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The Shareholders' Meeting held on April 21, 2004, approved the payment of a dividend of Ps. 9.00 per share or per ADS, which was paid on April 30, 2004. In addition, the Shareholders' Meeting also approved a reserve for future dividends of Ps. 1,770 million. 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 or per ADS, 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. 8.00 per share or per ADS which was paid on April 29, 2005. In addition, this Shareholders' Meeting also approved a reserve for future dividends of Ps. 1,731 million.

On November 10, 2005, the Board of Directors approved a dividend of Ps. 4.40 per share or per ADS, to be paid out of the reserve for future dividends approved by the Shareholders' Meeting of April 19, 2005 and ratified by the Shareholders' Meeting of April 28, 2006. The dividends were paid on November 18, 2005.

The Shareholders' Meeting held on April 28, 2006, approved the payment of a dividend of Ps. 6.00 per share or per ADS, which was paid on May 9, 2006. In addition, the Shareholders' Meeting also approved a reserve for future dividends of Ps. 2,710 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 Argentine 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 the 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 economic activity contraction (Gross Domestic Product ("GDP"), declined by 10.9% in 2002), increasing inflation (41% in that year) and high volatility of the exchange rate. Unemployment rose to over 20%, and the incidence of poverty worsened dramatically. The political and economic instability curtailed commercial and financial activities in Argentina and affected adversely the country's access to international financing.

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The President of Argentina, Mr. Fernando De la Rúa, was forced to relinquish office. After a short period of time with provisional authorities, the Congress designated Senator Mr. Eduardo Duhalde to complete De la Rúa's presidential term. General elections took place on April 27, 2003. Mr. Nestor Kirchner took office as the new President on May 25, 2003. At the end of 2005, Kirchner's political party maintained a majority in both Houses of Congress, and held the majority of the provincial governorships. In the first three years of his in office, Mr. Kirchner has been enjoying a very high rate of public approval for his administration.

In a context of strong economic growth in the developed economies and favorable pricing of raw materials, throughout 2003, 2004 and 2005, Argentina has recovered from the deep crisis that began at the end of 2001. The manufacturing and construction industries have driven GDP growth to 8.7% in 2003, 9.0% in 2004, and 9.2% in 2005. Public finances continued to strengthen both at national and provincial levels, recording a consolidated primary surplus of about 5.5% of GDP in 2004 and 4.5% in 2005. Inflation was 3.7% year-on-year at the end of 2003, but showed an upward trend in 2004 (6.1% year-on-year) and 2005 (12.3% year-on-year). The government's main strategy to fight against increasing inflation has been the use of price controls and price agreements with private companies.

In 2005, Argentina successfully completed the restructuring of a substantial portion of its bond indebtedness and cancelled all of its debt with the International Monetary Fund ("IMF"). The country is also seeking to resolve the non-restructured part of its external public debt and the claims brought before international courts by foreign companies affected during the crisis.

At the beginning of 2006, the economic growth outlook is still positive, and in May 2006 GDP growth and inflation were projected to be 7.5% and 11%, respectively, in 2006.

Since March 2004, and as a consequence of an increase in domestic demand, a shortage in the domestic supply of natural gas and continued high international oil prices, the government has adopted additional measures that modify the energy sector regulatory environment. In order to alleviate energy restrictions, the government made provisions for importing natural gas from Bolivia, including ending transport capacity restrictions, importing fuel-oil from Venezuela, and imposing limits on the supply of gas to industrial consumers. And during winter, gas supply to industries and electricity generation plants may be interrupted since priority is given to residential consumers.

Although the government has increased well head gas prices for industrial and electricity generators, the government increased the export tax for crude oil to a maximum of 45% and reintroduced an export tax for gasoline at 5%. Additionally, since May 28, 2004 exports of natural gas are subject to customs duties of 20%.

In the domestic oil product market, domestic inflation rates and international oil prices have not translated into higher domestic prices.

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 few 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 withholding system for the export of hydrocarbons.

Even if Argentine growth trends and macroeconomic stability noted in the last three years continue, which is not assured, the energy sector and YPF will continue to face significant risks of an economic and political slowdown. The main economic risks we face because of our operations in Argentina are the following:

- difficulties in passing through the fluctuations in international prices of crude oil and exchange rates to domestic prices;
- difficulties in increasing local prices of natural gas, especially for our residential customers households;

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- higher taxes on exports of hydrocarbons;
- quantitative restrictions on hydrocarbon exports;
- political pressure to carry out hydrocarbon import activities even if they are unprofitable or loss-making activities;
- higher taxes on domestic sales of fuel;
- political pressure to increase investment in Argentina, or to sell or transfer some assets to other public or private companies; and
- unexpected unilateral termination of oil & gas production concessions.

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 bringing down the inflation rate, 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 last economic and political crisis.

There is no assurance that Argentina's government will be able to accomplish these tasks, that the Argentine economy will achieve a steady growth rate 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 macroeconomic stabilization goals.

YPF is subject to the risk of export restrictions being imposed on it. Any export restriction imposed on YPF may adversely affect the results of our operations. 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 Secretariat of Energy to establish the volumes of crude oil and Liquid Petroleum Gas ("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 Secretariat of Energy, through Resolution No. 265/04 established certain restrictions on export sales of surplus natural gas that may be needed for internal consumption. Pursuant to Resolution No. 265/04, the Under-Secretariat of Fuels issued Regulation No. 27/04 which, among other things, establishes that without 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 Secretariat of Energy issued Resolution No. 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 Resolution No. 752 issued by the Secretariat of Energy, the government could require from producers an additional injection of natural gas for the Electronic Gas Market (Mercado Electrónico del Gas—"MEG"), participants. See "Item 4. Information on YPF—Regulatory Framework and Relationship with Argentine Government." In connection with the previously mentioned resolutions, as described in "Item 8. "Legal Proceedings", since March 2004, 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 extra contractual 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 asserting force majeure once again.

On March 31, 2006 and on May 24, 2006 the General Customs Administration of Neuquén and Comodoro Rivadavia served notice upon YPF thereby informing it that summary proceedings have been brought against it due to a formal misstatement on the forward oil deliveries (future commitments of crude oil deliveries) in the loading permits submitted before such agency. YPF's Management, based on the opinion given by its legal counsel, believes the claim has no legal basis. Fluctuations in Foreign Exchange Rates, the Imposition of New Taxes and the Enactment of Exchange and Price Controls in Argentina Could Adversely Affect Our Performance and Materially Affect Our Capacity to Service Our Financial Obligation.

Fluctuations in Foreign Exchange Rates, the Imposition of New Taxes and the Enactment of Exchange and 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 had thereafter steadily appreciated, mainly as a consequence of the current account surplus. The currency subsequently stabilized at approximately Ps. 3.00 for each US\$1.00, as the Central Bank intervened to avoid further appreciation of the peso, by buying dollars in the exchange 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 YPF and the ability of YPF to meet its foreign currency obligations.

New Taxes. As part of the Government's efforts to reduce fiscal deficits 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 and a 5% tax on the proceeds from the export of oil products for a five-year period. These duties on exports were increased on May 11, 2004, by Resolutions No. 335/04, No. 336/04 and No. 337/04 issued by the Ministry of Economy and Production, as follows: export of crude oil by 25%, exports of butane, methane and LPG by 20%, and exports of gasoline and diesel at a rate of 5%. On May 26, 2004, a new 20% duty on natural gas and natural gas liquids exports ("NGL") 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 export.

However, given the need to increase the 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 from 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 fund transfers abroad were eased in the beginning of 2003, but exporters still have to convert proceeds from their

export operations into domestic currency. Pursuant to Decree No. 1,589/89 and Decree No. 2,703/02, companies in the oil & gas sector are partially exempted from this requirement and are 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 adopt 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 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 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. 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 reinstatement 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 framework of other judicial proceedings.

Price and Supply Controls. Since January 2002, YPF raised retail prices of gasoline and diesel, to reflect the effect of the 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 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.

In addition, YPF may be forced to import increasing amounts of diesel fuel to supply internal demand, which depending on the price of the diesel fuel and the volume of fuel imported, may have a material adverse effect on YPF's financial condition.

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, investors reaction to developments in one country can have significant effects on the price of securities issued 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. See also "Risk Factors—Political Instability and the Uncertain Regulatory Outlook in Bolivia may have a Material Adverse Effect on our Long-term Natural Gas Supply Commitments" below.

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 after taking into account the withholding system described above. 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 2005, the average international crude oil price was US\$ 56.58 per barrel, compared to US\$ 41.40 per barrel in 2004. In addition, our prices in the domestic oil market are approximately 41.65% lower than in the 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 from natural gas distribution companies are set in pesos and are subject to direct and indirect price controls, see "Item 4: Regulatory Framework and Relationship with Argentine Government-Natural Gas". Therefore, a further devaluation of the peso, not accompanied by the 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 due to bad 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 operational losses and disruptions. 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 taxes, which tend to be high compared with those payable in respect of other commercial activities.

Our operations are subject to industry-specific operating risks including 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 generate 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

In October 2004, the Argentinean Congress enacted Law No. 25,943 creating a new state-owned energy company Energía Argentina Sociedad Anónima ("ENARSA"). The purpose of ENARSA is to explore and exploit solid, liquid and gaseous hydrocarbons, and to transport, store, distribute, market and industrialize these products, as well to transport and distribute gas as a public service and generate, transport, distribute and market electricity. Moreover, Law 25,943 granted ENARSA exploration permits for all the national offshore areas, not covered by endorsed exploration permits or exploitation concessions, at the time of the enactment of the law. YPF has executed two preliminary agreements with ENARSA for the exploration and exploitation offshore areas in Argentina.

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; and
- foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which our operations are conducted.

Any occurrence of one of these regulatory or political activities would have a material adverse effect on our financial condition and results of operation.

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, which are subject to certain environmental risks inherent to the oil and gas industry and which may arise unexpectedly and result in material adverse effects on YPF's financial position and results of operation. 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 imposition of fines and criminal penalties for violations. We have conducted studies to determine what is required to comply with these standards and we are about to implement and plan 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 management plans, in Argentine or 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 the operations of this subsidiary. These laws and regulations set

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various standards for certain aspects of health and environmental quality, provide for penalties and other liabilities for such standards violations, 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 Energy Corporation ("Maxus"), 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;
- 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 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 in case of non-compliance.

Some risks of environmental and other damage are 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. ("Tierra") also an indirectly wholly-owned subsidiary of YPF Holdings, has assumed responsibility for most of these liabilities. Maxus and Tierra have taken reserves of US\$ 85.2 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 about new or existing claims is likely to be developed over time. As a result, Maxus and Tierra 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, former 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, to exert more control over the industry and to 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 foreign oil companies in Bolivia. Moreover, on May 1, 2006 President Evo Morales Ayma issued Supreme Decree No. 28,701 (the "Supreme Decree"), setting forth the nationalization of hydrocarbons. The Supreme Decree establishes, among other measures that the government of Bolivia: i) will control and direct all aspects of oil and gas production and distribution and is empowered to commercialize, set conditions, volumes and prices for internal consumption,

export and industrialization; ii) establish a 180-day time period for the renegotiation of contracts to bring them in line with oil and gas Law No. 3,058 enacted in 2005; iii) recover up to 51% of the voting shares of five companies; and iv) increase the tax burden from 50% to 82% for the two largest gas fields in Bolivia.

Since the new hydrocarbon law has not been enacted yet, the final impact can not be properly estimated. The main oil & gas producers in Bolivia have stated that the volume of natural gas exports to Argentina and Brazil have not been affected by this 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 substantially delayed. It is not possible to anticipate the consequences of this shortage, since YPF plans to fulfil its long-term supply contracts of natural gas in part through increasing import volumes from Bolivia.

YPF has a gas supply agreement with Yacimientos Petrolíferos Bolivianos ("YPFB") with a term ending on December 31, 2006. YPF has not received notification from YPFB of any possible termination of the supply of gas and the governments of Bolivia and Argentina are still having discussions about such supply. Nevertheless, any suspension by YPFB of natural gas deliveries would have a material adverse effect on YPF's financial condition and operations, including the inability to provide gas to certain clients.

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 YPF. 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, C1035AAC, Buenos Aires, Argentina and its telephone number is (5411) 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 and natural gas and electricity-generation activities ("upstream"), the refining, marketing, transportation and distribution of oil and a wide range of petroleum products, petroleum derivatives, petrochemicals and liquid petroleum gas ("downstream").

As of December 31, 2005 Repsol YPF, which holds 99.04% of YPF's shares, controls YPF. Repsol YPF is a stock corporation (Sociedad Anónima) duly incorporated 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, 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 had net sales of Ps. 22,901 million in 2005 and has proved reserves, as estimated at January 1, 2006, of approximately 777 mmbbl of crude oil, condensate and natural gas liquids and 4,683 Bcf of natural gas. More