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The Shareholders' Meeting held on April 21, 2004, approved the payment of a dividend of Ps. 9 per share or per American Depositary Receipt ("ADR"), which was paid on April 30, 2004. In addition, the Shareholders' Meeting also approved a reserve for future dividends of Ps. 1,770 million and the remainder of the reserve for future dividends (Ps. 133 million) not distributed as of December 31, 2003 was carried forward as retained earnings.

On October 27, 2004, the Board of Directors approved a dividend of Ps. 4.50 per share, to be paid out of the reserve for future dividends approved by the Shareholders' Meeting of April 21, 2004 and ratified by the Shareholders' Meeting of April 19, 2005. The dividends were paid on November 5, 2004.

The Shareholders' Meeting held on April 19, 2005, approved the payment of a dividend of Ps. 8 per share or per American Depositary Receipt ("ADR"), which was paid on April 29, 2005. In addition, the Shareholders' Meeting also approved a reserve for future dividends of Ps. 1,731 million. The Board of Directors has the power to decide the timing and the amount of future payments out of this reserve, to the extent such payments are possible under Argentina's and YPF's economic and financial circumstances.

### **Risk Factors**

#### ***Negative Economic, Political and Regulatory Developments in Argentina Including Export Controls May Adversely Affect Our Domestic Operations***

*Economic conditions and government policies.* The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth and high variable levels of inflation. Inflation reached its peak towards the end of the 1980s and beginning of the 1990s. The annual inflation rate as measured by the consumer price index was approximately 388% in 1988, 4.924% in 1989 and 1.344% in 1990, and the annual inflation rate as measured by the wholesale price index was approximately 432% in 1988, 5.386% in 1989 and 798% in 1990. As a result of inflationary pressures, the Argentine currency was devalued repeatedly during the 1960s, 1970s and 1980s, and macroeconomic instability led to broad fluctuations in the real exchange rate of the Argentine currency relative to the U.S. dollar. To address these pressures, past Argentine governments implemented various plans and utilized a number of exchange rate systems during this period.

Since 1991, following the adoption of the Convertibility Law and for a period of seven years, inflation declined progressively and the Argentine economy enjoyed seven years of growth. In the last quarter of 1998, the Argentine economy was affected by an adverse change in international financial conditions, and started to show signs of stagnation, entering into a recession, causing Argentina's gross domestic product to decrease by 3.4% in 1999, 0.8% in 2000 and 4.4% in 2001.

By the end of 2001, Argentina suffered a deep social and economic deterioration accompanied by high political and economic instability. The restrictions on bank deposits withdrawals, the imposition of exchange controls, the suspension of payment of Argentina's public debt and the abrogation of the peso's one-to-one peg to the dollar (and the consequent depreciation of the peso against the dollar) resulted in a deep negative shock to the Argentine economic system, resulting in contraction of the economic activity (Gross Domestic Product ("GDP") declined 10.9% in 2002), increasing inflation (41% in the year) and high volatility of the exchange rate. The political and economic instability curtailed commercial and financial activities in Argentina and affected the country's access to international financing.

In a context of strong economic growth in the developed economies and favorable pricing of raw materials, throughout 2003 and 2004 Argentina began to recover from the deep crisis that began at the end of 2001. The manufacturing and construction industries have driven GDP growth of 8.7% in 2003 and 9% in 2004. Public finances continued to strengthen both at the national and provincial levels, recording a consolidated primary surplus of about 5.5% of GDP in 2004.

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Inflation was only 3.7% year-on-year at the end of 2003, but showed a slight upward trend in 2004 (6.1% year-on-year). In the currency market, the peso appreciated relative to the U.S. dollar, in the context of the global downward trend of the U.S. dollar.

After the succeeding public debt swap developed in the beginning of the year, private economic forecasts for 2005 are optimistic. The growth outlook has improved, and in March 2005 the consensus is forecasting a 6.5% GDP growth for the year. The inflation rate is projected slightly below 10% for the year 2005.

The uncertainties surrounding the inauguration of the new government that assumed office in May of 2003, create political risks and uncertainties for YPF's operations in Argentina. General elections took place on April 27, 2003, but no candidate obtained the minimum number of votes necessary to win the election. A subsequent run-off between Carlos Menem, who obtained 24.3% of the votes, and Nestor Kirchner, who obtained 22% of the votes, was cancelled after Mr. Carlos Menem withdraw from the presidential race. Nestor Kirchner took office on May 25, 2003 and Roberto Lavagna was ratified as Minister of Economy. Several provincial and legislative elections took place along the second half of 2003. At the end of 2004, Kirchner's political party, the Justicialismo, maintained a majority in both houses of Congress, and held the majority of the provincial governorships. In the first two years of his term, Mr. Kirchner has been enjoying a very high rate of public approval for his administration.

In September 2003, Argentina and the International Monetary Fund ("IMF") signed a three-year Stand-By Credit Arrangement for US\$ 13.2 billion. The loan agreement allowed the IMF to perform periodic reviews to assess the level of compliance with the conditions and covenants contained in the Stand-By Credit Arrangement. The IMF completed and approved two separate reviews, one in January 2004 and the other one in March 2004, but in the second half of the year, the Argentine authorities decided to suspend the program until the public debt restructuring process has finished. Although the decision implied postponing the disbursements scheduled in the Stand By program, Argentina has remained current in payments to the IMF, facing obligations with its own international reserves.

On September 17, 2004, the IMF approved the Argentine Government's request to defer repayment of about US\$1.1 billion. On January 10, 2005, Argentina launched a formal offer to restructure more than US\$100 billion of defaulted debt. On March 3, 2005, the Argentine government announced that 76% of its creditors had accepted the offer. On June 2, 2005, new securities totaling approximately US\$35.3 billion were issued by the government and corresponding debt service payments were made. However, at this time it is impossible to determine what effects the results of the offer will have, if any, on investor confidence or on the Argentine economy generally. Moreover, there can be no assurance that the Argentine government will not default on its obligations under these new bonds in the event that it experiences another economic crisis. In addition, Argentina will have to withstand any legal actions that may be filed by bondholders who did not accept the Argentine government's exchange offer.

It is too early to assess what effects, if any, the recent restructuring will have on the Argentine economy or on the government's relationship with the IMF. The adoption of austere fiscal measures may be required to repay the Argentine government's debt and to balance its budget, which measures could adversely affect economic growth. Even if the government succeeds in restructuring its debt, unsatisfied creditors may resort to litigation in various forums against the government. These factors could lead to deeper recession, higher inflation and unemployment and social unrest, which would negatively affect our financial condition and results of operations.

YPF's business and results of operations have been, and may continue to be, materially and adversely affected by economic, political and regulatory risks and developments in Argentina. In particular, in the past years the energy sector and YPF have been affected by lower sale volumes, restrictions on transferring money out of Argentina, difficulties in transferring the impact of prices of crude oil and derived products quoted in dollars to domestic prices fixed in pesos, difficulties in increasing domestic natural gas sale prices and the creation of a tax specifically targeted at the export of hydrocarbons, that was increased in August 2004.

Even if the growth trends and macroeconomic stability noted in 2003 and 2004 continue, the energy sector and YPF will continue to face significant risks of an economic and political slowdown.

The devaluation of the peso and other economic measures adopted by the Government have stimulated economic growth, ending the interruption in industrial output created by the recession. Although, on average, there is still idle capacity in the industrial sector, some restrictions on manufacturing production may arise from energy shortages. In order to alleviate energy restrictions, the government has made provisions for importing natural gas from Bolivia and fuel-oil from Venezuela, as well as restricting natural gas exports to Chile. However, in the event of an extremely severe winter, gas supply to industries and electricity generation plants may be interrupted since priority is given to residential consumption.

The main economic risks we face because of our operations in Argentina are the following:

- difficulties in passing through the movements in international prices of crude oil and exchange rates to domestic prices;
- difficulties in increasing local prices of natural gas for our residential customers households (see "Item 4. Information on the Company-Natural Gas and Electricity Markets and Distribution");
- higher taxes on exports of hydrocarbons;
- quantitative restrictions on hydrocarbon exports;
- political pressure to carry out hydrocarbon import activities even if unprofitable or loss-making;
- higher taxes on domestic sales of fuel; and
- the possibility that a deterioration in Argentina's relations with multilateral credit institutions, such as the IMF, will impact negatively on the local capital controls, and a deterioration of the business climate.

The difficult social situation and frequent street demonstrations, may affect our normal operations particularly at wells, refineries, distribution terminals, pipelines and at YPF's administrative headquarters.

The Argentine government still faces a wide array of formidable tasks, such as completing the restructuring of public debt, establishing a new regulatory framework for privatized utilities, restoring investor confidence and stimulating investment in Argentina, developing a sound medium-term budgetary policy and addressing the fundamental flaws in Argentina's long-term fiscal policies that caused the country's current economic crisis.

There can be no assurances that Argentina's government will be able to accomplish these tasks and that the Argentine economy will show a steady recovery in the foreseeable future, that the measures announced so far will achieve their intended results, or that the political and socio-economic conditions currently prevailing in Argentina will enable the government to develop and implement other measures and policies necessary to achieve the goals of macroeconomic stabilization.

YPF is subject to the risk of exports restrictions being imposed on it. Any export restrictions imposed on YPF may adversely affect our domestic operation. Law No. 17,319 established that the Federal Executive allows Hydrocarbons exports as long as they are not required for the domestic market and they are sold at reasonable prices. In May 2002, the Argentine government, through Decree No. 867/02, declared a temporary national emergency and authorized the Secretary of Energy to establish the volumes of crude oil and LPG that must be sold in the domestic market, hence restricting the volumes of crude oil and LPG that may be exported. In March 2004, the Secretary of Energy, through Resolution 265/04 established certain restrictions on export sales of surplus natural gas that may be needed for internal consumption. Pursuant to Resolution 265/04, the Sub-Secretary of Fuels issued Regulation 27/04 which, among other things, establishes that absent an express authorization by the Government, natural gas export authorizations may not be granted for volumes exceeding natural gas exports registered during 2003. Moreover, on December 23, 2004 the Secretary of Energy issued Resolution 1,679/04 reestablishing the registry of export operations for crude oil and diesel. In accordance with

this resolution companies willing to export crude oil and diesel have to previously obtain an authorization. To that effect, oil companies willing to export crude oil have to previously prove that the demand of crude oil by local refineries is satisfied or that an offer to sell crude oil has been made to refineries. In similar terms, refineries willing to export diesel have to previously prove that the local demand of diesel is duly satisfied. Through Provision No. 752 issued by the Secretary of Energy, the government could require to producers an additional injection of natural gas for Electronic Gas Market ("MEG")'s participants. See "Item 4. Information on the Company-Regulatory Framework and Relationship with Argentine Government." In connection with the previously mentioned resolutions, as described in Item 8 "Legal Proceedings" on certain days of 2004 and 2005, YPF was forced to reduce, either totally or partially, its natural gas deliveries to some of its export clients. Upon giving notice of each restriction to its clients, YPF asserted that the Resolution constitutes force majeure and releases YPF from any contractual or extracontractual liability for failing to supply the natural gas volumes agreed upon in the respective contracts. Some of YPF's customers have rejected YPF's assertion of force majeure and notified YPF of their intention to hold YPF liable for a breach of contract. YPF has answered by again asserting force majeure.

***Fluctuations in Foreign Exchange Rates, the Imposition of New Taxes and the Enactment of Exchange, Price Controls in Argentina Could Adversely Affect Our Performance and Materially Affect Our Capacity to Service Our Financial Obligation***

**Exchange Rates.** The prices at which we sell crude oil and natural gas are generally set either in U.S. dollars or by reference to U.S. dollars, while costs are incurred in both pesos and dollars, in many cases by reference to international prices. Because our cash inflows and outflows are denominated in more than one currency, any devaluation of the peso against the dollar and other hard currencies, may have a material adverse effect on our business and results of operations. In January 2002, the Congress abandoned the fixed exchange rate mechanism of the Convertibility Law, allowing the peso to float freely against the U.S. dollar. Under this new mechanism, the Central Bank is no longer obligated to maintain foreign currency reserves to back up the amount of outstanding pesos, nor is it obligated to sell or buy U.S. dollars at a certain fixed exchange rate.

Following a deep depreciation of the peso in the first half of 2002, the peso has steadily appreciated in recent months, mainly as a consequence of the current account surplus. Within the framework of the agreement with the International Monetary Fund, the Central Bank has been intervening to avoid further appreciation of the peso, by buying dollars in the exchange rate market.

No prediction of either the direction or the magnitude of future fluctuations in exchange rates can be made. In the event of a reversal of the current Argentine peso appreciation trend, additional depreciation of the peso in relation to foreign currencies could adversely affect the financial condition or results of operations of Argentine companies and the ability of Argentine companies to meet their foreign currency obligations.

**New Taxes.** As part of the Government's efforts to reduce fiscal deficit and find new sources of public revenues, new duties were imposed on exports. Since March 2002, oil and gas companies must pay a 20% tax on the proceeds from the export of crude oil, 5% tax on the proceeds from the export of oil products for a five-year period. Under the IMF agreement, the government committed to lower gradually export taxes beginning in January 2005. These duties on exports were increased on May 11, 2004, by resolutions 335/04, 336/04 and 337/04 issued by the Ministry of Economy and Production, as follows: export of crude oil, 25% exports of butane, methane and LPG, 20% and exports of gasoline and diesel at a rate of 5%. On May 26, 2004, a new duty of 20% on exports of natural gas and liquid natural gas ("LNG") was imposed by Decree No. 654/04. Finally, on August 4, 2004 the Ministry of Economy and Production issued Resolution No. 532/04 establishing a progressive scheme of export duties for crude oil, with rates ranging from 25% to 45%, depending on the quotation of the WTI reference price at the time of the exportation.

However, given the need to increase fiscal primary surplus and the difficulties of the government in generating additional revenues, there can be no assurances that the government will reduce or even increase or

extend the duration of export taxes. In such an unstable environment, the financial results of YPF's operations in Argentina, as well as YPF's ability to meet its foreign currency obligations may be adversely affected by the changes in the Argentine tax regime.

**Exchange and Capital Controls.** From March 1991 to December 2001, the Argentine foreign exchange market was completely free of any restrictions on converting pesos into U.S. dollars. Capital controls were imposed in December 2001 and reinforced in January 2002 after the devaluation of the peso. Restrictions on transfers of funds abroad were eased in the beginning of 2003, but exporters still have to convert proceeds from their export operations into domestic currency. Pursuant to the Decree 1,589/89 of the year 1989, and a new Decree No. (2,703/2002) signed at the end of 2002, companies in the oil & gas sector believe they are partially exempted from this requirement being allowed to keep abroad up to 70% of their export proceeds. This regulation allows YPF to service its financial and other obligations denominated in U.S. dollars. In July 2002, Argentina's Attorney General issued an opinion which would have effectively required YPF to liquidate 100% of its export receivables in Argentina. On December 5, 2002, the Central Bank stated that it would follow the Attorney General's opinion. YPF filed a lawsuit before a federal court in Argentina requesting confirmation of YPF's right to freely dispose of up to 70% of its export receivables in accordance with the provisions of Decree No. 1,589/89. YPF obtained an injunction that prohibited the Central Bank and the Ministry of the Economy from interfering with YPF's access to foreign exchange proceeds as stipulated by the original decree. The injunction was subsequently appealed by the Central Bank and the Ministry of the Economy. On December 1, 2003 the National Administrative Court of Appeals decided that the issuance of Decree No. 2,703 in 2002, which allows companies in the oil & gas sector to keep abroad up to 70% of the export proceeds, rendered the injunction unnecessary. On December 15, 2003, YPF filed a motion for clarification asking the court to clarify whether the exemption was available during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree No. 2,703/02. On February 6, 2004, the court of appeals dismissed YPF's motion for clarification, indicating that the Decree No. 2,703/02 was sufficiently clear, and confirmed the lifting of the injunction that prohibited the Central Bank and the Ministry of Economy from interfering with YPF's access to foreign exchange proceeds, as described above. On February 19, 2004, YPF filed an extraordinary appeal before the Supreme Court challenging the December 1, 2003 decision of the Court of Appeals and requested the restatement of the injunction against the Central Bank and the Ministry of Economy. The Federal Court of Appeals dismissed the extraordinary appeal. On the other hand, the Court of First Instance hearing the case considered that the lawsuit has an economic nature. Taking into account the fact that there is a new special system in place allowing for the free disposal of up to 70% of the foreign currency proceeds from hydrocarbon exports, it was deemed advisable to abandon the suit as a procedural strategy. Should the Central Bank eventually request the conversion of the foreign currency proceeds derived from hydrocarbon exports made from the issuance of Decree No. 1,606/01 to the date on which Decree 2,703/02 became effective, YPF may challenge such decisions or proceedings through administrative appeals procedures, as well as request precautionary measures within the frame of other judicial proceedings.

**Price Controls.** Since January 2002, YPF raised the retail prices of gasoline and diesel, to reflect the effect of currency devaluation and rising international prices for crude oil and derivative products. Since the second half of 2002, oil companies in Argentina agreed with the government to defer in time the effect of high crude oil prices on gasoline and diesel retail prices. We cannot guarantee that the government will not put in place additional implicit or explicit price controls in an attempt to reduce prices and curb inflation. If YPF's domestic sales are subjected to implicit or explicit price controls, YPF's business and results of operations may be adversely affected.

***The Argentine economy may be negatively affected by developments in other countries***

The Argentine financial and securities markets are, to varying degrees, influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investor reaction to developments in one country can have significant effects on the price of the securities of issuers in other countries, including Argentina. For example, political and economic developments in December 1994 and early

1995 in Mexico, in the second half of 1997 in several Asian nations, and the Brazilian Real devaluation in January 1999 had a negative impact on the financial and securities markets in many emerging market countries, including Argentina. There can be no assurances that the Argentine financial and securities markets will not continue to be adversely affected from time to time by events elsewhere, especially in other emerging markets.

***Fluctuations in Oil and Gas Prices Affect Our Level of Capital Expenditures***

Fluctuations in the market price of oil may affect the timing and the amount of our projected capital expenditures related to exploration and development activities, which, in turn, could have a material adverse effect on our ability to replace our reserves in the future. Oil prices in Argentina reflect world market prices. World oil prices have fluctuated widely over the last ten years and are determined by global supply and demand factors over which YPF has no control. In 2004, the average international crude oil price was US\$ 41.40 per barrel, compared to US\$ 31.07 per barrel in 2003. In addition, our prices for domestic oil market are approximately 30% lower than international oil markets.

Natural gas market prices affect the timing and the amount of our projected capital expenditures related to gas exploration, development and distribution activities, which could have a material adverse effect on our ability to replace our gas reserves and develop our natural gas business. A significant portion of our natural gas sales charged by us to natural gas distribution companies, which are set in pesos, are subject to direct and indirect price controls, see Item 4 "Regulatory Framework an Relationship with Argentine Government-Natural Gas". Therefore, further devaluation of the peso, not accompanied by a corresponding increase in natural gas prices, may result in our delaying capital expenditures related to the natural gas business.

***We May Not Be Able to Replace Our Reserves***

The rate of production from oil and gas properties generally declines as reserves are depleted. Without successful exploration and development activities or reserve acquisitions, our proved reserves will decline as oil and gas are produced from our existing proved developed reserves. We cannot guarantee that our exploration, development and acquisition activities will result in significant additional reserves or that we will continue to be able to drill productive wells at acceptable costs.

***The Oil and Gas Industry is Subject to Particular Operational Risks***

Oil and gas exploration and production activities are subject to particular economic risks, some of which are beyond the control of YPF. They are subject to production, equipment and transportation risks, natural hazards and other uncertainties including those relating to the physical characteristics of an oil or natural gas field. The operations of YPF may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of equipment and compliance with governmental requirements. If these risks materialize, YPF may suffer substantial losses and disruptions to its operations. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs are taken into account. These activities are also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities.

Our operations are subject to the industry-specific operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations, and environmental hazards, such as oil spills, gas leaks, ruptures or discharges of toxic gases. The occurrence of these industry-specific operating risks could cause us substantial losses. Such losses may be due to any one of the following occurrences:

- injury or loss of life;
- severe damage to, or destruction of, property, natural resources and equipment;
- pollution or other environmental damage, clean-up responsibilities, regulatory investigation; and
- penalties and suspension of operations.

***YPF's Acquisition of Exploratory Acreage and Crude Oil and Natural Gas Reserves is Subject to Strong Competition***

Oil companies, including YPF, must maintain a certain level of undeveloped oil and natural gas reserves to keep their results from exploration and production activities relatively stable over time. Crude oil and natural gas production blocks are typically auctioned by governmental authorities. YPF faces intense competition in bidding for such production blocks, especially those blocks with the most attractive crude oil and natural gas reserves. Such competition may result in YPF's failure to obtain desirable production blocks or result in YPF's acquiring such blocks at a higher price.

***Governmental Regulations and Political Risks May Interrupt Our Production Activities***

Our foreign petroleum exploration, development and production activities are subject to a variety of regulatory and political risks including:

- expropriation of property and cancellation or modification of contract rights;
- political and economic uncertainties;
- foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which our operations are conducted.

***We May Incur Significant Costs and Liabilities Related to Environmental and Safety Matters, Including More Stringent Enforcement of Such Laws***

Our operations are subject to a wide range of environmental laws and regulations. These laws and regulations have had and will continue to have a substantial impact on YPF's operations. YPF's operations are subject to certain environmental risks that are inherent in the oil and gas industry and which may arise unexpectedly and result in material adverse effects on YPF's financial position and results of operations. In some jurisdictions, local, provincial and national authorities are moving towards more stringent enforcement of applicable laws. Argentina has adopted regulations that require our operations to meet environmental standards comparable in many respects to those in effect in the United States and in countries within the European Union. These regulations establish the general framework for environmental protection requirements, including the establishment of fines and criminal penalties for violations. We have conducted studies to determine what is likely to be required to achieve compliance with these standards and are in the process of implementing and planning various abatement and remediation projects. Future changes in laws or technology could cause an upward revision of capital expenditures and reserves for environmental remediation estimates. Changes in projected expenditures as a result of changes in the management's plans, in the Argentine or the United States laws and regulations, or in the laws and regulations of other countries in which we operate may affect our results of operations in any given year.

In addition, federal, state and local laws and regulations relating to health and environmental quality in the United States, as well as environmental laws and regulations of other countries in which YPF Holdings Inc. ("YPF Holdings") operates, affect nearly all of the operations of this subsidiary. These laws and regulations set various standards of certain aspects of health and environmental quality, provide for penalties and other liabilities for violations of such standards, and establish remedial obligations in certain circumstances. Particularly strong measures and special provisions may be appropriate or required in environmentally sensitive foreign areas of operations. Many of YPF Holdings' United States operations, conducted primarily through Maxus (U.S.) Exploration Company, are subject to the requirements of the following U.S. environmental laws:

- Safe Drinking Water Act;
- Clean Water Act;
- Clean Air Act;
- Resource Conservation and Recovery Act;

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- Occupational Safety and Health Act;
- Comprehensive Environmental Response, Compensation and Liability Act; and
- various other federal and state laws.

These laws address a variety of environmental issues, including the limits on the discharge of waste associated with oil and gas operations, investigation and clean-up of hazardous substances, workplace safety and health, natural resource damages claims, and toxic tort liabilities. Furthermore, these laws typically require compliance with associated regulations and permits and provide for the imposition of penalties for non-compliance.

Some risk of environmental and other damage is inherent in certain of our operations and we cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. More stringent laws and/or more vigorous enforcement policies in the future or the development of additional information may require us to spend additional funds in order to remain compliant with the applicable laws. Such additional expenditures could be material to our results of operations.

We may also have liabilities relating to our former operations. In particular, Maxus, an indirectly wholly-owned subsidiary of YPF Holdings, has indemnified Occidental Petroleum for certain environmental liabilities associated with the former operations of Diamond Shamrock Chemicals Company. Tierra Solution Inc. ("TS"), also an indirectly wholly-owned subsidiary of YPF Holdings, has assumed responsibility for most of these liabilities. Maxus and TS have taken reserves of US\$ 98.3 million relating to those liabilities based on current knowledge, including the information with respect to the number and type of claims made to date and the current state of technical and factual information about the environmental issues. It is possible that additional claims will be made, however, and additional information is likely to be developed over time about new or existing claims. As a result, Maxus and TS may have to incur costs that may be material, in addition to the reserves already taken.

***Political instability and the uncertain regulatory outlook in Bolivia may have a material adverse effect on our long term natural gas supply commitments.***

In July 2004, the then-President Carlos Mesa held a referendum on the future of the country's oil and gas industry in which Bolivians voted to permit natural gas exports, exert more control over the industry and impose higher royalties and taxes on natural gas. However, during the first months of 2005, there have been protests in Bolivia calling for, among other things, greater state involvement in the oil and gas industry. In May 2005, the Bolivian Congress voted to impose an additional 32% tax on oil and gas production in Bolivia pursuant to the new hydrocarbon law.

Although the new hydrocarbon law has not been fully regulated yet and, therefore the final impact can not be properly estimated, the main oil & gas producers in Bolivia have stated that exports of natural gas to Argentina and Brazil, have not been affected by the situation, and they expect that production in Bolivia will not be reduced.

However, it is likely that exports and production will not increase at previously estimated rates. Consequently the future plan to increase natural gas supply to Argentina may be materially delayed. It is not possible to anticipate the consequences of this shortage, since YPF plans to accomplish its long term supply contracts of natural gas in part, through increasing import volumes from Bolivian production.

**Shareholders may be liable under Argentine law for actions that are determined to be illegal or ultra vires.**

Under Argentine law, a shareholder's liability for losses of a company is limited to the value of his or her shareholdings in the company. Under Argentine law, however, shareholders who vote in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's by-laws (or regulations, if any) may be held jointly and severally liable for damages to such company, to other shareholders or to third parties resulting from such resolution.



**ITEM 4. Information on the Company**

**History and Development of YPF**

***Overview***

YPF Sociedad Anónima was created on June 2, 1977, under the laws of the Republic of Argentina as a governmental entity. On January 1, 1991, through Decree No. 2,778/90, it became a stock corporation. YPF's term of duration expires on June 15, 2093. The address of YPF is Avenida Presidente Roque Sáenz Peña 777, Buenos Aires CP.C. 1035 AAC., Argentina and its telephone number is (54-11) 4329-2000.

YPF, Argentina's largest company, is an integrated oil and gas company engaged in the exploration, development and production of oil and gas ("upstream"), the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals and liquid petroleum gas ("downstream") and natural gas and electricity-generation activities.

As of December 31, 2004 Repsol YPF, which holds 99.04% of YPF's shares, controls YPF. Repsol YPF is a stock corporation (Sociedad Anónima) duly organized and existing under the laws of the Kingdom of Spain.

Repsol YPF's principal business is the exploration, development and production of crude oil and natural gas, transportation of petroleum products, liquefied petroleum gas ("LPG") and natural gas, petroleum refining, production of a wide range of petrochemicals and marketing of petroleum products, petroleum derivatives, petrochemicals, liquefied petroleum gas and natural gas.

YPF has proved reserves, as estimated at January 1, 2005, of approximately 1,108 mmbbl of crude oil, condensate and natural gas liquids and 6,816 Bcf of natural gas. These reserves are located in Argentina. YPF had net sales of Ps. 19,931 in 2004. In Argentina, YPF produced 146 million barrels of crude oil, condensate and natural gas liquids (399 mbpd) in 2004, representing approximately 48% of the total estimated crude oil production in Argentina. YPF's natural gas production in Argentina reached 705 Bcf in 2004, and natural gas sales accounted for approximately 48% of the total estimated domestic and export sales of Argentine natural gas. YPF's domestic refining operations are conducted at three refineries with combined annual refining capacity of approximately 116 million barrels, representing approximately 51% of the total refining capacity in Argentina. YPF's retail distribution network for automotive petroleum products is comprised of approximately 1,868 YPF-branded service stations, representing approximately 31% of all service stations in Argentina.

YPF's international operations are conducted through its subsidiaries, YPF International and YPF Holdings.