved the Settlement Agreement. On January 24, 2014 Occidental filed a notice of appeal from the court's approval of the Settlement Agreement. On February 10, 2014 Maxus made the U.S.\$65 million payment provided in the Settlement Agreement to an escrow account. Occidental's appeal was subsequently dismissed on March 26, 2014, and the settlement amount was paid out of escrow to the State of New Jersey.

On August 20, 2014, the State of New Jersey and Occidental informed the Superior Court that they had agreed on the general terms and conditions of a settlement of the Plaintiff's claims against Occidental (the Consent Judgment). On December 16, 2014 the court approved the Consent Judgment by which the State of New Jersey accepted to resolve all claims against Occidental related to environmental claims within a certain area of the Passaic River. In exchange, Occidental will pay U.S.\$190 million in three installments, the last one due on June 15, 2015; and the contingency payment of up to U.S.\$400 million in case the State of New Jersey is required to pay its share for future remediation actions.

On November 21, 2014, YPF and certain affiliates filed motions to dismiss Occidental's cross-claims. On January 13, 2015, the Special Master issued a recommendation largely granting the motions. On January 29, 2015, Judge Lombardi affirmed the recommendation and dismissed Occidental's claims for the fraudulent transfer of Maxus's assets, civil conspiracy, breach of fiduciary duty, aiding and abetting and the stand-alone declaratory judgment claim for alter ego liability.

On January 5, 2015, Maxus received a letter from Occidental requesting that Maxus agree to indemnify Occidental for all of the settlement payments that Occidental agreed to make to the State of New Jersey. The Court previously issued an interlocutory order in 2011, which is subject to appeal after all trial proceedings are concluded, stating that Maxus had the contractual duty to indemnify Occidental for the liabilities under the New Jersey Spill Act arising from contaminants discharged into the Passaic River from the Lister Avenue Plant Site, which was owned by a company Occidental acquired and merged with in 1986. Maxus contends that whether and to what extent its obligation to indemnify Occidental applies to the settlement payments Occidental has agreed to make to the State of New Jersey pursuant to the Consent Judgment must await the outcome of further proceedings in the Passaic River litigation.

Also, Repsol S.A. countersued Occidental, alleging that the U.S.\$65 million paid by Repsol as per the agreement between Repsol, YPF, YPF Holdings, Maxus and Tierra Solutions with the State of New Jersey was paid for damages caused by (a) Diamond Shamrock Chemicals Company, for which Occidental is liable under the share purchase agreement of 1986 or (b) Occidental's individual conduct.

On March 26, 2015 a new judge was appointed to the case.

On April 15, 2015, Occidental sent Maxus a letter claiming indemnity protection under the share purchase agreement with respect to the counterclaim filed by Repsol against Occidental. On 28 April 2015, Maxus replied contesting the claims.

On July 1, 2015, the judge issued Case Management Order XXVII, under which the judge extended the deadline to complete all discovery to January 29, 2016, established a briefing schedule pursuant to which summary judgment will not be decided until late April or early May 2016, at the earliest, and included a provision that trial shall be scheduled in June 2016. On December 4, 2015, the judge issued the Second Consent Order to Amend Expert Discovery Schedule by which the following dates were extended: (a) January 21, 2016, rebuttal expert reports are due, (b) February 29, 2016, all expert depositions and all discovery must be completed; (c) March 4, 2016 summary judgment briefs are due and (d) June 2016, trial is scheduled to begin. Since December 2014, almost 60 witnesses have been deposed, including the corporate representatives of all the parties, and the expert witness for YPF and Occidental, which was completed in the first quarter of 2016.

Notwithstanding the above, the Special Master authorized the parties to file briefs specifying any issue in respect of which each party believed that the court should authorize early summary judgment motions.

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The motions filed by the parties and the non-binding opinions, as issued by the Special Master on January 14, 2016, are summarized below.

YPF filed for early summary judgment against Occidental on four issues: 1) dismissal of the portion of Occidental's claims for alter ego liability, based on the transfer of Maxus' assets from 1995 through 1999; 2) dismissal of the portion of Occidental's claims for alter ego liability, based on the financing of YPF's acquisition of Maxus shares in 1995; 3) dismissal of the portion of Occidental's liability claims based on the alleged control by YPF of Maxus's Board of Directors' decision, in 1996, to sell its subsidiaries in Bolivia and Venezuela to YPF International; and 4) dismissal of the portion of Occidental's claims for alter ego liability, based on the transfer of Maxus' environmental liabilities to Tierra in 1996. The Special Master's recommendation on YPF's motion recommended to deny the motion on the grounds that 1) a finder of fact should be permitted to consider all portions of YPF actions when determining if there is alter ego liability so dismissal of portions of these claims is inappropriate and 2) the statute of repose for fraudulent transfers is not applicable to the remedy of alter ego for breach of contract. In reaching this conclusion, the Special Master stated she was obliged to view all the factual assertions in the light most favorable to Occidental, which on summary judgment presents a much higher burden for YPF than the burden of proof YPF will have at trial.

Occidental filed for early summary judgment against Maxus in relation to Occidental's claim to recover the amount of US\$ 190 million paid to the State of New Jersey under the settlement agreement. The motion sought to establish that Maxus is liable for all conduct at the Lister Site, regardless of any actions taken by Occidental. Occidental did not seek summary judgment on the amount of damages Maxus would owe, which Occidental asserts is US\$ 190 million, plus legal fees. The Special Master's recommendation on Occidental's motion against Maxus recommended to grant the motion on the grounds that (1) the language of the SPA was not ambiguous and required Maxus to indemnify Occidental for its own conduct at the Lister Site and (2) Occidental was not estopped from seeking indemnity from Maxus for its own conduct at the Lister Site because it did not take inconsistent legal positions in prior litigations. Notwithstanding the foregoing, Occidental will have to prove the reasonableness of the U.S. 190 million amount settled with the State of New Jersey, for which Maxus may eventually be liable.

In addition, Occidental filed for early summary judgment dismissing the cross-claims of Repsol against Occidental, which seek to recover from Occidental the U.S.\$ 65 million payment made by Repsol to New Jersey State under the settlement agreement among the State, YPF, Maxus and Repsol. The Special Master's recommendation on Occidental's motion against Repsol recommended to deny the motion in part as to Repsol's contribution claim and to grant the motion in part as to Repsol's unjust enrichment claim, on the grounds that 1) Repsol's contribution claims are permissible under the New Jersey Spill Act even if a settlement did not fully discharge liability to the State; 2) demonstrating Repsol's liability under the Spill Act is not a prerequisite for Repsol to receive contribution from Occidental; 3) Repsol is not liable to Occidental for indemnification as an alter ego of Maxus, and 4) Occidental was not unjustly enriched when Repsol settled with the state.

Repsol filed for early summary judgment against Occidental to dismiss Occidental's cross-claims 1) to extent that Occidental's claims are based on prescribed claims for fraudulent transfers; 2) on the grounds that Occidental cannot prove that it has suffered damages due to a failure to perform an agreement; 3) on the grounds that Occidental cannot prove that Repsol has caused any damage even if a non-performance occurred, because Occidental has alleged that Maxus became insolvent before Repsol acquired YPF in 1999; and 4) on the grounds that Occidental has failed to pierce the corporate veil between YPF and Repsol, and because seeking alter ego relief from Repsol is unwarranted because YPF is solvent. The Special Master's recommendation on Repsol's motion against Occidental recommended to grant the motion on the grounds that Occidental failed to set out any basis to pierce the corporate veil between YPF and Repsol, which the Special Master held Occidental was required to do, and because Occidental did not allege that YPF was insolvent.

Finally, Maxus filed for early summary judgment against Occidental to dismiss the claims for damages filed by Occidental regarding costs not yet incurred by Occidental. YPF joined in this motion. The Special Master's recommendation on Maxus's motion against Occidental recommended to grant the motion on the grounds that Occidental's request for declaratory judgment would not be beneficial or useful due to the uncertainty regarding future costs.

In addition, the Special Master's recommendation on Occidental's motion to amend its second amended cross-claims adding claims against YPF and Repsol regarding an alleged interference with Occidental's contractual right under the SPA, recommended to deny the motion on the grounds that Occidental improperly delayed in seeking to supplement its claims despite having multiple earlier opportunities to do so.

The parties appealed the Special Master's recommendations on February 16, 2016. Oral argument on the appeals of the Special Master's recommendations will be held on April 4, 2016.

On March 1, 2016, the judge entered an order partially granting a stay of discovery, which deferred the depositions of certain Occidental, Repsol and Maxus expert witnesses pending a decision by the judge on the parties' appeal of the Special Master's recommendations.

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On February 27, 2016, YPF sought leave from the Special Master to file a motion for summary judgment partially dismissing Occidental's remaining claims. Repsol additionally sought leave to file a motion for summary judgment seeking to recover from Occidental the U.S.\$65 million paid by Repsol pursuant to the Settlement Agreement. Occidental additionally sought leave to file a motion for summary judgment seeking to hold Maxus liable for the U.S.\$65 million recovery sought by Repsol from Occidental. On March 7, 2016, the Special Master denied each of the parties' request for leave to file summary judgment on the grounds that each motion contains factual issues.

As of December 31, 2015, for all matters relating to environmental issues related to the lower 17-mile portion of the Passaic River, YPF Holdings has accrued a total of Ps. 2,665 million, management's reasonable estimate of the expenditures that YPF Holdings Inc. may incur for remediation activities based on information available at the time of the issuance of the accompanying Financial Statements, given the impossibility of reasonably estimating a loss or range of loss in relation to the possible costs of the previously discussed FFS. The provision considers studies by Tierra, estimated costs for the Removal AOC of 2008 and other matters related to the Passaic River and Newark Bay. This includes associated legal issues discussed above. However, it is possible that other work, including remedial measures in addition to or different from those considered may be required. Additionally, the development of new information, the imposition of penalties or remedial action or outcome of negotiations related to those cases that differ from the situations assessed by YPF Holdings could result in the need to incur higher expenses by the company than those currently provisioned.

Considering the information available to YPF Holdings as of the date of the issuance of the accompanying Financial Statements; the results of the studies and testing phase; as well as the potential liability of the other parties involved in this issue and the possible allocation of the costs of removal; and in consultation with our internal and external legal counsel, the accrual represents management's reasonable estimate of the probable cost.

## *2. Other environmental issues unrelated to the Passaic River*

*Hudson and Essex Counties, New Jersey.* Until the 1970s, Chemicals Company operated a chromite ore processing plant at Kearny, New Jersey (the Kearny Plant). DEP has identified over 200 sites in Hudson and Essex Counties alleged to contain chromite ore processing residue either from the Kearny Plant or from plants operated by two other chromium manufacturers. Tierra, Occidental and DEP signed an administrative consent order in April 1990 (ACO) which requires remediation at 40 sites in Hudson and Essex Counties alleged to be impacted by the Kearny Plant operations. Tierra, on behalf of Occidental, is providing financial assurance in the amount of U.S.\$20 million for performance of the work required by the ACO (which is ongoing at all ACO Sites at various stages) and associated with the issues described below.

In May 2005, the DEP took two actions in connection with the chrome sites in Hudson and Essex Counties. First, the DEP issued a directive to Maxus, Occidental and two other chromium manufacturers (the Respondents) directing them to arrange for the cleanup of chromite ore residue at three sites in Jersey City and for the conduct of a study by paying the DEP a total of U.S.\$19.5 million. Second, the DEP filed a lawsuit against Occidental and two other entities in state court in Hudson County seeking, among other things, cleanup of various sites where chromite ore processing residue is allegedly located, recovery of past costs incurred by the state at such sites (including in excess of U.S.\$2.3 million dollars allegedly spent for investigations and studies) and, with respect to certain costs at 18 sites, treble damages. In February 2008, the parties reached an agreement in principle, pursuant to which Tierra agreed to pay, on behalf of Occidental, U.S.\$5 million and agreed to perform remediation works at three sites, with a total cost of approximately U.S.\$2.1 million, subject to the terms of a Consent Judgment between and among DEP, Occidental and two other parties, which was published in the New Jersey register in June 2011 and became final and effective as of September 2011. Pursuant to the Consent Judgment, the U.S.\$5 million dollar payment was made in October 2011 and

a master schedule was delivered to DEP for the remediation, during a ten-year period, of the three orphan sites plus the remaining chromite ore sites (approximately 28 sites) under the Kearny ACO. DEP indicated that it could not approve a ten-year term; therefore, in March 2012, Maxus submitted a revised eight-year schedule, which was approved by DEP on March 24, 2013. Tierra is currently performing work pursuant to the Master Schedule. In November 2005, several environmental groups sent a notice of intent to sue the owner of the property adjacent to the former Kearny Plant and five other parties, including Tierra, under the Resource Conservation and Recovery Act. The parties have entered into an agreement that addresses the concerns of the environmental groups and these groups have agreed not to file suit. After the original agreement expired, the parties entered into a new Standstill Agreement, effective March 7, 2013.

In March 2008, the DEP approved an Interim Response Action ( IRA ) work plan for work to be performed at the Kearny Plant site by Tierra and at the adjacent property by Tierra in conjunction with other parties. Work on the IRA has begun. In addition, this adjacent property was listed by the EPA on the National Priority List in 2007. In July 2010, the EPA notified Tierra, along with three other parties, which are considered potentially responsible for this adjacent property and requested to conduct a RIFS for the site. The three parties have agreed to coordinate remedial efforts, forming the Peninsula Restoration Group or PRG. In the fourth quarter of 2011, the PRG reached an agreement with another potentially responsible party (Cooper Industries), whereby Cooper Industries would join the PRG. In May 2013, the PRG and the EPA entered into an RI/FS AOC for the Standard Chlorine Chemical Company site.

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Under the terms of the AOC, the Group is able to rely on the substantial work that has already or is now taking place at the site (including the IRA), to streamline the RI/FS (now denominated an RI/FFS) and press for selection of a final remedy that includes the features of the IRA as the major component. The Remedial Investigation Work Plan for the site was submitted to the EPA on April 8, 2013 in advance of the execution of the AOC as part of the PRP Group's show of good faith. The Remedial Investigation Work Plan was approved in September 2013 and work under the RI/FFS AOC began in the fourth quarter 2013 and has proceeded since that time. The PRP Group also responded to an EPA request to draft an Community Involvement Plan (CIP) which the EPA has adopted. The following AOC deliverables have been submitted, approved and/or are pending during 2014:

Candidate Technologies Memo (CTM) and Draft Pathway Analysis Report (PAR).

Screening Level Ecological Risk Assessment (SLERA).

Work Plan for Supplemental Investigation in localized area outside barrier wall.

Baseline Ecological Risk Assessment (BERA).

The remedial investigation was completed during the fourth quarter of 2014, and the EPA approved the Remedial Investigation Report in October 2015. The draft FFS was submitted to the EPA during the third quarter of 2015. The PRP Group received the EPA's initial comments on the FFS on October 1, 2015, and the revised FFS is due to the EPA on March 11, 2016.

Pursuant to a request of the DEP, in the second half of 2006, the PRG tested the sediments in a portion of the Hackensack River near the former Kearny Plant. A report of those test results was submitted to the DEP. DEP requested additional sampling, and the PRG submitted to DEP work plans for additional sampling in January 2009. In March 2012, the PRG received a Notice of Deficiency ( NOD ) letter from DEP relating to the Hackensack River Study Area ( HRSA ) Supplemental Remedial Investigation Work Plan ( SRIWP ) that the PRG had submitted to the DEP in January 2009. In the NOD, DEP seeks to expand the scope of work that would be required in the Hackensack River under the SRIWP to add both additional sample locations/core segments and parameters. While the PRG acknowledges that it is required to investigate and prevent chrome releases from certain upland sites into the river, the PRG contends that it has no obligation under the governing ACOs and Consent Judgment to investigate chrome contamination in the river generally. Negotiations between the PRG and the DEP are ongoing.

As of December 31, 2015, YPF Holdings has accrued a total of approximately Ps. 608 million in connection with the foregoing chrome-related matters. Soil action levels for chromium in New Jersey have not been finalized, and the DEP continues to review the proposed action levels. The cost of addressing these chrome-related matters could increase significantly depending upon the final soil action levels, the DEP's response to Tierra's studies and reports and other developments.

*Painesville, Ohio.* From about 1912 through 1976, Chemicals Company operated manufacturing facilities in Painesville, Ohio (the Painesville Works Site ). The operations there over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The investigation and remediation of the Painesville Works Site is governed by agreements and orders in place with the EPA and the Ohio Environmental Protection Agency ( OEPA ). The primary area of concern historically has been Chemicals Company's former chromite ore processing



plant (the Chrome Plant ). The OEPA has approved certain work, including the remediation of 20 specific operable units within the former Painesville Works Site and work associated with development plans (the Remediation Work ). The Remediation Work has begun. As each operable unit within the Site receives OEPA approval for projects related to investigation, Remediation Work, or operation and maintenance activities, additional orders and agreements will be implemented, and additional amounts may need to be accrued. YPF Holdings has accrued a total of approximately Ps. 134 million as of December 31, 2015 for its estimated share of the cost to perform the remedial investigation and feasibility study, the Remediation Work and other operation and maintenance activities at this site.

The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RI/FS progresses, YPF Holdings will continuously assess the condition of the Painesville Works Site and make any required changes, including additions, to its provision as may be necessary.

*Third Party Sites.* Pursuant to settlement agreements with the Port of Houston Authority (the Port ) and other parties, Tierra and Maxus are participating (on behalf of Occidental) in the remediation of property adjoining Chemicals Company s former Greens Bayou facility where dichloro-diphenyl-trichloroethane ( DDT ) and certain other chemicals were manufactured. Additionally, in 2007 the parties entered into a Memorandum of Agreement ( MOA ) with federal and state natural resources trustees in connection with claims for natural resources damages. In 2008, the Final Damage Assessment and Restoration Plan/Environmental Assessment was approved specifying the restoration projects to be implemented. During the first half of 2011, Tierra negotiated, on behalf of Occidental, a draft Consent Decree with governmental agencies of the United States and Texas addressing natural resource damages at the Greens Bayou Site. The Consent Decree was signed by the parties in January 2013 and notice of approval of the Consent Decree was published in the Official Gazette on January 29, 2013. After the publication of the notice a period of 30 days was opened for comments. Under the Consent Decree, Occidental agreed to reimburse certain costs incurred by the aforementioned governmental agencies and conducting two restoration projects for a total amount of U.S.\$0.8 million. Although the primary work was largely finished in 2009, some follow-up activities and operation and maintenance remain pending. As of December 31, 2015, YPF Holdings has accrued approximately Ps. 50 million for its estimated share of the remediation and the MOA associated with the Greens Bayou facility. The remediation activities were largely finished in 2009, but some minor closure activities, as well as ongoing operations and maintenance, are still in progress.

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**Table of Contents****Milwaukee Solvay Site**

In June 2005, the EPA designated Maxus as a PRP at the Milwaukee Solvay Coke & Gas Site in Milwaukee, Wisconsin. The basis for this designation is Maxus' alleged status as the successor to Pickands Mather & Co. and Milwaukee Solvay Coke Co. companies that the EPA has asserted are former owners or operators of such site.

In November 2006, Maxus and four other PRPs entered into a Joint Participation and Defense Agreement, which establishes the allocation of costs for making a RI/FS. Under the agreement Maxus is responsible for a significant part of the costs. In January 2007 those PRPs and the EPA entered into an AOC to perform a RI/FS regarding the investigation of upland soil and groundwater, as well as sediment in the Kinnickinnic River. Maxus' exposure at the Site appears tied to the 1966-1973 period, although there is some dispute about it. The PRP Agreement includes an interim allocation, under which Maxus has a substantial share.

On April 25, 2012 EPA made a proposal concerning the scope of future investigations of sediments, which was rejected by the PRP group.

On June 6, 2012 the PRP Group submitted a proposed Field Sampling Plan ( FSP ) that included detailed plans for the remaining upland investigation and a phased approach to the sediment investigation. In July 2012, the EPA responded to the FSP requiring expanded sediment sampling as part of the next phase of the investigation and additional evaluation for the possible presence of distinct coal and coke layers on parts of the upland portion of the Site. In December 2012, the EPA approved the PRP Group's revised FSP, and the PRP Group commenced upland and sediment investigation activities. The estimated cost of implementing the field work associated with the FSP is approximately U.S.\$0.8 million.

In February 2014, the PRP Group submitted to the EPA and Wisconsin Department of Natural Resources ( DNR ) a Baseline Human Health Risk Assessment ( BHHRA ) Scoping Document, an Upland Screening Level Ecological Risk Assessment ( SLERA ) Scoping Document and an Aquatic Baseline Ecological Risk Assessment ( BERA ). Currently, additional upland and sediment investigation activities continued pursuant to the approved FSP.

In June 2014, the PRP Group submitted to the EPA and WDNR the draft Remedial Investigation ( RI ) Report and risk assessment documents (i.e., Baseline Human Health Risk Assessment, Screening Level Ecological Risk Assessment, and Aquatic Baseline Ecological Risk Assessment) and a Remedial Action Objectives Technical Memorandum. Comments to the draft RI Report were received in October 2014. In accordance with the timeline established by the Agencies, in November 2014 the PRP Group submitted written responses to the EPA/WDNR comments concerning the draft RI and risk assessment documents. The PRP Group received approval from EPA to defer preparation of responses to the comments on the draft RAOs until after the RI has been approved. EPA commented on the RI Report in November 2015, and the PRP Group submitted a revised RI Report in December 2015.

YPF Holdings has accrued approximately Ps. 4 million as of December 31, 2015 for its estimated share of the costs of the RI/FS. The main area of concern and focus is the extent of river sediment investigation that will be required. Maxus lacks sufficient information to determine additional exposure or costs, if any, it might have in respect of this site.

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**Table of Contents***Other sites Black Leaf Chemical Site*

In September 2011, Occidental and Exxon Mobil received a liability notice from EPA under the ruling known as 104(e) for the site called Black Leaf Chemical located at Louisville, Kentucky. Occidental requested that Maxus undertake the defense of this matter by virtue of the indemnity established in the Stock Purchase Agreement of 1986. Maxus accepted the defense, reserving its rights with respect to the case and without acknowledging any responsibility in November 2011. In March 2013, the EPA requested that Maxus, on behalf of Occidental, and Exxon Mobil, perform specific remedial tasks and to reimburse EPA and the local regulatory authority certain past costs (estimated at between U.S.\$3 and U.S.\$5 million). In September 2014, the Environmental Protection Department of Kentucky ( EPDK ) initiated investigation procedures. In October 2015, the EPDK approved the site characterization report submitted by the cooperation group and required presentation of a remediation action plan. In January 2016, the cooperation group presented the required remediation action plan. As of December 31, 2015, the Company provisioned its contribution to the estimated site remediation costs.

*Tuscaloosa Site*

The Company completed the remediation activities at this site. As of December 31, 2015, YPF accrued Ps. 52 million for future operational and maintenance related activities.

*Malone Services Site*

Maxus is responsible for certain liabilities attributable to Occidental, as successor to Chemicals Company, in respect of the Malone Service Company Superfund Site in Galveston County, Texas. This site is a former waste disposal site where Chemicals Company is alleged to have sent waste products prior to September 1986. The potentially responsible parties, including Maxus, on behalf of Occidental, formed a PRP Group to finance and perform an AOC RI/FS. The RI/FS has been completed and the EPA has selected a Final Remedy, the EPA Superfund Division Director signed the Record of Decision on September 30, 2009. The PRP Group signed the Consent Decree in the second quarter of 2012, and it became effective in July 2012. During 2012, 2013, 2014 and 2015, the PRP Group proceeded with the planning and design phase and remediation, which is ongoing. As of December 31, 2015 the Company has reserved approximately Ps. 5 million in connection with its obligations for this matter.

**Central Chemical Company Superfund Site (Hagerstown, Maryland)**

The Central Chemical PRP Group has been responding to questions from the authorities, which has controlled the federal superfund site in Hagerstown, Maryland since the 1990s. The PRP Group consists of parties who the EPA alleges are former Central Chemical Company customers (or who are the legal successors thereof) which arranged for the disposal of certain CERCLA hazardous substances at the site. Maxus participates in the PRP Group on behalf of Occidental. In 1998, the EPA entered into a CERCLA Administrative Order on Consent with certain PRPs to conduct an RI/FS. The PRP Group, including Maxus, on behalf of Occidental, funded and performed the RI/FS, which was completed in 2007. In 2009 the EPA issued its Record of Decision which selected the final Site remedy. In 2010, EPA divided the Site into two Operable Units: Operable Unit 1 (OU-1) Site soils, waste and shallow groundwater, and; Operable Unit 2 (OU-2) bedrock groundwater. In September 2012, the EPA issued CERCLA Special Notice Letters to the PRPs, including Occidental, requesting that they fund and perform the Site OU-1 remedy. In August 2013, the PRP Group members, including Occidental, entered into a CERCLA Administrative Order on Consent to fund and perform the Remedial Design for Operable Unit 1. In early 2014, the PRP Group and the EPA began negotiations of a judicial Consent Decree for the funding and performance of the Remedial Action for Operable Unit No. 1. During 3Q

2015, the Central Chemical PRP Group members (including Maxus on behalf of Occidental) entered into a judicial Consent Decree for the funding and performance of the OU-1 Remedy (the OU-1 Consent Decree ). The OU-1 Consent Decree was approved and entered with the court in October 2015. Performance of the Remedial Action for Operable Unit No. 1 is currently forecasted to occur between 2016 and 2021; and according to EPA, is estimated to cost approximately \$14.2 million. In addition, the EPA may also require the Central Chemical PRP Group to initiate a Remedial Design/Remedial Action for Operable Unit 2 in 2016 or 2017; which the PRP Group has estimated could cost at least \$3 million. As of December 31, 2015, YPF Holdings Inc. has accrued Ps. 17 million for known probable and reliably estimable Site related losses to allow continued response for this matter on Occidental s behalf.

*Other third party sites*

Chemicals Company has also been designated as a PRP by the EPA under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ( CERCLA ) with respect to a number of third-party sites where hazardous substances from Chemicals Company s plant operations allegedly were disposed or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals Company has no known exposure. At December 31, 2015, YPF Holdings had accrued approximately Ps. 48 million in connection with its estimated share of costs related to the Milwaukee Solvay Coke & Gas Site, the Malone Service Company Superfund Site, and the other sites mentioned in this paragraph.

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**Table of Contents***Occidental's claim for past events Texas*

*Dallas Litigation.* In 2002, Occidental sued Maxus and Tierra in state court in Dallas, Texas seeking a declaration that Maxus and Tierra have the obligation under the agreement pursuant to which Maxus sold Chemicals Company to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals Company, notwithstanding the fact that said agreement contains a 12-year cut-off for defense and indemnity obligations with respect to most litigation. Tierra was dismissed as a party, and the matter was tried in May 2006. The trial court decided that the 12-year cut-off period did not apply and entered judgment against Maxus. This decision was affirmed by the Court of Appeals in February 2008. Maxus' petition to the Texas Supreme Court for review was denied. This decision will require Maxus to accept responsibility for various matters for which it has refused to indemnify Occidental since 1998, which could result in the incurrence of costs in addition to YPF Holdings' current accrued for this matter. This decision will also require Maxus to reimburse Occidental for past costs. In 2009, Maxus received a statement from Occidental of the costs Occidental believed to be due under the judgment, in the amount of U.S.\$16.7 million. In March 2009, Maxus paid U.S.\$14.9 million in respect of court costs, interests through the end of 2007 and estimates of future costs for which Maxus could become liable under the declaratory judgment. In September 2009, Maxus paid to Occidental U.S.\$1.9 million. In March 2012, Maxus paid to Occidental U.S.\$0.6 million covering Occidental's costs for 2010 and 2011, and in September 2012 Maxus paid to Occidental an additional U.S.\$31,000 for Occidental's costs for the first semester of 2012. Maxus anticipates that Occidental's costs in the future under the Dallas case will not exceed those incurred in 2012. A significant category of claims refused by Maxus on the basis of its interpretation of the 12-year clause, were claims relating to Agent Orange. All pending Agent Orange litigation in the United States was dismissed in December 2009, except with respect to one case filed in 2012, which was dismissed in March 2013. Although it is possible that additional claimants may come forward in the future, it is estimated that no significant liability will result from this category of claims.

*Turtle Bayou*

*Turtle Bayou Litigation.* In March 2005, Maxus agreed to defend Occidental, as successor to Chemicals Company, in respect of an action seeking the contribution of costs for the remediation of the Turtle Bayou waste disposal site in Liberty County, Texas. Judgment was entered in this action, and Maxus filed a motion for reconsideration which was partially successful. The court's decision was appealed by Maxus. In June 2010, the Court of Appeals ruled that the District Court had committed errors in the admission of certain documents and remanded the case to the District Court for further proceedings. A new ruling was issued in January 2011, requiring Maxus to pay, on behalf of Occidental, 15.86% of the costs incurred by one of the plaintiffs. On behalf of Occidental, Maxus filed its appeal in the February 2011, and the Court of Appeals affirmed the District Court's ruling in March 2012. Maxus paid to the plaintiff, on behalf of Occidental, U.S.\$2 million in June 2012 covering past costs and \$0.9 million in November 2012 to cover the costs incurred by El Paso in 2007-2011. As of December 31, 2015, YPF accrued approximately Ps. 5 million in respect of this matter.

*Ruby Mhire Litigation*

*Ruby Mhire Litigation.* In May 2008, Ruby Mhire and others ( Mhire ) brought suit against Maxus and third parties, alleging that various parties including a predecessor of Maxus had contaminated certain property in Cameron Parish, Louisiana, during oil and gas activities on the property; Maxus' predecessor operated on the property from 1969 to 1989. The Mhire plaintiffs demanded remediation and other compensation from approximately U.S.\$159 million to U.S.\$210 million, basing themselves on plaintiffs' expert's study. During June 2012, the parties in the case held a court-ordered mediation. On June 11, 2013, Maxus signed a Settlement Agreement with the plaintiffs pursuant to which Maxus shall make installment payments totaling U.S.\$12 million over three years and also perform remediation

at the site, which is estimated to cost between U.S.\$1 and U.S.\$3 million. On July 31, 2013, the 38th Judicial District Court for the Parish of Cameron, State of Louisiana, approved the Settlement Agreement following receipt on July 8, 2013 of the No Objection Letter from the Louisiana Department of Natural Resources, Office of Conservation. In August 2013, pursuant to the Settlement Agreement, Maxus made an initial payment of U.S.\$2 million and in December 2013, Maxus made a second payment of U.S.\$3 million. In June 2014, Maxus made a third payment of U.S.\$3 million, and in December 2014 Maxus made a fourth payment of U.S.\$3 million. One last instalment in the amount of U.S.\$1 million was paid in June 2015, which is Maxus' s final payment obligation. However, Maxus must still perform site remediation, which is expected to be completed by the end of 2016.

*Bedivere Litigation*

*Bedivere Litigation.* This litigation consists of an insurance related declaratory judgment (the Declaratory Judgment ) filed against Maxus in Federal District Court in Texas. The plaintiffs issued insurance policies for the benefit of Maxus and its predecessors to cover certain risks related to the exploration of oil and gas, as well as the risks related to the production activities in the State of Louisiana. The underlying fundamentals of the declaratory judgment claim are related to the losses and respective payments claimed against Maxus in the Ruby Mhire litigation. The Ruby Mhire litigation relates to a legacy liability from a Louisiana oilfield action filed in Cameron Parish, Louisiana in 2008 against several oil and gas companies, including Maxus. In 2013, Maxus settled the Ruby Mhire litigation. Prior to the filing of the Declaratory Judgment, Maxus was involved in substantial discussions with the plaintiff insurance companies' claims administrator regarding a possible agreement with Maxus under the policies. On June 18, 2015, the insurer denied coverage and, without prior notice, filed the Declaratory Judgment the following day. Maxus is contesting the Declaratory Judgment.

**Table of Contents***Actions for Environmental Pollution in Louisiana*

Maxus is also defending two cases filed in Louisiana related to environmental pollution, in connection with legacy oil exploration and production activities.

*Jumonville Litigation*

*Jumonville Litigation.* This litigation was filed in 2012, in Port Coupee Parish, Louisiana, against Murphy Oil and Maxus, as a successor of Apexco/Natomas, regarding environmental pollution caused by drilling activities in 1976. The claims are related to a deep unproductive well that was closed and abandoned in 1978. The claim against Murphy Oil relates to a breach of contract claim with a statute of limitations of ten years from the date of the initiation of the trial. The claim against Maxus is an action for liability with a statute of limitations of one year from the date of the trial period. Murphy Oil argues, without documentary evidence to date, which probably assigned or transferred the lease to Maxus, and that apparently the lease had an indemnification provision. Murphy Oil claims indemnification rights from Maxus as the successor to the operator of the well. Maxus is contesting the claim based in part on lack of documentary evidence of the indemnification right. In May 2014, the court separated the plaintiffs' claims against Maxus and Murphy Oil from their claims against other defendants and scheduled a trial. In July 2015, Maxus and the plaintiffs entered into a nonbinding Memorandum of Understanding ( MOU ). Under the MOU, the litigation is suspended to permit Maxus and Murphy Oil to continue negotiations. The MOU contemplates a final settlement with two main components: (i) payments from Maxus and (ii) financing and implementation by Maxus of a remediation project. As of December 31, 2015, Maxus and the plaintiffs are negotiating the settlement.

**Dividend Policy**

See Item 10. Additional Information Dividends.

**Significant Changes**

Since December 31, 2015, there have been no significant changes regarding the Company.

**ITEM 9. The Offer and Listing  
Shares and ADSs***New York Stock Exchange*

The ADSs, each representing one Class D share, are listed on the NYSE under the trading symbol YPF. The ADSs began trading on the NYSE on June 28, 1993, and were issued by The Bank of New York Mellon, as depository (the Depository ).

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

	<i>High</i>	<i>Low</i>
2011	54.58	31.25

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2012	41.14	9.57
2013	34.17	12.26
2014	38.91	21.85
2015	31.58	14.91
2016 <sup>(1)</sup>	18.83	12.83

(1) Through March 10, 2016

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

	<i>High</i>	<i>Low</i>
<b>2014:</b>		
First Quarter	33.08	21.85
Second Quarter	35.95	27.90
Third Quarter	38.91	30.97
Fourth Quarter	35.42	22.50
<b>2015:</b>		
First Quarter	29.55	23.00
Second Quarter	31.58	26.18
Third Quarter	27.42	14.91
Fourth Quarter	22.18	15.05
<b>2016:</b>		
First Quarter <sup>(1)</sup>	18.83	12.83

(1) Through March 10, 2016



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

	<i>High</i>	<i>Low</i>
<b>2015:</b>		
September	22.02	14.91
October	21.36	15.05
November	22.18	18.21
December	18.07	15.72
<b>2016:</b>		
January	16.84	12.83
February	18.83	15.23
March <sup>(1)</sup>	18.81	17.48

(1) Through March 10, 2016

According to data provided by The Bank of New York Mellon, as of March 9, 2016, there were 172,078,241 ADSs outstanding and 54 holders of record of ADSs. Such ADSs represented approximately 44% of the total number of issued and outstanding Class D shares as of such date. Buenos Aires Stock Market

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

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

Investors in the Argentine securities market are mostly individuals and companies. Institutional investors, which are responsible for a growing percentage of trading activity, consist mainly of insurance companies and to a lesser extent mutual funds.

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

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Market capitalization (in billions of pesos) <sup>(1)</sup>	3,292	3,893	3,356	2,300	1,611	1,900	2,185
As percent of GDP <sup>(1)</sup>	<sup>(1)</sup>	86%	124%	107%	87%	132%	191%
Volume (in millions of pesos)	749,829	621,831	367,830	242,324	207,805	177,613	133,208

Average daily trading volume (in millions of pesos)	4,822.6	2,581.0	1,526.3	1,005.5	848.2	722.0	545.93
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(1) INDEC will not publish new information until at least June 2016. See Item 3 Key Information Risk Factors Our business is largely dependent upon economic conditions in Argentina.

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

	<i>High</i>	<i>Low</i>
2011	222.60	150.50
2012	188.50	66.50
2013	294.00	101.30
2014	558.00	250.00
2015	375.50	207.00
2016 <sup>(1)</sup>	295.00	179.00

(1) Through March 10, 2016

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

	<i>High</i>	<i>Low</i>
<b>2014:</b>		
First Quarter	330.00	250.00
Second Quarter	357.00	277.00
Third Quarter	558.00	340.00
Fourth Quarter	506.00	255.00
<b>2015:</b>		
First Quarter	355.50	277.00
Second Quarter	375.50	321.00
Third Quarter	361.00	209.00
Fourth Quarter	305.00	207.00
<b>2016:</b>		
First Quarter <sup>(1)</sup>	295.00	179.00

(1) Through March 10, 2016

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

	<i>High</i>	<i>Low</i>
<b>2015:</b>		
September	309.75	209.00
October	290.00	207.00
November	305.00	267.00
December	265.00	218.00

**2016:**

January	235.00	179.00
February	295.00	229.00
March <sup>(1)</sup>	293.50	266.00

(1) Through March 10, 2016

As of December 31, 2015, there were approximately 34,017 holders of Class D shares in Buenos Aires Stock Market.

***Stock Exchange Automated Quotations System International***

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

**Argentine Securities Market**

The securities market in Argentina was originally composed of 13 stock exchanges, which are located in the City of Buenos Aires (the BASE ), Bahía Blanca, Chaco, Corrientes, Córdoba, La Plata, La Rioja, Mendoza, Rosario, Salta, Santa Fe, and Tucumán. Six of these exchanges (the BASE, Rosario, Córdoba, La Rioja, Mendoza, and Santa Fe) had affiliated stock markets and, accordingly, were authorized to quote publicly offered securities. However this system was affected by the enactment of Law No. 26,831 and the new regulations issued by the CNV, mainly contained in Resolution No. 622/2013, which stated that securities can only be listed and exchanged in stock markets authorized to function as such by the CNV.

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The BASE, which began operating in 1854, was the principal and longest-established stock exchange in Argentina. The exchange functions of the BASE have now been absorbed by the Merval, which is stock market authorized by the CNV to function as such, under Law No. 26,831. The Merval and the BASE have entered into an agreement which has been approved by the CNV, by which the Merval has delegated to the BASE certain functions, such as: (i) the authority to grant listing authorization for securities; (ii) the authority to constitute arbitration courts; and (iii) the issuance of a public information bulletin.

Argentina's equity markets have historically been composed of individual investors, though in recent years there has been an increase in the level of investment by banks and insurance companies in these markets; however, Argentine mutual funds (*fondos comunes de inversión*) continue to have very low participation.

The Argentine securities market is regulated and overseen by the CNV, pursuant to Law No. 26,831 (the Stock Market Law) which governs the regulation of security exchanges, as well as stockbroker transactions, market operations, the public offering of securities, corporate governance matters relating to public companies and the trading of futures and options. Argentine institutional investors and insurance companies are regulated by separate government agencies, whereas financial institutions are regulated primarily by the Argentine Central Bank.

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

Among the key provisions of the Stock Market Law are the following: the definition of a security, that governs the treatment of negotiable securities; the corporate governance requirements, including the obligations for publicly listed companies to form audit committees composed of three or more members of the Board of Directors (the majority of whom must be independent under CNV regulations); regulations for market stabilization transactions under certain circumstances, regulations that governs insider trading, market manipulation and securities fraud and regulates going-private transactions and acquisitions of voting shares, including controlling stakes in public companies. In addition, the Stock Market Law included very relevant changes for the modernization and future design of the capital market, like the demutualization of the stock exchanges; new regulatory powers and resources for the CNV; a mandatory tender offer system and other provisions, like the new requirements for brokers/dealers and other market participants. These provisions were regulated by the CNV with Resolution No. 622/2013. Before offering securities to the public in Argentina, an issuer must meet certain requirements established by the CNV with regard to the issuer's assets, operating history and management. Only securities approved for a public offering by the CNV may be listed on a stock exchange. However, CNV approval does not imply any kind of certification as to the quality of the securities or the solvency of the issuer, even though issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements in accordance with IFRS and various other periodic reports with the CNV and the stock exchange on which their securities are listed, as well as to report to the CNV and the relevant stock exchange any event related to the issuer and its shareholders that may affect materially the value of the securities traded.

***Money laundering regulations***

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

The notion of money laundering is generally used to refer to transactions aimed at introducing funds derived from unlawful activities into the institutionalized system and therefore, transforming profits obtained from unlawful activities into assets having a presumed lawful origin.

Law No. 25,246 (as subsequently amended by Law No. 26,087, Law No. 26,119, Law No. 26,268 and Law No 26,683) provides for an administrative criminal system and replaces several sections of the Argentine Criminal Code, incorporating, among other matters, the definition of money laundering as a type of crime committed whenever a person converts, transfers, manages, sells, charges, conceals or otherwise markets any asset derived from a criminal offense, with the possible consequence that the original assets or substitutes thereof appear to come from a lawful source, provided that the total value of the asset exceeds Ps.300,000 regardless of whether such amount results from one act or a series of related acts.

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According to Article 303 of the Argentine Criminal Code, money laundering (as defined above) shall be punished with three to ten years of imprisonment and a fine of two to ten times the amount of the transactions made. The penalty prescribed above shall be increased by one third of the maximum and one half of the minimum if: (a) the wrongdoer carries out the act on a regular basis or as a member of an association or gang organized with the purpose of continuously committing acts of a similar nature; or (b) if the primary wrongdoer is a public officer who committed the infringement in the exercise of his/her duties (in such a case, the wrongdoer shall also be punished by special disqualification for three to ten years, and the same penalty shall apply to a wrongdoer who commits the offense in the service of a profession or trade requiring special qualification). The individual who receives money or other assets derived from a criminal offense with the purpose of applying them to a money laundering transaction shall be punished with imprisonment from six months to three years. If the value of the assets is not over Ps.300,000, the wrongdoer will be punished with imprisonment from six months to three years. The provisions in this section shall apply even when the criminal offense is committed outside the geographical jurisdiction of the Argentine Criminal Code, so long as the crime is also penalized in the jurisdiction where it was committed.

Article 277 of the Argentine Criminal Code sets forth that an imprisonment of between six months and three years shall be applied (with varying minimum terms attaching depending on the particular circumstances) to any person who helps a perpetrator to avoid investigation, obscures or destroys evidence of a crime, acquires, receives, hides or alters money or other proceeds from a crime, does not report the commission of the crime or does not identify the perpetrator or participant in a crime with knowledge that such person would have been obliged to assist in the criminal prosecution of such crime and/or aids or abets the perpetrator or participant to make safe the proceeds of the crime. The minimum and maximum terms of punishment shall be doubled when: (a) the offense implies a particularly serious crime (for which minimum penalty is higher than three years of imprisonment); (b) the abettor acts for profit; (c) the abettor habitually commits concealment acts; or (d) the abettor is a public official.

Law No. 25,246 contemplates that the legal entity whose management collected or provided assets or money, whatever their value, knowing that such assets were to be used by a terrorist organization, may be subject to a fine between five to 20 times the value of such assets. Furthermore, whenever the management of the legal entity infringes the duty to treat the information submitted to the Financial Information Unit (*Unidad de Información Financiera* UIF ) as confidential, the legal entity shall be subject to a fine between Ps. 50,000 to Ps. 500,000. Additionally such regulation created the UIF as an autonomous and financially self-sufficient entity within the jurisdiction of the Argentine Ministry of Justice and Human Rights, in charge of analyzing, treating and transmitting information in order to preclude and prevent money laundering. Pursuant to this legislation, the UIF is empowered to receive and request reports, documents, background and any other information deemed useful to fulfill its duties from any public entity, whether federal, provincial or municipal, and from individuals or public or private entities, all of which entities must furnish such information in accordance with Law No. 25,246. Whenever the information furnished or analyses performed by the UIF show the existence of sufficient evidence to suspect that a money laundering or terrorist financing crime has been committed, the UIF shall transmit such evidence to the Government Attorney's Office so that it may start the relevant criminal action, and the UIF may appear as an accusing party to such proceedings. Moreover, Law No. 26,087 mandates that banking secrecy or professional privilege, or legal or contractual commitments, cannot be considered exceptions to the compliance with the obligation to submit information to the UIF in the context of an investigation of suspicious activity.

The main goal of Law No. 25,246 is to prevent money laundering. In line with internationally accepted practices, the duty to control such illegal transactions is not concentrated solely in Argentine federal governmental entities but also distributed among several private sector entities such as banks, brokers, brokerage firms and insurance companies. Such duties mainly consist of data collection functions, such as: (i) gathering from clients, applicants or contributors any documentation sufficient to prove their identity, legal capacity, domicile and further data as necessary on a case by case basis; (ii) reporting any suspicious fact or transaction irrespective of its amount; and (iii) abstaining from

disclosing to the client or third parties any procedures being followed pursuant to law. According to Law No. 25,246, a suspicious transaction shall mean any transaction that, in accordance with standard business practices and in the experience of the entities and individuals subject to reporting obligations, is regarded as unusual, unjustified from an economic or legal standpoint, or unnecessarily complex, whether it is a one-time transaction or a series of transactions.

In February 2016, the National Executive Office issued Decree No. 360/16, under which the National Coordination Program to Combat Money Laundering and Terrorism Financing was created under the Ministry of Justice and Human Rights. The program aims to reorganize, coordinate and strengthen Argentina's anti-money laundering and combat of terrorism financing in line with international guidelines established by United Nations conventions and the Financial Action Task Force.



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Resolution No. 121/2011 issued by the UIF ( Resolution 121 ), as amended by Resolutions No. 1/12, 2/12, 68/13 and 03/14, 195/2015 and 196/2015, is applicable to financial entities subject to Law No. 21,526, to entities subject to the Law No. 18,924, as amended, and to natural and legal entities authorized by the Argentine Central Bank to intervene in the purchase and sale of foreign currency through cash or checks issued in foreign currency or through the use of credit or payment cards, or in the transfer of funds within or outside the national territory. Resolution No. 229/2011 of the UIF ( Resolution 229 ), as amended by Resolution No 140/12, 03/14, 195/2015 and 196/2015, is applicable to brokers and brokerage firms, companies managing common investment funds, agents of the over-the-counter market, intermediaries in the purchase or leasing of securities affiliated with stock exchange entities with or without associated markets, and intermediary agents registered on forwards or option markets. Resolution 121 and Resolution 229 regulate, among other matters, the obligation to collect documentation from clients and the terms, obligations and restrictions for compliance with the reporting duty regarding suspicious money laundering and terrorism financing operations.

Resolution 121 and Resolution 229 set forth general guidelines in connection with the client s identification (including the distinction between occasional and regular clients), the information to be requested, the documentation to be archived and the procedures to detect and report suspicious transactions. Moreover, the main duties established by such resolutions are the following: a) creating a manual establishing the mechanisms and procedures to be used to prevent money laundering and terrorism financing; b) designation of a compliance officer; c) the implementation of periodic audits; d) personnel training; e) elaboration of analysis records and risk management of detected unusual operations and of those which have been reported because they were considered suspicious; f) implementation of technological tools which allow the establishment of efficient control systems and prevention of money laundering and terrorism financing; and g) implementation of measures which allow subjects obliged under Resolution 121 and subjects obliged under Resolution 229, respectively, to electronically consolidate the operations carried out with clients, and electronic tools which allow the analysis and control of different variables in order to identify certain behaviors and observe possible suspicious transactions. Entities covered by Resolution 121 and Resolution 229 must report any suspected money laundering to the UIF within 30 calendar days of its occurrence (or attempt) and any terrorism financing suspicious activity before a 48 hour period has elapsed.

According to Resolution 229, unusual transactions are those attempted or consummated transactions, on a one-time or on a regular basis, without economic or legal justification, inconsistent with the economic and financial profile of the client, and which deviate from standard market practices, based on their frequency, regularity, amount, complexity, nature or other particular features. According to Resolution 229, an unusual transaction is one that, considering the suitability of the reporter in light of the activity it carries out, and the analysis made, may be suspicious of money laundering and financing terrorism. On other hand, suspicious transactions are those attempted or consummated transactions that, having been previously identified as unusual transactions, are inconsistent with the lawful activities declared by the client or, even if related to lawful activities, give rise to suspicion that they are linked or used to finance terrorism.

Likewise, Resolution 229 provides for a list of factors which shall be specially taken into account in order to determine whether a transaction should be reported to UIF, including but not limited to: (i) clients who refuse to provide data or documents required by Resolution 229, or data provided by clients which is proved to be irregular; (ii) clients attempting to avoid compliance with the requirements set forth by Resolution 229 or other anti-money laundering regulations; (iii) indications about the illicit origin, management or destination of funds and other assets used in the transactions, in respect of which the reporting person or company does not receive a viable explanation; (iv) transactions involving countries or jurisdictions which are deemed tax heavens or identified as non-cooperative by the Financial Action Task Force; (v) the purchase or sale of securities at prices conspicuously higher or lower than those quoted at the moment the transaction is consummated; (vi) the purchase of securities at extremely high prices; (vii) transactions where the client declares assets not consistent with the size of their business, thereby implying the

possibility that such client is not acting in its own name but as an agent of an anonymous third party; (viii) investment transactions with securities for high nominal values, which are not consistent with the volume of securities historically negotiated according to the client's transactional profile; and (ix) the receipt of an electronic transfer of funds without all the required information.

In addition, the CNV rules establish that brokers and brokerage firms, and companies managing common investment funds, agents of the over-the-counter market, intermediaries in the purchase or lease of securities affiliated with stock exchange entities with or without associated markets and intermediary agents registered on forwards or option markets, and individuals or legal entities acting as trustees, for any type of trust fund, and individuals or legal entities, owners of or related to, directly or indirectly, with trust accounts, trustees and grantors in the context of a trust agreement, shall comply with Law No. 25,246, the UIF's rulings and the CNV's regulations. Additionally, companies managing common investment funds, any person acting as placement agent or performing activities relating to the trading of common investment funds, any person acting as placement agent in any primary issuance of marketable securities, and any issuer with respect to capital contributions, irrevocable capital contributions for future issuances of stock or significant loans, must also comply with such regulations.

Such resolutions also contain certain requirements for the reception and delivery of checks and payments made between the individuals and entities listed above, as well as the prohibition of transactions relating to the public offering of securities, when they are consummated or ordered by individuals or companies domiciled or residing in domains, jurisdictions, territories or associated states not included in the list of Decree 589/2013 (Regulatory Law of Income Tax No. 20,628 and its amendments), among other provisions, which mainly includes jurisdictions considered cooperating for the purpose of tax transparency. Brokers and dealers must duly know their clients and apply policies and maintain adequate structures and systems in line with a policy against money laundering and terrorist financing. Also, interested investors undertake the obligation to submit any information and documents that may be required in order to comply with criminal regulations and other laws and regulation in connection with money laundering, including capital markets' regulations preventing money laundering issued by the UIF and similar regulations issued by the CNV.

**Table of Contents****ITEM 10. Additional Information****Capital Stock**

Our capital stock consists of Ps.3,933,127,930, divided into 3,764 Class A shares, 7,624 Class B shares, 40,422 Class C shares and 393,260,983 Class D shares, each fully subscribed and paid, with a par value of ten pesos each and the right to one vote per share. Our total capital stock has not changed since December 31, 2004.

In November 1992, the Privatization Law became effective. Pursuant to the Privatization Law, in July 1993, we completed a worldwide offering of 160 million Class D shares, representing approximately 45% of our outstanding capital stock, which had been owned by the Argentine government. Concurrently with the completion of such offering, the Argentine government transferred approximately 40 million Class B shares to the Argentine provinces, which represented approximately 11% of our outstanding capital stock, and made an offer to holders of pension bonds and certain other claims to exchange such bonds and other claims for approximately 46.1 million Class B shares, representing approximately 13% of our outstanding capital stock. As a result of these transactions, the Argentine government's ownership percentage of our capital stock was reduced from 100% to approximately 30%, including shares that had been set aside to be offered to our employees upon establishment of the terms and conditions by the Argentine government in accordance with Argentine law. The shares set aside to be offered to employees represented 10% of our outstanding capital stock.

In July 1997, the Class C shares set aside for the benefit of our employees in conjunction with the privatization, excluding approximately 1.5 million Class C shares set aside as a reserve against potential claims, were sold through a global public offering, increasing the percentage of our outstanding shares of capital stock held by the public to 75%. Proceeds from the transactions were used to cancel debt related to the employee plan, with the remainder distributed to participants in the plan. Additionally, Resolution 1,023/06 of the Ministry of Economy, dated December 21, 2006, effected the transfer to the employees covered by the employee share ownership plan, or PPP, of 1,117,717 Class C shares, corresponding to the Class C shares set aside as a reserve against potential claims, and reserving 357,987 Class C shares until a decision was reached in a pending lawsuit. Subsequently, with a final decision having been reached in the lawsuit, and consistent with the mechanism of conversion of Class C shares into Class D shares established by Decree 628/1997 and its accompanying rules, as of December 31, 2009, 1,447,983 Class C shares had been converted into Class D shares. In 2010, a former employee of the Company who was allegedly excluded from the Argentine government's YPF share ownership plan filed a claim against YPF seeking recognition of his status as a shareholder of YPF. In addition, the Federation of Former Employees of YPF joined the proceeding as a supporting third-party claimant, purportedly acting on behalf of other former employees who were also allegedly excluded from the share ownership plan. Under the jurisprudence of the Argentine Supreme Court upholding numerous decisions of the relevant Argentine Courts of Appeals, YPF believes it will not be held liable for claims of this nature related to the PPP. Through Law No. 25.471, the Argentine government assumed sole responsibility for any compensation to be received by YPF's former employees who were excluded from the PPP.

The Class A shares held by the Argentine government became eligible for sale in April 1995 upon the effectiveness of legislation which permitted the Argentine government to sell such shares. In January 1999, Repsol YPF acquired 52,914,700 Class A shares in block (14.99% of our shares) which were converted to Class D shares. Additionally, on April 30, 1999, Repsol YPF announced a tender offer to purchase all outstanding Class A, B, C and D shares at a price of U.S.\$44.78 per share (the Offer). Pursuant to the Offer, in June 1999, Repsol YPF acquired an additional 82.47% of our outstanding capital stock. On November 4, 1999, Repsol YPF acquired an additional 0.35%. On June 7, 2000, Repsol YPF announced a tender offer to exchange newly issued Repsol YPF's shares for 2.16% of our Class B, C and D shares held by minority shareholders. Pursuant to the tender offer, and after the merger with Astra Compañía Argentina de Petróleo, S.A. (Astra) and Repsol Argentina, S.A., Repsol YPF owned 330,551,981 Class D shares and therefore controlled us through a 99.04% ownership interest until 2008. Following the different transactions that

started in 2008, Repsol YPF ended up with a total ownership of 57.43% in April 2012.

The Expropriation Law has significantly changed our shareholding structure. The Class D shares subject to expropriation from Repsol YPF or its controlling or controlled entities, which represent 51% of our share capital and were declared of public interest and are currently held by the Republic of Argentina, will be assigned as follows: 51% to the federal government and 49% to the governments of the provinces that compose the National Organization of Hydrocarbon Producing States. In addition, the Argentine federal government and certain provincial governments already own our Class A and Class B shares. See Item 3. Key Information Risk Factors Risks Relating to Argentina The Argentine federal government will control the Company according to domestic energy policies in accordance with the Expropriation Law.

As of the date of this annual report, the transfer of the shares subject to expropriation between the National Executive Office and the provinces that compose the National Organization of Hydrocarbon Producing States was still pending. According to Article 8 of the Expropriation Law, the distribution of the shares among the provinces that accept their transfer must be conducted in an equitable manner, considering their respective levels of hydrocarbon production and proved reserves. To ensure compliance with its objectives, the Expropriation Law provides that the National Executive Office, by itself or through an appointed public entity, shall exercise all the political rights associated with the shares subject to expropriation until the transfer of political and economic rights to the provinces that compose the National Organization of Hydrocarbon Producing States is completed. In addition, in accordance with Article 9 of the Expropriation Law, each of the Argentine provinces to which shares subject to expropriation are allocated must enter into a shareholder's agreement with the federal government that will provide for the unified exercise of its rights as a shareholder. See Item 4. Information on the Company Regulatory Framework and Relationship with the Argentine Government The Expropriation Law , Decree 272/2015 and Item 7. Major Shareholders and Related Party Transactions.

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### **Memorandum and Articles of Association**

YPF's by-laws were approved by National Executive Decree No. 1,106, dated May 31, 1993, and notarized by public deed No. 175, dated June 15, 1993 at the National Notary Public Office, sheet 801 of the National Registry, and registered at the Inspection Board of Legal Entities of the Argentine Republic on the same date, June 15, 1993 under number 5,109 of the book of Corporations number 113, volume A.

At a shareholders' meeting on April 14, 2010, YPF's shareholders approved an amendment to YPF's by-laws. Copies of the by-laws, which have been filed as described in Item 19. Exhibits in this annual report, are also available at the offices of YPF.

For a detailed description of YPF's object and purpose, see Item 4. Information on the Company. YPF's object is set forth in Section 4 of its by-laws.

Pursuant to Argentine Corporations Law, the Board of Directors or the Supervisory Committee shall call either annual general or extraordinary shareholders' meetings in the cases provided by law and whenever they consider appropriate. Shareholders representing not less than 5% of YPF's capital stock may also request that a shareholders' meeting be called.

A shareholders' meeting shall be called at least twenty days prior to the meeting date by notice published in the legal publications journal for a period of five days. The notice shall include the nature, date, time and place of the meeting, the agenda to be discussed and the specific requirements shareholders must meet to attend the meeting.

### **Shareholders' Meetings**

Pursuant to the Argentine Corporations Law, the Board of Directors or the Supervisory Committee shall call either annual ordinary or extraordinary shareholders' meetings in the cases provided by law and whenever they consider appropriate. Shareholders representing not less than 5% of our capital stock may also request that a shareholders' meeting be called, in which case the meeting must take place within 40 days of such shareholders' request. If the Board of Directors or the Supervisory Committee fails to call a meeting following such a request, a meeting may be ordered by the CNV or by the courts.

Shareholders' meetings may be ordinary meetings or extraordinary meetings. We are required to convene and hold an ordinary meeting of shareholders within four months of the closing of each fiscal year to consider the matters specified in the first two paragraphs of Section 234 of the Argentine Corporations Law, such as the approval of our financial statements, allocation of net income for such fiscal year, approval of the reports of the Board of Directors and the Audit Committee and the election, performance and remuneration of directors and members of the Supervisory Committee. In addition, pursuant to the Stock Market Law, at ordinary shareholders' meetings, shareholders must consider (i) the disposition of, or creation of any lien over, assets as long as such decision has not been performed in the ordinary course of business and (ii) the execution of administration or management agreements and whether to approve any agreement by virtue of which the assets or services provided to us are paid partial or totally with a percentage of our income, results or earnings, if the payment is material when measured against the volume of the ordinary course of business and our shareholders' equity. Other matters which may be considered at an ordinary shareholders' meeting convened and held at any time include the responsibility of directors and members of the Supervisory Committee, capital increases and the issuance of certain notes. Extraordinary shareholders' meetings may be called at any time to consider matters beyond the authority of an ordinary meeting including, without limitation, the amendment of our by-laws, issuance of debentures, early dissolution, merger, spin-off, reduction of capital stock and redemption of shares, transformation from one type of entity to another and limitation or suspension

of shareholders preemptive rights.

*Notices of meetings*

Notice of shareholders meetings must be published for five days in the Official Gazette, in an Argentina newspaper of wide circulation and in the bulletin of the BASE, at least 20 but not more than 45 days prior to the date on which the meeting is to be held. Such notice must include information regarding the type of meeting to be held, the date, time and place of such meeting and the agenda. If a quorum is not available at such meeting, a notice for a meeting on second call, which must be held within 30 days of the date on which the first meeting was called, must be published for three days at least eight days before the date of the meeting on second call. The above-described notices of shareholders meetings may be effected simultaneously for the meeting on second call to be held on the same day as the first meeting, only in the case of ordinary meetings. Shareholders meetings may be validly held without notice if all the shares of our outstanding share capital are present and resolutions are adopted by unanimous vote of shares entitled to vote.

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**Table of Contents*****Quorum and voting requirements***

Except as described below, the quorum for ordinary meetings of shareholders on first call is a majority of the shares entitled to vote, and action may be taken by the affirmative vote of an absolute majority of the shares present that are entitled to vote on such action. If a quorum is not available at the first meeting, a meeting on second call may be held at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares. The quorum for an extraordinary shareholders' meeting on first call is 60% of the shares entitled to vote, and if such quorum is not available, a meeting or second call may be held, at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares.

Our by-laws establish that in order to approve (i) the transfer of our domicile outside Argentina, (ii) a fundamental change of the corporate purpose set forth in our by-laws, (iii) delisting of our shares from the BASE or NYSE, and (iv) a spin-off by us, when as a result of such spin-off more than 25% of our assets are transferred to the resulting corporations, a majority of the shares representing 75% or more of our voting shares is required, both in first and second call. Our by-laws also establish that in order to approve (i) certain amendments to our by-laws concerning tender offers of shares (as described below), (ii) the granting of certain guarantees in favor of our shareholders, (iii) full stop of refining, commercialization and distribution activities and (iv) rules regarding appointment, election and number of members of our Board of Directors, a majority of the shares representing 66% or more of our voting shares is required, both in first and second call, as is the affirmative vote of the Class A shares, voting at a special meeting of the holders of such shares.

In order to attend the meeting, shareholders must deposit their shares, or a certificate representing book-entry shares issued by a bank, clearing house or depository trust company, with us. This certificate will allow each shareholder to be registered in the attendance book which closes three business days before the date on which the meeting will be held. We will issue to each shareholder a deposit certificate required for admission into the meeting. Shares certified and registered in the attendance book may not be disposed of before the meeting is held unless the corresponding deposit is cancelled.

Under the Argentine Corporations Law, foreign companies that own shares in an Argentine corporation are required to register with the IGJ in order to exercise certain shareholder rights, including voting rights. Such registration requires the filing of certain corporate and accounting documents. Accordingly, if a shareholder owns Class D shares directly (rather than in the form of ADSs) and it is a non-Argentine company, and such shareholder fails to register with the IGJ, the ability to exercise its rights as a holder of Class D shares may be limited.

Directors, members of the Supervisory Committee and senior managers are both entitled and required to attend all shareholders' meetings. These persons may only exercise voting power to the extent they have been previously registered as shareholders, in accordance with the provisions described in the above paragraph. Nevertheless, these persons are not allowed to vote on any proposal regarding the approval of their management duties or their removal for cause.

Shareholders who have a conflict of interest with us and who do not abstain from voting may be liable for damages to us, but only if the transaction would not have been approved without such shareholders' votes. Furthermore, shareholders who willfully or negligently vote in favor of a resolution that is subsequently declared void by a court as contrary to the law or our by-laws may be held jointly and severally liable for damages to us or to other third parties, including shareholders.

**Directors**

*Election of Directors*

Our business and affairs are managed by the Board of Directors in accordance with our by-laws and the Argentine Corporations Law. Our by-laws provide for a Board of Directors of eleven to 21 members, and up to an equal number of alternates. Alternates are those elected by the shareholders to replace directors who are absent from meetings or who are unable to exercise their duties, when and for whatever period appointed to do so by the Board of Directors. Alternates have the responsibilities, duties and powers of directors only if and to the extent they are called upon to attend board meetings or for such longer period as they may act as replacements.

Directors hold office from one to three years, as determined by the shareholders' meetings. Since the Board of Directors' meeting held on December 22, 2015, our Board of Directors is composed of 15 directors and seven alternates.



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In accordance with our by-laws, the Argentine government, as sole holder of Class A shares, is entitled to elect one director and one alternate.

Under the Argentine Corporations Law, a majority of our directors must be residents of Argentina. All directors must establish a legal domicile in Argentina for service of notices in connection with their duties.

Our by-laws require the Board of Directors to meet at least once every quarter in person or by video conference, and a majority of directors is required in order to constitute a quorum. If a quorum is not met one hour after the start time set for the meeting, the President or his substitute may invite alternates of the same class as that of the absent directors to join the meeting, or call a meeting for another day. Resolutions must be adopted by a majority of the directors present, and the President or his substitute is entitled to cast the deciding vote in the event of a tie.

### *Duties and liabilities of Directors*

In accordance with the Argentine Corporations Law, directors have an obligation to perform their duties with loyalty and with the diligence of a prudent business person. Directors are jointly and severally liable to us, our shareholders and to third parties for the improper performance of their duties, for violating the law or our by-laws or regulations, and for any damage caused by fraud, abuse of authority or gross negligence. Specific duties may be assigned to a director by the by-laws, company regulations, or by resolution of the shareholders' meeting. In such cases, a director's liability will be determined by reference to the performance of such duties.

Only shareholders, through a shareholders' meeting may authorize directors to engage in activities in competition with us. Transactions or contracts between directors and us in connection with our activities are permitted to the extent they are performed under fair market conditions. Transactions that do not comply with the Argentine Corporations Law require prior approval of the Board of Directors or the Supervisory Committee. In addition, these transactions must be subsequently approved by the shareholders at a general meeting. If our shareholders do not approve the relevant transaction, the directors and members of the Supervisory Committee who approved such transactions are jointly and severally liable for any damages caused to us.

Any director whose personal interests are adverse to ours shall notify the Board of Directors and the Supervisory Committee and abstain from voting on such matters. Otherwise, such director may be held liable to us.

A director will not be liable if, notwithstanding his presence at the meeting at which a resolution was adopted or his knowledge of such resolution, a written record exists of his opposition to such resolution and he reports his opposition to the Supervisory Committee before any complaint against him is brought before the Board of Directors, the Supervisory Committee, the shareholders' meeting, the appropriate governmental agency or the courts. Any liability of a director to us terminates upon approval of the director's actions by the shareholders at a general meeting, provided that shareholders representing at least 5% of our capital stock do not object and provided further that such liability does not result from a violation of the law, our by-laws or other regulations.

### **Foreign Investment Legislation**

Under the Argentine Foreign Investment Law, as amended, and its implementing regulations (together, referred to as the Foreign Investment Legislation), the purchase of shares of an Argentine corporation by an individual or legal entity domiciled abroad or by an Argentine company of foreign capital (as defined in the Foreign Investment Legislation) constitutes foreign investment. Currently, foreign investment in industries other than broadcasting, purchase land located in frontier and other security areas by foreigners and limits on the ownership of rural land by foreign individuals or legal entities according to Law 26,737, is not restricted, and no prior approval is required to

make foreign investments. No prior approval is required in order to purchase Class D shares or ADSs or to exercise financial or corporate rights thereunder.

### **Dividends**

Under our by-laws, all Class A, Class B, Class C and Class D shares rank equally with respect to the payment of dividends. All shares outstanding as of a particular record date share equally in the dividend being paid, except that shares issued during the period to which a dividend relates may be entitled only to a partial dividend with respect to such period if the shareholders' meeting that approved the issuance so resolved. No provision of our by-laws or of the Argentine Corporations Law gives rise to future special dividends only to certain shareholders.

The amount and payment of dividends are determined by majority vote of our shareholders voting as a single class, generally, but not necessarily, on the recommendation of the Board of Directors. In addition, under the Argentine Corporations Law, our Board of Directors has the right to declare dividends subject to further approval of shareholders at the next shareholders' meeting.

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After the passage of the Expropriation Law, at our shareholders' meeting held on July 17, 2012 a dividend of Ps. 303 million (Ps. 0.77 per share or ADS) was authorized for payment during 2012. Our strategy provides for an increased level of investments that will require a significant reinvestment of earnings and therefore considers a potential dividend distribution consistent with such strategy. At our shareholders' meeting held on April 30, 2013 and its continuation on May 30, 2013, a dividend of Ps. 326 million (Ps. 0.83 per share or ADS) was authorized for payment during August 2013. Furthermore, at the shareholders' ordinary and extraordinary general meeting held on April 30, 2014 and its continuation on May 21, 2014 a dividend of Ps. 464 million (Ps. 1.18 per share or ADS) was authorized for payment during July 2014. At the shareholders' ordinary and extraordinary general meeting held on April 30, 2015, a dividend of Ps. 503 million (Ps. 1.28 per share or ADS) was authorized for distribution by December 31, 2015, which was paid in July 2015. On March 3, 2016, the Board agreed to propose to the Shareholders meeting the following distribution of profits: (i) allocate the amount of Ps. 50 million to constitute a reserve for purchasing YPF shares pursuant to our stock compensation plan, in order to give the opportunity to the Board to acquire YPF shares at the time it deems appropriate, and comply, during the execution of plans, with commitments generated and to be generated in the future, (ii) allocate the amount of Ps. 3,640 million to constitute a reserve for investments in terms of Article 70, third paragraph of Argentine General Corporation Law No.19,550, and its amendments, and (iii) allocate the amount of Ps. 889 million to a reserve for the payment of dividends, authorizing the Board to determine the opportunity for its distribution within a period not exceeding the end of 2016. The following table sets forth for the periods and dates indicated, the quarterly dividend payments made by us, expressed in pesos.

<i>Year Ended December 31,</i>	<i>Pesos Per Share/ADS</i>				<i>Total</i>
	<i>1Q</i>	<i>2Q</i>	<i>3Q</i>	<i>4Q</i>	
2005		8.00		4.40	12.40
2006		6.00			6.00
2007	6.00				6.00
2008	10.76	6.50		6.35	23.61
2009		6.30		6.15	12.45
2010		5.50		5.80	11.30
2011		7.00		7.15	14.15
2012				0.77	0.77
2013			0.83		0.83
2014			1.18		1.18
2015			1.28		1.28

**Amount Available for Distribution**

Under Argentine law, dividends may be lawfully paid only out of our retained earnings reflected in the annual audited financial statements prepared in accordance with accounting rules prevailing in Argentina and CNV regulations and approved by a shareholders' meeting. The Board of Directors of a listed Argentine company that makes public offering of its shares may declare interim dividends, in which case the members of the Board and of the Supervisory Committee is jointly and severally liable for the repayment of such dividend if retained earnings at the close of the fiscal year in which the interim dividend was paid would not have been sufficient to permit the payment of such dividend.

According to the Argentine Corporations Law and our by-laws, we are required to maintain a legal reserve of at least 5% of the fiscal year's income until such reserve equals 20% of our then-outstanding capital stock. The legal reserve is not available for distribution to shareholders.

Under our by-laws, our net income is applied as follows:

first, at least 5% of net income, plus (less) prior year adjustments, is segregated to build the legal reserve until such reserve is equal to 20% of our subscribed capital;

second, an amount is segregated to pay the accrued fees of the members of the Board of Directors and of the Supervisory Committee. See Item 6. Directors, Senior Management and Employees Compensation of members of our Board of Directors and Supervisory Committee ;

third, an amount is segregated to pay dividends on preferred stock, if any; and

fourth, the remainder of net income in whole or in part may be distributed as dividends to common shareholders or allocated for voluntary or contingent reserves as determined by the shareholders meeting.

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Our Board of Directors submits our financial statements for the preceding fiscal year, together with reports thereon by the Supervisory Committee and the auditors, at the annual ordinary shareholders meeting for approval. Within four months of the end of each fiscal year, an ordinary shareholders meeting must be held to consider our yearly financial statements and determine the allocation of our net income for such year.

Under applicable CNV regulations, cash dividends must be paid to shareholders within 30 days of the shareholders meeting approving such dividends or, in the case in which the shareholders meeting delegates the authority to distribute dividends to the Board of Directors, within 30 days of the Board of Directors meeting approving such dividends. In the case of payment of stock dividends, or payment of both stock and cash dividends, both shares and cash are required to be available within three months of the receipt of notice of the authorization of the CNV for the public offering of the shares arising from such dividends. In accordance with the Argentine Civil and Commercial Code, the statute of limitations to the right of any shareholder to receive dividends declared by the shareholders meeting is five years from the date on which it has been made available to the shareholder. However, according to Article 2537 of the Argentine Civil and Commercial Code, the statute of limitations on the right of any shareholder to receive dividends declared before August 1, 2015 is three years.

Owners of ADSs are entitled to receive any dividends payable with respect to the underlying Class D shares. Cash dividends are paid to the Depositary in pesos, directly or through BoNY, as depositary, although we may choose to pay cash dividends outside Argentina in a currency other than pesos, including U.S. dollars. The deposit agreement provides that the Depositary shall convert cash dividends received by the Depositary in pesos to dollars, to the extent that, in the judgment of the Depositary, such conversion may be made on a reasonable basis, and, after deduction or upon payment of the fees and expenses of the Depositary, shall make payment to the holders of ADSs in U.S. dollars.

**Preemptive and Accretion Rights**

Except as described below, in the event of a capital increase, a holder of existing shares of a given class has a preferential right to subscribe a number of shares of the same class sufficient to maintain the holder's existing proportionate holdings of shares of that class. Preemptive rights also apply to issuances of convertible securities, but do not apply upon conversion of such securities. Pursuant to the Argentine Corporations Law, in exceptional cases and on a case-by-case basis when required for our best interest, the shareholders at an extraordinary meeting with a special majority may decide to limit or suspend shareholders' preemptive rights, provided that such limitation or suspension of the shareholders' preemptive rights is included in the agenda of the meeting and the shares to be issued are paid in kind or are issued to cancel preexisting obligations.

Under our by-laws, we may only issue securities convertible into Class D shares, and the issuance of any such convertible securities must be approved by a special meeting of the holders of Class D shares.

Holders of ADSs may be restricted in their ability to exercise preemptive rights if a registration statement under the Stock Market Law relating thereto has not been filed or is not effective. Preemptive rights are exercisable during the 30 days following the last publication of notice informing shareholders of their right to exercise such preemptive rights in the Official Gazette and in an Argentine newspaper of wide circulation. Pursuant to the Argentine Corporations Law, if authorized by an extraordinary shareholders meeting, companies authorized to make public offering of their securities, such as us, may shorten the period during which preemptive rights may be exercised from 30 to ten days following the publication of notice of the offering to the shareholders to exercise preemptive rights in the Official Gazette and a newspaper of wide circulation in Argentina. Pursuant to our by-laws, the terms and conditions on which preemptive rights may be exercised with respect to Class C shares may be more favorable than those applicable to Class A, Class B and Class D shares.

Shareholders who have exercised their preemptive rights have the right to exercise accretion rights, in proportion to their respective ownership, with respect to any unpreempted shares, in accordance with the following procedure:

Any unpreempted Class A shares will be converted into Class D shares and offered to holders of Class D shares that exercised preemptive rights and indicated their intention to exercise additional preemptive rights with respect to any such Class A shares.

Any unpreempted Class B shares will be assigned to those provinces that exercised preemptive rights and indicated their intention to exercise accretion rights with respect to such shares; any excess will be converted into Class D shares and offered to holders of Class D shares that exercised preemptive rights and indicated their intention to exercise accretion rights with respect to any such Class D shares.

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Any unpreempted Class C shares will be assigned to any PPP participants who exercised preemptive rights and indicated their intention to exercise accretion rights with respect to such shares; any excess will be converted into Class D shares and offered to holders of Class D shares that exercised preemptive rights and indicated their intention to exercise accretion rights with respect to any such Class C shares.

Any unpreempted rights will be assigned to holders of Class D shares that exercised their preemptive rights and indicated their intention to exercise accretion rights; any remaining Class D shares will be assigned *pro rata* to any holder of shares of another class that indicated his or her intention to exercise accretion rights.

The term for exercise of additional preemptive rights is the same as that fixed for exercising preemptive rights.

## **Voting of the Underlying Class D Shares**

Under the by-laws, each Class A, Class B, Class C and Class D share entitles the holder thereof to one vote at any meeting of the shareholders of YPF, except that a specified number of Directors is elected by majority vote of each class (except as provided below). See Directors Election of Directors above for information regarding the number of directors that holders of each class of shares are entitled to elect and certain other provisions governing nomination and election of directors. The Depositary has agreed that, as soon as practicable after receipt of a notice of any meeting of shareholders of YPF, it will mail a notice to the holders of ADRs, evidencing ADSs, registered on the books of the Depositary which will contain the following:

a summary in English of the information contained in the notice of such meeting;

a statement that the holders of ADRs at the close of business on a specified record date will be entitled, subject to any applicable provisions of Argentine law, the by-laws of YPF and the Class D shares, to instruct the Depositary to exercise the voting rights, if any, pertaining to the Class D shares evidenced by their respective ADSs; and

a statement as to the manner in which such instructions may be given to the Depositary.

The Depositary shall endeavor, to the extent practicable, to vote or cause to be voted the amount of Class D shares represented by the ADSs in accordance with the written instructions of the holders thereof. The Depositary will vote Class D shares, as to which no instructions are received, in accordance with the recommendations of the Board of Directors of YPF. The Depositary will not vote Class D shares, as to which no instructions have been received, in accordance with the recommendations of the Board of Directors, however, unless YPF has provided to the Depositary an opinion of Argentine counsel stating that the action recommended by the Board of Directors is not illegal under Argentine law or contrary to the by-laws or Board regulations of YPF. In addition, the Depositary will, if requested by the Board of Directors and unless prohibited by any applicable provision of Argentine law, deposit all Class D shares represented by ADSs for purposes of establishing a quorum at meetings of shareholders, whether or not voting instructions with respect to such shares have been received.

## **Voting**

Under our by-laws, each Class A, Class B, Class C and Class D share entitles the holder thereof to one vote at any meeting of our shareholders, except that the Class A shares (i) vote separately with respect to the election of our Board

of Directors and are entitled to appoint one director and one alternate director and, (ii) have certain veto rights, as described below.

### **Class A Veto Rights**

Under the by-laws, so long as any Class A shares remain outstanding, the affirmative vote of such shares is required in order to: (i) decide upon the merger of the company; (ii) approve any acquisition of shares by a third party representing more than 50% of the company's capital; (iii) transfer to third parties all the exploitation rights granted to YPF pursuant to the Hydrocarbons Law, applicable regulations thereunder or the Privatization Law, if such transfer would result in the total suspension of the company's exploration and production activities; (iv) voluntarily dissolve the company; and (v) transfer our legal or fiscal domicile outside Argentina. The actions described in clauses (iii) and (iv) above also require prior approval of the Argentine congress through enactment of a law.



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### **Reporting Requirements**

Pursuant to our by-laws, any person who, directly or indirectly, through or together with its affiliates and persons acting in concert with it, acquires Class D shares or securities convertible into Class D shares, so that such person controls more than 3% of the Class D shares, is required to notify us of such acquisition within five days of such acquisition, in addition to complying with any requirements imposed by any other authority in Argentina or elsewhere where our Class D shares are traded. Such notice must include the name or names of the person and persons, if any, acting in concert with it, the date of the acquisition, the number of shares acquired, the price at which the acquisition was made, and a statement as to whether it is the purpose of the person or persons to acquire a greater shareholding in, or control of, us. Each subsequent acquisition by such person or persons requires a similar notice.

### **Certain Provisions Relating to Acquisitions of Shares**

Pursuant to our by-laws:

each acquisition of shares or convertible securities, as a result of which the acquirer, directly or indirectly through or together with its affiliates and persons acting in concert with it (collectively, an Offeror ), would own or control shares that, combined with such Offeror's prior holdings, if any, of shares of such class, would represent:

15% or more of the outstanding capital stock, or

20% or more of the outstanding Class D shares; and

each subsequent acquisition by an Offeror (other than subsequent acquisitions by an Offeror owning or controlling more than 50% of our capital prior to such acquisition) (collectively, Control Acquisitions ), must be carried out in accordance with the procedure described under Restrictions on Control Acquisitions below.

In addition, any merger, consolidation or other combination with substantially the same effect involving an Offeror that has previously carried out a Control Acquisition, or by any other person or persons, if such transaction would have for such person or persons substantially the same effect as a Control Acquisition ( Related Party Share Acquisition ), must be carried out in accordance with the provisions described under Restrictions on Related Party Share Acquisitions below. The voting, dividend and other distribution rights of any shares acquired in a Control Acquisition or a Related Party Share Acquisition carried out other than in accordance with such provisions will be suspended, and such shares will not be counted for purposes of determining the existence of a quorum at shareholders meetings.

The Expropriation Law has not triggered these obligations.

#### *Restrictions on Control Acquisitions*

Prior to consummating any Control Acquisition, an Offeror must obtain the approval of the Class A shares, if any are outstanding, and make a public tender offer for all of our outstanding shares and convertible securities. The Offeror will be required to provide us with notice of, and certain specified information with respect to, any such tender offer at

least fifteen business days prior to the commencement of the offer, as well as the terms and conditions of any agreement with any shareholder proposed for the Control Acquisition (a Prior Agreement ). We will send each shareholder and holder of convertible securities a copy of such notice at the Offeror's expense. The Offeror is also required to publish a notice containing substantially the same information in a newspaper of general circulation in Argentina, New York and each other city in which our securities are traded on an exchange or other securities market, at least once per week, beginning on the date notice is provided to us, until the offer expires.

Our Board of Directors shall call a special meeting of the holders of Class A shares to be held ten business days following the receipt of such notice for the purpose of considering the tender offer. If the special meeting is not held, or if the shareholders do not approve the tender offer at such meeting, neither the tender offer nor the proposed Control Acquisition may be completed.

The tender offer must be carried out in accordance with a procedure specified in our by-laws and in accordance with any additional or stricter requirements of jurisdictions, exchanges or markets in which the offer is made or in which our securities are traded. Under the by-laws, the tender offer must provide for the same price for all shares tendered, which price may not be less than the highest of the following (the Minimum Price ):

- (i) the highest price paid by, or on behalf of, the Offeror for Class D shares or convertible securities during the two years prior to the notice provided to us, subject to certain antidilution adjustments with respect to Class D shares;
- (ii) the highest closing price for the Class D shares on the BASE during the thirty-day period immediately preceding the notice provided to us, subject to certain antidilution adjustments;

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- (iii) the price resulting from clause (ii) above multiplied by a fraction, the numerator of which shall be the highest price paid by or on behalf of the Offeror for Class D shares during the two years immediately preceding the date of the notice provided to us and the denominator of which shall be the closing price for the Class D shares on the BASE on the date immediately preceding the first day in such two-year period on which the Offeror acquired any interest in or right to any Class D shares, in each case subject to certain antidilution adjustments; and
- (iv) the net earnings per Class D share during the four most recent full fiscal quarters immediately preceding the date of the notice provided to us, multiplied by the higher of (A) the price/earnings ratio during such period for Class D shares (if any) and (B) the highest price/earnings ratio for us in the two-year period immediately preceding the date of the notice provided to us, in each case determined in accordance with standard practices in the financial community.

Any such offer must remain open for a minimum of 20 days and a maximum of 30 days following the provision of notice to the shareholders or publication of the offer, plus an additional period of a minimum of five days and a maximum of ten days required by CNV regulations, and shareholders must have the right to withdraw tendered shares at any time up until the close of the offer. Following the close of such tender offer, the Offeror will be obligated to acquire all tendered shares or convertible securities, unless the number of shares tendered is less than the minimum, if any, upon which such tender offer was conditioned, in which case the Offeror may withdraw the tender offer. Following the close of the tender offer, the Offeror may consummate any Prior Agreement within thirty days following the close of the tender offer; provided, however, that if such tender offer was conditioned on the acquisition of a minimum number of shares, the Prior Agreement may be consummated only if such minimum was reached. If no Prior Agreement existed, the Offeror may acquire the number of shares indicated in the notice provided to us on the terms indicated in such notice, to the extent such number of shares were not acquired in the tender offer, provided that any condition relating to a minimum number of shares tendered has been met.

The Expropriation Law has not triggered these obligations.

*Restrictions on Related Party Share Acquisitions*

The price per share to be received by each shareholder in any Related Party Share Acquisition must be the same as, and must not be less, than the highest of the following:

- (i) the highest price paid by or on behalf of the party seeking to carry out the Related Party Share Acquisition (an Interested Shareholder ) for (A) shares of the class to be transferred in the Related Party Share Acquisition (the Class ) within the two-year period immediately preceding the first public announcement of the Related Party Share Acquisition or (B) shares of the Class acquired in any Control Acquisition, in each case as adjusted for any stock split, reverse stock split, stock dividend or other reclassification affecting the Class;
- (ii) the highest closing sale price of shares of the Class on the BASE during the thirty days immediately preceding the announcement of the Related Party Share Acquisition or the date of any Control Acquisition by the Interested Shareholder, adjusted as described above;

(iii) the price resulting from clause (ii) multiplied by a fraction, the numerator of which shall be the highest price paid by or on behalf of the Interested Shareholder for any share of the Class during the two years immediately preceding the announcement of the Related Party Transaction and the denominator of which shall be the closing sale price for shares of the Class on the date immediately preceding the first day in the two-year period referred to above on which the Interested Shareholder acquired any interest or right in shares of the Class, in each case as adjusted as described above; and

(iv) the net earnings per share of the shares of the Class during the four most recent full fiscal quarters preceding the announcement of the Related Party Transaction multiplied by the higher of the (A) the price/earnings ratio during such period for the shares of the Class and (B) the highest price/earnings ratio for us in the two-year period preceding the announcement of the Related Party Transaction, in each case determined in accordance with standard practices in the financial community.

In addition, any transaction that would result in the acquisition by any Offeror of ownership or control of more than 50% of our capital stock, or that constitutes a merger or consolidation of us, must be approved in advance by the Class A shares while any such shares remain outstanding.

### **Material Contracts**

None.

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### **Exchange Regulations**

See Item 3. Key Information Exchange Regulations for information on the monetary and currency exchange control restrictions in effect in Argentina.

### **Taxation**

#### **Argentine Tax Considerations**

The following discussion is a summary of the material Argentine tax considerations relating to the purchase, ownership and disposition of our Class D shares or ADSs.

##### ***Dividends tax***

Dividends paid on our Class D shares or ADSs, whether in cash, property or other equity securities, are not subject to income tax withholding, except for dividends paid in excess of our taxable accumulated income for the previous fiscal period, which are subject to withholding at a rate of 35% in respect of such excess. This is a final tax, and it is not applicable if dividends are paid in shares (*acciones liberadas*) rather than in cash.

##### ***Personal assets tax***

Argentine individuals and undivided estates, foreign individuals and undivided estates, and foreign entities are subject to personal assets tax of 0.5% of the value of any shares or ADSs issued by Argentine entities, held at December 31 of each year. The tax is levied on the Argentine issuers of such shares or ADSs, such as the Company, which must pay this tax in substitution of the relevant shareholders, and is based on the equity value (*valor patrimonial proporcional*), of the shares derived from the latest financial statements at December 31 of each year. Pursuant to the Personal Assets Tax Law, we are entitled and expect to seek reimbursement of such paid tax from the applicable shareholders, including by foreclosing on the shares, or by withholding dividends.

##### ***Tax on debits and credits in bank accounts***

Tax on debits and credits in bank accounts is levied, with certain exceptions, for debits and credits on checking accounts maintained at financial institutions located in Argentina and other transactions that are used as a substitute for the use of checking accounts. The general tax rate is 0.6% for each debit and credit, although in certain cases a decreased rate may apply. The account holder may use up to 34% of the tax paid in respect of credits as a credit against other federal taxes.

##### ***Value added tax***

The sale, exchange or other disposition of our Class D shares or ADSs and the distribution of dividends are exempt from the value added tax.

##### ***Stamp taxes***

Stamp taxes may apply in certain Argentine provinces if transfer of our Class D shares or ADSs is performed or executed in such jurisdictions by means of written agreements. Transfer of our Class D shares or ADSs is exempt from stamp tax in the City of Buenos Aires.

***Estate and gift tax***

The Province of Buenos Aires has imposed a tax on the reception of assets through inheritance or gift, effective January 1, 2011. The tax rates vary from 4% to 21.925%, depending on the value of the transferred assets and the relationship between the transferor and the transferee. The transfer of Class D shares or ADSs among residents of the Province of Buenos Aires shall be subject to this tax if other applicable conditions are met.

***Other taxes***

Subject to the discussion above regarding estate and gift taxes in the Province of Buenos Aires, there are no Argentine inheritance or succession taxes applicable to the ownership, transfer or disposition of our Class D shares or ADSs. In addition, neither the minimum presumed income tax nor any local gross turnover tax is applicable to the ownership, transfer or disposition of our Class D shares or ADSs.

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In the case of litigation regarding the Class D shares or ADSs before a court of the City of Buenos Aires, a 3% court fee would be charged, calculated on the basis of the claim.

### ***Tax treaties***

Argentina has tax treaties for the avoidance of double taxation currently in force with Australia, Belgium, Bolivia, Brazil, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland, the United Kingdom and Uruguay. The tax treaties between Argentina and Chile and Argentina and Mexico have been signed but the treaties have not yet been ratified by their governments. The new tax treaty between Argentina and Switzerland was ratified by their governments and went into effect as of January 1, 2015. There is currently no tax treaty or convention in effect between Argentina and the United States. It is not clear when, if ever, a treaty will be ratified or entered into effect. As a result, the Argentine tax consequences described in this section will apply, without modification, to a holder of our Class D shares or ADSs that is a U.S. resident. Foreign shareholders located in certain jurisdictions with a tax treaty in force with Argentina may be (i) exempted from the payment of the personal assets tax and (ii) entitled to apply for reduced withholding tax rates on payments to be made by Argentine parties.

### ***Modifications to the Income Tax Law***

On September 23, 2013, Law No. 26,893 introducing modifications to the Income Tax was published in the Official Gazette. The above-mentioned modifications are mainly related to the taxability of the income originating for the purchase and sale of shares and the collection of dividends. The scope of the law was clarified by means of the Regulatory Decree 2334. Below is a description of the main modifications introduced by Law No. 26,893:

#### **Income originating from the purchase and sale of shares**

As from its entry into force, any income originated from the disposal of shares, quotas, equity interests, certificates, bonds and other securities shall be taxable regardless of the subject that holds them.

However, the income originating from the transfer of those securities listed in the stock exchange or securities market authorized by Comision Nacional de Valores, and obtained by undivided state and individuals residing in the country is exempted.

The income obtained by overseas beneficiaries originating from the disposal of shares, quotas, equity interests, certificates, bonds and other securities, is also subject to the tax.

When ownership corresponds to a subject abroad and the acquirer is also an individual or legal entity abroad, the tax will be borne by the purchaser of the shares, quotas, equity interests or other security.

The tax rate is 15%. Furthermore, it was established that when income was obtained by a subject abroad, the calculation of the tax, at the option of the taxpayer, shall be performed by using any of the

methods detailed below:

Applying the 15% tax rate on 90% of the sums paid.

Applying the 15% tax rate, on the sum resulting from the deduction of the gross profit paid or credited, the expenses incurred in the country necessary for its obtaining, maintenance and conservation, as well as the deductions admitted by the Income Tax Law.

### **Distribution of Dividends**

The collection of dividends and profits, in cash or in kind, except for shares or quotas, distributed by companies and other entities incorporated in the country mentioned by article a), paragraphs 1,2,3,6 and 7 e paragraph b), of article 69 of the Income Tax Law, are included in the 10% tax rate, except for the dividends received by companies and other local entities, which are still not computed for tax purposes. Dividends distributed to overseas beneficiaries shall be subject to a one-time 10% withholding. Therefore, every distribution of dividends performed by the Company to its shareholders shall be covered by the extension of the scope of the tax, except for those beneficiaries that are local subjects- companies.



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**United States Federal Income Tax Considerations**

The following are the material U.S. federal income tax consequences of owning and disposing of our Class D shares or ADSs. This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such securities.

This discussion applies only if you are a U.S. Holder (as defined below) and you hold our Class D shares or ADSs as capital assets for U.S. federal income tax purposes, and it does not describe all of the tax consequences that may be relevant to holders subject to special rules, such as:

certain financial institutions;

insurance companies;

dealers and traders in securities or financial instruments, who use a mark-to-market method of tax accounting;

persons holding Class D shares or ADSs as part of a hedge, straddle, wash sale, conversion transaction, integrated transaction or similar transaction or persons entering into a constructive sale with respect to the Class D shares or ADSs;

persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

entities classified as partnerships for U.S. federal income tax purposes;

persons liable for the alternative minimum tax;

persons who acquired our Class D shares or ADSs pursuant to the exercise of an employee stock option or otherwise as compensation;

persons holding Class D shares or ADSs in connection with a trade or business conducted outside of the United States;

tax-exempt entities, including individual retirement accounts or Roth IRAs ; or

persons holding Class D shares or ADSs that own or are deemed to own ten percent or more of our voting stock.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Class D shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships holding Class D shares or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the Class D shares or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. It is also based in part on representations by the Depository and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

You are a U.S. Holder if you are a beneficial owner of Class D shares or ADSs and are, for U.S. federal income tax purposes:

a citizen or individual resident of the United States for U.S. federal income tax purposes;

a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source. In general, if you own ADSs, you will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

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The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released before the underlying shares are delivered to the depositary, or intermediaries in the chain of ownership between U.S. Holders and the issuer of the shares underlying the American depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. holders of American depositary shares. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of Argentine taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

Please consult your own tax adviser concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of Class D shares or ADSs in your particular circumstances.

This discussion assumes that YPF is not, and will not become, a passive foreign investment company, as described below.

***Taxation of distributions***

Distributions paid on Class D shares or ADSs, other than certain *pro rata* distributions of ordinary shares, will be treated as dividends to the extent paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of earnings and profits under U.S. federal income tax principles, it is expected that distributions will generally be reported to U.S. Holders as dividends. Subject to applicable limitations (including a minimum holding period requirement), the discussion above regarding concerns expressed by the U.S. Treasury and the discussion below regarding passive foreign investment company rules, certain non-corporate U.S. dividends paid by qualified foreign corporations to certain non-corporate U.S. Holders are taxable at a maximum rate of 20%. Some non-corporate U.S. Holders may also be subject to a 3.8% net investment surtax. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on an established securities market in the United States, such as the NYSE, where our ADSs are listed. You should consult your own tax adviser to determine whether the favorable rate may apply to dividends you receive in respect of our Class D shares or ADSs and whether you are subject to any special rules that limit your ability to be taxed at this favorable rate. The amount of a dividend will include any amounts withheld by us in respect of Argentine income taxes. The dividends will be treated as foreign-source dividend income and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

Any dividends paid in Argentine pesos will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your, or in the case of ADSs, the Depositary's, receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you generally would not recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Foreign currency gain or loss that you recognize will generally be treated as U.S.-source ordinary income.

Subject to applicable limitations (including a minimum holding period requirement) that may vary depending upon your circumstances and, in the case of ADSs, subject to the discussion above regarding concerns expressed by the U.S. Treasury, Argentine income taxes, if any, withheld from dividends on Class D shares or ADSs will be creditable against your U.S. federal income tax liability. Amounts paid on account of the Argentine personal assets tax will not be eligible for credit against your U.S. federal income tax liability. You should consult your tax adviser to determine the tax consequences applicable to you as a result of the payment of the Argentine personal assets tax or the withholding of the amount of such tax from distributions, including whether such amounts are includible in income or

are deductible for U.S. federal income tax purposes. The rules governing the foreign tax credit are complex. You are urged to consult your tax adviser regarding the availability of the foreign tax credit under your particular circumstances.

***Sale or other disposition of Class D shares or ADSs***

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of Class D shares or ADSs will, subject to the discussion below regarding passive foreign investment company rules, be capital gain or loss and will be long-term capital gain or loss if you held the Class D shares or ADSs for more than one year. The amount of your gain or loss will be equal to the difference between the amount realized on the disposition and your tax basis in the relevant Class D shares or ADSs, each as determined in U.S. dollars. The deductibility of capital losses is subject to limitations.

If Argentine income tax is withheld on the sale or other taxable disposition of a Class D share or ADS, the amount realized by a U.S. Holder will include the gross amount of the proceeds of the sale or other taxable disposition before deduction of such tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale or other taxable disposition of the Class D share or ADS generally will be treated as U.S.-source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a Class D share or ADS that is subject to Argentine income tax, the U.S. Holder may not be able to benefit from the U.S. foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Argentine income tax if it does not elect to claim a foreign tax credit for any non-U.S. income taxes paid during the taxable year.

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**Table of Contents*****Passive foreign investment company rules***

YPF believes that it was not a passive foreign investment company ( PFIC ) for U.S. federal income tax purposes for the taxable year of 2015 and does not expect to be a PFIC in the foreseeable future. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets (including, among other things, less than 25 percent owned equity investments) from time to time, there can be no assurance that YPF will not be considered a PFIC for any taxable year. If YPF were treated as a PFIC for any taxable year during which you held a Class D share or ADS, you generally would be subject to additional filing requirements, imputed interest charges and other disadvantageous tax treatment (including the denial of taxation at the lower rates applicable to long-term capital gains with respect to any gain from the sale or exchange of Class D shares or ADSs). Certain elections might be available that would result in alternative treatments (such as mark-to-market treatment). U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

In addition, if YPF were to be treated as a PFIC in a taxable year in which it paid a dividend or the prior taxable year, the 20% dividend rate discussed above with respect to dividends paid by qualified foreign corporations to certain non-corporate holders would not apply.

***Information reporting and backup withholding***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders may be required, generally on IRS Form 8938, to report information relating to their ownership of securities of a non-U.S. person, subject to certain exceptions (including an exception for stock held in certain accounts maintained by a U.S. financial institution, such as our ADSs). A U.S. Holder who fails to timely furnish the required information may be subject to a penalty. U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of these rules on their ownership and disposition of Class D shares or ADSs.

**Available Information**

YPF is subject to the information requirements of the U.S. Securities Exchange Act (the Exchange Act ), except that as a foreign issuer, YPF is not subject to the proxy rules or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, YPF files or furnishes reports and other information with the SEC. Reports and other information filed or furnished by YPF with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N. E., Washington, D.C. 20549. Copies of such material may be obtained by mail from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Public Reference Section by calling the SEC at +1-800-732-0330. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports and information statements and other information regarding us. Such reports and other information may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, on which YPF's American Depositary Shares are listed.

**ITEM 11. Quantitative and Qualitative Disclosures about Market Risk**

The following quantitative and qualitative information is provided about financial instruments to which we are a party as of December 31, 2015, and from which we may derive gains or incur losses from changes in market, interest rates, foreign exchange rates or commodity prices. We do not enter into derivative or other financial instruments for trading purposes.

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

**Table of Contents*****Foreign currency exposure***

The value of financial assets and liabilities denominated in a currency different from the Company's functional currency is subject to variations resulting from fluctuations in exchange rates. Since YPF's functional currency is the U.S. dollar, the currency that generates the greatest exposure is the Argentine peso, the Argentine legal currency. See Note 1.d to the Audited Consolidated Financial Statements).

In addition, our costs and receipts denominated in currencies other than the Argentine peso, including the U.S. dollar, often do not match. We generally follow a policy of not hedging our debt obligations in U.S. dollars. See Item 3. Key Information Risk Factors Risks Relating to Argentina We may be exposed to fluctuations in foreign exchange rates.

Additionally, YPF is enabled to operate as settlement agent in the Rosario Futures Market ( ROFEX ). In this regard, in October 2015, YPF acquired ROFEX futures contracts whose underlying asset is the U.S. dollar, for a total of U.S.\$ 255, which mature between February and May 2016. See Note 11.c to the Audited Consolidated Financial Statements.

The annual rate of devaluation of the Argentine peso was approximately 52.1% considering the period-end exchange rates for U.S. dollars as of December 31, 2015 and 2014. See Item 5. Operating and Financial Review and Prospects Macroeconomic Conditions for additional information. The main effects of a devaluation of the Argentine Peso on our net income are those related to the accounting of deferred income tax related mainly to fixed assets, which we expect would have a negative effect; current income tax which we expect would have a positive effect; increased depreciation and amortization resulting from the remeasurement in pesos of our fixed and intangible assets; and exchange rate differences as a result of our exposure to the peso, which we expect would have a positive effect due to the fact that our functional currency is the U.S. dollar. See Item 3. Key Information Risk Factors Risks Relating to Argentina We may be exposed to fluctuations in foreign exchange rates.

As mentioned in Note 1.b to Audited Consolidated Financial Statements, the Company has determined that the U.S. dollar is its functional currency. Therefore, the effect of changes in the dollar exchange rate on dollar currency positions have no impact on the exchange difference recorded in the consolidated statements of comprehensive income included in the Audited Consolidated Financial Statements, but affect the amount of our assets and liabilities remeasured in pesos as a consequence of devaluation and considering our reporting currency (pesos). For additional information about our assets and liabilities denominated in currencies other than pesos (principally U.S. dollars) see Annex iii to our Audited Consolidated Financial Statements.

***Interest rate exposure***

The table below provides information about our assets and liabilities as of December 31, 2015 that may be sensitive to changes in interest rates. See Item 3. Key Information Risk Factors Risks Relating to Argentina Variations in interest rates and exchange rate on our current and/or future financing arrangements may result in significant increases in our borrowing costs.

	<i>Expected Maturity Date</i>										<i>Total</i>	<i>Fair Value</i>
	<i>Less than 1 year</i>	<i>1</i>	<i>2 years</i>	<i>2</i>	<i>3 years</i>	<i>3</i>	<i>4 years</i>	<i>4</i>	<i>5 years</i>	<i>More than 5 years</i>		
	<i>(in millions of pesos)</i>											

**Assets***Fixed rate*

Other										
Receivables	667							667	667	
Interest rate	3.5%- 22.5%									
<i>Variable rate</i>										
Other										
Receivables	44	10	10	10				74	74	
Interest rate	CER <sup>(1)</sup> +8%/2	CER <sup>(1)</sup> +8%	CER <sup>(1)</sup> +8%	CER <sup>(1)</sup> +8%						
	20.71%									
	24.64%									
<b>Liabilities</b>										
YPF s										
Negotiable										
Obligations	7,899	1,850	13,304	157	157	36,629	59,997	60,500		
Interest rate		1.29%	3.5%	3.5%						
	2%-8.875%	25.75%	8.875%	8.875%	3.5%	8.5%-10%				
Other debt	12,379	225	28	12				17	12,661	12,648
Interest rate			9.38%-	9.38%-						
	2%-31%	2%-26%	15.23%	15.23%				15.23%		
<i>Variable rate</i>										
YPF s										
Negotiable										
Obligations	1,669	3,428	4,503	3,519	5,716	2,667	21,501	21,501		
Interest rate	BADLAR <sup>(2)</sup> +3.2%- 4.25% / LIBOR +7.5%	BADLAR <sup>(2)</sup> +3.5 + 4.75% / LIBOR +7.5%	BADLAR <sup>(2)</sup> +0%- 4.75% / LIBOR +7.5%	BADLAR <sup>(2)</sup> + 0%- +4.75%	BADLAR <sup>(2)</sup> 0%-+4.75%	BADLAR <sup>(2)</sup> 0%-0.1%				
Other debt	3,125	1,398	4,106	214	40				8,883	8,883
Interest rate	Libor +4- 6.5%/ BADLAR <sup>(2)</sup> +3-+4.5%%	Libor +4- 6.2%/ BADLAR <sup>(2)</sup> +3%-+4.5%	Libor +6%- 6.5%/ BADLAR +3%	Libor +6%- 6.2%/ BADLAR +3%	Libor +6%- 6.2%/ BADLAR +3%					

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

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



**Table of Contents*****Crude oil and other hydrocarbon product price exposure***

Our results of operations are also exposed to volatility mainly in the prices of certain oil products, especially in connection with imports. Although we have occasionally contracted financial derivatives in the past with the aim of decreasing exposure to these commodities price risks, as of the date of this annual report YPF was not a party to any commodity hedging instruments in connection with crude oil and other hydrocarbon product prices. For information on our hydrocarbons delivery commitments as of December 31, 2015, see Item 4. Information on the Company Exploration and Production Delivery commitments.

**ITEM 12. Description of Securities Other than Equity Securities*****American Depositary Shares***

Our ADSs are listed on the NYSE under the symbol YPF. The Bank of New York Mellon is the Depositary. Each ADS represents the right to receive one share.

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The table below sets forth the fees payable, either directly or indirectly, by a holder of ADSs as of the date of this annual report.

Persons depositing or withdrawing shares must pay: U.S.\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	For: Issuance of ADRs (including, without limitation, issuance pursuant to a stock dividend or stock split declared by YPF, an exchange of stock or a distribution of rights) and surrender of ADRs
Cancellation of ADSs for the purpose of withdrawal	
A fee equivalent to the fee that would be payable if securities distributed to a holder had been shares and the shares had been deposited for issuance of ADSs	Sale, on behalf of the holder, of rights to subscribe for additional shares or any right of any nature distributed by YPF
Transfer fees, as may from time to time be in effect	Transfer and registration of shares on YPF share register to or from the name of the depositary or its agent when a holder deposits or withdraws shares

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Expenses of the depositary	Cable, telex and facsimile transmission expenses, as provided in the deposit agreement
	Expenses incurred by the depositary in the conversion of foreign currency <sup>(1)</sup>
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

(1) Pursuant to our deposit agreement, whenever the depositary shall receive foreign currency, as a cash dividend or other distribution which, in the judgment of the depositary, can be converted on a reasonable basis into U.S. dollars and transferred to the United States, it will convert such foreign currency into U.S. dollars and transfer the resulting U.S. dollars (after deduction of its customary charges and expenses in effecting such conversion) to the United States.

In 2015, the Depositary made no direct or indirect payments to YPF.

**PART II**

**ITEM 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

**ITEM 15. Controls and Procedures**

*Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures*

As of December 31, 2015, YPF, under the supervision and with the participation of YPF's management, including our current Principal Executive Officer and Principal Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act). There are, as described below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, YPF's Principal Executive Officer and Principal Financial Officer concluded that YPF's disclosure controls and procedures were effective at the reasonable assurance level in ensuring that information relating to YPF, required to be disclosed in reports it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as

appropriate to allow timely decisions regarding required disclosure.

*Management's Report on Internal Control Over Financial Reporting*

Management of YPF is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). YPF's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of YPF;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of YPF's management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements, due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of YPF's management, including our current Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control-Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Based on this assessment, our management concluded that, as of December 31, 2015, our internal control over financial reporting was effective based on those criteria.

Our internal control over financial reporting as of December 31, 2015 has been audited by Deloitte & Co. S.A., an independent registered public accounting firm, as stated in their report included in the F-pages.

### *Changes in Internal Control Over Financial Reporting*

There has been no change in YPF's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this annual report on Form 20-F that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

## **ITEM 16.**

### **ITEM 16A. Audit Committee Financial Expert**

Our Board of Directors determined that Carlos Felices is an Audit Committee Financial Expert at the meeting held on December, 22, 2015. YPF believes that Mr. Felices possesses the attributes of an Audit Committee Financial Expert set forth in the instructions to Item 16A of Form 20-F. Mr. Felices is an independent director.

### **ITEM 16B. Code of Ethics**

YPF has adopted a Code of Ethics and Conduct ( Code of Ethics ) applicable to the Board of Directors and all employees, which was most recently amended effective August 22, 2014. Since January 1, 2015, we have not waived compliance with the Code of Ethics. YPF undertakes to provide to any person without charge, upon request, a copy of such Code of Ethics.

The Code of Ethics establishes the implementation of an ethics hotline to receive complaints regarding the lack of fulfilment of the Code of Ethics, an Ethics Committee that will consider complaints received, the appointment of an Ethics Officer who will conduct pertinent investigations, the incorporation of a policy on prohibited periods for trading YPF securities to be followed by officers and those others to whom the Code of Ethics is applicable when conducting stock transactions, among other requirements.

A copy of the Code of Ethics can be found at the Company's web page, [www.ypf.com](http://www.ypf.com), or it can be requested in writing by telephone or facsimile from us at the following address:

YPF S.A.

Office of Shareholders Relations

Macacha Güemes 515

C1106BKK Buenos Aires, Argentina

Tel. (011-54-11) 5441-3500

Fax (011-54-11) 5441-3726

**Table of Contents****ITEM 16C. Principal Accountant Fees and Services**

The following table provides information on the aggregate fees billed by our principal accountants, Deloitte & Co. S.A. and affiliates by type of service rendered for the periods indicated.

<i>Services Rendered</i>	<i>2015</i>		<i>2014</i>		<i>2013</i>	
	<i>Fees</i>	<i>Expenses</i>	<i>Fees</i>	<i>Expenses</i>	<i>Fees</i>	<i>Expenses</i>
	<i>(in thousands of pesos)</i>					
Audit Fees	41,561	931	30,156	651	18,943	295
Audit-Related Fees <sup>(1)</sup>	2,384		3,646		455	
Tax Fees	895		666		85	
All Other Fees	2,824		170		288	
	47,664		34,637	651	19,771	295

(1) Includes the fees for the issuance of agreed upon procedures reports.

The annual shareholders' meeting of YPF appoints the external auditor of YPF, along with the Audit Committee's non-binding opinion, which is submitted for consideration to the annual shareholders' meeting.

The Audit Committee of YPF has a pre-approval policy regarding the contracting of YPF's external auditor, or any affiliate of the external auditor, for professional services. The professional services covered by such policy include audit and non-audit services provided to YPF or any of its subsidiaries.

The pre-approval policy is as follows:

1. The Audit Committee must pre-approve all audit and non-audit services to be provided to YPF or any of its subsidiaries by the external auditor (or any of its affiliates) of YPF.
2. The Chairman of the Audit Committee has been delegated the authority to approve the hiring of YPF's external auditor (or any of its affiliates) without first obtaining the approval of the Audit Committee for any of the services which require pre-approval as described in (1) above.

Services approved by the Chairman of the Audit Committee as set forth above must be ratified at the next plenary meeting of the Audit Committee.

All of the services described in the table above were approved by the Audit Committee of YPF.

**ITEM 16D. Exemptions from the Listing Standards for Audit Committees**

None

**ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Period	Total Number of Shares Purchased	Average Prices Paid per Share (Ps. per share)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Ps. Value of Shares that May Yet Be Purchased Under the Plans or Programs (a)
<b>January 2015</b>				
<b>February 2015</b>				
<b>March 2015</b>				
<b>April 2015</b>				
<b>May 2015</b>				
<b>June 2015</b>				120,000,000
<b>June 2015</b> (from 09/06/2015 to 30/06/2015)	179,514	297.77	179,514	66,546,205
<b>July 2015</b> (from 01/07/2015 to 31/07/2015)	173,521	331.30	173,521	9,057,923
<b>August 2015</b> (from 03/08/2015 to 05/08/2015)	29,950	302.43	29,950	
<b>September 2015</b>				
<b>October 2015</b>				
<b>November 2015</b>				
<b>December 2015</b>				

(a) The Board of Directors, at its meeting held on June 8, 2015, approved a Stock Compensation Plan for employees, which allows YPF to repurchase its shares on the BASE and NYSE for an aggregate amount of up to Ps. 120 million.

See Note 1.b.10.iii to the Audited Consolidated Financial Statements.

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**ITEM 16F. Change in Registrant's Certifying Accountant**

During the years ended December 31, 2015, 2014 and 2013 and through the date of this annual report, the principal independent accountant engaged to audit our financial statements, Deloitte & Co S.A., has not resigned, indicated that it has declined to stand for re-election after the completion of its current audit or been dismissed.

**ITEM 16G. Corporate Governance**

See Item 6. Directors, Senior Management and Employees Compliance with New York Stock Exchange Listing Standards on Corporate Governance.

**PART III**

**ITEM 17. Financial Statements**

The registrant has responded to Item 18 in lieu of responding to this Item.

**ITEM 18. Financial Statements**

The following financial statements are filed as part of this annual report:

<u>Reports of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Statements of Comprehensive Income of YPF S.A. for the years ended December 31, 2015, 2014 and 2013</u>	F-8
<u>Consolidated Statement of Financial Position of YPF S.A. as of December 31, 2015, 2014 and 2013</u>	F-7
<u>Consolidated Statements of Changes in Shareholders' Equity of YPF S.A. for the years ended December 31, 2015, 2014 and 2013</u>	F-9
<u>Consolidated Statements of Cash Flow of YPF S.A. for the years ended December 31, 2015, 2014 and 2013</u>	F-12
<u>Notes to the Audited Consolidated Financial Statements of YPF S.A. for the years ended December 31, 2015, 2014 and 2013</u>	F-13

**ITEM 19. Exhibits**

- 1.1 By-laws (Estatutos) of YPF S.A. as amended (Spanish Version) \*
- 1.2 By-laws (Estatutos) of YPF S.A. as amended (English Version) \*\*
- 11.1 Code of Ethics\*\*\*
- 12.1 Section 302 Certification by Chief Executive Officer
- 12.2 Section 302 Certification by Chief Financial Officer
- 13.1 Section 906 Certification



- 23.1 Consent of DeGolyer and MacNaughton
- 23.2 Consent of IHS Global Canada Limited
- 99.1(a) Reserves Audit Report of DeGolyer and MacNaughton for Maxus Energy Corporation as of December 31, 2015, dated January 25, 2016.
- 99.1(b) Reserves Audit Report of IHS Global Canada Limited for YPF S.A. as of December 31, 2015, dated February 17, 2016.

\* Filed as Exhibit 1.1 to YPF's 2009 annual report on Form 20-F filed on June 29, 2010.

\*\* Filed as Exhibit 1.2 to YPF's 2009 annual report on Form 20-F filed on June 29, 2010.

\*\*\* Incorporated by reference to YPF's 2014 annual report on Form 20-F filed on March 30, 2015.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

YPF SOCIEDAD ANÓNIMA

By: /s/ Daniel Gonzalez  
Name: Daniel Gonzalez  
Title: Chief Financial Officer

Dated: March 17, 2016

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**SOCIEDAD ANONIMA**

Consolidated Financial Statements

as of December 31, 2015

and Comparative Information

Independent Auditors Report

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of YPF SOCIEDAD ANONIMA:

We have audited the accompanying consolidated statements of financial position of YPF SOCIEDAD ANONIMA (an Argentine Corporation) and its controlled companies (the Company ) as of December 31, 2015, 2014 and 2013, and the related consolidated statements of comprehensive income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YPF SOCIEDAD ANONIMA and its controlled companies as of December 31, 2015, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with International Financial Reporting Standards ( IFRS ) as issued by International Accounting Standards Board ( IASB ).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2016, expressed an unqualified opinion on the Company's internal control over financial reporting.

Buenos Aires City, Argentina

March 3, 2016

Deloitte & Co. S.A.

/s/ Guillermo D. Cohen

Partner

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of YPF SOCIEDAD ANONIMA:

We have audited the internal control over financial reporting of YPF SOCIEDAD ANONIMA (an Argentine Corporation) and its controlled companies (the Company) as of December 31, 2015, based on the criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control over Financial Reporting (Item 15)*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated financial statements of YPF SOCIEDAD ANONIMA and its controlled companies as of and for the year ended December 31, 2015 and our report dated March 3, 2016 expressed an unqualified opinion on those consolidated financial statements.

Buenos Aires City, Argentina

March 3, 2016

Deloitte & Co. S.A.

/s/ Guillermo D. Cohen

Partner

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AND COMPARATIVE INFORMATION**

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**YPF SOCIEDAD ANONIMA**

Macacha Güemes 515 Autonomous City of Buenos Aires, Argentina

**FISCAL YEAR NUMBER 39**

**BEGINNING ON JANUARY 1, 2015**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND COMPARATIVE INFORMATION**

**LEGAL INFORMATION**

Principal business of the Company: exploration, development and production of oil, natural gas and other minerals and refining, transportation, marketing and distribution of oil and petroleum products and petroleum derivatives, including petrochemicals, chemicals and non-fossil fuels, biofuels and their components; production of electric power from hydrocarbons; rendering telecommunications services, as well as the production, industrialization, processing, marketing, preparation services, transportation and storage of grains and its derivatives.

Filing with the Public Registry: Bylaws filed on February 5, 1991 under No. 404, Book 108, Volume A , Corporations, with the Public Registry of Buenos Aires City, in charge of Inspección General de Justicia (Argentine Registrar of Companies); and Bylaws in substitution of previous Bylaws, filed on June 15, 1993, under No. 5109, Book 113, Volume A , Corporations, with the above mentioned Registry.

Duration of the Company: through June 15, 2093.

Last amendment to the bylaws: April 14, 2010.

Optional Statutory Regime related to Compulsory Tender Offer provided by Decree No. 677/2001 art. 24: not incorporated (modified by Law No. 26,831).

**Capital structure as of December 31, 2015**

(expressed in Argentine pesos)

Subscribed, paid-in and authorized for stock exchange listing	3,933,127,930 <sup>(1)</sup>
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(1) Represented by 393,312,793 shares of common stock, Argentine pesos 10 per value and 1 vote per share

**Table of Contents****YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2015, 2014 AND 2013**

(Amounts expressed in millions of Argentine Pesos, except shares and per share amounts expressed in Argentine Pesos, and as otherwise indicated Note 1.b.1)

	Notes	2015	2014	2013
<b>ASSETS</b>				
<b>Noncurrent Assets</b>				
Intangible assets	6.a	7,279	4,393	2,446
Fixed assets	6.b	270,905	156,930	93,496
Investments in companies	6.c	4,372	3,177	2,124
Deferred income tax assets, net	6.i	954	244	34
Other receivables	6.e	2,501	1,691	2,927
Trade receivables	6.f	469	19	54
<b>Total noncurrent assets</b>		<b>286,480</b>	<b>166,454</b>	<b>101,081</b>
<b>Current Assets</b>				
Inventories	6.d	19,258	13,001	9,881
Other receivables	6.e	19,413	7,170	6,506
Trade receivables	6.f	22,111	12,171	7,414
Investment in financial assets	5	804		
Cash and cash equivalents	6.g	15,387	9,758	10,713
<b>Total current assets</b>		<b>76,973</b>	<b>42,100</b>	<b>34,514</b>
<b>TOTAL ASSETS</b>		<b>363,453</b>	<b>208,554</b>	<b>135,595</b>
<b>SHAREHOLDERS EQUITY</b>				
Shareholders' contributions		10,349	10,400	10,600
Reserves, other comprehensive income and retained earnings		110,064	62,230	37,416
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>		<b>120,413</b>	<b>72,630</b>	<b>48,016</b>
Non-controlling interest		48	151	224
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>120,461</b>	<b>72,781</b>	<b>48,240</b>
<b>LIABILITIES</b>				
<b>Noncurrent Liabilities</b>				
Provisions	6.h	39,623	26,564	19,172
Deferred income tax liabilities, net	6.i	44,812	18,948	11,459

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Taxes payable		207	299	362
Salaries and social security				8
Loans	6.j	77,934	36,030	23,076
Accounts Payable	6.k	625	566	470
<b>Total noncurrent liabilities</b>		163,201	82,407	54,547
<b>Current Liabilities</b>				
Provisions	6.h	2,009	2,399	1,396
Income tax liability		1,487	3,972	122
Taxes payable		6,047	1,411	1,045
Salaries and social security		2,452	1,903	1,119
Loans	6.j	27,817	13,275	8,814
Accounts Payable	6.k	39,979	30,406	20,312
<b>Total current liabilities</b>		79,791	53,366	32,808
<b>TOTAL LIABILITIES</b>		242,992	135,773	87,355
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		363,453	208,554	135,595

Accompanying notes are an integral part of consolidated financial statements.

**Table of Contents****YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED DECEMBER 31, 2015, 2014 and 2013**

(Amounts expressed in millions of Argentine pesos, except for per share amounts in Argentine pesos, and as otherwise indicated Note 1.b.1)

	Notes	2015	2014	2013
Revenues	6.l	156,136	141,942	90,113
Cost of sales	6.m	(119,537)	(104,492)	(68,094)
<b>Gross profit</b>		36,599	37,450	22,019
Selling expenses	6.n	(11,099)	(10,114)	(7,571)
Administrative expenses	6.n	(5,586)	(4,530)	(2,686)
Exploration expenses	6.n	(2,473)	(2,034)	(829)
Other operating results, net	6.o	(853)	(1,030)	227
<b>Operating income</b>		16,588	19,742	11,160
Income on investments in companies	7	318	558	353
Financial income	6.p	27,263	11,301	8,740
Financial loss	6.p	(16,016)	(9,826)	(6,008)
Other financial results	6.p	910	297	103
Financial results, net	6.p	12,157	1,772	2,835
<b>Net income before income tax</b>		29,063	22,072	14,348
Income tax	6.i	(24,637)	(13,223)	(9,269)
<b>Net income for the year</b>		4,426	8,849	5,079
<b>Net income for the year attributable to:</b>				
Shareholders of the parent company		4,579	9,002	5,125
Non-controlling interest		(153)	(153)	(46)
<b>Earnings per share attributable to shareholders of the parent company basic and diluted</b>	9	11.68	22.95	13.05
<b>Other comprehensive income:</b>				
Actuarial results Pension plan <sup>(4)</sup>		6	25	6
Exchange differences from investments in companies <sup>(2)</sup>		(189)		
Translation differences from investments in companies <sup>(3)</sup>		(1,466)	(677)	(416)
Translation differences from YPF S.A. <sup>(4)</sup>		45,407	16,928	12,441

<b>Total other comprehensive income for the year<sup>(5)</sup></b>	43,758	16,276	12,031
<b>Total comprehensive income for the year</b>	48,184	25,125	17,110

- (1) Immediately reclassified to retained earnings
- (2) Exchange differences as recognized by the indirectly controlled company Gas Argentino S.A. in its statement of comprehensive income, which was reclassified by YPF as other comprehensive income upon the acquisition of negotiable obligations of the said controlled company (See Note 6.j).
- (3) Will be reversed to net income at the moment of the sale of the investment or full or partial reimbursement of the capital.
- (4) Will not be reversed to net income.
- (5) Entirely assigned to the parent company's shareholders.

Accompanying notes are an integral part of consolidated financial statements.

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## YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts expressed in millions of Argentine Pesos, except shares and per share amounts expressed in Argentine Pesos, and as otherwise indicated - Note 1.b.1)

	2015								
	Shareholders' contributions								
	Adjustments								
	Adjustment Subscribed to capital	to contributions	Share- treasury shares	Acquisition based benefit plans	Share- treasury shares	cost of treasury shares	Share trading premium	Issuance premiums	Total
<b>Balances as of December 31, 2014</b>	3,922	6,083	11	18	51	(310)	(15)	640	10,400
Accrual of share-based benefit plans					124				124
Repurchase of treasury shares	(4)	(6)	4	6		(120)			(120)
Settlement of share-based benefit plans <sup>(3)</sup>	4	6	(4)	(6)	(108)	153	(100)		(55)
<b>Balances as of December 31, 2015</b>	3,922	6,083	11	18	67	(277)	(115)	640	10,349

	2015									
	Reserves									
	Purchase									
	Future Legal dividends	Investments	of treasury shares	Initial IFRS adjustment	Other comprehensive income	Retained earnings	Equity attributable to Shareholders of the parent company	Non- controlling interest	Total shareholders' equity	
<b>Balances as of December 31, 2014</b>	2,007	5	12,854	320	3,648	34,363	9,033	72,630	151	72,781
Accrual of share-based benefit plans								124		124
								(120)		(120)

Repurchase of treasury shares										
Settlement of share-based benefit plans <sup>(3)</sup>							(55)		(55)	
Contributions of non-controlling interest								50		50
As decided by Ordinary and Extraordinary Shareholders meeting of April 30, 2015 <sup>(4)</sup>	503	8,410	120				(9,033)			
As decided by the Board of Directors of June 8, 2015 <sup>(4)</sup>	(503)							(503)		(503)
Actuarial gains reclassification Pension Plan <sup>(2)</sup>						(6)	6			
Other comprehensive income						43,758		43,758		43,758
Net income							4,579	4,579	(153)	4,426
<b>Balances as of December 31, 2015</b>	<b>2,007</b>	<b>5</b>	<b>21,264</b>	<b>440</b>	<b>3,648</b>	<b>78,115<sup>(1)</sup></b>	<b>4,585</b>	<b>120,413</b>	<b>48</b>	<b>120,461</b>

(1) Includes 80,982 corresponding to the effect of the translation of the financial statements of YPF S.A. and (2,867) corresponding to the effect of the translation of the financial statements of investments in companies with functional currency different to U.S. dollar, as detailed in Note 1.b.1

(2) Pension plans of investments in controlled companies.

(3) Net of employees income tax withholding related to the share-based benefit plans

(4) See Note 8.



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## YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2015, 2014 AND 2013 (Cont.)

(Amounts expressed in millions of Argentine Pesos, except shares and per share amounts expressed in Argentine Pesos, and as otherwise indicated - Note 1.b.1)

	2014									
	Adjustment		Adjustment		Acquisition cost		Share		Issuance	Total
	Subscribed to capital	to contributions	Treasury shares	to treasury shares	of share-based benefit plans	of treasury shares	trading premium	premiums		
<b>Balances as of December 31, 2013</b>	3,924	6,087	9	14	40	(110)	(4)	640	10,600	
Accrual of share-based benefit plans					80				80	
Repurchase of treasury shares	(6)	(10)	6	10		(200)			(200)	
Settlement of share-based benefit plans <sup>(3)</sup>	4	6	(4)	(6)	(69)		(11)		(80)	
<b>Balances as of December 31, 2014</b>	3,922	6,083	11	18	51	(310)	(15)	640	10,400	

	2014									
	Reserves		Purchase		Initial		Other		Equity	
	Future Legal dividends	Investments	of treasury shares	Initial IFRS adjustment	Other comprehensive income	Retained earnings	Parent company shareholders	Non-controlling interest	Total shareholders equity	
<b>Balances as of December 31, 2013</b>	2,007	4	8,394	120	3,648	18,112	5,131	48,016	224	48,240
Accrual of share-based benefit plans								80		80
								(200)		(200)

Repurchase of treasury shares										
Accrual of share-based benefit plans <sup>(3)</sup>							(80)		(80)	
Contributions of non-controlling interest								80		80
As decided by Ordinary and Extraordinary Shareholders meeting of April 30, 2014	465	4,460	200				(5,125)			
As decided by the Board of Directors of June 11, 2014	(464)							(464)		(464)
Other comprehensive income						16,276		16,276		16,276
Actuarial gains reclassification Pension Plan <sup>(2)</sup>						(25)	25			
Net income							9,002	9,002	(153)	8,849
<b>Balances as of December 31, 2014</b>	<b>2,007</b>	<b>5</b>	<b>12,854</b>	<b>320</b>	<b>3,648</b>	<b>34,363<sup>(1)</sup></b>	<b>9,033</b>	<b>72,630</b>	<b>151</b>	<b>72,781</b>

(1) Includes 35,764 corresponding to the effect of the translation of the financial statements of YPF S.A. and (1,401) corresponding to the effect of the translation of the financial statements of investments in companies with functional currency different to U.S. dollar, as detailed in Note 1.b.1.

(2) Pension plans of investments in controlled companies.

(3) Net of employees income tax withholding related to the share-based benefit plans

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## YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

## FOR THE YEAR ENDED DECEMBER 31, 2015, 2014 AND 2013 (Cont.)

(Amounts expressed in millions of Argentine Pesos, except shares and per share amounts expressed in Argentine Pesos, and as otherwise indicated Note 1.b.1)

	2013									
	Subscribed capital	Adjustment to contributions	Treasury shares	Treasury shares	Share-based benefit plans	Share-based treasury shares	Share-based treasury shares	Share trading premium	Issuance premiums	Total
<b>Balances as of December 31, 2012</b>	3,933	6,101							640	10,674
Accrual of share-based benefit plans					81 <sup>(4)</sup>					81
Repurchase of treasury shares	(12)	(19)	12	19		(120)				(120)
Settlement of share-based benefit plans <sup>(3)</sup>	3	5	(3)	(5)	(41)	10		(4)		(35)
<b>Balances as of December 31, 2013</b>	3,924	6,087	9	14	40	(110)		(4)	640	10,600

	2013									
	Legal	Future dividends	Reserves Investments	Purchase of treasury shares	Initial IFRS adjustment	Other comprehensive income	Retained earnings	Equity attributable to Shareholders of the parent company	Non-controlling interest	Total Shareholders equity
<b>Balances as of December 31, 2012</b>	2,007		5,751			6,087	6,741	31,260		31,260
Accrual of share-based benefit plans								81		81
								(120)		(120)

Repurchase of treasury shares										
Settlement of share-based benefit plans <sup>(3)</sup>								(35)		(35)
Purchase of equity interest in controlled company									178	178
Contributions of non-controlling interest									92	92
As decided by Ordinary and Extraordinary Shareholders meeting of April 30, 2013	330	2,643	120	3,648				(6,741)		
As decided by the Board of Directors of August 9, 2013	(326)								(326)	(326)
Other comprehensive income						12,031			12,031	12,031
Actuarial gains reclassification Pension Plan <sup>(2)</sup>						(6)	6			
Net income							5,125	5,125	(46)	5,079
<b>Balances as of December 31, 2013</b>	2,007	4	8,394	120	3,648	18,112 <sup>(1)</sup>	5,131	48,016	224	48,240

(1) Includes 18,836 corresponding to the effect of the translation of the financial statements of YPF S.A. and (724) corresponding to the effect of the translation of the financial statements of investments in companies with functional currency different to U.S. dollar, as detailed in Note 1.b.1 During fiscal year ended on December 31, 2013, (115) have been reclassified for purposes of the effect of the conversion of Pluspetrol Energy S.A.'s financial statements due to the said company's spin off.

(2) Pension plans of investments in controlled companies.

(3) Net of employees income tax withholding related to the share-based benefit plans.

(4) Includes 38 corresponding to long-term benefit plans as of December 31, 2012, which were converted to share-based benefit plans (see Note 1.b.10) and 43 corresponding to the accrual of share-based benefit plans for the year ended December 31, 2013.

Accompanying notes are an integral part of consolidated financial statements.

**Table of Contents****YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES****CONSOLIDATED STATEMENTS OF CASH FLOW****FOR THE YEAR ENDED DECEMBER 31, 2015, 2014 AND 2013**

(Amounts expressed in millions of Argentine Pesos, except shares and per share amounts expressed in Argentine Pesos, and as otherwise indicated Note 1.b.1)

	2015	2014	2013
<b>Cash flows from operating activities</b>			
Net income	4,426	8,849	5,079
Adjustments to reconcile net income to cash flows provided by operating activities:			
Result on investments in companies	(318)	(558)	(353)
Depreciation of fixed assets	26,685	19,936	11,236
Amortization of intangible assets	323	469	197
Consumption of materials and retirement of fixed assets and intangible assets, net of provisions.	3,773	4,041	2,336
Charge on income tax	24,637	13,223	9,269
Net increase in provisions	6,133	5,561	3,390
Exchange differences, interest and other <sup>(1)</sup>	(13,449)	(2,116)	(3,669)
Share-based benefit plan	124	80	81
Accrued insurance	(1,688)	(2,041)	(1,956)
Changes in assets and liabilities:			
Trade receivables	(8,031)	(3,824)	(2,627)
Other receivables	(6,143)	248	(1,332)
Inventories	101	(244)	(732)
Accounts payable	6,211	5,067	3,243
Taxes payables	4,544	218	272
Salaries and social security	549	727	253
Decrease in provisions due to payment/use	(1,758)	(1,974)	(713)
Dividends received	180	299	280
Proceeds from collection of lost profit insurance	2,036	1,689	
Income tax payments	(6,931)	(3,496)	(3,290)
<b>Net cash flows provided by operating activities</b>	<b>41,404</b>	<b>46,154</b>	<b>20,964</b>
<b>Investing activities: <sup>(2)</sup></b>			
Acquisition of fixed assets and intangible assets	(63,774)	(50,213)	(27,639)
Contributions and acquisitions of interests in companies and joint operations	(163)	(967)	(20)
Advances received from sale of fixed and intangible assets		2,060	5,351
Acquisition of subsidiaries net of acquired cash and cash equivalents		(6,103)	107
Investments in financial assets	(324)		
Proceeds from collection of damaged property's insurance	212	1,818	
<b>Net cash flows used in investing activities</b>	<b>(64,049)</b>	<b>(53,405)</b>	<b>(22,201)</b>

<b>Financing activities: (2)</b>			
Payments of loans	(24,090)	(13,320)	(6,804)
Payments of interest	(6,780)	(5,059)	(2,696)
Proceeds from loans	55,158	23,949	16,829
Repurchase of treasury shares	(120)	(200)	(120)
Contributions of non-controlling interests		80	96
Dividends paid	(503)	(464)	(326)
<b>Net cash flows provided by financing activities</b>	<b>23,665</b>	<b>4,986</b>	<b>6,979</b>
<b>Translation differences provided by cash and cash equivalents</b>	<b>4,609</b>	<b>1,310</b>	<b>224</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,629</b>	<b>(955)</b>	<b>5,966</b>
Cash and cash equivalents at the beginning of year	9,758	10,713	4,747
Cash and cash equivalents at the end of year	15,387	9,758	10,713
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,629</b>	<b>(955)</b>	<b>5,966</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
- Cash	13,920	6,731	4,533
- Cash equivalents	1,467	3,027	6,180
<b>TOTAL CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>15,387</b>	<b>9,758</b>	<b>10,713</b>

(1) Does not include exchange differences generated by cash and cash equivalents, which is exposed separately in the statement.

(2) The main investing and financing transactions that have not affected cash and cash equivalents correspond to :

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Acquisition of fixed assets and concession extension easements not paid	6,799	7,567	5,604
Net increases (decreases) related to hydrocarbon wells abandonment obligation costs	(1,281)	(268)	4,357
Dividends receivable	100		
Decrease of loans for El Orejano agreement	2,373		
Contributions of non-controlling interests	50		
Capital contributions in kind from investments in companies		342	133

Accompanying notes are an integral part of consolidated financial statements.

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**YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015 AND COMPARATIVE INFORMATION**

(Amounts expressed in millions of Argentine Pesos, except shares and per share amounts expressed in Argentine Pesos, and as otherwise indicated Note 1.b.1)

**1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**1.a. Basis of preparation**

**Application of International Financial Reporting Standards**

The consolidated financial statements of YPF S.A. (hereinafter "YPF" or the Company) and its controlled companies (hereinafter and all together, the Group) for the year ended December 31, 2015 are presented in accordance with International Financial Reporting Standard (IFRS). The adoption of these standards as issued by the International Accounting Standards Board (IASB) was determined by the Technical Resolution No. 26 (ordered text) issued by Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and the Regulations of the Argentine Securities Commission (CNV).

Also, some additional issues required by the Argentine General Corporations Law and/or CNV's regulations have been included. This information is contained in the Notes to these consolidated financial statements, only for purposes of fulfillment of these regulatory requirements.

The amounts and other information corresponding to the years ended on December 31, 2014 and 2013 are an integral part of the consolidated financial statements mentioned above and are intended to be read only in relation to these financial statements.

These financial statements were approved by the Board of Directors' meeting and authorized to be issued on March 3, 2016 and will be considered by the next annual Shareholders' meeting. In addition for purpose of its presentation to the Securities and Exchange Commission of the United States of America, the Note 20 Supplemental information on Oil and Gas producing activities (unaudited) has been included.

**Current and non-current classification**

The presentation in the statement of financial position makes a distinction between current and non-current assets and liabilities, according to the activities operating cycle.

The operating cycle for the Group activities is 12 months. Therefore, current assets and liabilities include assets and liabilities which are realized or settled within the 12-month period from the end of the fiscal year.

All other assets and liabilities are classified as non-current. Current and deferred tax assets and liabilities are presented separately from each other and from other assets and liabilities, as current and non-current, respectively.

Fiscal year-end

The Company's fiscal year begins on January 1 and ends on December 31, each year.

Use of estimates

The preparation of financial statements at a certain date requires the Management to make estimates and assessments affecting the amount of assets and liabilities recorded, contingent assets and liabilities disclosed at such date, as well as income and expenses recorded during the period. Actual future results might differ from the estimates and assessments made at the date of preparation of these consolidated financial statements.

Significant judgments made by Management in applying the Group's accounting policies and the main estimations and critical judgments are disclosed in Note 1.c)



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## Consolidation policies

## a) General criteria

For purpose of presenting the consolidated financial statements, the full consolidation method was used with respect to those subsidiaries in which the Company holds, either directly or indirectly, control, understood as the ability to establish/manage the financial and operating policies of a company to obtain benefits from its activities. This capacity is, in general but not exclusively, obtained by the ownership, directly or indirectly of more than 50% of the voting shares of a company.

Interest in joint operations and other agreements which gives the Company a percentage contractually established over the rights of the assets and obligations that emerge from the contract ( joint operations ), have been consolidated line by line on the basis of the mentioned participation over the assets, liabilities, income and expenses related to each contract. Assets, liabilities, income and expenses of joint operations are presented in the consolidated financial position and in the consolidated statement of comprehensive income, in accordance with their respective nature.

Note 16 details the fully consolidated controlled companies. Note 17 details the main joint operations, on a *pro rata* consolidation basis.

In the consolidation process, balances, transactions and profits between consolidated companies and joint operations have been eliminated.

The Company's consolidated financial statements are based on the most recent available financial statements of the companies in which YPF holds control, taking into consideration, where necessary, significant subsequent events and transactions, information available to the Company's management and transactions between YPF and such controlled companies, which could have produced changes to their shareholders' equity. The date of the financial statements of such controlled companies used in the consolidation process may differ from the date of YPF's financial statements due to administrative reasons. The accounting principles and procedures used by controlled companies have been homogenized, where appropriate, with those used by YPF in order to present the consolidated financial statements based on uniform accounting and presentation policies. The financial statements of controlled companies whose functional currency is different from the presentation currency are translated using the procedure set out in Note 1.b.1.

The Company, directly and indirectly, holds approximately 100% of capital of the consolidated companies, with the exception of the indirect holdings in Metrogas S.A. ( Metrogas ) and YPF Tecnología S.A. In accordance with the previously mentioned, there are no material non-controlling interests to be disclosed, as required by IFRS 12

Disclosure of Interests in Other Entities .

## b) Business combinations

As detailed in Note 2, on February 12, 2014, YPF and its subsidiary YPF Europe B.V. accepted the offer made by Apache Overseas Inc. and Apache International S.à.r.l. for the acquisition of 100% of its interest in companies controlling Apache Group's assets in Argentina completing the precedent conditions set forth in that agreement on March 13, 2014 (take over control date). Additionally, during the second quarter of 2013 the Company obtained control over Gas Argentino S.A. ( GASA ), parent company of Metrogas, and as from August, 2013, over YPF Energía Eléctrica S.A. ( YPF Energía Eléctrica ), a company resulting from the spin-off of Pluspetrol Energy S.A.

The Company has consolidated the results of operations of Apache Group (hereinafter YSUR), GASA, and consequently of its subsidiaries, and of YPF Energía Eléctrica as from the moment in which it obtained control over such companies. The accounting effects of the above mentioned transactions, which include the purchase price allocation to the assets and liabilities acquired, are disclosed in Note 2.

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**1.b) Significant Accounting Policies**

**1.b.1) Functional and Reporting Currency and tax effect on Other Comprehensive Income**

**Functional Currency**

YPF based on parameters set out in IAS 21 "The effects of change in foreign exchange rates", has defined the U.S. dollar as its functional currency. Consequently, non-monetary cost-based measured assets and liabilities, as well as income or expenses, are remeasured into functional currency by applying the exchange rate prevailing at the date of the transaction.

Transactions in currencies other than the functional currency of the Company are deemed to be foreign currency transactions and are remeasured into functional currency by applying the exchange rate prevailing at the date of the transaction (or, for practical reasons and when exchange rates do not fluctuate significantly, the average exchange rate for each month). At the end of each year or at the time of cancellation the balances of monetary assets and liabilities in currencies other than the functional currency are measured at the exchange prevailing at such date and the exchange differences arising from such measurement are recognized as Financial results, net in the consolidated statement of comprehensive income for the year in which they arise.

Assets, liabilities and results of controlled companies and investments in other companies are shown in their respective functional currencies. The effects of the conversion into U.S. dollars of the financial information of those companies whose functional currency is other than U.S. dollar are recorded as Other comprehensive income in the Consolidated Statement of Comprehensive Income.

**Presentation currency:**

According to CNV Resolution No. 562, the Company must present its financial statements in pesos. Therefore, the financial statements prepared in the Company's functional currency are translated into the presentation currency, as per the following procedures:

Assets and liabilities of each of the balance sheets presented are translated using the exchange rate at the balance sheet closing date;

Items of the Consolidated Statement of Comprehensive Income are translated using the exchange rate at the time the transactions were generated (or, for practical reasons, and provided the exchange rate has not changed significantly, using each month's average exchange rate);

All translation differences resulting from the foregoing are recognized under Other Comprehensive Income .  
**Tax effect on Other comprehensive Income:**

Results included in Other Comprehensive Income in connection with translation differences generated by investments in companies whose functional currency is other than US dollar as well as conversion differences arising from the translation of YPF's financial statements into its presentation currency (pesos), have no effect on the income tax or in the deferred tax since at the time they were generated, the relevant transactions did not make any impact on net

income or taxable income.

**1.b.2) Financial Assets**

a) Classification

In accordance with IFRS 9 Financial instruments, the Group classifies its financial assets into two categories: assets measured at fair value and assets measured at amortized cost. This classification depends on whether the financial asset is a debt instrument or an equity instrument.

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*i. Debt instruments*

Financial assets at amortized cost

A debt instrument is classified as an asset measured at amortized cost if both of the following criteria are met: (i) the objective of the Group's business model is to hold the assets to collect the contractual cash flow, and (ii) the contractual terms only require specific dates for payment of capital and interest.

As of the closing date of these financial statements, the Group's financial assets at amortized cost include certain elements of cash and cash equivalent, trade receivables and other receivables.

Financial assets at fair value through profit or loss

If either of the two criteria above is not met, the debt instrument is classified as an asset measured at fair value through profit or loss.

Changes in fair values and gains from disposals of financial assets at fair value through profit or loss (except for the derivative instruments referred to in Note 1.b.17) are recorded within Financial Results, net, in the Consolidated Statement of Comprehensive Income.

As of the closing date of these financial statements, the Group's financial assets at fair value through profit or loss include derivative financial instruments and mutual funds.

*ii. Equity instruments*

As of the closing date of these financial statements, the Group does not hold any equity instrument.

b) Recognition and measurement

Purchases and sales of financial assets are recognized on the date on which the Group commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the investments and the risks and rewards of ownership have expired or have been transferred.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset which is not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

In general, the Group uses the transaction price to ascertain the fair value of a financial instrument on initial recognition. In the other cases, the Group records a gain or loss on initial recognition only if the fair value of the financial instrument can be supported by other comparable and observable market transactions for the same type of instrument or if it is based in a technical valuation that only inputs observable market information. Unrecognized gains or losses on initial recognition of a financial asset are recognized later on, only to the extent they arise from a change in the factors (including time) that market participants would consider upon setting the price.

Gains/losses on debt instruments measured at amortized cost and not included for hedging purposes are charged to income when the financial assets are derecognized or an impairment loss is recognized and during the amortization process using the effective interest rate method.

The Group reclassifies all affected debt instruments only when its business model for managing those assets changes.

c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and such impairment may be reliably measured.

Evidence of impairment may include indications that debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankrupt or other financial reorganization, and when observable information indicates that there is a measurable decrease in the estimated future cash flows.

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The impairment amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount or the loss is recognized in the statement of comprehensive income. For practical purposes, the Group may measure impairment on the basis of an instrument's fair value, using an observable market price. If, in a subsequent period, the amount the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statements of income.

**d) Offsetting financial instruments**

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**1.b.3) Inventories**

Inventories are valued at the lower of their cost and their net realizable value. Cost includes acquisition costs (less trade discount, rebates and other similar items), transformation and other costs which have been incurred when bringing the inventory to its present location and condition.

In the case of refined products, costs are allocated in proportion to the selling price of the related products (isomargen method) due to the difficulty for distributing the production costs to each product.

The Group assesses the net realizable value of the inventories at the end of each year and recognizes in profit or loss in the consolidated statement of comprehensive income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories' net realizable value because of changes in economic circumstances, the amount of a write-down is reversed.

Raw materials, packaging and others are valued at their acquisition cost.

**1.b.4) Intangible assets**

The Group initially recognizes intangible assets at their acquisition or development cost. This cost is amortized on a straight-line basis over the useful lives of these assets (see Note 6.a). At the end of each year, such assets are measured at cost, considering the criteria adopted by the Group in the transition to IFRS, less any accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Group are as follows:

- I. *Service concessions arrangements*: includes transportation and storage concessions (see Note 6.a). These assets are valued at their acquisition cost, considering the criteria adopted by the Group in the transition to IFRS, net of accumulated amortization. They are depreciated using the straight-line method during the course of the concession period.

- II. *Exploration rights*: the Group recognizes exploration rights as intangible assets, which are valued at their cost, considering the criteria adopted by the Group in the transition to IFRS, net of the related impairment, if applicable. Investments related to unproved properties are not depreciated. These investments are reviewed for impairment at least once a year or whenever there are indicators that the assets may have become impaired. Any impairment loss or reversal is recognized in profit or loss in the consolidated statement of comprehensive income. Exploration costs (geological and geophysical expenditures, expenditures associated with the maintenance of unproved reserves and other expenditures relating to exploration activities), excluding exploratory wells drilling costs, are charged to expense in the consolidated statement of comprehensive income as incurred.
- III. *Other intangible assets*: mainly includes costs relating to computer software development expenditures, as well as assets that represent the rights to use technology and knowledge ( know how ) for the manufacture and commercial exploitation of equipment related to oil extraction. These items are valued at their acquisition cost, considering the criteria adopted by the Group in the transition to IFRS, net of the related depreciation and impairment, if applicable. These assets are amortized on a straight-line basis over their useful lives, which range between 3 and 14 years. The Group reviews annually the mentioned estimated useful life.



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

transport oil, gas and petroleum products;

construct and operate oil, gas and products pipelines, storage facilities, pump stations, compressor plants, roads, railways and other facilities and equipment necessary for the efficient operation of a pipeline system. In addition, a transportation concession holder is under an obligation to transport hydrocarbons to third parties, without discrimination, for a tariff. This obligation, however, is applicable to oil or gas producers only to the extent the concession holder has available additional capacity, and is expressly subject to the transportation requirements of the concession holder. Transportation tariffs are subject to approval by the Federal Energy Secretariat for oil and petroleum derivatives pipelines, and by ENARGAS, for gas pipelines. Upon expiration of a transportation concession, oil pipelines and related facilities revert to the Argentine Government, without any payment to the concession holder.

In connection with the foregoing, the Privatization Law granted the Company 35-year transportation concessions for the transportation facilities operated by Yacimientos Petroquímicos Fiscales as of such date. The main pipelines related to said transportation concessions are the following:

La Plata / Dock Sud

Puerto Rosales / La Plata

Monte Cristo / San Lorenzo

Puesto Hernández / Luján de Cuyo

Luján de Cuyo / Villa Mercedes

Thus, assets meeting certain requirements set forth by the IFRIC 12, which at Management's judgment are met in the facilities mentioned in the preceding paragraphs, are recognized as intangible assets.

The Group has no intangible assets with indefinite useful lives as of December 31, 2015, 2014 and 2013.

**1.b.5) Investments in companies**

Investments in affiliated companies and Joint Ventures are valued using the equity method. Affiliated companies are considered those in which the Company has significant influence, understood as the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies. Significant influence is presumed when the Company has an interest of 20% or more in a company.

Under the provisions of IFRS 11, Joint Arrangements, and IAS 28 (2011), Investments in Associates and Joint Ventures, investments in which two or more parties have joint control (defined as a Joint Arrangement) shall be classified as either a Joint Operation (when the parties that have joint control have rights to the assets and obligations for the liabilities relating to the Joint Arrangement) or a Joint Venture (when the parties that have joint control have rights to the net assets of the Joint Arrangement). Considering such classification, Joint Operations shall be proportionally consolidated and Joint Ventures shall be accounted for under the equity method.

The equity method consists in the incorporation in the balance sheet line Investments in companies, of the value of net assets and goodwill, if any, of the participation in the affiliated company or Joint Venture. The net income or expense for each year corresponding to the interest in these companies is reflected in the statement of comprehensive income in the Income on investments in companies line.

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Investments in companies have been valued based upon the latest available financial statements of these companies as of the end of each year, taking into consideration, if applicable, significant subsequent events and transactions, available management information and transactions between YPF and the related company which have produced changes on the latter's shareholders' equity. The dates of the financial statements of such related companies and Joint Operations used in the consolidation process may differ from the date of the Company's financial statements due to administrative reasons. The accounting principles and procedures used by affiliated companies have been homogenized, where appropriate, with those used by YPF in order to present the consolidated financial statements based on uniform accounting and presentation policies. The financial statements of affiliated companies whose functional currency is different from the presentation currency are translated using the procedure set out in Note 1.b.1).

Investments in companies in which the Company has no joint control or significant influence, have been valued at cost.

Investments in companies with negative shareholders' equity are disclosed in the Accounts payable account.

The carrying value of the investments in companies does not exceed their estimated recoverable value.

In Note 16 are detailed the investments in companies.

As from the effective date of Law No. 25,063, dividends, either in cash or in kind, that the Company receives from investments in other companies and which are in excess of the accumulated income that these companies carry upon distribution shall be subject to a 35% income tax withholding as a sole and final payment. YPF has not recorded any charge for this tax since it has estimated that dividends from earnings recorded by the equity method will not be subject to such tax.

### **1.b.6) Fixed assets**

#### *i. General criteria:*

Fixed assets are valued at their acquisition cost, plus all the costs directly related to the location of such assets for their intended use, considering the criteria adopted by the Group in the transition to IFRS.

Borrowing costs of assets that require a substantial period of time to be ready for their intended use are capitalized as part of the cost of these assets.

Major inspections, necessary to restore the service capacity of the related asset are capitalized and depreciated on a straight-line basis over the period until the next overhaul is scheduled.

The costs of renewals, betterments and enhancements that extend the useful life of properties and/or improve their service capacity are capitalized. As fixed assets are retired, the related cost and accumulated depreciation are derecognized.

Repair, conservation and ordinary maintenance expenses are recognized in the statement of comprehensive income as incurred.

These assets are reviewed for impairment at least once a year or whenever there are indicators that the assets may have become impaired, as detailed in Note 1.b.8.

*ii. Depreciation:*

Fixed assets, other than those related to oil and gas exploration and production activities, are depreciated using the straight-line method, over the years of estimated useful life of the assets, as follows:

	<b>Years of Estimated Useful Life</b>
Buildings and other constructions	50
Refinery equipment and petrochemical plants	20-25
Infrastructure of natural gas distribution	20-50
Transportation equipment	5-25
Furniture, fixtures and installations	10
Selling equipment	10
Electric power generation facilities	15-20
Other property	10

Land is classified separately from the buildings or facilities that may be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

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The Group reviews annually the estimated useful life of each class of assets.

*iii. Oil and gas exploration and production activities:*

The Group recognizes oil and gas exploration and production transactions using the successful-efforts method. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves are capitalized as incurred under Mineral properties, wells and related equipment. Costs related to exploration permits are classified as intangible assets (see Notes 1.b.4 and 6.a).

Exploration costs, excluding the costs associated to exploratory wells, are charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, are capitalized pending determination as to whether the wells have found proved reserves that justify commercial development. If such reserves are not found, the mentioned costs are charged to expense. Occasionally, an exploratory well may be determined to have found oil and gas reserves, but classification of those reserves as proved cannot be made. In those cases, the cost of drilling the exploratory well shall continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well, and the Group is making sufficient progress assessing the reserves as well as the economic and operating viability of the project. If any of the mentioned conditions are not met, cost of drilling exploratory wells is charged to expense. In addition, the exploratory activity involves, in many cases, the drilling of multiple wells through several years in order to completely evaluate a project. As a consequence some exploratory wells may be kept in evaluation for long periods, pending the completion of additional wells and exploratory activities needed to evaluate and quantify the reserves related to each project. The detail of the exploratory well costs in evaluation stage is described in Note 6.b).

Intangible drilling costs applicable to productive wells and to developmental dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, have been capitalized.

The capitalized costs described above are depreciated as follows:

- a) The capitalized costs related to productive activities have been depreciated by field on a unit-of-production basis by applying the ratio of produced oil and gas to the estimated proved and developed oil and gas reserves.
- b) The capitalized costs related to the acquisition of property and the extension of concessions with proved reserves have been depreciated by field on a unit-of-production basis by applying the ratio of produced oil and gas to the estimated proved oil and gas reserves.

Revisions in oil and gas proved reserves are considered prospectively in the calculation of depreciation. Revisions in estimates of reserves are performed at least once a year. Additionally, estimates of reserves are audited by independent petroleum engineers on a three-year rotation plan.

*iv. Costs related to hydrocarbon wells abandonment obligations:*

Costs related to hydrocarbon wells abandonment obligations are capitalized at their discounted value along with the related assets, and are depreciated using the unit-of-production method. As compensation, a liability is recognized for this concept at the estimated value of the discounted payable amounts. Revisions of the payable amounts are performed upon consideration of the current costs incurred in abandonment obligations on a field-by-field basis or

other external available information if abandonment obligations were not performed. Due to the number of wells in operation and/or not abandoned and likewise the complexity with respect to different geographic areas where the wells are located, current costs incurred in plugging activities are used for estimating the plugging activities costs of the wells pending abandonment. Current costs incurred are the best source of information in order to make the best estimate of asset retirement obligations. Future changes in the costs above mentioned, as well as changes in regulations related to abandonment obligations, which are not possible to be predicted at the date of issuance of these financial statements, could affect the value of the abandonment obligations and, consequently, the related asset, affecting the results of future operations.

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*v. Environmental tangible assets:*

The Group capitalizes the costs incurred in limiting, neutralizing or preventing environmental pollution only in those cases in which at least one of the following conditions is met: (a) the expenditure improves the safety or efficiency of an operating plant (or other productive assets); (b) the expenditure prevents or limits environmental pollution at operating facilities; or (c) the expenditure is incurred to prepare assets for sale and do not raise the assets carrying value above their estimated recoverable value.

The environmental related assets and the corresponding accumulated depreciation are disclosed in the consolidated financial statements together with the other elements that are part of the corresponding assets which are classified according to their accounting nature.

**1.b.7) Provisions**

The Group makes a distinction between:

- a) Provisions: represent legal or assumed obligations, arising from past events, the settlement of which is expected to give rise to an outflow of resources and which amount and timing are uncertain. Provisions are recognized when the liability or obligation giving rise to an indemnity or payment arises, to the extent that its amount can be reliably estimated and that the obligation to settle is probable or certain. Provisions include both obligations whose occurrence does not depend on future events (such as provisions for environmental liabilities and provision for hydrocarbon wells abandonment obligations), as well as those obligations that are probable and can be reasonably estimated whose realization depends on the occurrence of a future events that are out of the control of the Company (such as provisions for contingencies). The amount recorded as provision corresponds to the best estimate of expenditures required to settle the obligation, taking into consideration the relevant risks and uncertainties (see Note 10); and
- b) Contingent liabilities: represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources embodying future economic benefits. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed to the extent they are significant, as required by IAS 37, Provisions, contingent liabilities and contingent assets (see Note11).

When a contract qualifies as onerous, the related unavoidable liabilities are recognized in the consolidated financial statements as provisions, net of the expected benefits.

Except for provisions for hydrocarbon wells abandonment obligations, where the timing of settlement is estimated on the basis of the work plan of the Group, and considering the estimated production of each field (and therefore its abandonment) and provisions for pension plans, in relation to other noncurrent provisions, it is not possible to reasonably estimate a specific schedule of settlement of the provisions considering the characteristics of the concepts included.

**1.b.8) Impairment of fixed assets and intangible assets**

For the purpose of evaluating the impairment of fixed assets and intangible assets, the Group compares their carrying value with their recoverable amount at the end of each year, or more frequently, if there are indicators that the carrying value of an asset may not be recoverable.

In order to assess impairment, assets are grouped into Cash-Generating Units ( CGU ), whereas the assets do not generate cash flows that are independent of those generated by other assets or CGU, considering regulatory, economic, operational and commercial conditions. Considering the above mentioned, the Group's assets were grouped into eleven CGU.



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**Exploration and Production Segment**

The assets included in this segment have been grouped into seven CGU. One that gathers the assets of YPF fields, which basically have crude oil reserves; five CGU that group the assets of YPF and YSUR fields which basically have natural gas reserves, according to the Argentina's basins, and another one that gathers the assets in the United States fields.

CGU Oil YPF;

CGU Oil YPF Holdings

CGU Gas Neuquina Basin YPF;

CGU Gas Noroeste Basin YPF;

CGU Gas Austral Basin YPF;

CGU Gas Neuquina Basin YSUR;

CGU Gas Austral Basin YSUR.

**Downstream Segment**

The assets included in this segment have been grouped in three CGU. The YPF Downstream CGU which mainly includes the assets assigned to the crude oil refining activity (or that complement such activity), the petrochemical industry and marketing of such products. The Metrogas CGU, which includes assets related to the distribution of natural gas and YPF Energía Eléctrica CGU, which includes assets related to generation and commercialization of electric energy.

**Corporate Segment**

A-Evangelista CGU mainly included of the assets used for the construction activity related to the Company's business.

This aggregation is the best reflection of how the Group currently makes its management decisions for the generation of separate cash flows of the assets.

The recoverable amount is the higher of, the fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average capital cost employed for each CGU.

If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount, and an impairment loss is recognized as an expense under Other operating results, net in the Consolidated Statement of Comprehensive Income.

Any impairment loss is allocated to the assets comprising the CGU on a pro-rata basis based on their carrying amount. Consequently, the basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

Upon the occurrence of new events or changes in existing circumstances, which prove that an impairment loss previously recognized could have disappeared or decreased, a new estimate of the recoverable amount of the corresponding asset is calculated to determine whether a reversal of the impairment losses recognized in previous periods needs to be made.

In the event of a reversal, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the CGU) in the past.

**1.b.9) Methodology used in the estimation of recoverable amounts**

Group's General Criteria: The recoverable amount of fixed assets and intangible assets is generally estimated on the basis of their value in use, calculated on the basis of future expected cash flows derived from the use of the assets, discounted at a rate that reflects the weighted average capital cost employed.

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In the assessment of the value in use, cash flow forecasts based on the best estimate of income and expense available for each CGU using sector inputs, past results and future expectations of business evolution and market development are utilized. The most sensitive aspects included in the cash flows used in all the CGU are the purchase and sale prices of hydrocarbons (including gas distribution applicable fees), outstanding regulations, estimation of cost increase, employee costs and investments.

The cash flows from the exploration and production assets are generally projected for a period that covers the economically productive useful lives of the oil and gas fields and is limited by the contractual expiration of the concessions permits, agreements or exploitation contracts. The estimated cash flows are based on production levels, commodity prices and estimates of the future investments that will be necessary in relation to undeveloped oil and gas reserves, production costs, field decline rates, market supply and demand, contractual conditions and other factors. The unproved reserves are weighted with risk factors, on the basis of the type of each one of the exploration and production assets.

Downstream cash flows are estimated on the basis of the projected sales trends, contribution margins by unit, fixed costs and investment flows, in line with the expectations regarding the specific strategic plans of each business. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The projections evaluation horizon is 10 years, considering an annual rent for the last period, based on the long useful life of this GCU assets.

The reference prices considered are based on a combination of market prices available in those markets where the Group operates, also taking into consideration specific circumstances that could affect different products the Group commercializes and management's estimations and judgments.

Estimated net future cash flows are discounted to its present value using a rate that reflects the weighted average capital cost employed for each CGU.

**1.b.10) Employee benefit plans and share-based payments***i. Retirement plan:*

Effective March 1, 1995, the Group have established a defined contribution retirement plan that provides benefits for each employee who elects to join the plan. Each plan member will pay an amount between 3% and 10% of his monthly compensation and the Group will pay an amount equal to that contributed by each member.

The plan members will receive from the Group the contributed funds before retirement only in the case of voluntary termination under certain circumstances or dismissal without cause and, additionally, in case of death or incapacity. The Group has the right to discontinue this plan at any time, without incurring termination costs.

*ii. Performance Bonus Programs:*

These programs cover certain YPF and its controlled companies' personnel. These bonuses are based on compliance with business unit objectives and performance. They are calculated considering the annual compensation of each employee, certain key factors related to the fulfillment of these objectives and the performance of each employee and are paid in cash.

*iii. Share-based benefit plan:*

From the year 2013, YPF has decided to implement a share-based benefit plan. This plan organized in annual programs, covers certain executive and management positions and key or with critical technical knowledge personnel. The above mentioned plan is aimed at aligning the performance of these personnel with the objectives of the strategic plan of the Company.

This plan consists in giving participation, through shares of the Company, to each selected employee with the condition of remaining in it for the previously defined period (up to three years from the grant date, hereinafter service period ), being this the only condition necessary to access the agreed final retribution. During the year 2013, the implementation of these plans has included the conversion of certain long term compensation plans existing to date of implementation.

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Consequently, during the month of June 2013, the Company has converted these existing plans to new share-based schemes, reversing a liability of 38 corresponding to existing plans as of December 31, 2012.

Consistent with share-based benefit plans approved in 2013, the Board of Directors at its meeting held on June 11, 2014, approved the creation of a new share-based benefit plan 2014-2016, which will be valid for three years from July 1, 2014 (grant date), with similar characteristics to those of the 2013-2015 plan.

Likewise, the Board of Directors at its meeting held on June 8, 2015, approved the creation of a new share-based benefit plan 2015-2017, which will be valid for three years from July 1, 2015 (grant date), with similar characteristics to the existing plans.

For accounting purposes, YPF recognizes the effects of the plans in accordance with the guidelines of IFRS 2, Share-based Payment . In this order, the total cost of the plans granted is measured at the grant date, using the fair value or market price of the Company s share in the United States market. The above mentioned cost is accrued in the Company s net income for the year, over the vesting period, with the corresponding increase in Shareholders equity in the Share-based Benefit Plans account.

### *iv. Pension plans and other Post- Retirement and Post- employment for YPF Holdings Inc.:*

YPF Holdings Inc., which has operations in the United States of America, has certain defined benefit plans and post-retirement and post-employment benefits.

The funding policy related to the defined benefit plan, is to contribute amounts to the plan sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as management may determine to be appropriate.

In addition, YPF Holdings Inc. provides certain health care and life insurance benefits for eligible retired employees, and also certain insurance, and other post-employment benefits for eligible individuals in the event employment is terminated by YPF Holdings Inc. before their normal retirement. Employees become eligible for these benefits if they meet minimum age and years-of-service requirements. YPF Holdings Inc. accounts for benefits provided when payment of the benefit is probable and the amount of the benefit can be reasonably estimated. No assets were specifically reserved for the post-retirement and post-employment benefits, and consequently, payments related to them are funded as claims are received.

The plans mentioned above are valued at their net present value, are accrued based on the years of active service of the participating employees and are disclosed as noncurrent liabilities in the Salaries and social security account. The actuarial gains and losses arising from the remeasurement of the defined benefit liability of pension plans are recognized in Other Comprehensive Income as a component of shareholders equity, and are transfer directly to the retained earnings. YPF Holdings Inc. updates its actuarial assumptions at the end of each fiscal year.

Additional disclosures related to the mentioned plans, are included in Note 13.

Additionally, Management believes that the deferred tax asset generated by the cumulative actuarial losses related to the pension plans of YPF Holdings Inc., will not be recoverable based on estimated taxable income generated in the jurisdiction in which they are produced.

### **1.b.11) Revenue recognition**

General criteria

Revenue is recognized on sales of crude oil, refined products and natural gas, in each case, when title and risks are transferred to the customer following the conditions described below:

the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

the Group does not retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

the amount of revenue can be measured reliably;

it is probable that the economic benefits associated with the transaction will flow to the Group; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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**Table of Contents****Revenue recognition related to Government incentive programs**

Incentives to the Additional Injection of natural gas and to the production of crude oil (see Note 11.c) granted by the Planning and Strategic Coordination Commission of the National Plan of Hydrocarbons Investment by Resolutions No. 1/2013 and No. 14/2015, respectively, fall within the scope of the IAS 20 Accounting for Government grants and disclosure of government assistance, as they constitute economic compensations for the companies committed to increasing their respective production. Incentives have been included in Revenues in the Consolidated Statement of Comprehensive Income.

Likewise, these regulations also apply to the temporary economic assistance by Metrogas (see Note 11.c), as approved by Resolution No. 263/2015 of the Federal Energy Secretariat as its purpose is to fund the expenses and investments related to the normal operation of the natural gas distribution service through networks, while preserving the chain of payment to natural gas producers until the Tariff Review is concluded. The incentives have been included in the item Other operating results, net in the Consolidated Statement of Comprehensive Income.

In addition, Argentine tax authorities provide a tax incentive for investment in capital goods, computers and telecommunications for domestic manufacturers through a fiscal bond, provided that manufacturers have industrial establishments located in Argentina, a requirement that is satisfied by the controlled company A-Evangelista S.A. The Group recognizes such incentive when the formal requirements established by Decrees No. 379/01, 1551/01, its amendments and regulations are satisfied, to the extent that there is reasonable certainty that the grants will be received. The bond received may be computed as a tax credit for the payment of national taxes (i.e., Income Tax, Tax on Minimum Presumed Income, Value Added Tax and Domestic Taxes) and may also be transferred to third parties. The incentives have been included in the item Other operating results, net in the Consolidated Statement of Comprehensive Income.

Recognition of this income is made at its fair value when there is a reasonable certainty that incentives will be received and that regulatory requirements related therewith have been fulfilled.

**Recognition of revenues and costs associated with construction contracts method**

Revenues and costs related to construction activities performed by A-Evangelista S.A. are accounted for in the consolidated statement of comprehensive income for the year using the percentage of completion method, considering the final contribution margin estimated for each project at the date of issuance of the financial statements, which arises from technical studies on sales and total estimated costs for each of them, as well as their physical progress.

The adjustments in contract values, changes in estimated costs and anticipated losses on contracts in progress are reflected in earnings in the year when they become evident.

The table below details information related to the construction contracts as of December 31, 2015, 2014 and 2013:

	Revenues of the year	Costs incurred plus accumulated recognized profits	Advances received	Retentions
2015	455	577		

2014	419	418	
2013	312	2,359	368

**1.b.12) Leases**Operating leases

A lease is classified as an operating lease when the lessor does not transfer substantially to the lessee the entire risks and rewards incidental to ownership of the asset.

Costs related to operating leases are recognized on a straight-line basis in Rental of real estate and equipment and Operation services and other service contracts of the Consolidated Statement of Comprehensive Income for the year in which they arise.

Financial Leases

The Group has no financial leases as they are defined by IFRS.



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**Table of Contents****1.b.13) Earnings per share**

Basic earnings per share is calculated by dividing the net income for the year attributable to YPF's shareholders by the weighted average of shares of YPF outstanding during the year net of repurchased shares as mentioned in Note 8.

Diluted earnings per share is calculated by dividing the net income for the fiscal year by the weighted average of shares outstanding, and when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as if they had been converted.

In computing diluted earnings per share, income available to ordinary shareholders, used in the basic earnings per share calculation, is adjusted by those results that would result of the potential conversion into ordinary stock. The weighted average number of ordinary shares outstanding is adjusted to include the number of additional ordinary shares that would have been outstanding if the dilutive potential ordinary shares had been issued. Diluted earnings per share is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted earnings per share excludes potential ordinary shares if their effect is anti-dilutive.

As of the date of the issuance of these financial statements, there are no YPF's instruments outstanding that imply the existence of potential ordinary shares (also taking into account the Company's intent to cancel the Share-based benefit plans through their repurchase in the market). Thus the basic earnings per share matches the diluted earnings per share. See Note 9.

**1.b.14) Financial liabilities**

Financial liabilities are initially recognized at their fair value less the transaction costs incurred. Since the Group does not have financial liabilities whose characteristics require the recognition at their fair value, according to IFRS, after their initial recognition, financial liabilities are measured at amortized cost. Any difference between the financing received (net of transaction costs) and the repayment value is recognized in the consolidated statement of comprehensive income over the life of the related debt instrument, using the effective interest rate method.

The Group derecognizes financial liabilities when the related obligations are settled or expire.

At the closing of these consolidated financial statements, the Group's financial liabilities at amortized cost include account payables and loans.

In order to account for the exchange of debt obligations arising from the voluntary reorganization petition of Metrogas and GASA for new negotiable obligations executed on January 11, 2013 and March 15, 2013, respectively, the Group has followed the guidelines provided by IFRS 9, Financial Instruments .

IFRS 9 states that an exchange of debt instruments between a borrower and a lender shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability when the instruments have substantially different terms. The difference between the carrying amount of the financial liability extinguished and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, is recognized in net income for the period or fiscal year. The Group considers that the terms of the outstanding debt obligations, arising from the voluntary reorganization petition, subject to the exchange are substantially different from the new negotiable obligations. Additionally, the Group has evaluated and positively concluded over the estimated funds that such companies will have to comply with the terms of the debt and that allows the recognition of the debt relief. Consequently, Metrogas and GASA have recorded the debt instruments' exchange following the guidelines mentioned

above. Also, according to IFRS 9 the new negotiable obligations were recognized initially at fair value, net of transaction costs incurred and subsequently measured at amortized cost. In the initial recognition, the fair value of such debt has been estimated using the discounted cash flow method, in the absence of quoted prices in active markets representative for the amount issued.

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**Table of Contents****1.b.15) Taxes, withholdings and royalties*****Income tax and tax on minimum presumed income***

The Group recognizes the income tax applying the liability method, which considers the effect of the temporary differences between the financial and tax basis of assets and liabilities and the tax loss carry forwards and other tax credits, which may be used to offset future taxable income, at the current statutory rate of 35%.

Additionally, the Group calculates tax on minimum presumed income applying the current 1% tax rate to taxable assets as of the end of each year. This tax complements income tax. The Company's tax liability will coincide with the higher between the determination of tax on minimum presumed income and the Company's tax liability related to income tax, calculated applying the current 35% income tax rate to taxable income for the year. However, if the tax on minimum presumed income exceeds income tax during one tax year, such excess may be computed as prepayment of any income tax excess over the tax on minimum presumed income that may be generated in the next ten years.

Under Law No. 25,063, dividends distributed, either in cash or in kind, in excess of accumulated taxable income as of the end of the year immediately preceding the dividend payment or distribution date, shall be subject to a 35% income tax withholding as a sole and final payment, except for those distributed to shareholders resident in countries benefited from treaties for the avoidance of double taxation, which will be subject to a minor tax rate.

Additionally, on September 20, 2013, Law No. 26,893 was enacted, establishing changes to the Income Tax Law, and determining, among other things, an obligation respecting such tax as a single and final payment of 10% on dividends paid in cash or in kind (except in shares) to foreign beneficiaries and individuals residing in Argentina, in addition to the 35% retention mentioned above. The dispositions of this Law came in force on September 23, 2013, date of its publication in the Official Gazette.

***Personal assets tax    Substitute responsible***

Individuals and foreign entities, as well as their undistributed estates, regardless of whether they are domiciled or located in Argentina or abroad, are subject to personal assets tax of 0.5% of the value of any shares or ADSs issued by Argentine entities, held at December 31 of each year. The tax is levied on the Argentine issuers of such shares or ADSs, such as YPF, which must pay this tax in substitution of the relevant shareholders, and is based on the equity value (following the equity method), or the book value of the shares derived from the latest financial statements at December 31 of each year. Pursuant to the Personal Assets Tax Law, the Group is entitled to seek reimbursement of such paid tax from the applicable shareholders, using the method the Group considers appropriate.

***Royalties and withholding systems for hydrocarbon exports***

A 12% royalty is payable on the estimated value at the wellhead of crude oil production and the commercialized natural gas volumes. The estimated value is calculated based upon the approximate sale price of the crude oil and gas produced, less the costs of transportation and storage. To calculate royalties, the Company has considered price agreements according to crude oil buying and selling operations obtained in the market for certain qualities of such product, and has applied these prices, net of the discounts mentioned above, according to regulations of Law No. 17,319 and its amendments. In addition, and pursuant to the extension of the original terms of exploitation concessions, the Company has agreed to pay an extraordinary production royalty and in some cases a royalty of 10% is payable over the production of unconventional hydrocarbons (see Note 11).

Royalty expense and the extraordinary production royalties are accounted for as a production cost.

Law No. 25,561 on Public Emergency and Exchange System Reform ( Public emergency law ), issued in January 2002, established duties for hydrocarbon exports for a five-year period. In January 2007, Law No. 26,217 extended this export withholding system for an additional five-year period and also established specifically that this regime is also applicable to exports from Tierra del Fuego province , which were previously exempted. In addition, Law No. 26,732 published in the Official Gazette in December 2011 extended for an additional 5 years the mentioned regime. On November 16, 2007, the Ministry of Economy and Production ( MEP ) published Resolution No. 394/2007, modifying the withholding regime on exports of crude oil and other refined products. In addition, the Resolution No. 1/2013, published on January 3, 2013 and the Resolution No. 803/2014 published on October 21, 2014 from the Ministry of Economy and Public Finance modified the reference and floor prices.

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Resolution No. 1,077/2014 dated on December 29, 2014 repealed Resolution No. 394/2007 and amended and established a new withholding system based on the International Price of crude oil ( IP ), calculated on the basis of the Brent value applicable to the export month minus eight dollars per barrel (US\$ 8.0 per barrel). The new regime establishes a general nominal rate of 1% while IP is below US\$ 71 per barrel. Additionally, the Resolution establishes an increasing variable rate for export of crude oil while IP is above US\$ 71 per barrel; therefore, the producer will collect a maximal value of about US\$ 70 per exported barrel, depending on the quality of crude oil sold. Likewise, the Resolution establishes a variable increasing withholding rates for exports of diesel, gasoline, lubricants and other petroleum derivatives when IP exceeds US\$ 71 per barrel by using formulas allowing the producer to collect a portion of such higher price.

Furthermore, in March 2008, Resolution No. 127/2008 of the MEP increased the natural gas export withholding rate to 100% of the highest price from any natural gas import contract. This resolution has also established a variable withholding system applicable to liquefied petroleum gas, similar to the one established by the Resolution No. 394/2007.

**1.b.16) Shareholders equity accounts**

Shareholders equity accounts have been valued in accordance with accounting principles in effect as of the transition date. The accounting transactions that affect shareholders equity accounts were accounted for in accordance with the decisions taken by the Shareholders meetings, and legal standards or regulations.

**Subscribed capital stock and adjustments to contributions**

Consists of the shareholders contributions represented by shares and includes the outstanding shares at face value net of treasury shares mentioned in the following paragraph Treasury shares and adjustment to treasury shares . The subscribed capital account has remained at its historical value and the adjustment required previous Argentine GAAP to state this account in constant Argentine pesos is disclosed in the Adjustments to contributions account.

The adjustment to contributions cannot be distributed in cash or in kind, but is allowed its capitalization by issuing shares. Also, this item may be used to compensate accumulated losses.

**Treasury shares and adjustments to treasury shares**

Corresponds to the reclassification of the nominal value and the corresponding adjustment in constant peso (Adjustment to Contributions) of shares issued and repurchased by YPF in market transactions, as is required by the CNVs regulations in force.

**Share-based benefit plans**

Corresponds to the balance related to the share-based benefit plans as mentioned in Note 1.b.10.iii).

**Acquisition cost of repurchased shares**

Corresponds to the cost incurred in the acquisition of the shares that YPF holds as treasury shares (see Note 8).

Considering the CNV regulations RG 562, the distribution of retained earnings is restricted by the balance of this account.

Share trading premium

Corresponds to the difference between accrued amount in relation to the shared-based benefit plan and acquisition cost of the shares settled during the year in relation with the mentioned plan.

Considering the debit balance of the premium, distribution of retained earnings is restricted by the balance of this premium.

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### Issuance premiums

Corresponds to the difference between the amount of subscription of the capital increase and the corresponding face value of the shares issued.

### Legal reserve

In accordance with the provisions of Law No. 19,550, YPF has to appropriate to the legal reserve no less than 5% of the algebraic sum of net income, prior year adjustments, transfers from other comprehensive income to retained earnings and accumulated losses from previous years, until such reserve reaches 20% of the subscribed capital plus adjustment to contributions. As of December 31, 2015, the legal reserve has been fully integrated amounting 2,007.

### Reserve for future dividends

Corresponds to the allocation made by the YPF's Shareholders' meeting, whereby a specific amount is transferred to the reserve for future dividends.

### Reserve for investments and reserve for purchase of treasury shares

Corresponds to the allocation made by the YPF's Shareholders' meeting, whereby a specific amount is being assigned to be used in future investments and in the purchase of YPF's shares to meet the obligations arising from share-based benefit plan described in Note 1.b.10.iii).

### Initial IFRS adjustment reserve

Corresponds to the initial adjustment in the transition to IFRS application, which was approved by the Shareholders' meeting of April 30, 2013, in accordance with the General Resolution No. 609 of the CNV.

Such reserve cannot be used in distributions in cash or in kind to the shareholders or owners of YPF and may only be reversed for capitalization or absorption of an eventual negative balance on the Retained earnings account according to the aforementioned Resolution.

### Other comprehensive income

Includes income and expenses recognized directly in equity accounts and the transfer of such items from equity accounts to the income statement of the year or to retained earnings, as defined by IFRS.

### Retained earnings

Includes accumulated gains or losses without a specific appropriation that being positive can be distributed upon the decision of the Shareholders' meeting, while not subject to legal restrictions. Additionally, it includes the net income of previous years that was not distributed, the amounts transferred from other comprehensive income and adjustments to income of previous years produced by the application of new accounting standards.

Additionally, pursuant to the regulations on the CNV, when the net balance of other comprehensive income account is positive, it shall not be distributed, capitalized nor used to compensate accumulated losses, and when the net balance of these results at the end of a year is negative, a restriction on the distribution of retained earnings for the same amount will be imposed.

Non-controlling interest

Corresponds to the interest in the net assets acquired and net income of Metrogas (30%) and YPF Tecnología S.A. (49%), representing the rights on shares that are not owned by YPF.

**1.b.17) Derivative financial instruments and hedge transactions**

Derivative financial instruments are recognized at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge instrument, and, if so, the nature of the item being hedged.

The Group manages exposures to several risks using different financial instruments. The Group does not use derivative financial instruments for speculative purposes. As of this date, the Group has used US dollar future exchange rate agreements.



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The Group's policy is to apply hedge accounting to hedging relationships where it is both permissible under IFRS 9, practical to do so and its application reduces volatility. Transactions that may be effective hedges in economic terms may not always qualify for hedge accounting under IFRS 9. As of this date, the Group has not applied hedge accounting to its derivative financial instruments. Gains or losses from these derivative financial instruments are classified as Financial results, net, in the statement of comprehensive income.

Fair values of derivative financial instruments that are traded in active markets are computed by reference to market prices. The fair value of derivative financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each fiscal year. As of December 31, 2015, the Group only holds derivative instruments traded on active markets

### **1.b.18) Trade receivables and other receivables**

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

A provision for bad debt is created where there is objective evidence that the Group may not be able to collect all receivables within the original payment terms. Indicators of bad debts include significant financial distress of the debtor, the debtor potentially filing a petition for reorganization or bankrupt, or any event of default or past due account.

In the case of larger non-homogenous receivables, the impairment provision is calculated on an individual basis. When assessed individually, the Group records a provision for impairment which amounts to the difference between the value of the discounted expected future cash flows of the receivable and its carrying amount, taking into account existing collateral, if any. This provision takes into consideration the financial condition of the debtor, the resources, payment track-record and, if applicable, the value of collateral.

The Group does not hold significant homogeneous credits.

The carrying amount of the assets is reduced through the use of the provision account, and the amount of the loss is recognized in the statement of comprehensive income within Selling expenses. Subsequent recoveries of amounts previously written off are credited against Selling expenses in the statement of comprehensive income.

### **1.b.19) Cash and cash equivalents**

In the consolidated statement of cash flow, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquidity investments with original maturities of three months or less. They do not include bank overdrafts.

### **1.b.20) Dividends distribution**

Dividends payable by the Group are recognized as liabilities in the period in which they are approved.

### **1.b.21) Business combinations**

Business combinations are accounted for by applying the acquisition method when YPF takes effective control over the acquired company.

The Group recognizes in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and, goodwill, if any, in accordance with IFRS 3.

The acquisition cost is measured as the sum of the consideration transferred, measured at fair value at their acquisition date and the amount of any non-controlling interest in the acquired entity. The Group will measure the non-controlling interest in the acquired entity at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

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If the business combination is achieved in stages, the Group shall remeasure its previously held equity interest in the acquired entity at its acquisition date fair value and recognize a gain or loss in the statement of comprehensive income.

The goodwill cost is measured as the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed net by the Group. If this consideration is lower than the fair value of the assets identifiable and liabilities assumed, the difference is recognized in the statement of comprehensive income.

### **1.b.22) Total or partial disposal of foreign operation whose functional currency is other than the U.S. Dollar**

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated translation differences are re-attributed to non-controlling interest and are not recognized in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences arising are recognized in other comprehensive income.

### **1.b.23) Segment Information**

Operating segments are reported in a manner consistent with the internal reporting provided to the top authority decision-maker, who is the person responsible for allocating resources and assessing the performance of the operating segments. Operating segments are described in Note 4.

### **1.b.24) New standards issued**

As required by IAS 8, Accounting policies, changes in accounting estimates and errors, we detail below a brief summary of the standards or interpretations issued by the IASB, whose application is mandatory as of the closing date of these consolidated financial statements, as well as of those whose application has not been mandatory as of the closing date of these consolidated financial statement and, therefore, have not been adopted by the Group.

*The standards, interpretations and related amendments published by the IASB whose application is mandatory as of the closing date of these consolidated financial statements and, therefore, have been applied by the Group, are the following:*

#### ***IAS 19 Employee Benefits***

In November 2013, IASB issued an amendment to IAS 19, to simplify the accounting on employees' contribution or third party to the defined benefit plans, allowing recognition of the aforementioned contribution as a reduction in the service cost in the period in which the related service was rendered rather than recognizing it at the service period.

It is applicable for fiscal years beginning on or after July 1, 2014.

***Annual improvements of IFRS 2010-2012 Cycle***

The 2010-2012 annual improvements are applicable to fiscal years beginning on or after July 1, 2014. There follows a summary of the main standards amended and the purposes thereof.

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<b>Standard</b>	<b>Purpose of the amendment</b>
IFRS 2 <i>Share-based payment</i>	Definition of the vesting conditions.
IFRS 3 <i>Business Combinations</i>	Accounting for the contingent consideration under a business combination
IFRS 8 Operating Segments	(i) Disclosure of criteria applied to decided whether or not to group operating segments, (ii) when is required reconciliation of all assets of the reportable segments to the assets of an entity
IFRS 13 Fair value measurement	Short-term receivables and payables
IAS 16 <i>Property, Plant and Equipment and IAS 38 Intangible assets</i>	Method of revaluation, pro rata restructuring of acumulated depreciation (amortization)
IAS 24 <i>Relates Parties Disclosures</i>	Key management staff
<b><i>Annual improvements of IFRS. 2011-2013 Cycle</i></b>	

The 2011-2013 annual improvements are applicable to fiscal years beginning on or after July 1, 2014. There follows a summary of the main standards amended and the purposes thereof.

<b>Standard</b>	<b>Purpose of the amendment</b>
IFRS 3 <i>Business combinations</i>	Exemptions to the scope of joint ventures
IFRS13 <i>Fair value measurement</i>	Scope of paragraph 52 (portfolio exception)
IAS 40 <i>Investment Property</i>	Clarification of the interpretation between IFRS 3 and IAS 40 in classifying of property as investment property or property occupied by owner
<b><i>Standards or interpretations issued by the IASB whose application is not mandatory at the closing date of these consolidated financial statements and have not been adopted by the Company.</i></b>	

***IFRS 9 Financial Instruments***

In July 2014, IASB introduced an amendment to supersede IAS 39. The standard includes the requirements for classification and measurement, impairment and hedge accounting of financial instruments. It is effective for fiscal years beginning on or after January 1, 2018 with early application permitted.

***IFRS 11 Join Arrangements***

In May 2014, IASB amended IFRS 11 in order to establish that acquisitions of participations in joint operations whose activities constitute a business as defined by IFRS 3, apply the accounting principles set out in this standard. It is effective for fiscal years beginning on or after January 1, 2016, with the early application permitted.

Amendments to IFRS 11 provide guidelines as to how to account for the acquisition of an interest in a joint venture in which activities constitute a business as per the definition of IFRS 3, Business Combinations .

Also, a joint operator is required to disclose the significant information requested by the IFRS 3 and other standards

applicable to business combinations.

Entities must apply amendments prospectively to the acquisitions of interests in joint ventures occurring from the beginning of fiscal years commencing on January 1, 2016.

The Company's Management does not anticipate that the application of these amendments to IFRS 11 will have a significant effect on the financial statements of the Company, as the Company does not deal in these types of transactions.

**Table of Contents*****IFRS 14 Regulatory deferral accounts***

In January 2014, the IASB approved IFRS 14 which is applicable to all fiscal years beginning on or after January 1, 2016, and which is authorized to be applied in advance. The scope of this Standard is limited to entities which have adopted the IFRS for the first time and which have recognized the balances of the regulated activities deferral accounts in their financial statements according to their previous accounting standards. The first accounting statements presented by the Group under the IFRS were as of December 31, 2012 and the standard was issued in January 2014. Therefore, the Group has not applied this standard to its financial statements.

***IFRS 15 Revenues from contracts with customers***

IFRS 15 is effective for periods reported as beginning on January 1, 2018 or later, though its early application is permitted. Entities may decide whether to apply the model retrospectively or use an amended transition approach, to which the standard will be applied retrospectively only in the event of contracts which have not been completed by the initial application date (e.g. January 1, 2018 for a company whose fiscal year ends on December 31)

IFRS 15 sets forth a comprehensive and detailed model for the entities to use it in the accounting of revenues from contracts with customers. It shall substitute for the following revenues Standards and Interpretations as of its effective date:

- IAS 18 Revenue;
- IAS 11 Construction contracts;
- IFRIC 13 Customer loyalty programmes;
- IFRIC 15 Agreements for the construction of real estate;
- IFRIC 18 Transfer of assets from customers; and
- SIC 31: Barter transactions involving advertising services.

***IAS 16 and 38 Depreciation and amortization methods***

Amendments to IAS 16, Property, plant and equipment prohibits entities from applying a depreciation method based in the income from property, plant and equipment items. On the other hand, amendments to IAS 38, Intangible assets include legal presumptions ascertaining that revenues are not appropriate principles for the amortization of intangible assets.

Amendments apply prospectively to annual fiscal years beginning on or after January 1, 2016, and its advanced application is permitted.

***IAS 16 and 41 Agriculture Production Plants***

Amendments to IAS 16 and IAS 41, Agriculture define the concept of production plant. In addition they require biological assets to meet this definition in order to be accounted for as property, plant and equipment under IAS 16 rather than IAS 41. As to the amendments, production plants may be measured using the cost model or the revaluation model set forth in IAS 16.

Amendments are retroactively applied for fiscal years beginning on or after January 1, 2016 and advanced application is permitted. As a temporary provision, entities need not disclose the quantitative information required by paragraph 28 (f) of IAS 8 for the current period. However, quantitative information is required for the previous fiscal year filed.

***IAS 27 Separate Financial Statements***

Amendments focus on separate financial statements and allow the use of the equity method in such financial statements.

Amendments are retroactively applied for fiscal years beginning on or after January 1, 2016 and advanced application is permitted



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***IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture***

In September 2014, the IASB amended IFRS 10 and the IAS 28 to clarify that in transactions involving a controlled company, the extension of the profit or loss to be recognized in the financial statements depends on whether the controlled company sold or contributed constitutes a business according to the IFRS 3.

On August 10, 2015, the IASB issued a proposal to postpone the effective date of these amendments indefinitely depending on the result of its research project on the accounting through the equity method, which was approved on December 17, 2015.

***IAS 1 Presentation of the financial statements Disclosures initiative***

Amendments to IAS 1 are effective for fiscal years beginning on or after January 1, 2016 and advanced application is permitted. The application of the amendments need not be disclosed.

The amendments were a response to the comments that there were difficulties in the application of the materiality concept in practice at the time of drafting some of the requirements of IAS 1 has been interpreted to avoid the use of judgment. Some highlights of the amendments are as follow:

The entity should not reduce the understandability of its financial statements by concealing substantial information with irrelevant information or by adding material elements with different nature or function.

The entity does not need to disclose specific information required by the IAS if the resulting information is not material.

In the section *Other comprehensive income* of a Statement of Comprehensive Income and other comprehensive income, amendments require separate disclosures for the following elements:

- the proportion of other comprehensive income of associates and joint ventures which is recognized by the equity method and which will not be subsequently reclassified to results, and
- the proportion of other comprehensive income of associates and joint ventures which is recognized by the equity method and which will be subsequently reclassified to results.

In addition, amendments to IAS 1 are related to the following matters:

Materiality

Disaggregation and subtotals

Notes

Disclosure of accounting policies

Other comprehensive income resulting from investments recognized by the equity method  
***IFRS 10, IFRS 12 and IAS 28 Exemption from consolidation for investment entities.***

In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 which are applicable to fiscal years beginning on or after January 1, 2016, and may be applied in advance.

Amendments clarify, among other things that the exemption from preparation of consolidated financial statements is available for a controlling entity which is controlled by an investment entity, even if the investment entity measures all its controlled companies at fair value under IFRS 10. The amendments resulting from IAS 28 to clarify the exemption from applying the equity method is applicable to an investor in an associate or joint venture if such investor is controlled by an investment entity which measures all its investments at fair value.

Amendments further clarify that the requirement that an investment entity consolidate a controlled company that provides services related to the foregoing investment activities is only applicable to controlled companies which are not investment entities.

On the other hand, amendments clarify that by applying the equity method to an associate or joint venture which is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its affiliates.

Finally, it is also made clear that an investment entity that measures all its controlled companies at fair value must make the disclosures required by IFRS 12 Disclosure of interest in other entities .

**Table of Contents*****Annual improvements to the IFRS- 2012-2014 Cycle***

In September 2014, the IASB issued 2012-2014 annual improvements which are applicable to fiscal years beginning on or after January 1, 2016, and may be applied in advance.

There follows a summary of the main standards amended and their respective purposes:

<b>Standard</b>	<b>Purpose of amendment</b>
IFRS 5 Non-current assets held for sale and discontinued operations.	Changes in assets disposal methods
IFRS 7 Financial instruments disclosures (with amendments results from IFRS 1 amendments)	(i) Service Agreements  (ii) Applicability of IFRS 7 amendments to compensation disclosures in condensed interim financial statements.
IAS 19 Employee Benefits	Discount rate: regional market issues
IAS 34 Interim financial reporting	Disclosure of information included elsewhere in the interim financial statement

Currently the Group is analyzing the impact of the enforcement of standard amended and new standards.

**1.c) Accounting Estimates and Judgments**

The items in the financial statements and areas which require the highest degree of judgment and estimates in the preparation of the financial statements are: (1) crude oil and natural gas reserves; (2) provisions for litigation and other contingencies; (3) provisions for environmental liabilities and hydrocarbon wells abandonment obligations (see Note 1.b.6 paragraph iv); (4) the calculation of income tax and deferred income tax; and (5) provision for impairment of fixed assets and intangible asset (see Note 1.b.9).

***Crude oil and natural gas reserves***

Estimating crude oil and gas reserves is an integral part of the Company's decision-making process. The volume of crude oil and gas reserves is used to calculate the depreciation using unit of production ratio and to assess the impairment of the capitalized costs related to the exploration and production assets (see Notes 1.b.8 and 1.b.9 and last paragraph of this note)

The Group prepares its estimates of crude oil and gas reserves in accordance with the rules and regulations established for the crude oil and natural gas industry by the U.S. Securities and Exchange Commission ( SEC ).

***Provisions for litigation and other contingencies***

The final costs arising from litigation and other contingencies, and the perspective given to each issue by the Management may vary from their estimates due to different interpretations of laws, contracts, opinions and final assessments of the amount of the claims. Changes in the facts or circumstances related to these types of contingencies can have, as a consequence, a significant effect on the amount of the provisions for litigation and other contingencies

recorded or the perspective given by the Management.

***Provisions for environmental costs***

Given the nature of its operations, the Group is subject to various provincial and national laws and regulations relating to the protection of the environment. These laws and regulations may, among other things, impose liability on companies for the cost of pollution clean-up and environmental damages resulting from operations. YPF management believes that the Group's operations are in substantial compliance with laws and regulations of Argentina and the countries where the Group operates, relating to the protection of the environment as such laws have historically been interpreted and enforced.

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The Group periodically conducts new studies to increase its knowledge of the environmental situation in certain geographic areas where it operates in order to establish the status, cause and remedy of a given environmental issue and, depending on its years of existence, analyze the Argentine Government's possible responsibility for any environmental liabilities existing prior to December 31, 1990. The Group cannot estimate what additional costs, if any, will be required until such studies are completed and evaluated; however, provisional remedial or other measures may be required.

In addition to the hydrocarbon wells abandonment legal obligation, the Group has accrued the environmental remediation which evaluations and/or remediation works are probable and can be reasonably estimated, based on the Company's existing remediation program. Legislative changes, on individual costs and/or technologies may cause a re-evaluation of the estimates. The Group cannot predict what environmental legislation or regulation will be enacted in the future or how future laws or regulations will be administered. In the long-term, these potential changes and ongoing studies could materially affect the Group's future results of operations.

Additionally, certain environmental contingencies in the United States of America were assumed by Tierra Solutions Inc. and Maxus Energy Corporation, indirect controlled companies through YPF Holdings Inc. The detail of these contingencies is disclosed in Note 10.

***Income tax and deferred income tax assets and liabilities***

The proper assessment of income tax expenses depends on several factors, including interpretations related to tax treatment for transactions and/or events that are not expressly provided for by current tax law, as well as estimates of the timing and realization of deferred income taxes. The actual collection and payment of income tax expenses may differ from these estimates due to, among others, changes in applicable tax regulations and/or their interpretations, as well as unanticipated future transactions impacting the Group's tax balances.

***Provision for impairment of fixed assets and intangible assets***

As indicated in Note 1.b.8 and 1.b.9, as a general criterion, the method used to estimate the recoverable amount of fixed assets and intangible assets mainly consists in the calculation of the value in use, based on the future estimate cash flows resulting from the exploitation of the relevant assets, discounted at a rate that reflects the weighted average capital employed.

For fiscal year 2015, the discount rate was 10.33% after taxes (the discount rate applied for fiscal year 2014 was 10.86% after taxes).

Calculations of crude oil price estimates for fiscal year 2015 for the CGU Oil YPF of the Exploration and Production Segment have taken into account the disengagement of internal market prices from international prices with respect to this product in the latest years, based on the negotiations between country's Producers and Refineries and Argentine Government policies intended to preserve the sector activity levels and ensure the crude oil supply for the country. Therefore, the following local market price presumptions have been considered for the different varieties of crude oil: i) for 2016 and 2017 the Company has considered local market prices according to the negotiations between Producers and Refineries based on prices currently effective since January 2016, resulting in an estimate of US\$/Bbl 67.5 for Medanito crude oil, US\$/Bbl 54.9 for Escalante crude oil and US\$/Bbl 55.9 for Cañadón Seco crude oil; ii) for 2018, 2019 and 2020, it has been considered the estimates for the local prices based on the the estimation of the international price (adjusted by the quality of each type of crude oil, freight and the relative shortage situation in the local market) set on the basis of estimate Brent crude oil values according to analysts' consensus estimates available as of December 31, 2015 (at US\$/Bbl 68.7 for 2018, US\$/Bbl 68.3 for 2019 and US\$/Bbl 69.3 for 2020); and iii) thereafter,

a projected price curve is considered on the basis of an adjustment by United States of America forecasted inflation.

Based on the above mentioned methodology and presumptions, the Group has recorded a charge for impairment of fixed assets with respect to the CGU Oil - YPF of the Exploration and Production Segment of 2,361 as of December 31, 2015, mainly due to a decrease in the short-term price of oil in the local market and a reduction in the expectations of medium and long term international prices. The recoverable amount of the CGU Oil - YPF, after taxes, amounts to 76,829.

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In addition, the Group has recorded a charge for impairment of fixed assets for the CGU Oil - YPF Holdings which groups the assets of crude oil production fields in the United States, of 94 as of December 31, 2015, due to a decrease in crude oil international prices. The recoverable amount of the CGU Oil - YPF Holdings amounts to 179. Likewise, the Group has recorded a charge for impairment of intangible assets of 80 related to exploration rights of which the recoverable amount is zero.

For fiscal years ended December 31, 2014 and 2013, the Group has not recorded charges for impairment, or income from reversion of impairment of assets.

Main factors that could result in additional charges for impairment in future periods would be any increase in the discount rate used for the cash flow estimates and a further decline in the business, competitive and economic factors, such as oil and gas prices, change in the number of equipment units, the competitive context and the cost of raw material, as well as a potential revisions of previous estimates of reserves based on the new prices.

**1.d) Comparative Information**

Balance items as of December 31, 2014 and 2013 presented in these financial statements for comparison purposes arise from the consolidated financial statements then ended. Certain reclassifications have been made in order to present figures comparatively with those of this year.

**2. ACQUISITIONS AND DISPOSALS****Fiscal year ended on December 31, 2015**

May 7 2015, Repsol Butano S.A. transferred to YPF shares representing 33.997 % of YPF Gas S.A.'s capital stock and Repsol Trading S.A. transferred to YPF 17.79% of Oleoducto Transandino Chile's capital stock, the transaction was made for an amount of 161.

**Fiscal year ended on December 31, 2014**

On February 12, 2014, YPF and its subsidiary YPF Europe BV ( YPF Europe , constituted in January, 2014) accepted an offer made by Apache Overseas Inc. and Apache International Finance II S.à r.l. (collectively, Apache Group ) for the acquisition of 100% of Apache's interest in controlled companies which are the owners of assets located in the Argentine Republic, and the acquisition of certain intercompany loans owed by the acquired companies to the Apache Group companies. The price agreed upon by the parties was US\$ 786 million, which was canceled through by an initial deposit of US\$ 50 million held on February 12, 2014, and the remaining balance was paid on March 13, 2014, date from which YPF has taken control of the mentioned companies (the acquisition date ). Together with the assets and liabilities incorporated by these companies, local market debt was assumed for US\$ 31 million.

As of result of the previously described transaction, YPF acquired the following corporate shares: (i) 100% of the capital stock of Apache Canada Argentina Investment S.à r.l. and 100% of the capital stock of Apache Canada Argentina Holdings S.à r.l.; (ii) 100% of the capital stock of Apache Argentina Corporation, through which it will control 65.28% of Apache Petrolera Argentina S.A., and (iii) 34.72% of Apache Petrolera Argentina S.A. Since YPF has acquired 100% of the interest, there is no non-controlling interest recorded.

As of the date of acquisition these companies controlled directly or indirectly assets in the provinces of Neuquen, Tierra del Fuego and Río Negro, with a total production of approximately 49,100 oil equivalent barrels per day and had an important infrastructure of pipelines and facilities and around 350 employees. In addition, certain assets have potential for exploration and development in the Vaca Muerta formation.

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The fair value of the main identified assets and liabilities of the companies acquired (100% interest values and after consolidation adjustments), which have been incorporated in the Company's balance sheet as of the date of acquisition is disclosed below:

Cash and cash equivalents	95
Assets held for sale	1,538
Inventories	55
Trade receivables	520
Other receivables and other assets	213
Intangible assets Exploration rights	1,246
Fixed assets	5,469
Provisions	781
Deferred income tax liabilities	1,241
Loans	110
Accounts payables	639
Social security and other taxes payables	134
Income tax liability	24

Below is detailed the information related with revenues, costs and expenses of the acquired companies required by IFRS:

	<b>Since the acquisition date up to December 31, 2014</b>	<b>Since the beginning of the year up to December 31, 2014</b>
Revenues	3,370	4,099
Cost of sales	(2,960)	(3,601)
Gross profit	410	498
Other operating expenses	(232)	(282)
Operating income	178	216
Financial result, net	(78)	(95)
Income tax	560	681
Net income for the period	660	802

Additionally, YPF and Apache Energía Argentina S.R.L. has entered into a transfer of assets agreement with Pluspetrol S.A. ( Pluspetrol ) whereby it will transfer, in exchange for US\$ 217 million, an interest that belongs to Apache Energía Argentina S.R.L. (a subsidiary of Apache Canada Argentina Holdings S.à.r.l.), in three concessions and four joint operation contracts, as well as an interest of YPF in a joint operation contract. The aforementioned interests correspond to assets located in the Province of Neuquén, with the objective of jointly exploring and developing the Vaca Muerta formation. The mentioned transaction has been approved by the regulatory authority during November, 2014.

During October, 2014, the registered names of some companies have changed as follows: Apache Energía Argentina S.R.L. to YSUR Energía Argentina S.R.L.; Apache Natural Resources Petrolera Argentina S.R.L. to YSUR Recursos Naturales S.R.L.; Apache Petrolera Argentina S.A. to YSUR Petrolera Argentina S.A.; Apache Argentina Corporation

to YSUR Argentina Corporation; Apache Canada Argentina Investment S.à.r.l. to YSUR Argentina Investment S.à.r.l.; and Apache Canada Argentina Holdings S.à.r.l. to YSUR Argentina Holdings S.à.r.l.

On January 31, 2014, YPF acquired Petrobras Argentina S.A.'s 38.45% interest in the joint operation contract Puesto Hernández signed between both companies for the exploitation of the Puesto Hernández area (the Area). The Area is an exploitation concession located in the Provinces of Neuquén and Mendoza. YPF is the holder of the concession until 2027, which is operated under the aforementioned joint operation contract which expires on June 30, 2016 and will be early terminated. Now YPF owns 100% interest in the Area, and has become the operator. Puesto Hernández currently produces approximately 10,000 barrels per day of light crude oil (Medanito quality). The transaction was completed for the amount of US\$ 40.7 million. By becoming the operator of the Area, YPF will be able to accelerate its investments plans to optimize the Area's production potential until 2027. The amount paid was mainly classified as fixed assets.

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On February 7, 2014, YPF acquired Potasio Rio Colorado S.A.'s 50% interest in the joint operation contract, Segment 5 Loma La Lata Sierra Barrosa (known as Lajas formation) signed by YPF and Potasio Rio Colorado S.A. for the exploitation of the Lajas formation concession area (the Area). The Area is an exploitation concession, located in the Province of Neuquén. YPF is the holder of the concession which expires in 2027. Exploitation of the Area was conducted under the aforementioned joint operation contract. The terms of the joint operation contract provided that it would expire upon the earlier of the expiration of the concession or the early termination of any agreement or contract that granted the right to continue exploiting the Area. As a result of the termination of the joint operation contract YPF will own 100% interest in the Area. The consideration for the transaction was US\$ 25 million. The amount paid was mainly classified as fixed assets.

YPF and Sinopec Argentina Exploration and Production, Inc., Sucursal Argentina (SINOPEC), are part in a Joint Operating Agreement (JOA) in the area La Ventana, located in the basin of Cuyo in the Province of Mendoza, whose original due date was December 31, 2016. YPF is the exclusive owner of such exploitation concession whose due date was November 14, 2017, and through executive order of the Province of Mendoza No. 1,465/2011 the original due date was extended for 10 years more, to November 14, 2027, the new concession due date. On September 1, 2014 (effective date) YPF and SINOPEC extended the JOA's due date in relation with the Concession for the Exploitation of Hydrocarbons in the area La Ventana, until December 31, 2026. The extension of the Concession and the JOA involve the continuity of the participation of the parties in the rights and commitments that emerge from the Concession and that, as of the effective date, YPF's percentage of participation increased by an additional 10%, reaching 70%. The consideration for the transaction was US\$ 44 million, an amount that SINOPEC will pay to YPF for the extension of the Concession. Additionally, the transaction generated an income of 369, which has been charged to Other operating result, net, in the statement of comprehensive income.

On December 5, 2014, an agreement has been signed between the Province of Neuquén, Gas y Petróleo del Neuquén S.A., YPF S.A. and YSUR Energía Argentina S.R.L. in which the restructuring of the Joint Operating Agreement has been arranged related to La Amarga Chica and Bajada de Añelo non-conventional hydrocarbons exploitation concession in which YPF and YSUR will hold the following interests: (i) La Amarga Chica, YPF S.A. 100% (ii) Bajada de Añelo: YPF S.A. 85% and YSUR Energía Argentina S.R.L. 15%. As compensation for the aforementioned restructuring (a), YPF S.A. has made a US\$41 million payment to the Neuquén Province, US\$ 12 million for and on behalf of YSUR Energía Argentina S.R.L. and (b) YPF and YSUR granted in favor of the Province of Neuquén, who thereby contributed to Gas y Petróleo de Neuquén S.A., the totality of YPF and YSUR's interests in the following areas: (i) Puesto Cortadera; (ii) Loma Negra NI; (iii) Cutral Co Sur; (iv) Neuquén del Medio; (v) Collon Cura Bloque I; (vi) Bajo Baguales. These transferences became effective on January 1, 2015.

**Fiscal year ended on December 31, 2013**

During May 2013, the Company, through its subsidiary YPF Inversora Energética S.A. took control of GASA (controlling company of Metrogas), by acquiring shares representing a 54.67% interest in GASA. Prior to this acquisition, the Company through its interest in YPF Inversora Energética S.A. owned 45.33% of the capital of GASA

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The main characteristics of the transaction, as well as information to enable users of the financial statements to assess the nature and financial effects of the business combination resulting from the aforementioned operation, as IFRS requires are described below.

Name and description of the acquired entity: GASA is the parent company of Metrogas, company awarded with the license for the distribution of natural gas in the City of Buenos Aires and southern suburbs of Buenos Aires Province.

GASA owns 70% equity interest of Metrogas by holding all of the class A representing a stake of 51% in capital, and class B shares representing a stake of 19% in capital.

Metrogas provides distribution services to approximately 2.2 million customers within its service area (city of Buenos Aires and eleven municipalities in the south of Buenos Aires).

The acquisition date, the percentage acquired and primary reasons for the acquisition: YPF has fulfilled with the obligations arising from the purchase agreement, which corresponded to the payment of the balance of the purchase price, during May 2013. As a result of the transaction (which includes shares representing 54.67% stake in GASA), YPF controls 100% of GASA.

As described in Resolution No. 1/2566 D from Enargas, the operation is expected to result in a substantial benefit to customers of the distribution company as a consequence of applying to Metrogas a responsible management, not only in economic and financial matters, but also taking social principles upon which the welfare of current and future generations.

The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each main asset: The price of the above operation (acquisition of shares representing 54.67% stake in GASA) was US\$ 9.7 million, which implies a total value for the 100% of the participation in GASA of approximately US\$ 17.7 million, which approximates the fair value of the net assets and liabilities of the acquired company.

Below are the fair values of the main assets and liabilities of the acquired company (values at 100% interest) at acquisition date, which have been incorporated into YPF's balance sheet as of the acquisition date:

Cash and cash equivalents	143
Trade receivables	318
Other receivables and other assets	23

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Fixed assets	1,788
Provisions	104
Loans	879
Accounts payables	461
Social security and other taxes payables	102
Deferred income tax liabilities	328
Income tax liability	12

Additionally, non-controlling interest amounted to 178 as of the date of acquisition, corresponding to the 30% interest in Metrogas, a company controlled by GASA.

Prior to the transaction, the carrying value of the interest in GASA amounted to zero. As a consequence of the acquisition, remeasurement of shares in GASA to fair value generated a gain of approximately 136, which has been recorded in the second quarter of 2013 under Income on investments in companies account in the comprehensive income statement of YPF for the year ended December 31, 2013.

	Revenues	1,363
	Cost of sales	(1,044)
	Gross profit	319
Income and expenses from ordinary activities of GASA since the acquisition date included in the financial statements of the YPF for the year 2013:	Other operating expenses	(266)
	Operating income	53
	Financial result, net	(326)
	Income tax	139
	Net loss for the year	(134)
Income and expenses from ordinary activities of GASA since the beginning 2013 and until December 31, 2013:	Revenues	1,848
	Cost of sales	(1,425)
	Gross profit	423
	Other operating expenses	(394)
	Operating income	29
	Financial result, net	721 <sup>(1)</sup>
	Income tax	(253)
	Net income for the year	497

(1) Includes the gain as a result of debt restructuring of Metrogas and GASA prior to the acquisition date for a total amount of 1,141

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On June 4, 2013, YPF, Pluspetrol Resources Corporation B.V. ( PPRC ) and Pluspetrol Energy S.A. ( PPE ) signed an agreement to carry out a spin off PPE, without dissolving it, and allocate part of their assets to create a new spun off company.

This spin-off was done with effective date on August 1, 2013 and as a consequence, YPF Energía Eléctrica S.A. was created (spun off company), on which YPF directly or indirectly holds 100% interest and YPF withdrew its participation in PPE.

As a result of the spin off, YPF Energía Eléctrica S.A. maintained the electric generation business, previously operated by PPE, and a 27% interest in Ramos Consortium.

The main characteristics of the transaction, as well as information to enable users of the financial statements to assess the nature and financial effects of the business combination resulting from the aforementioned operation as IFRS requires, are described below.

Name and description of the parent company:	Pluspetrol Energy S.A. On July 31, 2013, YPF had 45% interest on its capital.
Name and description of the spun off company:	YPF Energía Eléctrica S.A. The main goal of this company is the electric generation business operating two power plants in the province of Tucuman, plus a 27% interest in the Ramos Consortium dedicated to the Exploration and Production of Hydrocarbons.
The spin off date:	July 31, 2013
Fair value of the consideration transferred and fair value of the main assets of the acquisition:	The fair value of the net assets and liabilities transferred to the company s spin off process, amounted to 485. Below are the main items:

Trade receivables	65
Fixed assets	638
Accounts payables	77
Loans	52
Social security and other taxes payables	50
Deferred income tax liabilities	35
Other Liabilities	4

Prior to the transaction, the carrying amount of the investment in PPE was 350 and YPF maintained a 115 translation difference reserve in relation with the mentioned investment. As a consequence of the spin-off, the fair value of the assets and liabilities emerging from the spin-off of Pluspetrol Energy S.A. generated a gain of approximately 20, that was recorded in the second semester of 2013 under the Income on investments in companies account in the comprehensive income statement of the Company for the year ended December 31, 2013.

Revenues	266
Cost of sales	(162)

Income and expenses from ordinary activities of YPF Energía Eléctrica since the acquisition date included in the financial statements of the Company for the year ended December 31, 2013:	Gross profit	104
	Other operating expenses	8
	Operating income	112
	Financial results, net	(16)
	Income tax	(28)
	Net income for the year	68

### 3. FINANCIAL RISK MANAGEMENT

The Group's activities involve various types of financial risks: market risk (including exchange rate risk, interest rate risk and price risk, credit risk, liquidity risk, and capital risk). The Group maintains an organizational structure and systems that allow the identification, measurement and control of the risks to which it is exposed.

#### Market Risk

The market risk to which the Group is exposed is the possibility that the valuation of the Group's financial assets or financial liabilities as well as certain expected cash flows may be adversely affected by changes in interest rates, exchange rates or certain other price variables.

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The following is a description of these risks as well as a detail of the extent to which the Company is exposed and a sensitivity analysis of possible changes in each of the relevant market variables.

**Exchange Rate Risk**

The value of financial assets and liabilities denominated in a currency different from the Company's functional currency is subject to variations resulting from fluctuations in exchange rates. Since YPF's functional currency is the U.S. dollar, the currency that generates the greatest exposure is the Argentine peso, the Argentine legal currency.

The Group does not use derivatives as a hedge against exchange rate fluctuations. While during this fiscal year the Group started to operate with US dollars future exchange rate agreements, for IFRS 7 Financial instruments: disclosures no exchange rate risk arises from financial instruments denominated in the Entity's functional currency.

Otherwise, according to the Company's functional currency, and considering the translation process to presentation currency, the fluctuations in the exchange rate related to the financial assets and liabilities' value in pesos does not have any effect in the Other comprehensive income in Shareholders' equity.

The following table provides a breakdown of the effect a variation of 10% in the prevailing exchange rates on the Group's net income, taking into consideration the exposure of financial assets and liabilities denominated in pesos as of December 31, 2015

	<b>Appreciation (+) / depreciation (-) of exchange rate of peso against dollar</b>	<b>Income(loss) for fiscal year ended December 31, 2015</b>
Impact on net income before income tax corresponding to financial assets and liabilities	+10%	1,912
	-10%	(1,912)

**Interest Rate Risk**

The Group is exposed to risks related to interest rates to different extents, according to the different types of maturities and currencies in which a loan was borrowed or cash was invested.

The Company's short-term financial loans as of December 31, 2015 include negotiable obligations, pre-financing of exports and imports' financing arrangements, local bank credit lines and financial loans with local and international financial institutions. Long-term financial loans include negotiable obligations and financial loans with local and international financial institutions. Approximately 73% (77,538) of the total of the financial loans of the Group is denominated in U.S. dollars and the rest in Argentine pesos, as of December 31, 2015. These loans are basically used for working capital and investments.

Financial assets mainly include, in addition to trade receivable which have low exposure to interest rate risk, bank deposits, fixed-interest deposits and investments in mutual funds such as money market or short-term fixed interest rate instruments.



Historically, the strategy for hedging interest rates is based on the fragmentation of financial counterparts, the diversification of the types of loans taken and, essentially, the maturities of such loans, taking into consideration the different levels of interest along the yield curve in pesos or U.S. dollars, and the amount of the loans based on future expectations and the timing of the future investment outlays to be financed.

The Group does not usually use derivative financial instruments to hedge the risks associated with interest rates.

Changes in interest rates may affect the interest income or expenses derived from financial assets and liabilities tied to a variable interest rate. Additionally, the fair value of financial assets and liabilities that accrue interests based on fixed interest rates may also be affected.

The table below provides information about the financial assets and liabilities as of December 31, 2015 that accrues interest considering the applicable rate:

	<b>December 31, 2015</b>	
	<b>Financial Assets <sup>(1)</sup></b>	<b>Financial Liabilities <sup>(2)</sup></b>
Fixed interest rate	667	74,386
Variable interest rate	27	31,365
<b>Total</b>	<b>694</b>	<b>105,751</b>

(1) It only includes temporary investments and loans to related companies. Does not include trade receivables which mostly do not accrue interest.

(2) Includes only financial loans. Does not include accounts payable which mostly do not accrue interest.

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The portion of loans which accrues variable interest rate is mainly exposed to the fluctuations in LIBOR and BADLAR. Approximately 22,564 accrues variable interest of BADLAR plus a maximum spread of 4.75% and 8,801 accrues variable interest of LIBOR plus a spread between 4% and 7.5%.

The table below shows the estimated impact on the consolidated comprehensive income that an increase or decrease of 100 basis points in the interest rate would have.

	<b>Increase (+) / decrease (-) in the interest rates (basis points)</b>	<b>Income(loss) for fiscal year ended December 31, 2015</b>
Impact on the net income after income tax	+100	(129)
	-100	129

**Other Price Risks**

The Group is not significantly exposed to commodity price risks, as a result, among other reasons, of the existing regulatory, economic and government policies, which determines that local prices charged for gasoline, diesel and other fuels are not affected in the short-term by fluctuations in the price of such products in international and regional markets. Additionally, the Group is reached by certain regulations that affect the determination of export prices received by the Group, such as those mentioned in Notes 1.b.15 and 11.c, which consequently limits the effects of short-term price volatility in the international market.

In addition, the Group is exposed to the own price risk for investments in financial instruments (mutual funds and US dollars future exchange rate agreements), which were classified in the statement of financial position as at fair value through profit or loss. The Group continuously monitors the change in these investments for significant movements.

As of December 31, 2015, the aggregate value of investments in financial assets at fair value through profit or loss amounts to 1,578.

The following table shows the effect that a 10% variation in the prices of investments in financial instruments would have on the Company's results as of December 31, 2015:

	<b>Increase (+) / decrease (-) in the prices of investments in financial</b>	<b>Profit (loss) for the year ended December 31, 2015</b>
Impact on the net result before income tax	+10%	391
	-10%	(453)

**Liquidity Risk**

Liquidity risk is associated with the possibility of a mismatch between the need of funds to meet short, medium or long term obligations.

As mentioned in previous paragraphs, the Group intends to align the maturity profile of its financial debt to be related to its ability to generate enough cash flows for its payment, as well as to finance the projected expenditures for each year. As of December 31, 2015 the availability of liquidity reached 20,087, considering cash for 13,920, other liquid financial assets for 1,467 and available credit lines with banks for 4,700. Additionally, YPF has the ability to issue debt under the negotiable obligations global program originally approved by the Shareholders meeting in 2008 expanded in September 2012, in April 2013 and in February 2015 (see Note 6.j).

After the process which concluded with the change of shareholders mentioned in Note 8, the Group is still focused in structuring more efficiently the structure of maturity of its debt, in order to facilitate the daily operations and to allow the proper financing of planned investments.

To this end, the Group operates derivative financial instruments (US dollars future exchange rate agreements) as a way of managing liquidity risk. As of December 31, 2015, there are US dollars future exchange rate agreements with maturities between February and May 2016. These amount to 464 (see Note 5).

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The following table sets forth the maturity dates of the Company's financial liabilities as of December 2015:

	December 31, 2015						Total
	Maturity date						
	0 - 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	
<b>Financial Liabilities</b>							
Accounts Payable <sup>(1)</sup>	39,511	514				103	40,128
Loans	27,817	6,888	21,928	3,892	5,914	39,312	105,751

(1) The amounts disclosed are the contractual, undiscounted cash flows associated to the financial liabilities given that they do not differ significantly from their face values

Most of the Company's financial debt contains usual covenants for contracts of this nature. Additionally, approximately 50% of the outstanding financial debt as of December 31, 2015 is subject to financial covenants related to the leverage ratio and debt service coverage ratio of the Company.

A portion of the financial debt provides that certain changes in control with respect to the Company may constitute an event of default. In addition, part of the financial debt also contains cross default or cross acceleration provisions (the Acceleration Clauses) which may result in their advanced enforceability if the debt containing provisions related to change of control becomes in default.

**Credit Risk**

Credit risk is defined as the possibility of a third party not complying with its contractual obligations, thus negatively affecting results of operations of the Group.

Credit risk in the Group is measured and controlled on an individual customer basis. The Group has its own systems to conduct a permanent evaluation of credit performance of all of its debtors, and the determination of risk limits with respect to third parties, in line with best practices using for such end internal customer records and external data sources.

Financial instruments that potentially expose the Group to a concentration of credit risk consist primarily of Cash and cash equivalents, trade receivables and other receivables. The Group invests excess cash primarily in high liquid investments with financial institutions with a strong credit rating both in Argentina and abroad. In the normal course of business and based on ongoing credit evaluations to its customers, the Group provides credit to its customers and certain related parties. Likewise, the Group accounts for doubtful trade losses in the Statement of Comprehensive Income, based on specific information regarding its clients. As of the date of these consolidated financial statements, the Company's customer portfolio is diversified.

The provisions for doubtful accounts are measured by the following criteria:

The aging of the receivable;

The analysis of the customer's capacity to return the credit granted, also taking into consideration special situations such as the existence of a voluntary reorganization petition, bankruptcy and arrears, guarantees, among others.

The maximum exposure to credit risk of the Group as of December 31, 2015 based on the type of its financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below, is set forth below:

	<b>Maximum exposure as of December 31, 2015</b>
Cash and cash equivalents	15,387
Other financial assets	29,743

Considering the maximum exposure to the risk of the Other financial assets based on the concentration variable of the counterparties, the credit with the National Government and direct agencies accounts for 44% (12,848) while the Group's remaining debtors are diversified.

Following is the breakdown of the financial assets past due as of December 31, 2015.

	<b>Current trade receivable</b>	<b>Other current receivables</b>
Less than three months past due	4,395	1,557
Between three and six months past due	952	112
More than six months past due	1,991	197
	7,338	1,866

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At such date, the provision for doubtful trade receivables amounted to 848 and the provisions for other doubtful receivables amounted to 33. These provisions are the Group's best estimate of the losses incurred in relation with accounts receivables.

**Guarantee Policy**

As collateral of the credit limits granted to customers, the Group has several types of guarantees received from them. In the service stations and distributors market, where generally long-term relationships with customers are established, mortgages prevail. For foreign customers prevail the joint and several bonds from their parent companies. In the industrial and transport market, bank guarantees prevail. With a lower presence, the Group has also obtained other guarantees as credit insurances, surety bonds, guarantee customer supplier, car pledges, etc.

The Group has effective guarantees granted by third parties for a total amount of 6,277, 3,676 and 2,131 as of December 31, 2015, 2014 and 2013, respectively.

During the year ended December 31, 2015, the Group executed guarantees received for an amount of 2. As of December 31, 2014 and 2013, the Group executed guarantees received for an amount of 1 and 4, respectively.

**4. SEGMENT INFORMATION**

The different segments in which the Group is organized have in consideration the different activities from which the Group obtains income and incurs expenses. The mentioned organizational structure is based on the way in which the highest authority in the operational decision-making process analyzes the main financial and operating magnitudes while making decisions about resource allocation and performance assessment also considering the Group's business strategy.

Exploration and production: it covers the exploration and production of hydrocarbons, including contractual purchases of natural gas and purchase of crude oil arising from service contracts and concession obligations, as well as crude oil and natural gas intersegment sales

Downstream: it covers the refining, petrochemistry, transport, purchase of crude oil and natural gas to third parties and intersegment, and marketing of crude oil, natural gas, refined products, petrochemicals, electric power generation and natural gas distribution. Grouping those businesses in a single segment is mainly because they are aligned in strategy, which is shared among them, considering the operational synergies generated between refining and petrochemical businesses, having the focus on maximizing fuel offered to the market carried out by the commercial department, in respect to volume and quality.

Corporate and Other: it covers other activities, not falling into these categories, principally including corporate administrative expenses and assets, construction activities, the environmental remediation and other legal expenses according to the controlled company YPF Holdings (see Note 10).

Sales between business segments were made at internal transfer prices established by the Company, which generally seek to approximate to market prices.



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Operating income and assets for each segment have been determined after consolidation adjustments.

	<b>Exploration and Production</b>	<b>Downstream</b>	<b>Corporate and Other</b>	<b>Consolidation Adjustments<sup>(1)</sup></b>	<b>Total</b>
<b>For the year ended December 31, 2015</b>					
Revenues from sales	16,044	138,962	1,130		156,136
Revenues from intersegment sales	64,243	1,535	6,182	(71,960)	
Revenues	80,287	140,497	7,312	(71,960)	156,136
Operating income (loss)	7,535	8,446	(2,331)	2,938	16,588
Income (loss) on investments in companies		318			318
Depreciation of fixed assets	23,075	3,168	442		26,685
Impairment of fixed assets and intangible assets <sup>(4)</sup>	2,535				2,535
Acquisition of fixed assets	48,598	9,343	1,939		59,880
Assets	223,035	113,805	26,708	(95)	363,453
<b>For the year ended December 31, 2014</b>					
Revenues from sales	8,853	132,254	835		141,942
Revenues from intersegment sales	61,844	1,489	5,212	(68,545)	
Revenues	70,697	133,743	6,047	(68,545)	141,942
Operating income (loss)	12,353	10,978	(3,343)	(246)	19,742
Income (loss) on investments in companies	(10)	568			558
Depreciation of fixed assets	17,180	2,445	311		19,936
Acquisition of fixed assets <sup>(2)</sup>	41,371	8,392	1,408		51,171
Assets	126,228	68,509	16,356	(2,539)	208,554
<b>For the year ended December 31, 2013</b>					
Revenues from sales	3,851	85,624	638		90,113
Revenues from intersegment sales	38,846	1,147	2,285	(42,278)	
Revenues	42,697	86,771	2,923	(42,278)	90,113
Operating income (loss)	6,324	6,721	(1,522)	(363)	11,160
Income (loss) on investments in companies	(93)	446			353
Depreciation of fixed assets <sup>(3)</sup>	9,591	1,452	193		11,236
Acquisition of fixed assets <sup>(3)</sup>	28,849	4,903	453		34,205
Assets	70,775	51,336	15,161	(1,677)	135,595

(1) Correspond to the elimination of income among segments of the group YPF.



- (2) Investments in fixed assets net of increases corresponding to YSUR Group at acquisition date, Joint Operations Puesto Hernández and Las Lajas, and La Ventana agreement at acquisition date of the additional interest. See Note 2.
- (3) Investments and depreciations of fixed assets net of increases corresponding to GASA at acquisition date and YPF Energía Eléctrica at spin-off date (see Note 2).
- (4) See Note 1.c).

The distribution of revenues by geographic area, according to the markets for which they are intended, for the years ended on December 31, 2015, 2014 and 2013, and fixed assets by geographic area as of December 31, 2015, 2014 and 2013 are as follows:

	Revenues			Fixed assets		
	2015	2014	2013	2015	2014	2013
Argentina	143,851	126,539	78,070	269,914	156,415	93,255
Mercosur and associated countries	6,302	8,298	6,461	553	38	20
Rest of America	4,175	4,753	4,022	438	477	221
Europe	1,808	2,352	1,560			
<b>Total</b>	<b>156,136</b>	<b>141,942</b>	<b>90,113</b>	<b>270,905</b>	<b>156,930</b>	<b>93,496</b>

As of December 31, 2015 no foreign client represents 10% or more of the Group's revenue from its ordinary activities.

## 5. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables show the financial assets and liabilities by category of financial instrument and a reconciliation to the corresponding line item in the statements of financial position, as appropriate. Since the line items Trade receivables, Other receivables and Accounts payable contain both financial instruments and non-financial assets and liabilities (such as tax receivables, and receivables and payables in kind, among other) reconciliation is presented in the columns headed Non-financial assets and Non-financial Liabilities.



<b>2015</b>					
<b>Financial Liabilities</b>	<b>Financial Liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Subtotal financial liabilities</b>	<b>Non-financial liabilities</b>	<b>Total</b>
Accounts Payable	40,128		40,128	476	40,604
Loans	105,751		105,751		105,751
	145,879		145,879	476	146,355

<b>2014</b>					
<b>Financial Liabilities</b>	<b>Financial Liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Subtotal financial liabilities</b>	<b>Non-financial liabilities</b>	<b>Total</b>
Accounts Payable	30,552		30,552	420	30,972
Loans	49,305		49,305		49,305
Provisions	718		718	28,245	28,963
	80,575		80,575	28,665	109,240

<b>2013</b>					
<b>Financial Liabilities</b>	<b>Financial Liabilities at amortized cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Subtotal financial liabilities</b>	<b>Non-financial liabilities</b>	<b>Total</b>
Accounts Payable	20,319		20,319	463	20,782
Loans	31,890		31,890		31,890
Provisions	485		485	20,083	20,568
	52,694		52,694	20,546	73,240

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Gains and losses on financial instruments are allocated to the following categories:

	<b>2015</b>		
	<b>Financial and non- financial Assets / Liabilities at amortized cost</b>	<b>Financial Assets / Liabilities at fair value through profit or loss</b>	<b>Total</b>
Interest income	1,638		1,638
Interest loss	(8,618)		(8,618)
Financial accretion	(1,987)		(1,987)
Exchange differences , net	20,214		20,214
Fair value gains on financial assets at fair value through profit or loss		446	446
Gains on derivative financial instruments		464	464
	11,247	910	12,157

	<b>2014</b>		
	<b>Financial and non- financial Assets / Liabilities at amortized cost</b>	<b>Financial Assets / Liabilities at fair value through profit or loss</b>	<b>Total</b>
Interest income	1,029		1,029
Interest loss	(5,456)		(5,456)
Financial accretion	(1,880)		(1,880)
Exchange differences, net	7,782		7,782
Fair value gains on financial assets at fair value through profit or loss		297	297
	1,475	297	1,772

	<b>2013</b>		
	<b>Financial and non-</b>	<b>Financial Assets / Liabilities at</b>	<b>Total</b>

	<b>financial Assets / Liabilities at amortized cost</b>	<b>fair value through profit or loss</b>	
Interest income	821		821
Interest loss	(2,514)		(2,514)
Financial accretion	(1,319)		(1,319)
Exchange differences , net	5,744		5,744
Fair value gains on financial assets at fair value through profit or loss		103	103
	2,732	103	2,835

### Fair value measurements

IFRS 9 defines the fair value of a financial instrument as the amount for which an asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction. All financial instruments recognized at fair value are allocated to one of the valuation hierarchy levels of IFRS 7. This valuation hierarchy provides for three levels.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets or liabilities that the Group can refer to at the end of the period. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. Financial instruments assigned by the Group to this level comprise investments in listed mutual funds, and financial derivative.

In the case of Level 2, fair value is determined by using valuation methods based on inputs directly or indirectly observable in the market. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The Group has not valued financial instruments under this category.

In the case of Level 3, the Group uses valuation techniques not based on inputs observable in the market. This is only permissible insofar as no market data are available. The inputs used reflect the Group's assumptions regarding the factors which market players would consider in their pricing. The Group uses the best available information for this, including internal company data. The Group has not valued financial instruments under this category.

YPF Finance Division has a team in place in charge of estimating valuation of financial instruments required to be reported in the financial statements, including the fair value of Level-3 instruments. The team directly reports to the Chief Financial Officer ( CFO ). The CFO and the valuation team discuss the valuation methods and results upon the acquisition of a financial instrument and, if necessary, on a quarterly basis, in line with the Group's quarterly reports.

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The Group's policy, transfers among the several categories of valuation hierarchies are recognized when occurred, or when there are changes in the prevailing circumstances requiring the transfer.

In addition, no transfer has occurred among the different hierarchies used to determine the fair value of the Group's financial instruments.

The tables below show the Group's financial assets and liabilities measured at fair value as of December 31, 2015, 2014 and 2013 and their allocation to their fair value levels.

	2015			
<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments in financial assets:				
- Mutual funds	340			340
- Other financial assets	464			464
Cash and cash equivalents:				
- Mutual funds	774			774
	1,578			1,578

	2014			
<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents:				
- Mutual funds	1,535			1,535
	1,535			1,535

	2013			
<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents:				
- Mutual funds	2,022			2,022
	2,022			2,022

The Group has no financial liabilities at fair value through profit or loss.

**Fair value of financial assets and financial liabilities measured at amortized cost**

The estimated fair value of loans, considering unadjusted listed prices (Level 1) for Negotiable Obligations and interest rates offered to the Group (Level 3) for the other financial loans remaining, amounted to 106,336, 53,108 and 33,784 as of December 31, 2015, 2014 and 2013, respectively.

The fair value of the following financial assets and financial liabilities do not differ significantly from their book value:

Other receivables

Trade receivables

Cash and cash equivalents

Accounts payable

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**Table of Contents****6. ANALYSIS OF THE MAIN ACCOUNTS OF THE CONSOLIDATED FINANCIAL STATEMENTS****6.a) Intangible assets:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net book value Intangible assets	7,359	4,393	2,446
Provision for impairment of intangible assets (Note 1.c)	(80)		
	<b>7,279</b>	<b>4,393</b>	<b>2,446</b>

Changes in Group's intangible assets for the year ended December 31, 2015 and comparative information as follows:

Main account	At beginning of year	Increases	2015 Cost		At the end of year	2014	2013
			Translation effect	Decreases and reclassifications			
Service concession	5,707	653	3,218	(51)	9,527		
Exploration Rights	1,975	270	928	(183)	2,990		
Other intangibles	2,607	190	1,443	20	4,260		
Total 2015	10,289	1,113	5,589	(214)	16,777		
Total 2014	6,597	3,734 <sup>(1)</sup>	2,205	(2,247) <sup>(1)(2)</sup>	10,289		
Total 2013	4,443	624	1,547	(17)	6,597		

  

Main account	At beginning of year	Increases	2015 Amortization		At the end of year	Net book value	Net book value	Net book value
			Translation effect	Decreases and reclassifications				
Service concession	3,476	180	1,904	(6)	5,554	3,973	2,232	1,366
Exploration Rights	150		5		155	2,835	1,825	793
Other Intangibles	2,270	143	1,296		3,709	551	336	287



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Total 2015	5,896	323	3,205	(6)	9,418	7,359
Total 2014	4,151	469	1,314	(38)	5,896	4,393
Total 2013	2,951	197	1,027	(24)	4,151	2,446

- (1) Includes 2,784, of acquisitions corresponding to YSUR Group in Argentina at the time on the acquisition date and 1,538 of disposal of assets for the transfer of areas to Pluspetrol S.A., reselectively . See note 2.
- (2) Includes 682 reclassified to Mineral property, wells and related equipment of Fixed Assets as of December 31, 2014.

**6.b) Fixed assets:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net book value of fixed assets	274,122	157,243	93,662
Provision for obsolescence of materials and equipment	(762)	(313)	(166)
Provision for impairment of fixed assets (Note 1.c)	(2,455)		
	270,905	156,930	93,496

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Changes in Group's fixed assets for the year ended December 31, 2015 and comparative information as follows:

Main account	At beginning of		2015 Cost		At the end of year
	year	Increases	Translation effect	Decreases and reclassifications	
Land and buildings	9,084	23	4,630	212	13,949
Mineral property, wells and related equipment	265,376	(1,140)	155,844	37,986 <sup>(10)</sup>	458,066
Refinery equipment and petrochemical plants	42,081	7	23,707	3,634	69,429
Transportation equipment	2,160	5	1,155	330	3,650
Materials and equipment in warehouse	8,241	7,823	4,432	(7,018)	13,478
Drilling and work in progress	45,051	50,139	24,005	(42,392)	76,803
Exploratory drilling in progress <sup>(2)</sup>	1,781	2,767	992	(1,893)	3,647
Furniture, fixtures and installations	3,314	36	1,865	388	5,603
Selling equipment	5,520	1	3,640	1,617	10,778
Infrastructure for natural gas distribution	2,722			209	2,931
Electric power generation facilities	1,567			6	1,573
Other property	5,502	219	2,633	(63)	8,291
<b>Total 2015</b>	<b>392,399</b>	<b>59,880<sup>(6)</sup></b>	<b>222,903</b>	<b>(6,984)<sup>(4)</sup></b>	<b>668,198</b>
<b>Total 2014</b>	<b>258,603</b>	<b>58,613<sup>(3)(5)(6)</sup></b>	<b>79,302</b>	<b>(4,119)<sup>(4)(11)</sup></b>	<b>392,399</b>
<b>Total 2013</b>	<b>170,843</b>	<b>39,220<sup>(6)(7)(8)</sup></b>	<b>59,121</b>	<b>(10,581)<sup>(9)</sup></b>	<b>258,603</b>

Main account	2015 Amortization				At the end of year	Net book value	2014	2013
	At beginning of year	Increases	Translation effect	Decreases and reclassifications			Net book value	Net book value
Land and buildings	3,779	211	1,934	(4)	5,920	8,029	5,305	4,161
Mineral property, wells and related equipment	192,170	22,884	110,301	(433) <sup>(10)</sup>	324,922	133,144 <sup>(1)</sup>	73,206 <sup>(1)</sup>	46,205 <sup>(1)</sup>
Refinery equipment and petrochemical plants	24,842	2,289	14,019	(12)	41,138	28,291	17,239	11,656
Transportation equipment	1,455	218	773	(54)	2,392	1,258	705	444
Materials and equipment in warehouse						13,478	8,241	5,576
Drilling and work in progress						76,803	45,051	19,840
Exploratory drilling in progress <sup>(2)</sup>						3,647	1,781	927
Furniture, fixtures and installations	2,817	323	1,559		4,699	904	497	277
Selling equipment	4,215	345	2,361		6,921	3,857	1,305	1,050
Infrastructure for natural gas distribution	1,116	68		(3)	1,181	1,750	1,702	1,615
Electric power generation facilities	1,171	112			1,283	290	396	482
Other property	3,591	235	1,796	(2)	5,620	2,671	1,815	1,429
<b>Total 2015</b>	<b>235,156</b>	<b>26,685</b>	<b>132,743</b>	<b>(508)<sup>(4)</sup></b>	<b>394,076</b>	<b>274,122</b>		
<b>Total 2014</b>	<b>164,941</b>	<b>19,936</b>	<b>50,671</b>	<b>(392)<sup>(4)(11)</sup></b>	<b>235,156</b>		<b>157,243</b>	
<b>Total 2013</b>	<b>113,740</b>	<b>13,830<sup>(7)(8)</sup></b>	<b>38,901</b>	<b>(1,530)<sup>(9)</sup></b>	<b>164,941</b>			<b>93,662</b>

(1) Includes 8,435, 6,343 and 3,748 of mineral property as of December 31, 2015, 2014 and 2013, respectively.

- (2) As of December 31, 2015, there are 58 exploratory wells in progress. During year ended on such date, 47 wells were drilled, 27 wells were charged to exploratory expense, 14 were transferred to proved properties which are included in the account Mineral property, wells and related equipment and 3 wells were assigned.
- (3) Includes 858, 210 and 866 of increases corresponding to Puesto Hernandez, Las Lajas, and Bajada Añelo Amarga Chica joint operations, respectively and 39 corresponding to the La Ventana agreement, on the additional interest acquisition date.
- (4) Includes 6 and 32 of net book value charged to fixed assets provisions for the years ended December 31, 2015 and 2014, respectively.
- (5) Includes 5,469 of increases corresponding to YSUR Group in Argentina on the acquisition date. See Note 2.
- (6) Includes (1,281), (268) and 4,357 corresponding to hydrocarbon wells abandonment costs for the years ended December 31, 2015, 2014 and 2013, respectively.
- (7) Includes 1,878 and 1,242 of increases and accumulated depreciation, respectively, corresponding to YPF Energía Eléctrica at the split-off date.
- (8) Includes 3,137 and 1,352 of increases and accumulated depreciation, respectively, corresponding to GASA on the acquisition date.
- (9) Includes among others, 6,708 from the decrease of assets related to the investment project agreement (see Note 11.c) and the write-down of the assets of Coke A unit as a consequence of the incident in La Plata refinery on April 2013, as a result of the storm that took place in that city.
- (10) Includes (2,671) of net book value for El Orejano area; (226) corresponding to derecognition of changes of interest in Magallanes area; and (8) corresponding to derecognition of Puesto Cortadera area.
- (11) Includes (325) of derecognition of areas transferred by YPF and YSUR mentioned in Note 2.

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The Group capitalizes the financial cost as a part of the cost of the assets. For the year ended December 31, 2015, 2014 and 2013 the rate of capitalization has been 12.01%, 12.29% and 12.03%, respectively and the amount capitalized amounted to 1,003, 574 and 605, respectively for the years above mentioned.

Set forth below is the evolution of the provision for obsolescence of materials and equipment for the years ended December, 31 2015, 2014 and 2013:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Amount at beginning of year</b>	313	166	132
Increase charged to expenses	243	133	16
Decreases charged to income		(4)	
Amounts incurred due to utilization	(6)	(32)	
Translation differences	212	50	18
<b>Amount at end of year</b>	<b>762</b>	<b>313</b>	<b>166</b>

Set forth below is the cost evolution for the exploratory wells in evaluation stage as of the years ended on December 31, 2015, 2014 and 2013:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Amount at beginning of year</b>	993	710	815
Additions pending the determination of proved reserves	1,219	921	424
Decreases charged to exploration expenses	(479)	(336)	(255)
Decrease of assets assignment	(466)	(336)	
Reclassifications to mineral property, wells and related equipment with proved reserves	(89)	(188)	(481)
Translation difference	599	222	207
<b>Amount at end of year</b>	<b>1,777</b>	<b>993</b>	<b>710</b>

The following table shows the capitalized cost for exploratory wells for a period greater than a year and the number of projects related as of December 31, 2015.

	<b>Amount</b>	<b>Number of projects</b>	<b>Number of Wells</b>
Between 1 and 5 years	242	3	3

**6.c) Investments in companies:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Investments in companies (Notes 7 and 16)	4,384	3,189	2,136

Provision for impairment of investments in companies	(12)	(12)	(12)
	4,372	3,177	2,124

**6.d) Inventories:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Refined products	10,709	7,720	5,713
Crude oil and natural gas	7,155	4,187	3,451
Products in process	169	99	115
Construction works in progress for third parties	85	271	107
Raw materials, packaging materials and others	1,140	724	495
	19,258 <sup>(1)</sup>	13,001 <sup>(1)</sup>	9,881 <sup>(1)</sup>

- (1) As of December 31, 2015, 2014 and 2013, the fair value of the inventories does not differ, significantly, from their cost.

**Table of Contents****6.e) Other receivables:**

	2015		2014		2013	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
Trade		928		664		377
Tax credit, export rebates and production incentives	304	8,058	130	1,066	22	1,233
Trust contributions Obra Sur	30	18	56	22	67	34
Loans to clients and balances with Related parties <sup>(1)</sup>	297	2,366	231	53	517	81
Collateral deposits	318	895	528	435	397	253
Prepaid expenses	198	682	39	451	11	490
Advances and loans to employees	8	285	7	299	3	166
Advances to suppliers and custom agents <sup>(2)</sup>		3,147		2,224		1,062
Receivables with partners in Joint Operations and agreements	1,118	1,881	612	764	1,852 <sup>(3)</sup>	595 <sup>(3)</sup>
Insurance receivables (Note 11.b)		808		1,068		1,956
Miscellaneous	241	384	95	227	62	357
	2,514	19,452	1,698	7,273	2,931	6,604
Provision for other doubtful receivables	(13)	(39)		(102)		(98)
Provision for valuation of other receivables to their estimated recoverable value			(7)	(1)	(4)	
	2,501	19,413	1,691	7,170	2,927	6,506

(1) See Note 12 for information about related parties.

(2) Includes among others, advances to customs agents for the payment of taxes and import rights related to the imports of fuels and goods.

(3) Includes the receivables related to the investment agreement with Chevron Corporation (see Note 11.c).

**6.f) Trade receivables:**

	2015		2014		2013	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
Accounts receivable and related parties <sup>(1)</sup>	469	22,959	26	13,037	60	8,066
Provision for doubtful trade receivables		(848)	(7)	(866)	(6)	(652)
	469	22,111	19	12,171	54	7,414

(1) See Note 12 for information about related parties.

**Changes in the provision for doubtful trade receivables**

	2015		2014		2013	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
<b>Amount at beginning of year</b>	7	866	6	652	5	494
Increases charged to expenses		313		210		191
Decreases charged to income		(412)		(41)		(73)
Amounts incurred due to utilization	(7)	(17)		(4)	1	
Translation differences		98	1	49		40
<b>Amount at end of year</b>		848	7	866	6	652

**6.g) Cash and cash equivalents:**

	2015	2014	2013
Cash	13,920	6,731	4,533
Short-term investments	693	1,492	4,158
Financial assets at fair value through profit or loss	774	1,535	2,022
	15,387	9,758	10,713



**Table of Contents****6.h) Provisions:**

	Provision for pending lawsuits and contingencies		Provision for environmental liabilities		Provision for hydrocarbon wells abandonment obligations		Provision for pensions	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
<b>Amount as of December 31, 2014</b>	7,014	851	1,269	1,145	18,087	376	194	27
Increases charged to expenses	2,062	95	986		1,694		23	
Decreases charged to income	(434)	(141)			(314)			(13)
Amounts incurred due to payments/utilization		(374)		(1,030)		(283)		(71)
Exchange and translation differences, net	2,383	10	464	186	10,109	159	102	17
Change of interest in Joint Operation charged to expenses						(504)		
Reclassifications and other	(650)	(292)	(1,099)	1,099	(2,196) <sup>(1)</sup>	681 <sup>(1)</sup>	(71)	71
<b>Amount as of December 31, 2015</b>	10,375	149	1,620	1,400	27,380	429	248	31

	Provision for pending lawsuits and contingencies		Provision for environmental liabilities		Provision for hydrocarbon wells abandonment obligations		Provision for pensions	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
<b>Amount as of December 31, 2013</b>	5,020	159	764	926	13,220	289	168	22
Increases charged to expenses	3,367	24	1,066		1,366	3	11	
Decreases charged to income	(465)	(82)						(27)
Increase from subsidiaries acquisition	20		21	2	724	14		
Increase from joint operation interest acquisition					339	153		
Amounts incurred due to	(5)	(1,126)		(621)	(61)	(136)	(14)	(11)

payments/utilization								
Exchange and translation differences, net	930	23	175	81	2,772	48	67	5
Reclassifications and other	(1,853)	1,853	(757)	757	(273) <sup>(1)</sup>	5 <sup>(1)</sup>	(11)	11
<b>Amount as of December 31, 2014</b>	<b>7,014</b>	<b>851</b>	<b>1,269</b>	<b>1,145</b>	<b>18,087</b>	<b>376</b>	<b>194</b>	<b>27</b>

	Provision for pending lawsuits and contingencies		Provision for environmental liabilities		Provision for hydrocarbon wells abandonment obligations		Provision for pensions	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
<b>Amount as of December 31, 2012</b>	<b>2,892</b>	<b>122</b>	<b>677</b>	<b>489</b>	<b>6,958</b>	<b>193</b>	<b>136</b>	<b>16</b>
Increases charged to expenses	1,877	29	208	551	719		3	
Decreases charged to income	(90)	(41)						
Amounts incurred due to payments/utilization		(160)		(432)		(105)		(16)
Exchange and translation differences, net	579	9	138	59	1,355	29	46	5
Reclassifications and other	(238)	200	(259)	259	4,188 <sup>(1)</sup>	172 <sup>(1)</sup>	(17)	17
<b>Amount as of December 31, 2013</b>	<b>5,020</b>	<b>159</b>	<b>764</b>	<b>926</b>	<b>13,220</b>	<b>289</b>	<b>168</b>	<b>22</b>

(1) Includes (1,281), (268) and 4,357 from abandonment obligation costs which has counterpart in fixed assets for the years ended on December 31, 2015, 2014 and 2013, respectively; (226) from the derecognition for changes in interest in Magallanes area with counterpart in assets as of December 31, 2015; and (8) of the derecognition of the Puesto Cortadera area with counterpart in assets as of December 31, 2015.

**Table of Contents****6.i) Income Tax:**

The calculation of the income tax expense accrued for the years ended December 31, 2015, 2014 and 2013 is as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current income tax	517	(7,323)	(2,844)
Deferred income tax	(25,154)	(5,900)	(6,425)
	(24,637)	(13,223)	(9,269)

The reconciliation of pre-tax income included in the consolidated statement of comprehensive income, at the statutory tax rate, to the income tax as disclosed in the consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013, respectively, is as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income before income tax	29,063	22,072	14,348
Statutory tax rate	35%	35%	35%
Statutory tax rate applied to net income before income tax	(10,172)	(7,725)	(5,022)
Effect of the valuation of fixed assets and intangible assets measured in functional currency	(31,200)	(10,064)	(7,186)
Exchange differences	19,164	5,872	4,008
Effect of the valuation of inventories	(2,412)	(1,156)	(807)
Income on investments in companies	111	195	124
Miscellaneous	(128) <sup>(1)</sup>	(345)	(386)
Income tax expense	(24,637)	(13,223)	(9,269)

(1) Includes 301 of tax loss carry-forwards originated during previous years.

Breakdown of deferred tax as of December 31, 2015, 2014 and 2013 is as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Deferred tax assets</b>			
Provisions and other non-deductible liabilities	3,093	2,479	1,723
Tax losses carry-forward and other tax credits	3,236	222	45
Miscellaneous	83	17	115
Total deferred tax assets	6,412	2,718	1,883

<u>Deferred tax liabilities</u>			
Fixed assets	(45,393)	(19,250)	(11,659)
Miscellaneous	(4,877)	(2,172)	(1,649)
<b>Total deferred tax liabilities</b>	<b>(50,270)</b>	<b>(21,422)</b>	<b>(13,308)</b>
<b>Total deferred tax, net</b>	<b>(43,858)</b>	<b>(18,704)<sup>(1)</sup></b>	<b>(11,425)</b>

(1) Includes (1,241) arising from the business combination detailed in Note 2.

For fiscal year ended December 31, 2015, YPF estimated a tax loss carry-forward, therefore created a provision for 1,192 for minimum presumed income tax, which was charged to Other current receivables.

Deferred income tax assets are recognized for tax loss carry-forwards to the extent their setoff through future taxable profits is probable. Tax loss carry-forwards in Argentina expire within 5 years.

In order to fully realize the deferred income tax asset, the Group will need to generate taxable income. Based upon the level of historical taxable income and projections for future over the years in which the deferred income tax are deductible, the management believes that as of December 31, 2015 it is probable that the Group will realize all of the deferred income tax assets.

As of December 31, 2015, Group's tax loss carry-forwards at the statutory tax rate were as follows:

<b>Date of generation</b>	<b>Date of expiration</b>	<b>Jurisdiction</b>	<b>Amount</b>
2011	2016	Argentina	4
2012	2017	Argentina	85
2013	2018	Argentina	85
2014	2019	Argentina	134
2015	2020	Argentina	2,928
			3,236

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As of December 31, 2015, 2014 and 2013 the Group did not recognized deferred income tax assets for 4,373, 3,511 and 978, respectively, from which 2,041, 1,953 and 559 corresponds to taxable temporary differences not recoverable and 2,332, 1,558 and 419 corresponds to tax loss carry forwards from a foreign subsidiary, since they do not meet the recognition criteria set forth under IFRS. From the tax loss carry forwards above mentioned, as of December 2015, 957 will expire form 2017, 1,351 from 2032 and 24 have undetermined expiration date.

As of December 31, 2015, 2014 and 2013 the Group has classified as deferred tax asset 954, 244 and 34, respectively, and as deferred tax liability 44,812, 18,948 and 11,459, respectively, all of which arise from the net deferred tax balances of each of the separate companies included in this consolidated financial statements.

Likewise, 100 has not been recorded for minimum presumed income tax, with expiration between 2016 and 2024.

As of December 31 2015, 2014 and 2013, the causes that generate allocations to other comprehensive income, did not create temporary differences for income tax.

**6.j) Loans:**

	Interest rate <sup>(1)</sup>		Maturity	2015		2014		2013		
				Non-current	Current	Non-current	Current	Non-current	Current	
<b>Argentine pesos:</b>										
Negotiable obligations	20.83%	-	29.31%	2016-2024	19,280	2,050	10,858	2,329	9,553	1,666
Loans	15.25%	-	29.06%	2016-2020	1,224 <sup>(3)</sup>	1,104 <sup>(3)</sup>	847	637	613	580
Account overdraft	24.50%	-	29.00%	2016		4,425 <sup>(5)</sup>		2,398		111
					20,504	7,579	11,705	5,364	10,166	2,357

**Currencies other than the Argentine peso:**

Negotiable obligations <sup>(2)(4)</sup>	1.29%	-	10.00%	2016-2028	52,651	9,981	22,472	1,257	10,921	2,630
Export pre-financing	3.50%	-	7.20%	2016-2018	1,039	3,680		2,428		1,119
Imports financing	4.00%	-	6.81%	2016		4,736		2,848		1,601
Loans	2.30%	-	7.50%	2016-2019	3,740	1,841	1,853	1,378	1,989	1,107
					57,430	20,238	24,325	7,911	12,910	6,457
					77,934	27,817	36,030	13,275	23,076	8,814

- (1) Annual interest rate as of December 31, 2015.
  - (2) Disclosed net of 1,349, 252 and 137 corresponding to YPF's outstanding Negotiable Obligations repurchased through open market transactions as of December 31, 2015, 2014 and 2013, respectively.
  - (3) Includes 460 corresponding to loans granted by Banco Nación Argentina, of which 210 accrue fixed interest rate of 15% until December 2015 and then accrue variable interest of BADLAR plus a spread of percentage points and 250 accrue variable interest of BADLAR plus a spread of 4 percentage points with a maximum lending interest rate of the overall portfolio of Banco Nación. See Note 12.
  - (4) Includes 9,970, 7,129 and 7,494 as of December 31, 2015, 2014 and 2013, respectively, of face value negotiable obligations, to be cancelled in Argentine pesos at the prevailing exchange rate according to terms of issued series.
  - (5) Includes 1,926 of overdraft granted by Banco Nación Argentina as of December 31, 2015. See Note 12.
- The breakdown of the Group's borrowings as of the year ended on December 31, 2015, 2014 and 2013 is as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Amount at beginning of the year</b>	49,305	31,890	17,104
Proceed from loans	55,158	23,949	16,829
Payments of loans	(24,090)	(13,320)	(6,804)
Decease of loans for El Orejano agreement <sup>(2)</sup>	(2,373)		
Payments of interest	(6,780)	(5,059)	(2,696)
Accrued interest <sup>(1)</sup>	8,342	5,447	2,939
Exchange differences and translation, net	26,189	6,398	4,518
<b>Amount at the end of the year</b>	<b>105,751</b>	<b>49,305</b>	<b>31,890</b>

- (1) Includes capitalized financial costs. See Note 6.b
- (2) See Note 11.

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On February 5, 2015 the General Shareholder s Meeting of YPF approved an increase of the amount of the Global Medium Term Notes ( M.T.N. ) Program of the Company for US\$ 3,000 million, for a total maximum nominal outstanding amount at any time of the Program of US\$ 8,000 million or its equivalent in other currencies.

In December, 2015, YPF and an investors group entered into a purchase and sale agreement whereby YPF purchased 100% of Series A-L Negotiable Obligations (NO) and Additional Series A-L NO (collectively, Series A-L NO ) issued by GASA in a principal amount of up to US\$ 61.9 million. In consideration therefor, YPF has granted to GASA bondholders the right to underwrite Series XXVI NO, which were issued in December 2015.

As a result of the above (i) YPF issued the relevant waiver to GASA with respect to any and all obligations assumed (including any principal and interest payment) under the Indenture between GASA and The Bank of New York Mellon, dated March 15, 2013, without such waiver implying a Triggering Event; (ii) The Bank of New York Mellon was given due notice of the acquisition of the Series A-L NO so that, in its capacity of Trustee, it may proceed to the settlement thereof under the restructuring merger to be executed by YPF with respect to GASA and YPF Inversora Energética S.A., the latter being the current controlling company of GASA as well as a company controlled by YPF and (iii) YPF agreed not to transfer the Series A-L NO until surrender thereof for cancellation.

As a result of the foregoing regarding the merger proceedings, and in compliance with IAS 21 The effects of change in foreign exchange rates guidelines, the exchange difference recognized by GASA in its statement of comprehensive income following the acquisition of Series A-L NO by YPF was accounted for in Other comprehensive income Exchange difference from investments in companies of the Company and will be offset with YPF s translation difference resulting from the merger.

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Details regarding the Negotiable Obligations of the Company are as follows:

Principal value	Rf.	Class	Interest rate <sup>(3)</sup>	Principal Maturity	2015		2014	
					Noncurrent	Current	Noncurrent	Current
\$ 15	(1)(6)	-	Fixed	2028	49	3	62	
200	(2)(6)	Class VII						
1,200	(2)(4)(6)	Class VIII						80
\$ 130	(2)(5)(6)	Class IX						
\$ 552	(2)(4)(5)(6)(8)	Class X	Fixed	2016		7,258	4,690	5
2,110	(2)(4)(6)(8)	Class XI	BADLAR plus 4.25%	2017	1,055	1,129	2,110	7
2,828	(2)(4)(6)(8)	Class XIII	BADLAR plus 4.75%	2018	2,828	25	2,828	2
300	(2)(6)	Class XIV						
\$ 230	(2)(5)(6)	Class XV						
300	(2)(6)	Class XVI						
2,250	(2)(4)(6)(8)	Class XVII	BADLAR plus 2.25%	2020	2,250	91	2,250	8
\$ 59	(2)(5)(6)	Class XVIII						50
\$ 89	(2)(5)(6)	Class XIX	Fixed	2017	1,156	3	757	
1,265	(2)(4)(6)	Class XX	BADLAR plus 2.25%	2020	1,265	12	1,265	1
100	(2)(6)	Class XXI						
\$ 92	(2)(5)(6)	Class XXII	Fixed	2020	630	162	515	10
\$ 150	(2)(6)	Class XXIV	Libor plus 7.50%	2018	802	471	825	3
300	(2)(6)	Class XXV						3
\$ 862	(2)	Class XXVI	Fixed	2018	11,057	33	4,899	
150	(2)(6)	Class XXVII						
\$ 1,325	(2)	Class XXVIII	Fixed	2024	17,212	364	8,501	18
500	(2)(6)(8)	Class XXIX	BADLAR	2020	500	7	500	
379	(2)(6)	Class XXX						38
201	(2)(6)	Class XXXI						20
465	(2)(6)	Class XXXII	BADLAR plus 3.2%	2016		157	155	3
\$ 66	(2)(5)(6)	Class XXXIII	Fixed	2017	287	574	563	
1,000	(2)(6)(8)	Class XXXIV	BADLAR plus 0.1%	2024	1,000	56	1,000	5
750	(2)(4)(6)	Class XXXV	BADLAR plus 3.5%	2019	750	49	750	4
950	(2)(8)(6)	Class XXXVI	BADLAR plus 4.74%	2020	950	95		
250	(7)(2)(6)	Class XXXVII	BADLAR plus 3.49%	2017	250	9		
935	(2)(4)(6)	Class XXXVIII	BADLAR plus 4.75%	2020	935	55		
\$ 1,500	(2)	Class XXXIX	Fixed	2025	19,369	1,111		



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500	(2)	Class XL	BADLAR plus 3.49%	23.74%	2017	500	26	
1,900	(2)(8)	Class XLI	BADLAR	21.69%	2020	1,900	112	
1,697	(2)(4)	Class XLII	BADLAR plus 4%	25.69%	2020	1,697	119	
2,000	(2)(8)	Class XLIII	BADLAR	21.06%	2023	2,000	83	
1,400	(2)	Class XLIV	BADLAR plus 4.75%	29.31%	2018	1,400	25	
\$ 177		Series A-L	Fixed	8.88%	2018	1,906	2	1,186
\$ 18		Series A-U	Fixed	8.88%	2018	183		120
\$ 57		Series A-L						347
\$ 1		Series A-U						7

71,931 12,031 33,330 3,5

- (1) Corresponds to the 1997 M.T.N. Program for US\$1,000 million.
- (2) Corresponds to the 2008 M.T.N. Program for US\$ 8,000 million.
- (3) Interest rate as of December 31, 2015.
- (4) The ANSES and/or the Fondo Argentino de Hidrocarburos have participated in the primary subscription of these negotiable obligations, which may at the discretion of the respective holders, be subsequently traded in the securities market where these negotiable obligations are authorized to be traded.
- (5) The payment currency of these Negotiable Obligations is the Argentine Peso at the Exchange rate applicable under the terms of the series issued.
- (6) As of the date of issuance of these financial statements, the Company has fully complied with the use of proceeds disclosed in the pricing supplements.
- (7) Until the course of twelve months since the date of issuance and liquidation to a fixed nominal annual rate of 25.75%; and from the course of twelve months since the date of issuance and liquidation and until the date of maturity of the negotiable obligations to a variable nominal annual rate of BADLAR plus 3.49%.
- (8) Negotiable Obligations classifying as productive investment, computable as such for purposes of subsection 35.8.1, paragraph K of General Regulations applicable to Insurance Activities issued by the Argentine Insurance Supervision Bureau.

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**Table of Contents****6.k) Accounts payable:**

	2015		2014		2013	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
Trade and related parties <sup>(1)</sup>	204	38,782	66	28,522	153	18,553
Investments in companies with negative shareholders equity		1		2		127
Extension of Concessions	340	412	332	884	275	1,036
Guarantee deposits	8	467		418	8	328
Miscellaneous	73	317	168	580	34	268
	625	39,979	566	30,406	470	20,312

(1) For more information about related parties, see Note 12.

**6.l) Revenues:**

	2015	2014	2013
Sales <sup>(1)</sup>	159,387	147,020	92,978
Production incentive program (Note 11.c)	1,988		
Revenues from construction contracts	455	419	312
Turnover tax	(5,694)	(5,497)	(3,177)
	156,136	141,942	90,113

(1) Includes 12,345, 7,762 and 4,289 for the year ended on December 2015, 2014 and 2013, respectively, associated with revenues related to the natural gas additional injection stimulus program created by Resolution 1/2013 of the Planning and Strategic Coordination Commission of the National Plan of Hydrocarbons Investment. See Note 11.c).

**6.m) Cost of sales:**

	2015	2014	2013
Inventories at beginning of year	13,001	9,881	6,922
Purchases for the year	33,886	35,951	25,846
Production costs	85,550	68,840	42,980
Translation effect	6,358	2,821	2,227
Inventories at end of year	(19,258)	(13,001)	(9,881)
Cost of sales	119,537	104,492	68,094

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**Table of Contents****6.n) Expenses:**

	2015				2014	2013	
	Production costs	Administrative expenses	Selling expenses	Exploration expenses	Total	Total	
Salaries and social security taxes	7,566	2,065	1,207	224	11,062	8,031	5,906
Fees and compensation for services	775	1,378 <sup>(2)</sup>	280	24	2,457	1,940	1,361
Other personnel expenses	2,303	277	121	42	2,743	1,986	1,370
Taxes, charges and contributions	1,144	259	2,885		4,288 <sup>(1)</sup>	5,660 <sup>(1)</sup>	3,893 <sup>(1)</sup>
Royalties, easements and canons	11,932		17	28	11,977	9,544	5,871
Insurance	831	38	56		925	792	592
Rental of real estate and equipment	3,360	33	394	2	3,789	2,950	1,956
Survey expenses				504	504	251	77
Depreciation of fixed assets	25,706	382	597		26,685	19,936	11,236
Amortization of intangible assets	185	117	21		323	469	197
Industrial inputs, consumable materials and supplies	3,801	27	88	5	3,921	3,522	2,143
Operation services and other service contracts	6,261	237	546		7,044	5,908	3,043
Preservation, repair and maintenance	14,231	248	322	24	14,825	11,812	7,959
Unproductive exploratory drillings				1,425	1,425	1,265	514
Transportation, products and charges	4,796	25	3,756		8,577	6,881	4,805
Provision for doubtful trade receivables			(99)		(99)	169	118
Publicity and advertising expenses		395	292		687	710	265
Contractual commitments	31				31	52	174
Fuel, gas, energy and miscellaneous	2,628	105	616	195	3,544	3,640	2,586
Total 2015	85,550	5,586	11,099	2,473	104,708		
Total 2014	68,840	4,530	10,114	2,034		85,518	
Total 2013	42,980	2,686	7,571	829			54,066

- (1) Include approximately 1,220, 1,775 and 1,757 corresponding to export withholdings for years ended December 2015, 2014 and 2013, respectively.
- (2) Includes 140 of YPF's Directors and Statutory Auditor's fees and remunerations for all concepts. On April 30, 2015, the General Ordinary and Extraordinary Shareholder's meeting of YPF decided to ratify fees for the year 2014 for 123 and decided to approve as fees and remunerations for all concepts in advance for the year 2015 the sum of approximately 146.

The expense recognized in the consolidated statements of comprehensive income related to research and development activities during the years ended December 31, 2015, 2014 and 2013 amounted to 270, 215 and 83, respectively.

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**Table of Contents****6.o) Other operating results, net:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Lawsuits	(1,188)	(2,034)	(1,069)
Environmental remediation from YPF Holdings Inc	(162)	(214)	(201)
Impairment of fixed assets and intangible assets (Note 1.c)	(2,535)		
Temporary economic assistance <sup>(1)</sup>	711		
Sale of extension of La Ventana and Magallanes concession agreement (Note 2)		428	
Construction incentive <sup>(2)</sup>	621	233	169
Insurance (Note 11.b)	371		1,479
Miscellaneous	1,329	557	(151)
	(853)	(1,030)	227

(1) Corresponds to the temporary economic assistance received by Metrogas S.A. ordered by the Argentine Energy Secretariat in Resolution No. 263/2015 (see Note 11.c).

(2) Corresponds to the incentive to Argentine manufacturers of capital goods received by A-Evangelista S.A. under the provisions of Executive Order No. 379/2001 of the Argentine Ministry of Economy.

**6.p) Financial results, net:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b><u>Financial income</u></b>			
Interest income	1,638	1,029	821
Exchange differences	25,625	10,272	7,919
Total financial income	27,263	11,301	8,740
<b><u>Financial loss</u></b>			
Interest loss	(8,618)	(5,456)	(2,514)
Financial accretion	(1,987)	(1,880)	(1,319)
Exchange differences	(5,411)	(2,490)	(2,175)
Total financial loss	(16,016)	(9,826)	(6,008)
<b><u>Other financial results</u></b>			
Fair value gains on financial assets at fair value through profit or loss	446	297	103
Gains on derivative financial instruments	464		
Total other financial results	910	297	103

Other financial results, net	12,157	1,772	2,835
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## 7. INVESTMENTS IN COMPANIES AND JOINT OPERATIONS

The following table shows in aggregate, considering that none of the companies are individually material, the amount of investments in affiliated companies and joint ventures as of December 31, 2015, 2014 and 2013:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Amount of investments in affiliated companies	1,248	757	227
Amount of investments in joint ventures	3,136	2,432	1,909
Provision for impairment of investments in companies	(12)	(12)	(12)
	4,372	3,177	2,124

Investments in companies with negative shareholders' equity are disclosed in Accounts payable .

The main changes that affected the amount of the investments previously mentioned, during the fiscal years ended December 31, 2015, 2014, and 2013 are the following:

<b>2015</b>	<b>2014</b>	<b>2013</b>
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