For more information regarding current foreign exchange restrictions and control regulations, you should seek advice from your legal advisors and read the applicable rules mentioned herein, as well as their amendments and complementary regulations, which are available at the website: http://www.infoleg.gob.ar/, or the Central Bank's website: www.bcra.gob.ar, as applicable. Information contained on these websites is not part of, and shall not be deemed to be incorporated into, this annual report. See also "Item 3. Key Information—Risk Factors—Risks Relating to Argentina—We may be exposed to fluctuations in foreign exchange rates."

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 Republic owns 51% of the shares of the Company.

The Argentine Republic owns 51% of the shares of the Company (see "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—The Expropriation Law"), and consequently, the federal government is able to determine all matters requiring approval by a majority of shareholders, including the election of a majority of directors. We cannot assure you that the decisions taken by our controlling shareholder or its interests, would not differ from your interests as a shareholder, including pricing policy of all our main products, and thus affect our operational decisions (see additionally "The result of the next presidential and provincial elections that will take place in 2019 could generate uncertainty in the Argentine economy and, consequently, in our businesses and the results of our operations;" "Our domestic operations are subject to extensive regulation", and "Limitations on local pricing in Argentina may adversely affect our results of operations.") In addition, according to the Argentine Constitution, presidential elections take place every four years. Argentina's national election for president and vice-president will take place in October 2019, and other relevant local and federal elections will also take place in 2019. Accordingly, changes in government or its policies may occur. 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.

Most 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 assessment about Argentina and prevailing conditions in the country before taking an investment decision 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 currency devaluation. No assurances can be given that the rate of growth experienced over past years will be achieved in future years or that the national economy will not suffer recession. 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 to incentivize domestic economy activity are unsuccessful, such developments could adversely affect Argentina's economic growth and in turn affect our financial health and results of operations.

Argentina has confronted and continues to confront inflationary pressures. According to inflation data published by the National Statistics Institute (*Instituto Nacional de Estadística y Censos*) ("INDEC"), in 2018 the consumer price index ("CPI") and the wholesale price index increased by 47.6% and 73.5%, respectively and the three-year cumulative inflation rate has exceeded 100% causing Argentina to be now considered as a hyperinflationary economy. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions".

Additionally, during 2018 certain macroeconomic variables also suffered and continue to face considerable pressure during 2019, which in turn affected the development of the domestic economy. Among other variables, Argentina had increasing interest rates (where the BADLAR averaged 34.3% during 2018), the Argentine peso suffered a 101% devaluation during the December 2017-December 2018 period, preliminary GDP (gross domestic product) growth rate during 2018 was negative 2.5%, and Argentina's country risk climbed to 817.27 points on December 31, 2018 from 350.97 on December 29, 2017.

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

- domestic production, international demand and prices for Argentina's principal commodity exports;
- stability and competitiveness of the Argentine peso against foreign currencies;
- competitiveness and efficiency of domestic industries and services;

- levels of consumer consumption;
- foreign and domestic investment and financing;
- adverse external economic shocks;
- changes in economic or fiscal policies that may be adopted by the National Government;
- labor disputes and work stoppages, which may affect various sectors of the Argentine economy;
- the level of expenditure by the National Government and the difficulty of reducing the fiscal deficit;
- the level of unemployment, which affects consumption;
- political instability; and
- interest and inflation rates.

The political parties opposed to the current administration maintained the majority of seats in both houses of the National Congress in the last elections, so the new administration should generate political consensus with the opposition to carry out their economic proposals. This situation generates more uncertainty regarding the ability of the National Government to get approval for new measures to be implemented. We cannot predict exactly if this situation could generate an adverse change in our financial condition and result of our operations.

The Argentine economy is also sensitive to local political developments. Despite significant measures taken by the Argentine government that was elected on December 10, 2015 such as reforms in the INDEC, the elimination of exchange restrictions, the elimination or reduction of export taxes on certain products (although these restrictions were reinstated in September 2018), the adjustment of gas and electricity prices, tax reform and IMF financing, among others. Argentina’s economy continues to face challenges. Inflation remains a challenge for Argentina given its persistent nature in recent years and also considering its high levels during 2018. The Argentine Government has announced its intention to reduce the primary fiscal deficit as a percentage of GDP over time and reduce the Government’s reliance on Central Bank financing. If the measures adopted by the Macri administration are not able to resolve the structural inflationary disruptions of Argentina, the current inflationary levels could subsist and have a negative impact on the economic and financial conditions of Argentina, and as such affect our operations and financial situation.

On May 8, 2018, President Macri announced that the Argentine government would begin negotiations with the IMF with the goal of acquiring a stand-by line of credit that would grant Argentina access to IMF financing. On June 8, 2018, the key points of the agreement were made public, which consist of a stand-by loan for U.S.$ 50 billion, subject to strict adjustments, mainly due to fiscal and political concerns, to which the national government will be subject for the upcoming years. On June 22, 2018 the IMF made an initial disbursement of U.S.$ 15.0 billion. In addition, on September 26, 2018, Argentina published a new agreement with the IMF. This new agreement supported the three-year stand-by agreement, approved on June 20, 2018 and includes an increase in available IMF funds of U.S.$ 19.0 billion through the end of 2019. It also raises the maximum loan amount available, to U.S.$ 57.1 billion through 2021. The funds available under the program will no longer be treated as preventive reserves, as the Argentine government has indicated that they intend to use IMF financing as budget support. The IMF-supported economic plan aims to strengthen the Argentine economy by focusing on four key pillars: (a) restore market confidence; (b) protect society’s most vulnerable sectors; (c) strengthen the credibility of the Central Bank’s inflation targeting framework; and (d) progressively lessen the strains on the balance of payments. There are no guarantees on the impact that the IMF loan will have on the Argentine economy or on the assets, economic and financial situation of Argentine companies.

Some of the commitments assumed by the National Government, as counterpart of the IMF loan consist of: reduction of the primary fiscal deficit, reaching a surplus in 2021, staggered reduction of inflation until 2021, greater power of the BCRA to establish inflation targets with an anticipation of three years and a reduction of the stock of titles of the BCRA proportionate to a level of capital that guarantees its financial autonomy, among others. The agreement includes a “social clause” according to which, in case the social situation worsens, the National Government can deviate from the objectives to reduce the fiscal deficit and increase social spending for the protection of the most vulnerable sectors.

On October 26, 2018, IMF approved the extension of the stand-by agreement in an amount of approximately U.S.$ 5.6 billion. The IMF approved the first review of Argentina’s performance under the new stand-by agreement and authorized a new transfer of approximately U.S.$ 5.7 billion. In turn, a new disbursement schedule was established and the amounts to be disbursed for 2018 and 2019 were expanded. Under this new schedule, the expected disbursements through the end of 2018 were raised from U.S.$ 6 billion to U.S.$ 13.4 billion. On December 19, 2018, the IMF approved a new disbursement of U.S.$ 7.6 billion, which together with the previous two disbursements reached a total amount of U.S.$.

28.3 billion for the year 2018. In April 2019, Executive Board of the IMF will plan the following disbursement. We cannot predict exactly what measures will be adopted to comply with the agreements concluded with the IMF or their consequences on the Argentine economy, in general and if this could generate an adverse change in our financial condition and result of our operations.

On September 2018, the Central Bank established a new monetary policy with the aim of reducing the inflation rate. The Central Bank committed not to increase the monetary base until June 2019 and defined the ranges for an intervention zone and a non-intervention zone applicable to the exchange rate through the end of 2018. On October 2018, the lower limit of the non-intervention zone was established at an exchange rate of 34 pesos per dollar and the higher limit was set at 44 pesos per dollar, with a daily adjustment of 3% per month through the end of 2018. If the exchange rate rises above the maximum or falls below the minimum values of the area of intervention, the BCRA will purchase or sell foreign currency in an amount of up to U.S.$ 50 to U.S.$ 150 million per day, respectively. Within the non-intervention zone, the exchange rate fluctuates freely. During the last quarter of 2018, the exchange rate has remained within the non-intervention zone, although approaching the lower limit.

On December 5, 2018, BCRA established that the limits of the non-intervention zone will be updated daily at a monthly rate of 2% between January 1 and March 31, 2019. On March 14, 2019, BCRA announced that the new limits of the non-intervention zone for the second quarter of 2019 will be updated daily at a monthly rate of 1.75%. Likewise, this new monetary policy scheme is consistent with the goals of the Ministry of Finance of achieving a primary fiscal balance in 2019, and a surplus in 2020. For its part, BCRA will not carry out further transfers to the Treasury, thus eliminating this source of monetary issuance and reinforcing the BCRA’s commitment to a decreasing inflation over time. During January and February 2019, inflation remained at high levels, where the CPI increased by 2.9% and 3.8%, respectively, on a month-to-month basis. In addition, as of March 28, 2019, the peso was valued at Ps. 43.59 per U.S.$1.00, an increase of approximately 15.3% compared to December 31, 2018

If, despite the measures adopted by the Macri administration, these measures fail to address Argentina’s structural inflationary imbalances, the current levels of inflation may continue or increase and have an adverse effect on Argentina’s economy and, indirectly, on our business, financial condition and results of operations. Inflation can also lead to an increase in Argentina’s debt and have an adverse effect on Argentina’s ability to service its debt, mainly in the medium and long term when most inflation-indexed debt matures. In addition, weaker fiscal results could have a material adverse effect on the Government’s ability to access long term financing, which, in turn, could adversely Argentina’s economy and financial condition. Furthermore, considering the Government’s macroeconomic program, the Argentine Republic may not be able or willing to access international or domestic capital markets, and Argentina’s ability to service its outstanding public debt could be adversely affected, and consequently adversely affect Argentina’s economic and our financial health and results of operations. See “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions.”

Argentina’s economy is also vulnerable to adverse developments affecting its principal trading partners. A 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, consequently, may adversely affect our financial health 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 health and results of operations.

On the other hand, a substantial increase in the value of the Peso against the U.S. dollar would adversely affect Argentina’s economic competitiveness. A significant real appreciation of the Peso would adversely affect exports and increase the trade deficit, which could have a negative effect on GDP growth and employment, as well as reduce the Argentine public sector’s revenues by reducing tax collection in real terms, given its current heavy reliance on taxes on exports.

Additionally, as a consequence of the emergency measures which the Argentine government adopted during or after the 2001-2002 Argentine economic crisis, foreign shareholders of companies with operations in Argentina began arbitration proceedings against the Argentine government before the International Centre for Settlement of Investment Disputes (“ICSID”) pursuant to the arbitration regulations of the United Nations Commission on International Trade Law (“UNCITRAL”). Outstanding claims against the Argentine government before ICSID under UNCITRAL regulations may entail new awards against the Argentine government, which in turn could have a substantially adverse effect on the Argentine government’s ability to implement reforms and to foster economic growth. We cannot assure you that in the future the Argentine government will not breach its obligations. If the Argentine government were to default on its debt payment obligations, this would probably result in an impairment of economic activity, an increase in interest rates, additional pressure on the foreign exchange market and an increase in inflation rates, which in turn could adversely affect our operations and financial position. Likewise, if Argentina’s access to international private financing or financing from multilateral organizations was restricted, or the inflows of foreign direct investments was limited, it is possible that Argentina will be unable to comply with its obligations and financing from multilateral financial entities may be limited or become unavailable. Additionally, a limitation on Argentina's ability to obtain financing in international markets may have, in the future, an adverse effect on our ability to access international credit markets at standard market rates in order to finance our operations.

The result of the next presidential and provincial elections that will take place in 2019 could generate uncertainty in the Argentine economy and, consequently, in our businesses and the results of our operations.

Argentina's national election for president and vice-president will take place in October 2019, and other relevant local and federal elections will also take place in 2019. The impact that the electoral process and its results could have on the policies and the economy of Argentina is uncertain. Additionally, it is not possible to predict the measures that may be adopted by the Macri administration or by any potential new administration at the national or provincial level, which could have a substantially adverse effect on the economy or the ability of Argentina to comply with its obligations that could affect our financial condition and results of operations. We cannot guarantee that current programs and policies that apply to the oil and gas sector will continue in place in the future. See "Risks relating to Our Business—Limitations on local pricing in Argentina may adversely affect our results of operations" and "Risks relating to Our Business—We are exposed to the effects of fluctuations in the prices of oil, gas and refined products."

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

According to an MSCI (Morgan Stanley Capital International) release, Argentina is considered a "border market" and from May 2019 will be considered an "emerging market". The 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 and capital 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 the past, we and the oil and gas industry generally experienced an increase in certain costs that exceeded the general trend of inflation.

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

Failure to adequately address actual and perceived risks of institutional deterioration and corruption may adversely affect Argentina's economy and financial condition.

A lack of a solid and transparent institutional framework for contracts with the Argentine government and its agencies and corruption allegations have affected and continue to affect Argentina. Argentina ranked 85 of 180 in the Transparency International's 2018 Corruption Perceptions Index and 117 of 190 in the World Bank's Doing Business 2018 report.

As of the date of this annual report, there are various ongoing investigations into allegations of money laundering and corruption being conducted by the Office of the Argentine Federal Prosecutor, including the largest such investigation, known as Los Cuadernos de las Coimas (the "Notebooks Investigation") which have negatively impacted the Argentine economy and political environment. Depending on how long it takes to close said investigations and their results, companies involved in the investigations may be subject to, among other consequences, a decrease in their credit ratings, claims filed by their investors, and may further experience restrictions in their access to financing through the capital markets, together with a decrease in their income. Additionally, as the criminal cases against the companies involved in the investigations move forward, said companies may be restricted from rendering services or may face new restrictions, due to their customers' internal standards. These adverse effects could restrict these companies' ability to conduct their operating activities and to meet their financial obligations. As a consequence of the above, the number of suppliers available for our operations may be reduced and, as such, have an adverse effect on our commercial activities and results of operations.

Recognizing that the failure to address these issues could increase the risk of political instability, distort decision-making processes and adversely affect Argentina's international reputation and ability to attract foreign investment, the Argentine Government has announced several measures aimed at strengthening Argentina's institutions and reducing corruption. These measures include the reduction of criminal sentences in exchange for cooperation with the government in corruption investigations, increased access to public information, the seizing of assets from corrupt officials, increasing the powers of the Anticorruption Office (*Oficina Anticorrupción*) submitting a project for a new public ethic law, among others. The government's ability to implement these initiatives is uncertain as it would be subject to independent review by the judicial branch, as well as legislative support from opposition parties.

We cannot give any assurance that the implementation of these measures by the Argentine government will be successful in stopping institutional deterioration and corruption.

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, including those relating to a potential trade war between China and the United States. Although economic conditions vary from country to country, investors' reactions to events occurring in one country sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors.

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, indirectly, our business, financial condition and results of operations, and the market value of our ADSs.

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

In the past, the Argentine government established export taxes on certain hydrocarbon products by Law No. 25,561 of Public Emergency, for a period of five years. That period was extended for five more years by Law No. 26,732. The second extension expired on January 7, 2017 and was not extended. As a result, export duties on hydrocarbon products ceased to apply.

However, on September 4, 2018, Decree No. 793/2018 was published which establishes an export duty of 12% on the export for consumption of all merchandise included in tariff positions of the Common Mercosur Nomenclature through December 31, 2020. This export duty may not exceed 4 pesos per U.S. dollar of the taxable value or the official FOB price, as applicable. For merchandise which does not constitute primary sector products, the duty may not exceed 3 pesos per U.S. dollar of the taxable value or the official FOB price, as applicable. See "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—Market Regulation."

We cannot assure you that taxes and import/export regulations of this nature will not be modified in the future or that other new taxes or import/export regulations will not be imposed.

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 (See "Risks relating to Our Business —Limitations on local pricing in Argentina may adversely affect our 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 value of Argentine Peso decreased approximately 40% against the U.S. dollar. During 2018, the value of the Argentine Peso reached its minimum value on September 2018 when the value of the Argentine Peso fell to 40.90 per U.S.$1.00, a decrease of approximately 118%

against the U.S. dollar compared to December 31, 2017. As of December 31, 2018, the value of the Argentine Peso amounted to Ps. 37.81 per U.S.$1.00 which represented a year-over-year depreciation of approximately 101%. As of March 28, 2019, the peso was valued at Ps. 43.59 per U.S.$1.00, an increase of approximately 15% compared to December 31, 2018. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions" for additional information. The main effects of the devaluation of the Argentine peso on our net profit are related to (i) deferred income tax related mainly to fixed assets, which we expect would have a negative effect; (ii) current income tax; (iii) increased depreciation and amortization resulting from the remeasurement in pesos of our fixed and intangible assets; (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 and (v) higher revenues because domestic prices in Argentina for our main products are principally based on international prices quoted in U.S. dollars (See "Risks relating to Our Business—We are exposed to the effects of fluctuations in the prices of oil, gas and refined products." and "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions"). In addition, regarding our financial position the majority of our debt is denominated in currencies other than the peso; consequently, a devaluation of the peso against such currencies will increase the amount of pesos we need to cope with in the terms of loans.

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 could 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.

Under our financing arrangements, 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, 2018, approximately 18% of our total debt is sensitive to changes in interest rates, mainly those prevailing in the domestic market. 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 cover our 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 peso/U.S. dollar exchange rate that could result in a significant increase in peso terms in the amount of the interest and principal payments in respect of such debt obligations.

We could be 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.

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. Additionally, through BCRA Communication "A" 6244, the Central Bank derogated the regulations relating to restrictions on exchange rate transactions, settlement of foreign exchange transactions, and the provisions of Decree No. 616/05, except for those regulations relating to information regimes, surveys or similar informational matters relating to foreign exchange transactions. Following these changes, the Argentine 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 December 31, 2018, the Argentine Peso fell to Ps. 37.81 per U.S.$ 1.00 which represented a year-over-year depreciation of approximately 101%. As of March [ ], 2019, the peso fell to Ps. [ ] per U.S.$ 1.00, an increase of approximately [ ]% compared to December 31, 2018. See "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—Repatriation of Foreign Currency."

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.

According to an MSCI (Morgan Stanley Capital International) release, Argentina is considered a "border market" and from May 2019 will be considered an "emerging market". Economic and market conditions in Argentina and 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, regulatory and policy developments in Argentina that occurred in recent years, 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, including our ability to refinance our debt at maturity, which would negatively affect our investments plans and consequently our financial condition and results of operations, and also have a negatively impact 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."

Risks Relating to our Business

We are exposed to the effects of fluctuations in the prices of oil, gas and refined products.

Most of our revenue in Argentina is derived from sales of refined products (mainly gasoline and diesel) and, to a lesser extent, natural gas. International prices for oil and oil products are volatile and, since the liberalization of the domestic market at the end of 2017, the prices of our oil products, are strongly influenced by conditions and expectations of world supply and demand, among other factors. Volatility and uncertainty in international prices for crude oil, oil products will most likely continue. With respect of our pricing policy of fuels see "Limitations on local pricing in Argentina may adversely affect our results of operations."

In terms of investments, we budget capital expenditures related to exploration, development, refining and distribution activities by considering, among other things, current and expected local and international market prices for our hydrocarbon products. In general terms, we had come from domestic prices for crude oil higher than international benchmark prices, however during 2017 we entered into a convergence process towards to international prices that finally occurred in October 2017 when prices were liberalized (see "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions").

Nevertheless, due to various factors (including, but not limited to, the abrupt variation in the exchange rate and the increase in international prices of oil and the consequent difficulties to pass-through the corresponding variation to domestic prices) the intended liberalization could not be fully realized during 2018. Accordingly, we cannot guarantee that the liberalization of oil and fuel prices in the domestic market may finally operate in the future due to various factors such as, domestic demand, macroeconomic and political conditions prevailing in Argentina or potential new regulatory or legal limitations. The international price of crude oil has fluctuated significantly in the past and, if crude oil prices in the domestic market drop for an extended period (or if prices for certain products do not match cost increases), this could negatively affect the economic viability of our drilling projects. These reductions could lead to changes to our development plans, which could lead to the loss of proved developed reserves and proved undeveloped reserves and could also adversely affect our ability to improve our hydrocarbon recovery rates, find new reserves, develop unconventional resources and carry out certain of our other capital expenditure plans. In turn, these changes in conditions could have an adverse effect on our financial condition and results of operations. Additionally, they could also have an impact on our operating assumptions and estimates and, as a result, affect the recovery value of certain assets.

Furthermore, we may be required to further write down the carrying value of our properties if estimated oil and gas prices decline or if we have substantial downward adjustments to our estimated reserves, increases in our operating costs, increases in the discount rate, 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, alongside 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 could affect our business, have an impact on our production and consequently affect our financial condition and results of operations.

Our domestic operations are subject to extensive regulation.

The Argentine 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. (see "Limitations on local pricing in Argentina may adversely affect our results of operations" and "We are exposed to the effects of fluctuations in the prices of oil, gas and refined products"). Although recently the Argentine government has promoted and tried to implement policies seeking to have domestic prices converge with those of international markets, we may 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";
- new export duties, similar taxes or regulations on imports;
- limitations 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, or at prices lower than those related to import parity or those we may obtain if regulated margins were not being imposed or suggested. See "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—Market Regulation—Natural gas";
- 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" and the "Investment in Natural Gas Production from Non-Conventional Reservoirs Stimulus Program" ("Gas Plan") (see "A significant percentage of our cash flow from operations is derived from counterparties that are governmental entities") and cash collection of balances with the Argentine government, which are additionally subject to the risk of potential changes in current regulations that could affect our projections or profitability. See "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—Market Regulation—Natural gas";
- 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.

In past years, 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. 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—Legal and Regulatory Framework and Relationship with the Argentine Government—The Expropriation Law," and "—Risks Relating to Argentina—The Argentine Republic owns 51% of the shares of the Company."

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—Legal and Regulatory Framework and Relationship with the Argentine Government.”

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, natural gas and other fuel prices have sometimes differed substantially from 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, including those resulting from the peso devaluation, has been limited from time to time. In general terms, we had come from domestic prices for crude oil higher than international benchmark prices, however during 2017 we entered into a convergence process towards to international prices that finally occurred in October 2017 when prices were liberalized, see “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions.”

As a result of the liberalization of the domestic market, our pricing policy for fuels contemplates several factors such as international crude oil prices and, refining spreads, processing and distribution costs, biofuel prices, exchange rate, local demand and supply, competition, inventories, withholding tax on exports, local taxation, and domestic margins for our products, among others. Nevertheless, due to various factors (including, but not limited to, the abrupt variation in the exchange rate and the increase in international prices of oil and the consequent difficulties to pass-through the corresponding variation to domestic prices) the intended liberalization could not be fully realized during 2018. Accordingly, we cannot guarantee that the liberalization of oil and fuel prices in the domestic market may finally operate in the future due to various factors such as, domestic demand, macroeconomic and political conditions prevailing in Argentina, the interests of our controlling shareholder, or potential new regulatory or legal limitations (see “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions”).

On the other hand, Argentina has faced and continues to face high inflationary pressures, which the Argentine Government continues to approach through different measures. The Government has the objective of reducing inflation, in line with the agreement with IMF and pursuant to the new policies put in place by the BCRA. Consequently, and taking into account the impact of the increase in the price of fuels in the aforementioned inflation, we cannot guarantee that we will be able to increase our fuel prices to compensate for the general increases in costs or import prices. (See “Our business is largely dependent upon economic conditions in Argentina.”)

Regarding natural gas markets, 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—Legal and Regulatory Framework and Relationship with the Argentine Government—Market Regulation—Natural gas” and “MINEM Resolution No. 46/2017”) are subject to government regulations and could be negatively affected, principally considering the evolution of gas prices for residential consumers which in turn are still subject to subsidies and the evolution of sale price to electric generation plants. 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—Legal and Regulatory Framework and Relationship with the Argentine Government—Market Regulation.”

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 we are the primary oil and gas company in Argentina, our portfolio of clients and suppliers includes both private sector and governmental entities. All material transactions and balances with related parties as of December 31, 2018 are set forth in Note 31 to the Audited Consolidated Financial Statements, including, among others, accounts receivables with SGE (related to the Natural Gas Stimulus Programs), Ministry of Transport (related to compensation for providing gas oil to public transport at a differential price) and Aerolineas Argentinas (related to the provision of jet fuel).

As of December 31, 2018, the accounts receivable balance corresponding to the Natural Gas Additional Injection Stimulus Program reflects twelve months of accrued, unpaid payments for year 2017, representing Ps. 27.0 billion. As of the date of this annual report, we have not received additional payments related to amounts accrued and unpaid as of December 31, 2018 under such program. However, on February 28, 2019, the SGE notified YPF the amount of the compensation owed to it, estimated in compliance with Resolution No. 97/2018, which amounted to U.S.$ 758 million. See "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government— MINEM Resolution No. 97/2018."

As of December 31, 2018, the accounts receivable corresponding to the Stimulus Program for Investments in Developments of Natural Gas Production from Unconventional Reservoirs reflects twelve months of accrued, unpaid payments, representing Ps. 1.2 billion. As of the date of this annual report, we have received payments of Ps. 0.3 billion related to amounts accrued and unpaid as of December 31, 2018 under such program.

Additionally, because of the variation in the exchange rate, natural gas producers and distributors began a process of renegotiation of the specific agreements signed pursuant to the Terms and Conditions for the Provision of Natural Gas to Gas Distributors through Networks (the "Terms and Conditions") (see "Item 4. Information on the Company—Exploration and Production—Delivery commitments—Natural gas supply contracts)", where prices were denominated in dollars. The renegotiation process included two main aspects: i) payments of the debts arising from the differences between the exchange rate paid by the distributors and the exchange rate which had been originally agreed (for the period between April and September 2018), and ii) the applicable price for gas during the period between October and December 2018. On November 16, 2018, through Decree No. 1,053/18 the Argentine Government assumed on an exceptional basis, the payment of the daily differences which accrued monthly between the price of gas purchased by the distributors and the valid tariffs during the period between April 1, 2018, and March 31, 2019, exclusively arising from exchange rate variations and corresponding to the natural gas volumes delivered in that same period. The conditions are as follows:

- 30 monthly consecutive installments starting on October 1, 2019, which will be determined by using the BNA effective interest rate for 30-day deposits in Argentine currency ("electronic board").
- The installments will be collected by distributors, who will immediately pass it through to producers.
- Distributors and producers must adhere to the system and expressly waive any action or complaint.

As of the date of this annual report, the complementary regulations for the application of the foregoing conditions to distributors and producers are pending issuance by the ENARGAS. See additionally "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government— Tariff renegotiation."

If certain governmental counterparties were (i) not able to pay or redeem such accrued amounts in cash or cash equivalents, or (ii) only able to make such payments or redemptions through delivery of financial instruments which: (a) may delay collection of working capital payments in excess of our estimates, (b) are subject to change in their listing value, or (c) are denominated a currency other than the origin of the credit, our financial condition and results of operations could be adversely affected.

We are subject to direct and indirect import and 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 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.

In the past, 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, 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 required prior authorization from the SGE pursuant to the regime established under S.E. Resolution No. 241-E/17, 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.

In addition, on March 21, 2017, Decree No. 192/2017 was published in the Official Gazette of the Republic of Argentina (the "Official Gazette"), which created the "Oil and its Byproducts Import Operations Registry" (the "Registry") and set forth that the MINEM (through the Secretariat of Hydrocarbon Resources) would be responsible controlling the Registry. The Registry involved import operations of: (i) crude oil and (ii) certain other specific byproducts listed in section 2 of the decree. By means of this regulation, any company that wished to perform such import operations was obligated to register such operation in the Registry and to obtain authorization from MINEM before the import took place. According to this decree, MINEM had to set the methodology applicable to issue import authorizations, which will be based in the following criteria: (a) lack of crude oil with the same characteristics offered in the domestic market; (b) lack of additional treatment capacity in domestic refineries with domestic crude oil; and (c) lack of byproducts listed in section 2 of the decree offered in the domestic market. This regime exempted any import by CAMMESA in order to supply power plants with the main purpose of technical supply to the "Inter-connection Argentinean System" (Sistema Argentino de Interconexión or "SADI"). On November 24, 2017, Decree No. 962/2017 was published in the Official Gazette amending Decree No. 192/2017 by providing that the Registry would be in effect until December 31, 2017. Decree No. 962/2017 provided that the need for the Registry was temporary and therefore, since December 31, 2017, the import operations related to crude oil, gasoline, and diesel oil included in Decree No. 192/2017 are no longer subject to registration.

On August 22, 2018, the former Ministry of Energy and Mining issued Resolution No.104/2018, later modified by Resolution No. 9/2018 of the SGE, which established a new procedure to obtain authorizations to export natural gas. For more information, see "— Legal and Regulatory Framework and Relationship with the Argentine Government—"Natural gas export administration and domestic supply priorities."

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

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 decreased in 2018 compared to 2017 by 4.5% and our reserves replacement ratio (increases in reserves in the year, net divided by the production of the year) was 178% in 2018, compared to 9% in 2017.

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 field 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 or extension of most of our concessions, allowing us to develop certain strategic projects related to water-flooding, enhanced oil recovery and unconventional resources, which represent an important opportunity not only for us 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 economies of scale, de risk undeveloped acreage 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. 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."

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, 2018, 2017 and 2016 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, we had come from domestic prices for crude oil higher than international benchmark prices, however during 2017 we entered into a convergence process towards to international prices that finally occurred in October 2017 when prices were liberalized. See “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions.” Nevertheless, due to various factors (including, but not limited to, the abrupt variation in the exchange rate and the increase in international prices of oil and the consequent difficulties to pass-through the corresponding variation to domestic prices) the intended liberalization could not be fully realized during 2018. Accordingly, we cannot guarantee that the liberalization of oil and fuel prices in the domestic market may finally operate in the future due to various factors such as, domestic demand, macroeconomic and political conditions prevailing in Argentina or potential new regulatory or legal limitations. As a result, for calculations of our net proved reserves as of December 31, 2018, the Company considered the realized prices for crude oil in the domestic market taking into account the effect of export taxes as in effect as of each of the corresponding years (until 2020, in accordance with Decree No. 793/2018). For the years beyond the mentioned periods, the Company considered the unweighted average price of the first-day-of-the-month for each month within the twelve-month period ended December 31, 2018, which refers to the Brent prices adjusted by each different quality produced by the Company. In connection with natural gas prices used for estimation of reserves, the Company considered the realized prices in the domestic market according to the SEC and FASB’s ASC 932 rules, but also taking into account the effect of certain market regulations which were put in place mainly during the second half of 2018.

The international price of crude oil has fluctuated significantly in the past. If these prices decrease significantly in the future or if domestic prices are set lower than in internationals markets, 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. Assuming all other factors remain constant, if commodity reference prices for crude oil used in our year-end reserve estimates were decreased by 10%, our total proved reserves as of December 31, 2018 would decrease by approximately 2%. On the other hand, assuming all other factors remain constant, if market prices for natural gas used in our year-end reserve estimates were decreased by 10%, our total proved reserves as of December 31, 2018 would decrease by approximately 1%. Furthermore, assuming all other factors remain constant, if costs used in our year-end reserve estimates were increased by 10% for crude oil and natural gas, our total proved reserves as of December 31, 2018 would decrease by approximately 2%. However, if we combine the 3 above mentioned effects, our total proved reserves as of December 31, 2018 would decrease by approximately 7%. 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.

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, which could reduce earnings and shareholders’ equity. See “—We are exposed to the effects of fluctuations in the prices of oil, gas and refined products.”

Oil and gas activities are subject to significant economic, environmental and operational risks and to seasonal fluctuation of demand.

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 or development objectives. If these risks materialize, we may suffer substantial operational losses and disruptions to our operations and harm to our reputation. Additionally, if any operational incident occurs that affects local communities and ethnic communities in nearby areas, we will need to incur in additional costs and expenses in order to return affected areas to normality and to compensate for any damages we may cause. These additional costs may have a negative impact on the profitability of the projects we may decide to undertake. 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.

Furthermore, historically our results have been subject to seasonal fluctuations of demand during the year, in the case of natural gas, particularly as a result of increased demand during the colder winter months. During 2018, mainly due to the increase in the natural gas supply in the domestic market, and also taking into account that GDP decline had a negative impact in demand, forced us to reduce natural gas output thorough the temporary stop of certain wells gas production, as well as the reinjection of the hydrocarbon. Based on this new scenario, and new regulations and agreements, domestic gas prices were negatively impacted. See "Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Seasonality" and "Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—Market Regulation—Natural Gas—Tariffs."

We could be subject to fluctuations in non-winter season in our sales volumes and consequently our level of natural gas production could be negatively affected potentially resulting in market prices lower than expected, thus affecting our result of operations and financial conditions.

Our acquisition of exploratory or productive 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 or prospects. As a result, the conditions under which we would be access new exploratory or productive areas could be adversely affected.

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, the drilling and exploitation of 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 to which we are subject.

As discussed under "—Oil and gas activities are subject to significant economic, environmental and operational risks and to seasonal fluctuation of demand" 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.

Our extension of concessions includes, among others, certain level of investment and activity commitment in certain periods. Non-compliance with the obligations and standards set out under the Hydrocarbons Law or agreements with the competent authorities, as applicable, 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 we would submit in the future for the development of the areas as of the date of requesting the extension periods for our relevant areas, 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.

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

Operations in the oil and gas industry in which we participate, including those related to our mining and use of sand for purposes of our oil and gas operations, are subject to a wide range of environmental, health and safety laws and regulations in the countries in which we operate. These laws and regulations have a substantial impact on our operations and those of our subsidiaries and could result in material adverse effects on our financial position and results of operation. A number of events related to environmental, health and safety matters, including changes in applicable laws and regulations, adverse judicial or administrative interpretations of such laws and regulations, changes in enforcement policy, the occurrence of new litigation or development of pending litigation, and the development of information concerning these matters, could result in new or increased liabilities, capital expenditures, reserves, losses and other impacts that could have a material adverse effect on our financial condition and results of operations. For instance, on October 2018, we had a major spill in the area of Bandurria Sur caused by a blowout (decontrol of well), see “Item 4. Upstream overview—Exploration & Production Activity in Argentina—Unconventional Region—Bandurria Sur”. In addition, the Company’s sand mining operations and hydraulic stimulation may result in silica-related health issues and litigation that could have a material adverse effect on the Company in the future. See “Item 8. Financial Information—Legal Proceedings” and “Item 4. Information on the Company—Legal and Regulatory Framework and Relationship with the Argentine Government—Argentine 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. Argentina recently issued new rules which began to phase-in more stringent regulations to lower the amount of sulfur contained in diesel and gasoline fuels that will result in an increase in our investments and relative costs for such production in 2019 and following years, thus potentially affecting our results of operations depending on the future prices of fuels. Furthermore, if additional requirements were 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.

Furthermore, water is an essential component of both the drilling and hydraulic fracturing processes. Consequently, the Company regularly disposes of the fluids produced from oil and gas production operations directly or through the use of third party vendors. Increased regulation or limitations to the use of water for our operations, or increased scrutiny or limitations on the injection of produced water through injection wells (which could also result in increased litigation), could adversely affect our operation and our financial condition.

We may be responsible for significant costs and liabilities depending on the outcome of the reorganization proceedings involving our YPF Holdings subsidiaries and the alter ego claims filed by the Liquidating Trust.

As discussed in Note 27 to the Audited Consolidated Financial Statements, on June 17, 2016, Maxus Energy Corporation, Tierra Solutions Inc., Maxus International Energy Company, Maxus (US) Exploration Company and Gateway Coal Company (collectively, the “Maxus Entities”), subsidiaries of YPF Holdings, Inc., filed for reorganization proceedings in Wilmington, Delaware under Chapter 11 of the U.S. Bankruptcy Code. In conjunction with those proceedings, the Maxus Entities entered into an agreement with YPF along with its subsidiaries YPF Holdings Inc., CLH Holdings Inc., YPF International S.A. and YPF Services USA Corp (collectively, the “YPF Entities”) to settle any and all claims held by Maxus against the YPF Entities, including any alter ego claims, all of which claims the YPF Entities believe are without merit, and to release the YPF entities of any and all claims held by the Maxus Entities (the “Agreement”).

The Agreement provided for a payment of U.S.$ 130 million to the Maxus Entities (“Settlement Payment”) and for the provision of a U.S.$63.1 million debtor-in-possession loan (“DIP Loan”) by YPF Holdings Inc.

However, on March 28, 2017 the Maxus Entities and the Creditors’ Committee submitted an alternative restructuring plan (the “Alternative Plan”) which does not include the Agreement with the YPF Entities. Under the Alternative Plan, a Liquidating Trust may submit alter ego claims and any other claim belonging to the insolvent’s estate against the Company and the YPF Entities. The liquidating trust would be financed by Occidental Chemical Corporation in its capacity as creditor of the Maxus Entities. As YPF did not approve such Alternative Plan and the Alternative Plan did not contemplate the implementation of the originally submitted Agreements, on April 10, 2017 YPF Holdings, Inc. sent a note informing that this situation constituted an event of default under the loan granted under the Agreement with YPF and the YPF Entities.

Together with the approval of the financing offered by Occidental under the Alternative Plan, the Judge ordered the repayment of the outstanding amounts (approximately U.S.$ 12.2 million) under the terms of the DIP Loan, which were subsequently received.

On May 22, 2017, the Bankruptcy Court of the District of Delaware issued an order confirming the Alternative Plan submitted by the Creditors’ Committee and the Maxus Entities. The effective date of the Alternative Plan was July 14, 2017, as the conditions set forth in Article XII.B of the Alternative Plan were met. On July 14, 2017, the Maxus Energy Corporation Liquidating Trust (the “Liquidating Trust”) was created.

On June 14, 2018, the Liquidating Trust filed a lawsuit against the Company, YPF Holdings, CLH Holdings, Inc., YPF International and other companies not-related to YPF, claiming alleged damages in an amount up to US$ 14 billion, principally in connection with alleged claims purportedly related to corporate restructuring transactions the Company engaged in several years ago (the “Claim”). The lawsuit was filed before the United States Bankruptcy Court for the District of Delaware.

On October 19, 2018, the Company, together with the other companies of the Group that are part of the Claim, filed a motion requesting dismissal of the Claim (“Motion to Dismiss”).

On November 21, 2018, the Liquidating Trust filed its objection to the Motion to Dismiss filed by the Company together with the other companies of the Group that are part of the Claim, and to the one filed by the companies not related to YPF and which are part of the Claim.

On December 10, 2018, the Company, together with the other companies of the Group that are part of the Claim, exercised their right of reply regarding the presentation made by the Liquidating Trust

On January 22, 2019, the hearing regarding the Motion to Dismiss was held in the Bankruptcy Court.

On February 15, 2019, the Bankruptcy Court ordered the dismissal of the Motions to Dismiss filed by the Company, together with the other Group companies and the other defendant companies not related to YPF.

On March 1, 2019, the Company, together with the other companies of the Group that are part of the Claim, filed an appeal to the resolution dated February 15, 2019.

As described in Note 27 to the Audited Consolidated Financial Statements, according to the preliminary status of the lawsuit, the complexity of the demand and the evidence that has to be submitted by both parties, the Company will continuously reevaluate the evolution of the described circumstances as they happen and its impact on the results and the financial condition of the Company.

Depending on the final outcome of these matters, including the alter ego claims, our financial condition and results of operation could be materially and adversely affected. See “Item 8. Financial Information—Legal Proceedings.”

We face risks 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 be materially 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, 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 during certain days.

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. The new oil treatment plant was put into production in December 2016.

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, especially in the context of activity reduction. 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 “—We are exposed to the effects of fluctuations in the prices of oil, gas and refined products.” and “Item 5. Operating and Financial Review and Prospects—Factors Affecting Our Operations—Macroeconomic conditions.”

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

On April 29, 2016, our shareholders approved a dividend of Ps. 889 million (Ps. 2.26 per share or ADS), which was paid during July 2016. On April 28, 2017, our shareholders approved a dividend of Ps. 716 million (Ps.1.82 per share or ADS), which was paid during December 2017. On April 27, 2018, our shareholders approved a dividend of Ps. 1,200 million (Ps.3.05 per share or ADS), which was authorized and paid during December 2018. On March 7, 2019, our Board of Directors proposed the creation of a reserve for dividend of Ps. 4,800 million. Our next shareholder’s meeting, to be held on April 26, 2019, will consider this proposal. Notwithstanding the foregoing, our ability to pay, maintain or increase dividends is based on many factors, including our net income, capital expenditures required under our investment plans, future debt service payments, working capital needs, legal or contractual restrictions, and general economic and financial conditions. A change in any of these factors 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.

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 it to appoint the majority of members of our board of directors at the General Shareholder’s meeting. See “—The Argentine Republic owns 51% of the shares of the Company” 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.

We could be subject to information technology system failures, network disruptions, and breaches in data security which could negatively affect our business, financial position, results of operations, and cash flows.

As dependence on digital technologies is expanding, cyber incidents, including deliberate attacks or unintentional events have been increasing. Computers and telecommunication systems are used to conduct our exploration, development and production activities and have become an integral part of our business. We use these systems to analyze and store financial and operating data and to communicate internally and with outside business partners. Cyber-attacks could compromise our computer and telecommunications systems and result in disruptions to our business operations or the loss of our data. In addition, computers control oil and gas production, processing equipment, and distribution systems and are necessary to deliver our production to market.

Although we are continuously increasing our security policy to the industrial systems, reinforcing the defenses in case of denial of service and increasing the monitoring of suspicious activities, our technologies, systems, networks, and those of our business partners have been and may continue to be the target of cyber-attacks or information security breaches, which could lead to disruptions in critical systems (for example, SCADAs, DCS Systems), 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.

As cybersecurity threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate or remediate any cybersecurity or information technology infrastructure vulnerabilities. During the second half of 2018, in accordance with international standards, we have organized and implemented a Cyber Risk Management Center and a Computer Security Incident Response Team to monitor and mitigate cyber security threats.

We have also updated our internal cyber incident response procedures and processes, as well as performed on the last quarter of 2018 a major cyber-tabletop exercise that was part of the cyber security awareness program.

The Company’s reputation is an important corporate asset. An operating incident, significant cybersecurity disruption or other similar adverse event, may have a negative impact on our reputation, which in turn could make it more difficult for us to compete successfully for new opportunities or could reduce consumer demand for the company’s branded products.

During 2018, we have been the target of many attempted attacks and were exposed to malware infections like other companies in the industry, which did not result in a significant loss or a negative impact in our operations. There can be no assurance that the Company will not incur such losses in the future. The Company’s risk and exposure to these matters cannot be fully calculated nor mitigated because of, among other things, the evolving nature of these threats.

A cyber-attack involving our information systems and related infrastructure, or those of our business partners, could disrupt our business and negatively impact our operations in a variety of ways, including but not limited to:

- unauthorized access to seismic data, reserves information, strategic information, or other sensitive or proprietary information could have a negative impact on our ability to compete for oil and gas resources;
- data corruption or operational disruption of production-related infrastructure could result in a loss of production, or accidental discharge;
- disruption of our operations, communications, or processing of transactions or the loss of, or damage to, sensitive information, facilities, infrastructure and systems which are essential to our business and operations which, in turn, could have a material adverse effect on our business, financial position, results of operations, and cash flows;
- a cyber-attack on a service provider could result in supply chain disruptions, which could delay or halt our major development projects;
- a cyber-attack on our accounting or accounts payable systems could expose us to liability to employees and third parties if their sensitive personal information is obtained.

Our derivative risk management activities could result in financial losses.

As of the date of this annual report, the Company, through our subsidiary Metrogas, has entered into derivative financial instruments with quotation in active markets (contracts of future exchange rate in dollars). We could be exposed to adverse variations in the price of the assets underlying the derivative contract, which would in turn affect our results of operations and financial condition. In addition, any failure in the performance of their obligations by our counterparties to any of these agreements could also have a material adverse effect on the Company's results of operations.

Our actual production could differ materially from our forecasts.

From time to time, we provide forecasts of expected quantities of future oil and gas production and other financial and operating results. These forecasts are based on a number of estimates and assumptions, including that none of the risks associated with our oil and gas operations summarized in this "Item 3. Key Information—Risk Factors" occur. Production forecasts, specifically, are based on assumptions such as expectations of production from existing wells, the level and outcome of future drilling activity, the level of gas demand, and the absence of facility or equipment malfunctions, adverse weather effects, or downturns in commodity prices or significant increases in costs, which could make certain drilling activities or production uneconomical. Should any of these estimates prove inaccurate, or should our development plans change, actual production could be materially and adversely affected.

We have limited control over the day to day activities carried out on properties which we do not operate.

Some of the properties in which we have an interest are operated by other companies and involve third-party working interest owners. As a result, we have limited ability to influence or control the day to day operations of these companies and third-parties, including their compliance with environmental, safety and other regulations, which, in turn, could have a material adverse effect on our business, financial position, results of operations, cash flows and/or our reputation.

We could be affected by violations to anticorruption, anti-bribery, anti-money laundering and other national and international regulations.

We are subject to anticorruption, anti-bribery, anti-money laundering and other national and international regulations. We are required to comply with the regulations of Argentina and various jurisdictions where we conduct operations. Although we have internal policies and procedures designed to ensure compliance with applicable anti-fraud, anti-bribery and anti-corruption laws and sanctions regulations, potential violations of anti-corruption laws could be identified on occasion as part of our compliance and internal control processes. In case such issues arise, we plan to attempt to act promptly to learn relevant facts, conduct appropriate due diligence, and take any appropriate remedial action to address the risk. Given the size of our operations and the complexity of the production chain, there can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our employees, directors, officers, partners, agents and service providers or that such persons will not take actions in violation of our policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which we or they may be ultimately held responsible. Violations of anti-bribery and anti-corruption laws and sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition. In addition, we may be subject to one or more enforcement actions, investigations and proceedings by authorities for alleged infringements of these laws. These proceedings may result in penalties, fines, sanctions or other forms of liability and could have a material adverse effect on our reputation, business, financial condition and results of operations.

If we fail to comply with the covenants set forth in our credit agreements and indentures, or upon the occurrence of a change of control, we may be required to repay our debt.

Under the terms of our credit agreements and indentures, if we fail to comply with the covenants set forth thereunder or if we fail to cure any breach thereof during a specified period of time, we will be in default of our obligations, which in turn would limit our capacity of borrowing. To the extent we default on any of our obligations, we would expect to actively pursue formal waivers from the corresponding counterparties to these agreements, in order to avoid the acceleration of any amounts owed thereunder. However, if the corresponding waivers are not timely obtained, in accordance with the terms of our credit and indentures certain creditors may declare the principal and accrued interest on amounts owed to them as due and immediately payable, resulting in acceleration of other outstanding debt due to cross default provisions, which in turn could have a material adverse effect on our business, financial condition and results of operations.

In addition, upon the occurrence of a change of control, we may be required to make an offer to purchase certain outstanding notes at a price of 101% of their principal amount plus accrued and unpaid interest, and our other debt may be subject to mandatory prepayment. Our source of funds for any such mandatory prepayment will be available cash or other sources, including borrowings, sales of assets or sales of equity. The sources of cash may not be adequate to permit us to immediately prepay our indebtedness upon a change of control, which in turn may result in an event of default under certain agreements governing our indebtedness.

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 "—Risks Relating to Argentina—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. During 2017 the price of our ADSs reached a maximum of U.S.$ 26.16 but, mainly due to the Argentine economic conditions, decreased to a minimum value of U.S.$ 12.31 on December 24, 2018. As of March 28, 2019, our ADSs reached a price of 13.69 U.S.$. 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.

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 (i) merger; (ii) the transfer to third parties of 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-;(iii) the voluntary dissolution of the Company, (iv) the transfer of the legal or fiscal domicile of the Company outside Argentina. This approval would also be necessary in connection with an acquisition that would result in the purchaser holding 15% or more of our capital stock, 20% or more of the outstanding Class D shares, or a majority of our capital stock.

According to our by-laws, the transactions described in (iii) and (iv) above also require the prior approval of the Argentine congress through enactment of a law.

In addition, our by-laws also provide that in order to carry out an acquisition that results in the purchaser holding 15% or more of our capital stock or 20% or more of the outstanding Class D shares, such purchaser would be required to make a public 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 Argentine 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.

We are traded on more than one market and this may result in price variations; in addition, investors may not be able to easily move shares for trading between such markets.

Trading in the ADSs or Class D Shares underlying ADSs in the United States and Argentina, respectively, will use different currencies (U.S. dollars on the New York Stock Exchange ("NYSE") and Argentine pesos on the Mercado de Valores de Buenos Aires ("S&P MERVAL"), and take place at different times (resulting from different trading platforms, different time zones, different trading days and different public holidays in the United States and Argentina). The trading prices of the Class D Shares underlying ADSs on these two markets may differ due to these and other factors. Any decrease in the price of the Class D Shares underlying ADSs on the S&P MERVAL could cause a decrease in the trading price of the ADSs on the NYSE. Investors could seek to sell or buy the Class D Shares underlying ADSs to take advantage of any price differences between the markets through a practice referred to as "arbitrage." Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the ADSs available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying Class D Shares for trading on the other market without effecting necessary procedures with the depositary. This could result in time delays and additional cost for holders of ADSs.

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.

Holders of ADSs may not be able to exercise the preemptive or accretion rights relating to the shares underlying the 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, holders may receive only the net proceeds from the sale of their preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse. As a result, U.S. holders of Class D shares or ADSs may suffer dilution of their interest in our company upon future capital increases.

In addition, under the Argentine General Corporations Law, foreign companies that own shares in an Argentine corporation are required to register with the Superintendence 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 ADSs. A holder of ADRs representing the ADSs being held by the depositary 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