YPF SOCIEDAD ANONIMA
Form 20-F
June 30, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

Commission file number: 1-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Avenida Pte. R. Sáenz Peña 777

C. 1035 AAC Buenos Aires, Argentina

(011-5411) 4329-2000

(Address of principal executive offices)

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

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing one Class D Share, par value 10 pesos per share	New York Stock Exchange
Class D Shares	New York Stock Exchange*
7 3/4% Notes due 2007	New York Stock Exchange

* Listed not for trading but only in connection with the registration of American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

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

The number of issued shares of each class of stock of YPF Sociedad Anónima as of December 31, 2004 was:

Class A Shares	3,764
Class B Shares	7,624
Class C Shares	1,475,704
Class D Shares	391,825,701
	393,312,793

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

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

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CONVERSION TABLE

1 acre	=	0.405 hectares		
1 barrel	=	42 U.S. gallons		
1 barrel of oil equivalent	=	1 barrel of crude oil	=	5,615 cubic feet of gas
1 barrel of crude oil per day	=	approximately 50 tonnes of crude oil per year		
1 cubic meter	=	35.314 cubic feet		
1 cubic meter	=	6.2891 barrels		
1 kilometer	=	approximately 0.62 miles		
1 short ton	=	0.907 tonnes	=	2,000 pounds
1 long ton	=	1.016 tonnes	=	2,240 pounds
1 tonne	=	1 metric tonne	=	1,000 kilograms = approximately 2,205 pounds
1 tonne of crude oil	=	1 metric tonne of crude oil	=	approximately 7.3 barrels of crude oil (assuming a specific gravity of 347 Atmospheric Pressure Index (API))

References

YPF Sociedad Anónima is a stock corporation (Sociedad Anónima) organized under the laws of the Republic of Argentina (Argentina). As used in this annual report, YPF , we, our and us refer to YPF Sociedad Anónima and its subsidiaries or, if the context requires, its predecessor companies. Repsol and Repsol YPF refer to Repsol YPF, S.A. and its consolidated companies, unless otherwise specified. YPF maintains its financial books and records and publishes its financial statements in Argentine pesos. In this annual report, references to pesos or Ps. are to Argentine pesos, and references to dollars , U.S. dollars or US$ are to United States dollars.

Presentation of Certain Information

On January 6, 2002, the Argentine congress passed Law No. 25,561 on Public Emergency Reform of the Foreign Exchange System (the Public Emergency Law). Among other measures, this law abrogated the one-to-one dollar-peso peg. Since that date, the peso floats freely against the dollar in the Argentine foreign exchange market. Since December 31, 2002, the exchange markets were consolidated into a free market for negotiating foreign trade transactions.

In this annual report, references to Consolidated Financial Statements are to YPF s audited consolidated balance sheets as of December 31, 2004, 2003 and 2002, and YPF s audited consolidated statements of income for the three years ended December 31, 2004, 2003 and 2002.

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

- for the subsidiaries that were consolidated using the global integration method at the date or for the periods indicated, 100% of the assets, liabilities and results of operations of such subsidiaries without excluding minority interests, and for those subsidiaries whose results were consolidated using the proportional integration method, a pro rata amount of the assets, liabilities and results of operations for such subsidiaries at the date or for the periods indicated. For information regarding consolidation, see Note 1 to the Consolidated Financial Statements.

The Consolidated Financial Statements and other amounts derived from such Consolidated Financial Statements, included elsewhere throughout this annual report reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant pesos. All the amounts were restated to constant pesos as of February 28, 2003. See Note 1 to the Consolidated Financial Statements.

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Forward Looking Statements

This annual report contains statements that YPF believes constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements appear throughout this annual report and may include statements regarding the intent, belief or current expectations of YPF and its management, including with respect to trends affecting YPF s financial condition, results of operations, business, strategy, production volume and reserves, as well as YPF s plans with respect to capital expenditures and investments. These statements are not guarantees of future performance and are subject to material risks, uncertainties, changes and other factors which may be beyond YPF s control or may be difficult to predict. Accordingly, YPF s future financial condition, results of operations, business, strategy, production volumes, reserves, capital expenditures and investments could differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, currency fluctuations, the price of petroleum products, the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, environmental and regulatory considerations and general economic and business conditions, as well as those factors described in the filings made by YPF and its affiliates with the Securities and Exchange Commission, in particular, those described in Risk Factors below and Item 5: Operating and Financial Review and Prospects . YPF does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected results or condition expressed or implied therein will not be realized.

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CERTAIN OIL AND GAS TERMS

Unless the context indicates otherwise, the following terms have the meanings shown below:

acreage	The total area, expressed in acres, over which YPF has interests in exploration or production. Net acreage is YPF s interest, expressed in acres, in the relevant exploration or production area.
Bcf	Billion cubic feet.
Bcfe	Billion cubic feet equivalent.
BOE	Barrels of oil equivalent.
bpd	Barrels of oil per day.
calendar day	When used with respect to production or capacity, means total annual production or capacity (after taking into account scheduled plant shutdowns) divided by 365.
condensate	Light hydrocarbon substances produced with natural gas which condense into liquid at normal temperatures and pressures associated with surface production equipment.
crude oil	Crude oil with respect to YPF s production and reserves includes condensate and natural gas liquids.
MBOE	Million barrels of oil equivalent.
mmbbl	Million barrels.
mbpd	Thousand barrels per day.
mcf	Thousand cubic feet.
mcfpd	Thousand cubic feet per day.
mmbtu	Million British Thermal Units.
mmcf	Million cubic feet.

mmcfpd	Million cubic feet per day.
proved reserves	Proved oil and gas reserves are the estimated volumes of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not of escalations based upon future conditions.

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proved developed reserves	Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.
proved undeveloped reserves	Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion, but does not include reserves attributable to any acreage for which an application of fluid injection or other improved recovery techniques is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation.
WTI	West Texas Intermediate.

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PART I

ITEM 1. Identity of Directors, Senior Managers and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

Selected Financial Data

The selected consolidated financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements and the Accompanying Notes and Exhibits included in this annual report.

The consolidated income statement data for each of the years in the three-year period ended December 31, 2004 and the consolidated balance sheet data as of December 31, 2004, 2003 and 2002 set forth below have been derived from, and are qualified in their entirety by reference to, the Consolidated Financial Statements and the accompanying Notes and Exhibits included in this annual report. The consolidated income statement data for each of the years in the two-year period ended December 31, 2001 and the consolidated balance sheet data as of December 31, 2001 and 2000 set forth below have been derived from YPF s audited consolidated financial statements, which are not included in this annual report and do not include the retroactive effect from discontinued operations. The consolidated income statement data for the year ended December 31, 2000 and the consolidated balance sheet data as of December 31, 2000 do not include the retroactive effect of the application from January 1, 2003 of new generally accepted accounting standards in Argentina.

YPF s Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in Argentina (Argentine GAAP), which differ in certain respects from generally accepted accounting principles in the United States (U.S. GAAP). Note 13 to the Consolidated Financial Statements describes the principal differences between Argentine GAAP and U.S. GAAP, as they relate to YPF. Note 14 provides the effects of the significant differences on net income and shareholders equity and a reconciliation of such differences, and Note 15 provides certain additional disclosures required under U.S. GAAP.

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	Year Ended December 31,				
	2004	2003	2002	2001(1)	2000(1)
	(in millions of pesos, except for per share and per ADS data)(2)				
Consolidated Income Statement Data:					
Amounts in accordance with Argentine GAAP					
Net sales (3)(4)	19,931	17,514	17,050	17,942	19,037
Gross profit	10,719	9,758	8,424	7,201	8,078
Administrative expenses	(463)	(378)	(411)	(480)	(400)
Selling expenses	(1,403)	(1,148)	(1,077)	(1,721)	(1,268)
Exploration expenses	(382)	(277)	(240)	(224)	(316)
Operating income	8,471	7,955	6,696	4,776	6,094
Income (Loss) on long-term investments	154	150	(450)	(227)	37
Other expenses net	(1,012)	(152)	(245)	(206)	(616)
Interest expense	(221)	(252)	(679)	(647)	(563)
Other financial income (expenses) and holding gains (losses), net	359	202	(2,312)	(35)	218
Income (Loss) from sale of long-term investments			690	(274)	(429)
Income before income tax and minority interest	7,751	7,903	3,687	3,345	4,741
Income tax	(3,017)	(3,290)	(58)	(1,424)	(2,014)
Minority interest				(2)	(26)
Net income from continuing operations	4,734	4,613	3,629	1,919	2,701
Income (Loss) on discontinued operations	3	15	(13)		
Income from sale of discontinued operations	139				
Net income	4,876	4,628	3,616	1,919	2,701
Earnings per share and per ADS (5)	12.40	11.77	9.19	4.88	7.65
Dividends per share and per ADS (5) (in nominal pesos)	13.50	7.6	4	4.22	0.88
Dividends per share and per ADS (5) (in U.S. dollars)	4.70	2.62	1.12	4.22	0.88
Approximate amounts in accordance with U.S. GAAP					
Operating income	6,550	7,567	5,173	1,676	2,280
Net income	4,186	4,435	3,498	1,252	1,398
Earnings per share and per ADS (5)	10.64	11.28	8.89	3.18	3.96
Consolidated Balance Sheet Data:					
Amounts in accordance with Argentine GAAP					
Cash	492	355	309	132	114
Working capital	3,549	4,001	4,063	(865)	(781)
Total assets	30,922	32,944	31,756	30,856	29,108
Total debt (6)	1,930	2,998	5,552	6,139	4,208
Shareholders equity (7)	22,087	22,534	20,896	18,861	18,229
Approximate amounts in accordance with U.S. GAAP					
Total assets	32,540	34,125	36,280	20,581	13,493
Shareholders equity	23,506	24,334	26,303	13,259	8,292
Other Consolidated Financial Data:					
Amounts in accordance with Argentine GAAP					
Fixed assets depreciation and amortization	2,470	2,307	2,161	2,295	2,049
Cash used in fixed asset acquisitions	2,867	2,418	2,898	2,915	2,578

(1) The consolidated income and balance sheet data for the period ended December 31, 2001 and 2000 set forth above does not include the retroactive effect from sale of discontinued operations (see Notes 2 (c) and 2 (m) to the Consolidated Financial Statements) and for the period ended December 31, 2000 do not include the retroactive effect of the application from January 1, 2003 of new generally accepted accounting standards in Argentina.

(2) Amounts restated to constant Argentine pesos as of February 28, 2003 to reflect the effect of changes in the purchasing power of money as of such date. See Note 1 to the Consolidated Financial Statements.

(3) Includes approximately Ps. 1,122 million for the year ended December 31, 2004, Ps. 760 million for the year ended December 31, 2003, Ps. 1,019 million for the year ended December 31, 2002, Ps. 2,939 million for the year ended December 31, 2001 and Ps. 2,829 million for the year ended December 31, 2000 corresponding to the proportional consolidation of the net sales of investees in which YPF holds joint control with other third parties, see Note 13 (b) to the Consolidated Financial Statements.

(4) Net sales are net to YPF after payment of a fuel transfer tax, turnover tax and custom duties for hydrocarbon exports in 2004, 2003 and 2002. Royalties with respect to YPF s production are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(h) to the Consolidated Financial Statements.

(5) Information for the fiscal year 2000 has been calculated based on outstanding capital stock of 353,000,000 shares. Information for 2001 to 2004 has been calculated based on outstanding capital stock of 393,312,793 shares. Each ADS represents one Class D Share. There were no differences between basic and diluted earnings per share and ADS for any of the years disclosed.

(6) Total debt under Argentine GAAP includes long-term debt of Ps.1,684 million as of December 31, 2004, Ps.2,085 million as of December 31, 2003, Ps. 3,760 million as of December 31, 2002, Ps. 3,288 million as December 31, 2001 and Ps. 2,908 million as of December 31, 2000.

(7) YPF s subscribed capital as of December 31, 2004, is represented by 393,312,793 shares of common stock and divided into four classes of shares, with a par value of Argentine pesos 10 and one vote per share. These shares are fully subscribed, paid-in and authorized for stock exchange listing. As of January 1, 2001, as a consequence of the merger of Astra and Repsol Argentina S.A. with and into YPF, YPF increased its subscribed capital stock by 40,312,793 shares, each with a par value of Argentine pesos 10 and one vote per share.

Exchange Rates

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. Since December 1989, Argentina has had a freely floating exchange rate for all foreign currency transactions. As a result of inflationary pressures, the Argentine currency has been devalued repeatedly during the last 30 years. From April 1, 1991, when Law No. 23,928 and Decree No. 529/91 (referred to as the Convertibility Law) became effective, until December 23, 2001, when the foreign exchange market in Argentina was closed for eighteen days, the peso was freely convertible into dollars. Pursuant to the Convertibility Law, the Central Bank was required to:

- maintain a reserve in foreign currencies, gold and certain public bonds denominated in foreign currency equal to the amount of outstanding Argentine currency; and

- sell dollars to any person who so requires at a rate of one peso per one U.S. dollar.

On January 6, 2002, the Argentine congress passed Law No. 25,561 on Public Emergency Reform of the Foreign Exchange System (the Public Emergency Law). Among other measures, this law abrogated the one-to-one dollar-peso peg. On that date, the Argentine foreign exchange market reopened and the peso started to float freely against the dollar.

The exchange rate for December 31, 2004 closed at Ps. 2.98 for each US$ 1, selling rate. The exchange rate for June 23, 2005 the latest practicable date before the filing of this annual report is Ps. 2.872 for US$ 1.00. See Item 5: Operating and Financial Review and Prospects Overview of Consolidated Results of Operations.

The following table sets forth, for the periods indicated, the high, low, average and period-end rate for the purchase of U.S. dollars, expressed in nominal pesos per dollar.

Year Ended December 31,	High	Low	Avg.(1)	Period End

2000	1.0000	1.0000	1.0000	1.0000
2001	1.0000	1.0000	1.0000	1.0000
2002	3.9000	1.4000	3.2442	3.3700
2003	3.3500	2.7600	2.9492	2.9300
2004	3.0600	2.8030	2.9434	2.9800

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Month	High	Low	Average	Period End
November 2004	2.9740	2.9340	2.9538	2.9450
December 2004	2.9890	2.9440	2.9714	2.9790
January 2005	2.9700	2.9220	2.9445	2.9240
February 2005	2.9380	2.8940	2.9185	2.9380
March 2005	2.9570	2.9110	2.9263	2.9170
April 2005	2.9190	2.8790	2.9007	2.9100
May 2005	2.8990	2.8830	2.8904	2.8830
June 2005 (2)	2.8960	2.8660	2.8825	2.8720

(1) Calculated using the average of the exchange rates on the last day of each month during each year.
(2) Through June 23, 2005.
Source: *Banco Nación*.

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

Dividends

The following table sets forth for the periods and dates indicated, the dividend payments made by YPF, expressed in nominal pesos.

	Pesos Per Share/ADS				
Year Ended December 31,	**1Q**	**2Q**	**3Q**	**4Q**	**Total**
2000	0.22	0.22	0.22	0.22	0.88
2001	0.22	2.00		2.00	4.22
2002				4.00	4.00
2003		5.00	2.60		7.60
2004		9.00		4.50	13.50
2005 (1)		8.00			8.00

(1) Through June 30, 2005.

The Annual Ordinary and Extraordinary Shareholders Meeting held on April 10, 2002, approved an annual dividend of Ps. 2.00 per share, proposed by the Board of Directors on November 29, 2001. This dividend was paid on December 5, 2001. At the same meeting the shareholders approved a reserve of Ps. 1,707 million for future dividends. Under Argentine law, the Board of Directors has the right to declare annual dividends subject to further approval of shareholders at the next shareholders meeting. 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 the Argentine and the Company s economic and financial circumstances.

On November 7, 2002, the Board of Directors approved a dividend of Ps. 1,581 million, to be paid out of the reserve for future dividends approved by the Shareholders Meeting of April 10, 2002. The payment of such dividend was mostly offset against receivables held by Repsol YPF, our majority shareholder, in the amount of Ps. 1,543 million. Minority shareholders were paid in cash from freely available funds.

The Shareholders Meeting held on April 9, 2003, approved an annual dividend of Ps. 5.00 per share, which was paid on April 22, 2003. In addition, the Shareholders Meeting also approved a reserve for future dividends of Ps. 1,023 million.

On July 2, 2003, the Board of Directors approved a dividend of Ps. 2.60 per share, to be paid out of the reserve for future dividends approved by the Shareholders Meeting of April 9, 2003 and ratified by the Shareholders meeting of April 21, 2004. The dividends were paid on July 15, 2003.

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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 dividens (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 Argentine 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 Argentine 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 governships. 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.

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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 inyection 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.

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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.

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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.

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Below is an organizational chart of YPF s main subsidiaries as of the date of this annual report, including their country of incorporation, and YPF s ownership interest in those subsidiaries. See Note 17(b) to the Consolidated Financial Statements for a complete list of YPF s subsidiaries.

Deregulation, Privatization and Recent Developments

From the 1920 s to 1990, both the upstream and downstream segments of the Argentine oil and gas industry were effectively monopolies of the federal government of Argentina. During this period, YPF and its predecessors were owned by the state and controlled the exploration and production of oil and natural gas, as well as the refining of crude oil and marketing of refined petroleum products. In August 1989, Argentina enacted laws aimed at the deregulation of the economy and the privatization of Argentina s state-owned companies, including YPF. Following the enactment of these laws, a series of presidential decrees (referred to as the Oil Deregulation Decrees) were promulgated eliminating restrictions on imports and exports of crude oil (subject to approval of the Secretary of Energy in the case of exports) and deregulating the domestic oil industry, including deregulation of the prices of oil and petroleum products and the lifting of restrictions on the establishment of service stations.

In addition, in order to reduce the percentage of Argentina s oil and gas production controlled by YPF and to permit the development of competition in the Argentine oil and gas industry, the Oil Deregulation Decrees required YPF to sell majority interests in the production rights with respect to certain major producing areas, as well as certain other production and exploration rights to private companies that now compete with YPF. These sales substantially reduced the percentage of Argentina s overall oil production and reserves controlled by YPF. As a result of these and other transactions, YPF s proved reserves were reduced by approximately 1.8 billion BOE (representing an amount equal to 45% of YPF s total proved reserves as of January 1, 1991).

YPF s restructuring plan called for an internal management and operational restructuring and a cost reduction program, including a substantial reduction in the number of employees. The number of YPF employees was reduced from over 51,000 (including approximately 15,000 personnel under contract) as of December 31, 1990, to fewer than 10,000 by 1993. In connection with its restructuring plan, YPF also reorganized its operations, beginning in 1992, into Upstream (for exploration and production activities) and Downstream (for refining and marketing operations). The separation of these functions permitted management, for the first time in YPF s history, to evaluate its Upstream and Downstream activities based on their respective results of operations and contributions to earnings. The Upstream and Downstream activities are now accounted for in the Exploration and Production business unit and the Refining and Marketing business unit, respectively.

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In November 1992, Law No. 24,145 (referred to as the Privatization Law), which established the procedures by which YPF was to be privatized, was enacted. In accordance with the Privatization Law, in July 1993 YPF completed a worldwide offering of 160 million Class D Shares that previously had been owned by the Argentine government. Concurrently with the completion of such offering, the Argentine government transferred capital stock of YPF to five oil and gas producing provinces of Argentina and made an offer to holders of Argentina s pension bonds and certain other claims to exchange capital stock of YPF for such bonds and other claims. In addition, approximately ten percent of YPF s outstanding capital stock was set aside for offer to the employees of YPF upon terms and conditions established by the Argentine government in accordance with Argentine law. As a result of these transactions, the Argentine government s ownership percentage of YPF s capital stock was reduced from 100% to approximately 20%.

In July 1997, the shares set aside for the benefit of YPF s employees in conjunction with the privatization, excluding approximately 1.5 million shares set aside as a reserve against potential claims, were sold through a global public offering, increasing the percentage of YPF s outstanding shares of capital stock held by the public to 75%. Proceeds from the transactions were used to cancel debt related to the employee plan, with the remainder distributed to participants in the plan.

In January 1999, Repsol acquired 52,914,700 Class A Shares in block (14.99% of YPF s shares) which were converted to Class D Shares. Additionally, on April 30, 1999, Repsol announced a tender offer to purchase all outstanding Classes A, B, C and D Share at a price of US$ 44.78 per share (the Offer). Pursuant to the Offer, in June, 1999, Repsol acquired an additional 82.47% of the outstanding capital stock of YPF. On November 4, 1999, Repsol acquired an additional 0.35%. On June 7, 2000, Repsol YPF announced a tender offer to exchange newly issued Repsol YPF s shares for the 2.16% YPF s Class B, C and D Shares held by minority shareholders. As of December 31, 2004, Repsol YPF controls YPF through a 99.04% shareholding.

As part of Repsol YPF s divestment plan, YPF s Board of Directors approved during 2002 and 2004, the following transactions, regarding YPF s assets and related companies:

In January 2002, YPF International Ltd. sold its most important investments in Indonesia to Cnooc Southeast Asia Limited for approximately US$ 174 million, recording a gain of Ps. 114 million.

In March 2002, the Board of Directors approved the transfer of YPF s interest in Repsol YPF Chile Ltda., (subject to certain conditions), and Repsol YPF Gas Chile Ltda. (both companies which resulted from the spin-off of YPF Chile S.A.) to Repsol YPF and Repsol Butano S.A., respectively. On March 28, 2002, Repsol YPF Gas Chile Ltda. was transferred to Repsol Butano S.A. for US$ 45 million, recording a net loss of Ps. 25 million. On December 16, 2002, Repsol YPF Chile Ltda. was transferred to Repsol YPF for US$ 104 million, recording a net loss of Ps. 4 million.

In July 2002, YPF sold, at fair market value, its shares in Repsol YPF Santa Cruz S.A. (a company spun off from YPF International Ltd.) to Repsol YPF for US$ 883 million, recording a gain of Ps. 605 million. Repsol YPF Santa Cruz S.A. held the investment in Andina and Maxus Bolivia Inc.

In July 2004, YPF through YPF Holdings Inc. sold, for US$ 43 million, its interest in Global Companies LLC, a jointly controlled company with operations in the Refining and Marketing segment in the United States of America, recording a gain of Ps. 47 million.

In October 2004, YPF through YPF International S.A. sold, for US$ 41 million, its interest in YPF Indonesia Ltd., a controlled company with operations in the Exploration and Production segment in Indonesia, recording a gain of Ps. 92 million.

In January 2005, YPF sold its interest in PBBPolisur S.A. for US$ 97.5 million, recording a gain of Ps. 75 million as of March 31, 2005.

In March 2005, YPF agreed to sell its interest in Petroquímica Ensenada S.A. (Petroken) for US$ 58 million. As of the date of issuance of this report, the transaction is subject to approval by the Antitrust Board.

Business Overview

YPF organizes its business along the following areas of activities:

Upstream:

Exploration and Production;

Downstream:

Refining and Marketing;

Chemicals.

Natural Gas and Electricity.

The Corporate and others segment includes other activities such as corporate administration costs and assets, construction activities and environmental remediation activities related to YPF Holdings Inc. preceding operations.

Exploration and Production sales to third parties within Argentina and abroad include natural gas and services fees (primarily transportation, storage and treatment of hydrocarbons and products). In addition to this, crude oil produced by YPF in Argentina or received from third parties in Argentina pursuant to service contracts is transferred from Exploration and Production to Refining and Marketing at a transfer price that reflects Argentine market prices, which fluctuate according to international prices. Under certain circumstances Refining and Marketing purchases crude oil from third parties.

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The following table sets forth net sales and operating income for each of YPF s lines of business for the years ended December 31, 2004, 2003 and 2002.

	For the Year Ended December 31,		
	2004	2003	2002
	(in million of pesos)		
Net Sales (1)			
Exploration and Production (2)			
To unrelated parties	1,829	1,208	1,427
To related parties	510	383	253
Intersegment sales and fees (3)	11,457	10,547	11,322
Total Exploration and Production	13,796	12,138	13,002
Refining and Marketing (4)			
To unrelated parties	13,144	11,856	11,663
To related parties	1,773	2,161	1,955
Intersegment sales and fees	891	650	778
Total Refining and Marketing	15,808	14,667	14,396
Chemical			
To unrelated parties	1,958	1,369	1,216
Intersegment sales and fees	188	184	367
Total Chemical	2,146	1,553	1,583
Natural Gas and Electricity (5)			
To unrelated parties	335	267	240
To related parties	242	151	91
Intersegment sales and fees			16
Total Natural Gas and Electricity	577	418	347
Corporate and other			
To unrelated parties	140	119	205
Intersegment sales and fees	126	117	258
Total Corporate and others	266	236	463
Less intersegment sales and fees	(12,662)	(11,498)	(12,741)
Total net sales (6)	19,931	17,514	17,050
Operating Income (loss)			
Exploration and Production	6,878	6,182	6,666
Refining and Marketing	1,324	1,527	(126)

Chemical	564	387	340
Natural Gas and Electricity (5)	262	180	137
Corporate and other	(430)	(311)	(300)
Consolidation adjustments	(127)	(10)	(21)
Total operating income	8,471	7,955	6,696

(1) Net sales are net to YPF after payment of a fuel transfer tax, turnover tax and custom duties on exports. Royalties with respect to YPF s production are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(h) to the Consolidated Financial Statements.

(2) Includes exploration and production operations in Argentina, United States of America and in Bolivia up to the sale of YPF s interest in such countries. See Note 12 to the Consolidated Financial Statements.

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(3) Intersegment sales of crude oil to Refining and Marketing are recorded at transfer prices that reflect Argentine market prices.
(4) Includes LPG activities.
(5) For the years 2003 and 2004, this segment s principal activity is the separation and marketing of liquid from natural gas through Compañia Mega S.A. (Mega). Sales for the year 2002 represented mainly management fees on Exploration and Production natural gas sales and Mega s sales.
(6) Net sales include export sales of Ps. 7,875 million, Ps. 7,422 million, and Ps. 8,605 million for the years ended December 31, 2004, 2003, and 2002, respectively.

Exploration and Production

Reserves

The following table sets forth YPF s estimated proved reserves and proved developed reserves of crude oil and natural gas as of January 1, 2002, 2003, 2004 and 2005, respectively. The reserve estimates set forth below were prepared in accordance with Rule 4-10 of Regulation S-X of the Securities and Exchange Commission.

	Crude Oil(1) (millions of barrels)	Gas (Bcf)	Combined(2) (BOE in millions)
Proved Developed and Undeveloped Reserves			
Reserves at January 1, 2002	1,665	10,179	3,478
Revisions of previous estimates	11	(120)	(10)
Extensions, discoveries and improved recovery	63	15	66
Sales of reserves in place	(192)	(558)	(291)
Production for the year	(160)	(542)	(257)
Reserves at January 1, 2003	1,387	8,974	2,985
Revisions of previous estimates	(19)	(366)	(84)
Extensions, discoveries and improved recovery	58	16	61
Production for the year	(157)	(644)	(272)
Reserves at January 1, 2004	1,269	7,980	2,690
Revisions of previous estimates	(38)	(524)	(131)
Extensions, discoveries and improved recovery	28	111	48
Sales of reserves in place	(5)	(46)	(13)
Production for the year	(146)	(705)	(272)
Reserves at January 1, 2005	1,108	6,816	2,322
Proved Developed Reserves			
At January 1, 2002	1,343	7,512	2,681
At January 1, 2003	1,136	6,801	2,347
At January 1, 2004	1,047	5,609	2,046
At January 1, 2005	908	5,041	1,806

(1) Includes crude oil, condensate and natural gas liquids.
(2) Volumes of natural gas in the table above and elsewhere in this annual report have been converted to BOE at 5.615 mcf per barrel.

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Reserves by Basin

The following table sets forth by basin YPF s crude oil and natural gas proved developed and undeveloped reserves and proved developed reserves as of December 31, 2004.

	Crude Oil(1)	Gas	Combined(2)
	(millions of barrels)	(Bcf)	(BOE, in millions)
Proved Developed and Undeveloped Reserves			
Neuquina	657	5,520	1,639
Golfo San Jorge	296	211	334
Cuyana	124	12	126
Noroeste	19	678	140
Austral	12	391	82
Total Argentina	1,108	6,812	2,321
Other Foreign		4	1
Total	1,108	6,816	2,322
Proved Developed Reserves			
Neuquina	553	4,129	1,288
Golfo San Jorge	213	143	239
Cuyana	119	12	121
Noroeste	12	409	85
Austral	11	344	72
Total Argentina	908	5,037	1,805
Other Foreign		4	1
Total	908	5,041	1,806

(1) Includes crude oil, condensate and natural gas liquids.
(2) Volumes of natural gas in the table above and elsewhere in this annual report have been converted to BOE at 5.615 mcf per barrel.

The reserve estimates included in this annual report were subjected to economic tests specified by Statement of Financial Accounting Standards No. 69 to determine economic limits. Reserves in Argentina are stated prior to the payment of any royalties to the provinces in which the reserves are located. Royalties with respect to YPF s production in Argentina are accounted for as operating costs in such economic tests. For a description of the manner in which royalties are calculated, see Note 2(h) to the Consolidated Financial Statements.

Estimates of reserves were prepared by YPF using standard geological and engineering methods generally accepted by the petroleum industry and in accordance with the rules and regulations of the SEC. The method or combination of methods used in the analysis of each reservoir was chosen based on experience in the area, stage of development, quality and completeness of basic data, and production history.

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and the timing of development expenditures, including many factors beyond the control of YPF. The reserve data set forth in this annual report only represents estimates of YPF s proved oil and gas reserves. Reserve engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot otherwise be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. As a result, such estimates are inherently imprecise, and estimates of different engineers often vary. In addition, the estimates of future net cash flows from proved reserves and the present value thereof are based upon various assumptions about future production levels, prices and costs that may prove incorrect over time. Any significant

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variance in the assumptions could result in the actual quantity of YPF s reserves and future net cash flows there from being materially different from the estimates set forth in this annual report. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revision of such estimate. Accordingly, reserve estimates may be materially different from the quantities of crude oil and natural gas that are ultimately recovered. The significance of such estimates is highly dependent upon the accuracy of the assumptions upon which they were based.

Exploration and Development Activities

Domestic Activities

The following table shows the number of wells drilled by YPF in Argentina, or in which YPF participated, and the results obtained, for the periods indicated.

	For the Year Ended December 31,		
	2004	**2003**	**2002**
Gross wells drilled (1)			
Exploratory			
Oil	5	7	9
Gas	4	1	1
Dry	19	19	16
Total	28	27	26
Development			
Oil	649	586	603
Gas	41	25	16
Dry	30	29	39
Total	720	640	658
Net wells drilled (1)			
Exploratory			
Oil	3	7	9
Gas	4	1	0
Dry	17	17	15
Total	24	25	24
Development			
Oil	537	506	543
Gas	32	24	13
Dry	28	29	39

Total	597	559	595

(1) Gross wells means all wells in which YPF has an interest. Net wells means gross wells after deducting interests of others.

Three-dimensional seismic is being used in several basins to increase the exploratory success, improve the quality of the exploratory prospects and optimize the positioning of the wells. Additionally, YPF applies three-dimensional seismic to improve the knowledge of the geometry of the formations and optimize the development of the fields currently in production.

As of December 31, 2004, YPF held 23.7 million gross acres (15.6 million net acres) of basin area in Argentina available for exploration.

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Several waterflooding (secondary recovery) projects have been implemented in San Jorge basin.

Ninety square kilometers of onshore seismic data have been recorded in the Campamento Central area (San Jorge basin).

Three-dimensional seismic recording in the Barranca Yankowsky block (San Jorge basin) is expected to be completed by the third quarter of 2005.

The El Portón Economic Unit (in the Neuquina basin) was connected to the natural gas trunk line transport system through a gas pipeline operated by YPF which was opened in May 2004. It required a Ps. 15 million investment and will supply the Argentine market with an additional 4.3 million cubic meters of natural gas per day. It will also allow gas shipment to Chile. An extension to 5.5 million cubic meters of natural gas per day is expected for winter 2006.

Twenty exploratory wells were drilled in Neuquina basin. Of these, seven wells encountered hydrocarbons and one is currently under evaluation. Main discoveries included Puesto Cortaderas x-1, Rincón del Mangrullo x-3 and Cupen Mahuida Norte x-1. Such discovery is expected to add an estimated 50 MBOE.

New oil blocks have been tested and placed on production in the Ceferino and Barrancas (Cuyana Basin) and Loma de la Mina (Neuquina Basin) exploitation areas, which will be delimited and developed throughout 2005.

Exploration and Development Properties and Production

Domestic Properties and Production

YPF domestic operations are subject to numerous risks. See Item 3: Key Information Risk Factors.

Argentina is the fourth largest hydrocarbon producing nation in Latin America and the fourth largest in reserves after Mexico, Venezuela and Brazil. Oil has historically accounted for the majority of the country s hydrocarbon production and consumption, although the relative share of natural gas has increased rapidly in recent years. There are 24 known sedimentary basins in the country. Eleven of these are located entirely onshore, six are combined onshore/offshore and seven are entirely offshore. Total onshore acreage comprises 358 million acres, and total offshore acreage includes 98 million acres on the South Atlantic shelf within the 200-meter depth line. A substantial portion of the 456 million acres in sedimentary basins has yet to be evaluated by exploratory drilling. Commercial production is concentrated in five basins: Neuquina, Cuyana and Golfo San Jorge in central Argentina, Austral in southern Argentina (which includes onshore and offshore fields), and Noroeste in northern Argentina. The Neuquina and Golfo San Jorge basins are the most significant basins for YPF s activities in Argentina. As of December 31, 2004, YPF had an interest in 21.7 million net acres onshore and offshore (within the 200-meter depth line), of which 6.1 million net acres were under production concessions and 15.6 million net acres were under exploration permits.

The following table shows YPF s gross and net interests in productive oil and gas wells and exploration permits and production concessions in Argentina by basin, as of December 31, 2004.

	Wells				Acreage			
	Oil		Gas		Production Concessions(1)		Exploration Permits(1)	
	Gross(2)	Net(2)	Gross(2)	Net(2)	Gross(2)	Net(2)	Gross(2)	Net(2)
					(thousands of acres)			
Onshore								
Neuquina	2,829	2,516	392	296	3,480	2,798	1,725	1,160
Golfo de SanJorge	6,539	5,777	42	42	2,472	2,347	4,927	2,464
Cuyana	772	678	0	0	418	368	28	20
Noroeste	44	10	51	17	1,353	375	138	138
Austral	102	31	49	15	602	181		
Offshore	32	16			115	63	16,868	11,770

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(1) Production concessions are granted after commercially exploitable quantities of oil or gas are discovered, are based upon estimated field size as determined by geological and geophysical techniques and are subject to adjustment based upon new information concerning the reservoir. Accordingly, not all acreage covered by production concessions is in fact producing. Acreage held under exploration permits is unproved and non-producing.
(2) Gross wells and acreage include all wells and acreage in which YPF has an interest. Net wells and acreage equals gross wells and acreage after deducting interests of others.

Approximately 86% percent of YPF s proved crude oil reserves in Argentina are concentrated in the Neuquina (59%) and Golfo San Jorge (27%) basins, and 97% of YPF s proved gas reserves in Argentina are concentrated in the Neuquina (81%), Noroeste (10%) and Austral (6%) basins.

As of December 31, 2004, YPF held 113 production concessions and exploration permits in Argentina. YPF directly operates 74 of them, including 57 production concessions and 17 exploration permits.

As of December 31, 2004, YPF held 27 exploration permits in Argentina, 16 of which are onshore exploration permits and 11 of which are offshore exploration permits. YPF has 100% ownership of 6 onshore permits, and its participating interests in the rest vary between 27% and 70%. YPF s interests in the riskier offshore permits vary between 34% and 90%.

As of December 31, 2004, YPF had 86 production concessions. YPF has a 100% ownership interest in 53 production concessions and its participating interests in the remaining 33 production concessions vary between 12% and 62%.

Production

The following table shows YPF s historical average net daily crude oil, condensate, natural gas liquids and natural gas production in Argentina by basin and average sales prices and production costs for total production for the periods indicated, as well as total average daily crude oil and natural gas production.

	For the Year Ended December 31,		
	2004	**2003**	**2002**
	(thousands of barrels per day)		
Crude oil production (1)(3)			
Neuquina	239	258	257
Golfo de San Jorge	112	119	120
Cuyana	32	37	41
Noroeste	9	10	10
Austral	7	6	8
Total oil production	399	430	436

		(millions of cubic feet per day)	
Natural gas production (1)			
Neuquina	1,539	1,365	1,101
Golfo de San Jorge	107	114	118
Cuyana	3	4	3
Noroeste	172	193	179
Austral	105	87	78
Total gas production	1,926	1,763	1,479
Average sales price			
Oil (US$ per barrel) (2)	31.39	26.18	20.90
Gas (US$ per mcf)	1.07	0.85	0.69

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(1) Crude oil and gas production amounts are stated before making any deductions with respect to royalties. Royalties are accounted for as a cost of production and are not deducted in determining net sales. See Note 2(h) to the Consolidated Financial Statements.
(2) The average sales price per barrel of oil represents the transfer price established by YPF, which reflects the Argentine market price.
(3) Includes crude oil, condensate and natural gas liquids.

In 2004, crude oil and natural gas production on a BOE basis were similar, as compared to 2003. As compared to 2003, crude oil, condensate and natural gas liquids production decreased by 7% in 2004. With respect to natural gas, the production increased 9% in 2004 compared to 2003.

The crude oil produced by YPF in Argentina varies by geographic area. Almost all crude oil produced by YPF in Argentina has very low or no sulfur content. Most of the natural gas produced by YPF is of pipeline quality. All of the gas fields produce commercial quantities of condensate, and substantially all of the oil fields produce associated gas.

International Properties and Production

YPF s, YPF International s and YPF Holdings foreign operations are subject to numerous risks. See Item 3: Key Information Risk Factors.

Indonesia

In October 2004 and effective January 1, 2004, YPF International sold its rights in Jambi Merang, a production block. With this transaction YPF International closed out all of its operations in Indonesia.

United States

As of December 31, 2004, YPF had mineral rights in 76 exploratory blocks, with a net surface area of 865 square kilometers.

YPF s net petroleum production in the United States in 2004 was 111 thousand barrels of oil equivalent.

An agreement with Murphy Oil Corporation was reached to swap 50% of YPF s interest in 13 offshore exploration blocks in the Green Canyon with 11 blocks of Murphy Oil Corporation in same area. Additionally YPF acquires participation in 24 offshore exploration blocks in Alaminos Canyon, Green Canyon, Mississippi Canyon and Atwater Valley through farm-in operations. During 2004 two exploration blocks were relinquished at Mississippi Canyon.

Joint Ventures and Contractual Arrangements in Argentina

YPF participates in the fourteen most important exploration and production joint ventures in Argentina. YPF s interests in these joint ventures range from 12.2% to 61.55%, although its obligations to share exploration and development costs vary under these agreements. In addition, under the terms of some of these joint ventures, YPF has agreed to indemnify its joint venture partners in the event that YPF s rights with respect to such areas are restricted or affected in such a way that the purpose of the joint venture cannot be achieved. For a list of the exploration and production joint ventures in which YPF participates, see Note 6 to the Consolidated Financial Statements. YPF is also a party to a number of other contractual arrangements that arose through the renegotiation of service contracts and risk contracts and their conversion into production concessions and exploration permits, respectively.

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Natural Gas and Electricity Markets and Distribution

Natural Gas Markets and Distribution

Natural gas market business involves the marketing of Exploration and Production´s natural gas production.

YPF estimates, based on preliminary figures, that natural gas delivered by transport companies in Argentina totaled approximately 1,150 Bcf in 2004. From 1980 to 2004, the production of natural gas in Argentina has grown significantly, increasing by approximately 289%, at an average annual rate of 5.8%. This increase is attributable, in part, to an increase in the number of users connected to distribution systems from approximately 2.5 million in 1980 to approximately 6.1 million by 2004. YPF does not believe that the natural gas market will continue to grow at the same rate as it has in the last twenty-four years.

Prior to 1993, all of YPF s gas production was delivered to Gas del Estado, the state-owned entity that operated the gas transportation and distribution system for all of Argentina. YPF now sells approximately 41% of its gas to nine local distribution companies, formed in connection with the privatization of Gas del Estado in 1992, approximately 44% to industries and power plants, and approximately 15% exports to foreign markets. Approximately 73% of natural gas sales are produced in the Neuquina Basin.

The currency devaluation dating back to January 2002 originated a freeze on natural gas prices which in turn produced very low-end prices against alternative fuels. Consequently, demand for these products soared while supply failed to find the necessary incentives to meet extremely high growth rates in consumption.

In the first quarter of the year, YPF and the other gas producers in Argentina signed an agreement with the government for implementation of the regularization of natural gas prices at the point of entry into the transport system scheme, set forth under Decree No. 181/2004 . This agreement includes the creation of a price recomposition path for the Industry, Power Generation, and GNC segments. It also requires producers to guarantee the supply of maximum daily volumes to distributors and power generation plants that use firm transport, covering both current volumes and growth from 2004 to 2006. Three of these increases were approved by the Argentine government and already took place in May and October 2004 and in May 2005, an increase of 18% is set for July 2005.

In June 2004, YPF began to import Bolivian gas. YPF purchases approximately 150 mmcfpd and its contract concludes in December 2005.

YPF s direct sale volumes to industrial users in 2004 represented 28% of total natural gas sale volumes. During 2004, YPF s domestic natural gas sale volumes did not practically increased.

Most of YPF s proved natural gas reserves in Argentina are situated in the Neuquina Basin (82%), which is strategically located in relation to the principal market of Buenos Aires and is supported by sufficient pipeline capacity during most of the year. Accordingly, YPF believes that natural gas from this region has a competitive advantage compared to natural gas from other regions. The capacity of the natural gas pipelines in Argentina has proven in the past to be inadequate at times to meet peak-day winter demand, and there is no meaningful storage capacity in

Argentina. During the 1994-2001 period, local pipeline companies added approximately 1,606 mmcfpd of new capacity. No new capacity was added during the last three years.

Gas pipeline works are underway in order to increase firm transportation services to a 102.4 mmcfpd capacity (for Transportadora Gas del Sur, TGS) and a 63.6 mmcfpd capacity (for Transportadora Gas del Norte, TGN). Decree No. 180/04, issued in January 2004, created a trust fund for the financing of transportation and distribution facilities under a global program for the issuance of debt securities and participation certificates approved by Resolution No. 185/04, issued by the Ministry of Federal Planning, Public Investment and Services on April 20, 2004. In accordance to Decree No. 180/2004, two trust funds were created to finance an expansion of the North Pipeline operated by TGN and an expansion of the San Martín Pipeline operated by TGS which are currently under construction. YPF has participated as investor in the trust fund

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corresponding to the expansion of TGN s North Pipeline, which would increase gas transportations capacity from Bolivia with a contribution of US$ 100 millions to the mentioned trust fund organized by the argentine government. Contributions to this trust fund will accrue interest and will enable YPF to obtain the mentioned additional natural gas transport capacity.

Natural gas is delivered by YPF through its own gathering systems to the trunk lines from each of the major basins, although all of the firm capacity of the natural gas transportation pipelines in Argentina is currently apportioned among the distribution companies under long term firm transportation contracts with the transportation companies all the available capacity of the transportation pipelines is taken by firm customers only during a few days in winter, leaving capacity available for interruptible customers in varying degrees throughout the rest of the year.

As a consequence of the energy crisis in Argentina, the Argentine Government established the Rationalization Program for the Export of Natural Gas and the Use of Gas Transportation Capacity (Regulation No. 27/04), which suspended the exportation of natural gas required for internal consumption.

The program established that no export authorization would be performed in excess of gas exported in the same month of 2003, excluding the surplus gas exported over the firm authorized volumes, without the express authorization of the Argentine government. The measure was applied retroactively to exports from January 2004 and by the end of the third quarter of 2004, each exporter must have exported an equal or inferior quantity than in the first nine months of 2003, excluding surplus gas as explained.

Resolution No. 659/04 of the Secretary of Energy further approved the Supplementary Program for Natural Gas Supply to the Internal Market . The Substitution Program does not maintain the caps imposed to natural gas exports by Resolution 27/2004. However, under the Substitution Program, the order is not to re-direct exports but rather to inject additional volumes of gas to the internal market, and until full compliance a producer may not export natural gas from any basin.

Provision No.752 issued by the Secretary of Energy (May 2005) will gradually allow users who consume certain levels above the minimum consumption set by the provision herein to obtain natural gas at the Transport System Input Point(Direct users) directly from producers to whom they may ask to transfer the volume they sold to the Distributor that supplied the user. Distributors, at the beginning of 2006, will just be able to sell term contracted gas to home users and small consumers that should not exceed certain gas volumes, through a gradual process that starts on August 2005 with Highest Consumption Direct Users.

Finally, a standardised irrevocable offers procedure is set forth, which will operate at the Electronic gas Market (MEG) through which any direct consumer shall be able to bid for a term gas purchase at the export average gas price net of withholdings by basin. The volume necessary to satisfy the standardised Irrevocable Offers which have not been satisfied will be required as Permanent Additional Inyection only until the end of the seasonal period during which the unsatisfied request should be made(October- April or May- September). Such Additional Inyection will be requested from the producers that export gas and that inyect the natural gas from the basins, who are able to supply those unsatisfied Irrevocable Offers. Priority will be given to those which, considering the transportation available, imply a lower cost at the Delivery Point, corresponding to consumers who made the stantardised Irrevocable Offer, still unsatisfied. In the case that the Permanent Additional Inyection Volume should exceed the volumes exported, priority will be given to those consumers that have firm transport and/or distribution systems.

YPF is actively involved in the following projects geared towards developing its foreign and domestic natural gas markets:

During December 1996, YPF began exporting natural gas from Argentina, delivering 37 mmcfpd to the Methanex Plant (methanol producer) located in Cabo Negro-Punta Arenas in Chile under a 20-year contract. The natural gas supplied to the Methanex plant is produced in the Austral Basin. In the second quarter of 1999, an expansion of the Methanex plant increased the plant s supply requirements to 159 mmcfpd, of which YPF supplies 42 mmcfpd. In 2003, YPF entered into a 20-year Agreement to supply an additional 21 mmcfpd of natural gas once the expansion of the plant is completed, which is currently estimated will take place in 2005.

The Gas Andes pipeline linking Mendoza, Argentina, to Santiago, Chile, with a transportation capacity of 353 mmcfpd, was brought on line in August of 1997, carrying natural gas from the Neuquén Basin. In August 1998, the San Isidro Electricity Company (Endesa) located at Quillota, Chile, began operations using natural gas 100% supplied by YPF. This was YPF s first export to Chile through Gas Andes, volume averaged 63 mmcfpd. The contract is for a term of 15 years. In addition since the end of 1999, YPF supplies 20% of the natural gas requirements of the electricity company Colbun (11 mmcfpd). This contract is for a term of 15 years. During the first quarter of 2003 YPF started supplying natural gas to Gas Valpo (35 mmcfpd) under a 15-year contract.

In December 1999, Gasoducto del Pacífico, a consortium in which YPF has a 10% interest, completed the construction of a natural gas pipeline connecting Loma La Lata (Neuquén, Argentina) with Chile. The pipeline has a capacity of 318 mmcfpd and carries natural gas from the Neuquén Basin. Since December 1999, YPF supplies, through Gasoducto del Pacífico, natural gas to a distribution company that further distributed natural gas to industrial clients (99 mmcfpd). This contract is for a term of 17 years.

In the second half of 1999, two natural gas pipelines, with a carrying capacity of 300 mmcfpd each, connecting Salta, Argentina, to Región II in Chile, were brought on line. The pipelines were planned to carry natural gas from the Noroeste Basin. Beginning in January 2000, YPF started supplying natural gas to thermal power plants in northern Chile (83 mmcfpd).

Through the 560 mmcfpd natural gas pipeline, which links Aldea Brasilera, Argentina, to Uruguayana, Brazil, YPF supplies a AES thermal power plant with 99 mmcfpd of gas under a 20-year contract. In the second half of 2000, YPF started delivering gas produced in the Neuquina Basin.

In November 1999, a Shareholders Agreement was signed in Brazil for the construction of a natural gas pipeline from Uruguayana to Porto Alegre, Brazil, through a partnership among Gaspetro (25%), Ipiranga (20%), Total (25%), Techint (15%) and Repsol YPF Brasil (15%). In October 1998, YPF signed an agreement with Petrobras to supply natural gas to the pipeline project. The project is currently delayed because of the excess of energy offer in the south and southeast part of Brazil. The pipeline could begin to operate in the year 2007/2008. Final terms are being negotiated into that scenario. The pipeline is expected to have a capacity of approximately 420 mmcfpd.

During the last quarter of 1999 YPF started supplying 40 mmcfpd of natural gas under a 12-year contract to the Termoandes power plant located in Salta, Argentina, representing 50% of the Plant s gas requirements. The natural gas comes from the Noroeste Basin. This power plant provides power to a high voltage line running from Salta to Región II in Chile.

YPF has continued to analyze the possible utilization of natural underground structures located near consuming markets as underground natural gas storage facilities, with the objective of storing gas during periods of low demand and selling the natural gas stored during periods of high demand.

The most advanced gas storage project undertaken by YPF in Argentina is Diadema , which is located in the Patagonia region, near Comodoro Rivadavia City. The gas injection into the reservoir started in January 2001, and YPF has accomplished its forth season of gas withdrawal.

YPF has started a gas injection pilot test in March 2005 as part of the Lunlunta Carrizal Project , located 60 kilometers South-East of Mendoza, where a depleted oil reservoir feasible for gas storage is located.

Natural gas distribution

YPF holds a 45.3% stake in Gas Argentino S.A. (GASA), which in turn holds a 70% stake in Metrogas S.A., a natural gas distributor in southern Buenos Aires as well as one of the main distributors in Argentina.

During 2004, Metrogas distributed approximately 7.82 billion cubic meters of natural gas to 1.9 million customers in comparison with approximately 6.45 billion cubic meters of natural gas distributed to 1.9 million customers in 2003. The economic crisis that affected the country at the end of 2001 and beginning of 2002 caused a severe deterioration of the financial and operational situation of GASA. Thus the decision was made on March 25, 2002 to suspend payment of principal and interest on its entire financial debt. From then on, Metrogas management has focused on an efficient and rational use of its cahflow in order to be able to comply with all of the legal requirements agreed with the Government with respect to its services. Metrogas is engaging in conversations with its main creditors in order to restructure its financial debt, and align its future financial commitments to the expected generation of funds. The main objective of the restructuring process is to modify certain terms and conditions included in the loan and negotiable agreements, by adjusting interest rates and the amortization period so as to align the cash flow required for repayment of the indebtedness with debt service capacity. An allowance has been made to reduce the investment in GASA to its estimated recoverable value.

Natural Gas Liquids

YPF developed Mega, to increase its ability to separate liquid petroleum products from natural gas. Mega allowed YPF in 2001, through the fractioning of gas liquids, to increase production at the Loma La Lata gas field by approximately 5.0 million cubic meters per day.

YPF owns 38% of Mega, while Petrobras and Dow Chemical have a 34% and 28% stake, respectively.

Mega includes:

- A separation plant, located in Loma La Lata, in the Province of Neuquén.
- A natural gas liquids fractioning plant, that produces ethane, propane, butane and natural gasoline. This plant is located in the city of Bahía Blanca in the Province of Buenos Aires.
- A pipeline that links both plants and that transports natural gas liquids.
- Transportation, storage and port facilities in the proximity of the fractioning plant.

Mega required an investment of approximately US$ 715 million and commenced operations at the beginning of 2001. Mega s maximum annual production capacity is 1.35 million tonnes of gasoline, LPG and ethane. YPF is Mega s main supplier of natural gas. The fractioning plant production is used in the petrochemical operations of PBBPolisur, and is also exported by tanker to Brazil.

Electricity Market

Generation

YPF participates in four power stations with an aggregate installed capacity of 1,685 megawatts (MW):

Central Térmica Tucumán (45%) (410 megawatts combined cycle)

Central Térmica San Miguel de Tucumán (45%) (370 megawatts combined cycle)

Filo Morado (50%) (63 megawatts)

Central Dock Sud (40%) (775 megawatts combined cycle and 67 megawatts gas turbines)

In 2004, these plants generated altogether approximately 9,409 Gigawatt per hour (GWh).

YPF also operates power plants supplied with natural gas produced by YPF, which produce power for use by YPF in other business units:

Los Perales power plant (74 megawatts), located in the Los Perales natural gas field,

Chihuido de la Sierra Negra power plant (40 megawatts), and

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

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Refining and Marketing

During 2004, YPF s Refining and Marketing activities included crude oil marketing, refining and transportation, and the marketing and transportation of refined fuels, lubricants, LPG, compressed natural gas and other refined petroleum products in wholesale, retail and export markets.

During 2004, Refining and Marketing segment was organized into the following Divisions:

- Refining Division
- Logistic Division
- Marketing Division:
  - Domestic Division
  - International Marketing Division
- LPG General Division.

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

Refining Division:

YPF wholly owns and operates three refineries:

- La Plata Refinery, located in the Province of Buenos Aires;
- Luján de Cuyo Refinery, located in the Province of Mendoza; and
- Plaza Huincul Refinery, located in the Province of Neuquén (together referred to as the refineries).

YPF s refineries have an aggregate refining capacity of approximately 319,500 barrels per calendar day. The refineries are strategically located along YPF s crude oil pipeline and product pipeline distribution systems. In 2004, 95.7% of the crude oil processed by YPF s refineries was supplied by YPF s Exploration and Production operations; the balance was purchased from third parties. YPF also owns a 50% interest in a 28,500 barrel per calendar day refinery located in the Province of Salta, known as Campo Durán.

The following table sets forth the throughputs and production yields for YPF s refineries for each of the three years ended December 31, 2004:

	For the Year Ended December 31,		
	2004	**2003**	**2002**
	(millions of barrels)		
Throughput crude/Feedstock	112.0	111.5	110.7
Production			
Diesel fuel	44.2	44.1	43.1
Gasoline	32.5	33.8	33.8
Jet fuel	5.5	5.7	7.0
Base oils	3.0	2.9	3.0
	(thousands of tonnes)		
Fuel oil	935	759	606
Coke	961	1,057	1,074
LPG	617	678	661
Asphalt	207	123	90

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In 2004, overall volumes of crude oil processed increased by 0.4% and volumes sales in foreign markets were 15% lower than in 2003. Refinery capacity utilization in 2004 reached 93.1%, compared with 93.1% in 2003 and 89.8% in 2002. Total installed capacity decreased by 14,500 barrels per calendar day in August 2002, due to the abandonment of a topping unit due to obsolescence.

The La Plata Refinery is the largest refinery in Argentina, with capacity of 189,000 barrels of crude oil per calendar day. The refinery includes three distillation units, two vacuum distillation units, two catalytic cracking units, two coking units, a coker naphtha hydrotreater unit, a platforming unit, a gasoline hydrotreater, a diesel hydrofinishing unit, an isomerization unit and a lubricants complex. The refinery is located at the port in the city of La Plata, in the Province of Buenos Aires, approximately 60 kilometers from the city of Buenos Aires. In 2004, the refinery processed approximately 169,500 barrels of crude oil per calendar day. The capacity utilization rate at the La Plata Refinery for 2004 was less than 1% lower than in 2003. The crude oil processed at the La Plata Refinery comes mainly from YPF s own production in the Neuquina and Golfo de San Jorge Basins. Crude oil supplies for the La Plata Refinery are transported from the Neuquina Basin by pipeline and from the Golfo de San Jorge Basin by vessel in each case to Puerto Rosales and then by pipeline from Puerto Rosales to the refinery.

YPF has been implementing an environmental program to address contamination generated prior to YPF s privatization, with particular emphasis on effluents. In 2004 the project Integral Treatment of Liquid Effluents at La Plata Refinery was concluded and the project Integral Adapting of Effluent Treatment System at Luján de Cuyo Refinery has started executed and will be concluded during 2005.

In September 2003, YPF approved a project for the construction of a new FCC naphtha splitter and a desulfuration unit in La Plata refinery and, in 2004 approved a project for the construction of a new FFC naphtha splitter in Luján de Cuyo refinery. These projects, which are expected to be completed in 2005 and in 2006 respectively, will allow YPF to meet new higher technical requirements that limit the level of sulfur in fuels (gasolines) as required by recently enacted legislation in Argentina.

The Luján de Cuyo Refinery has an installed capacity of 105,500 barrels per calendar day, the third largest capacity among Argentinean refineries. The refinery includes two distillation units, a vacuum distillation unit, two coking units, one catalytic cracking unit, a platforming unit, an MTBE unit, an isomerization unit, an alkylation unit, and hydrocracking and hydrotreating units. In 2004 the refinery processed approximately 101,200 barrels of crude oil per calendar day. The capacity utilization rate for 2004 was 2% higher than in 2003. Because of its location in the western Province of Mendoza and its proximity to significant distribution terminals owned by YPF, the Luján de Cuyo Refinery has become the facility primarily responsible for providing the central provinces of Argentina with petroleum products for domestic consumption. The Luján de Cuyo Refinery receives crude for processing from the Neuquén and Cuyana Basins by pipeline directly into the refinery. Approximately 88% of the crude oil processed at the Luján de Cuyo Refinery is produced by YPF. Most of the crude purchased from third parties comes from fields in Neuquén or Mendoza.

On May 2005, the Lujan de Cuyo Refinery was audited by prestigeous international insurance companies, achieving a Better than average rating, positioning the industrial complex above international refineries safety standars.

The Plaza Huincul Refinery, located near the town of Plaza Huincul in the Province of Neuquén, has an installed capacity of 25,000 barrels per calendar day. In 2004, the refinery processed approximately 27,200 barrels of crude oil per calendar day. The incremental amount of crude oil processed reflects the use of lighter crude oil than that for which the facilities were designed. The only products currently produced commercially at the refinery are gasoline, diesel fuel and jet fuel, which are sold primarily in the nearby areas and in the southern regions of Argentina. Heavier products, to the extent production exceeds local demand, are blended with crude oil and transported by pipeline from the refinery to the La Plata Refinery for further processing. The Plaza Huincul Refinery receives its crude supplies from the Neuquén Basin by pipeline. Crude oil processed at the Plaza Huincul Refinery is produced by YPF.

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During 1997 and 1998, each of the refineries, YPF s La Plata petrochemical plant and YPF s Applied Technology Center were certified under ISO 9002 and ISO 14000 (environmental performance) and were recertified under ISO 9001 (version 2000) in 2003. The Plaza Huincul Refinery was awarded the Merit Prize by the Consejo Interamericano de Seguridad (Pan American Safety Council) for reducing the injury frequency rate in 1994, 1995, 1996, 1997, 1998 and 1999.

Capital expenditures in 2004 for efficiency and environmental projects and other improvements at the three refineries were Ps. 303 million.

Logistic Division:

Crude Oil and Products Transportation and Storage

YPF transports crude oil from production areas to the refineries or to the ports through five major pipelines, two of which are wholly owned by YPF. The crude oil transportation network includes nearly 2,700 kilometers of crude oil pipelines with approximately 640,000 barrels of aggregate daily transportation capacity of refined products. YPF has total crude oil tankage of approximately seven million barrels and maintains terminal facilities at five Argentine ports.

Information with respect to YPF s network of crude oil pipelines is set forth in the table below.

From	**To**	**YPF Interest**	**Length (km)**	**Daily Capacity (bpd)**
Puesto Hernández	Luján de Cuyo Refinery	100%	528	75,000
Puerto Rosales	La Plata Refinery	100%	585	316,000
La Plata Refinery	Dock Sud	100%	52	106,000
Brandsen	Campana	30%	168	120,700
Puesto Hernández/ P.Huincul/Allen	Puerto Rosales	37%	888(1)	232,000
Puesto Hernández	Concepción (Chile)	18%	430	114,000

(1) Includes two parallel pipelines of 513 kilometers each from Allen to Puerto Rosales, with a combined daily throughput of 232,000 barrels.

YPF owns two crude oil pipelines in Argentina. One connects Puesto Hernández to the refinery of Luján de Cuyo (528 kilometers) and the other connects Puerto Rosales to the refinery of La Plata (585 kilometers) and extends to Shell s refinery in Dock Sud at the Buenos Aires port (52 kilometers). YPF also owns a plant for the storage and distribution of crude oil in Formosa with an operating capacity of 19,000 cubic meters, and in the Berisso locality there are two tanks with 60,000 cubic meters of capacity. YPF owns 37% of Oleoductos del Valle S.A. (Oldeval), operator of 888 kilometers of pipelines, its main pipeline being a double 513 kilometer pipeline that connects the Neuquén basin and Puerto Rosales. At December 31, 2004, YPF had an 18% interest in the 428 kilometer Transandean pipeline, which transports crude oil from Argentina to Concepción in Chile. YPF also owns 33.15% of Terminales Marítimas Patagónicas S.A. (Termap), operator of two storage and port facilities: Caleta Cordova (province of Chubut), which has a capacity of 264,000 cubic meters, and Caleta Olivia (province of Santa Cruz), which has a capacity of 246,000 cubic meters. Finally, YPF has a 30% interest in Oiltanking Ebytem S.A., operator of the maritime terminal of Puerto Rosales, which has a capacity of 480,000 cubic meters, and of the crude oil pipeline that connect Brandsen (it has 60,000 cubic meters of storage capacity) to the ESSO refinery in Campana (168 km) in the Province of Buenos Aires.

In Argentina, YPF also operates a network of multiple pipelines for the transportation of refined products with a total length of 1,801 kilometers.YPF also owns 16 plants for the storage and distribution of refined products with an approximate operating capacity of 983,620 cubic meters. Three of these plants are annexed to the refineries of Luján de Cuyo, La Plata and Plaza Huincul. Ten of these plants have maritime or fluvial connections. YPF also operates 54 airport facilities (44 of them are owned by YPF) with a capacity of 24,000 cubic meters, and owns 27 trucks. These facilities provide a flexible country-wide distribution system and satisfy the growing needs of exports to foreign markets, mainly to neighbouring countries and to the United States of America. Products are shipped mainly by truck, ship or river barge.

Marketing Division:

Domestic Division

Through the Marketing Division, YPF markets gasoline and other petroleum products to domestic retail and wholesale customers. In 2004, retail, wholesale, lubricants and specialities directions and aviation sales in Argentina reached Ps. 7,344 million, representing 46% of Refining and Marketing consolidated revenues, with Ps. 3,823 million generated by retail customers.

Until December 31, 2004, the Retail Division s sales network in Argentina included 1,832 retail service stations, 87 of which are directly owned by YPF, and the remainder 1,745 are affiliated service stations. Operadora de Estaciones de Servicio S.A. (OPESSA) (a wholly-owned subsidiary of YPF) operates 151 of our retail service stations, 71 of which are directly owned by YPF, 24 are leased to ACA (Automovil Club Argentino), and 56 are leased to independent owners. Nine of our directly-owned stations are operated by third parties and the other seven are inactive. Additionally, 36 retail service stations are owned by Refinería del Norte S.A. (Refinor) (YPF owns 50% of its capital stock).

During 2004 YPF slightly increased its market share in the diesel and gasoline markets from 48.9% in 2003 to 50.0%, according to internal calculations. YPF will continue its efforts to eliminate unprofitable or non-strategic existing stations, and dealer-operated stations, which do not comply with contract requirements.

The Red XXI marketing program, launched in October 1997, which has significantly improved operational efficiency and provides YPF with immediate performance data from each station, is aiming to connect close to 100% of its service stations network. Currently, 1,430 stations are linked to the Red XXI system, with plans to add approximately 50 additional stations in 2005.

YPF has continued developing its technical seminars and courses for station personnel and employees in order to improve the quality of services currently provided by service stations. In 2004, approximately 11,339 service station employees participated in training courses throughout the year.

In 2004, 8 stations were ISO 9001 certified after undergoing certification audits, adding to the 8 certified in 2003, 34 in 2002 and 29 certified during 2001. YPF also certified 3 stations during 2004 with ISO 14001. Currently, 445 stations are ISO 9001 certified and 170 stations are ISO 14001 certified.

YPF s Lubricants and specialties division markets a wide family of products that includes lubricants, greases, asphalt, paraffin, base lubricant, decanted oil, carbon dioxide and coke. This division is responsible for the production, distribution and commercialization of the products in the domestic and exports markets. These operations are ISO 9001: 2000 and TS 16949 certified. The lubricants production facilities are also ISO

14001 certified.

During 2004, YPF s Lubricants and specialties sales increased to Ps. 943 million compared to Ps. 740 million in 2003. Lubricant products are primarily automotive oils and fluids, industrial lubricants, base oils and greases and are sold by YPF through a wide network of gas stations, branded distributors and directly to large industrial customers. Most of these lubricants are produced at a modern lubricant complex at YPF´s La Plata Refinery. Some of these products are then sent to Dock Sud Refinery, a former YPF facility, for blending and filling operations on a contract basis pursuant to YPF specifications. Greases are also produced under a similar contract.

The lubricants market in Argentina is highly competitive and during 2004 YPF maintained its position as the market leader with a 37.5% share by increasing its sales by 16% (industrial and automotive lubricants and greases). Lead domestic automotive manufacturers Ford, Volkswagen, Scania, Seat, Porsche (OEMs) and General Motors, which represent 61% of the automotive lubricant market, exclusively use and recommend YPF lubricants products. In the motorcycle segment, YPF has an strategic agreement with Honda Argentina that includes the use and recommendation of Repsol YPF lubricants.

Continuing an ambitious internationalization plan, YPF will export lubricants and specialities to four new American countries: United States, Mexico, Venezuela and Guatemala.

YPF s sales to the agricultural sector are principally conducted through distributors, seven of which are owned by YPF. During 2004 the Wholesale Division was still consolidating a distribution network through more than one-hundred exclusive distribution contracts with independent distributors from all regions of Argentina.

Sales to transportation, industrial, utility, and mining sectors are made primarily through YPF s direct selling efforts. The main products sold in the domestic wholesale market include diesel fuel and fuel oil.

In December 2002 the Wholesale Division obtained the ISO 9001 certification covering the design, operation, marketing, customer service and management processes. During 2004 that certification was extended to 20 affiliated Diesel Distributors and 10 of them obtained the ISO 14001 certification.

Sales to the aviation sector are made directly by YPF. The products sold in this market are jet fuel and aviation gasoline.

International Trade

The International Trade Division sells crude oil and refined products to international customers and oil to domestic oil companies. Sales to international companies for 2004 totaled US$ 1,925 million (Ps. 5,662 million), 69% of which represented sales of refined products, 26% represented crude oil deliveries and the remaining 5% sales of marine fuels. On a volume basis, sales consisted of 18.28 million barrels of crude oil, 31.1 million barrels of refined products and 2.46 million barrels of marine fuels. Exports include crude oil, unleaded gasoline, diesel fuel, fuel oil, liquefied petroleum gases, light naphtha, virgin naphtha, and base oils. YPF sells in the export market directly and through traders mainly to neighbouring countries (Brazil, Chile and Paraguay) and the United States. Domestic sales of crude oil, reached US$ 233 million (Ps. 683 million) and 8 million barrels in 2004. Domestic sales of marine fuels, reached U$S 69 million (Ps. 201 million) and 1.4 million barrels.

International Distribution

In July 2004, YPF through YPF Holding Inc. sold, for an amount of US$ 43 million, its interest in Global Companies LLC and affiliates (Global), a jointly controlled company with operations in the Refining and Marketing segment in the United States of America, recording a gain of US$ 16 million (Ps. 47 million).

LPG General Division:

Production

YPF is one of the largest LPG players in Argentina, with a yearly production of 911,495 tonnes in 2004 (including 241,568 tonnes of LPG destined for petrochemical usage). This represents approximately 29.47% of total LPG production (including LPG destined for petrochemical usage).

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YPF obtains LPG from natural gas processing plants and from its refineries and petrochemical plants as detailed in the following tables.

	Production (tonnes)
LPG from Natural Gas: (1)	
Loma La Lata	45,741
General Cerri	54,030
El Portón	132,977
San Sebastián	18,552
Total	251,300

(1) YPF SA owns 30% of San Sebastian plant; Loma La Lata and El Portón are 100% owned by YPF; General Cerri belongs to a third party, having a façon agreement with YPF.

	Production (tonnes)(1)
LPG from Refineries & Petrochemical Plants:	
La Plata Refinery	434,527
Luján de Cuyo Refinery	197,831
Petroquímica La Plata	27,837
Total production	660,195

(1) Includes 241,568 tonnes of LPG used as petrochemical feedstock (olefins derivatives, polybutenes and Maleic).

YPF also has a 50% interest in Refinor, a jointly-controlled company, which produced 348,826 tonnes of LPG in 2004.

Marketing

YPF sells LPG to the foreign market, domestic wholesale market and domestic retail market. The share in the domestic retail market in 2004 was approximately 34.6%, including bottled and bulk sales to the residential and industrial markets.

YPF 2004 LPG sales can be broken down by market as follows:

	Sales Capacity (tonnes)

Domestic market	
Retail (Repsol YPF Gas)	227,628
To other bottlers/propane network distributors	68,007
Other Wholesales	34,738
Foreign market/exports	
Exports	526,586
Total Sales	856,959

Total sales of LPG (excluding LPG used as petrochemical feedstock) to both domestic and foreign markets reached Ps. 768 million in 2004.

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LPG division buys LPG from natural gas processing plants and from its refineries and petrochemical plants, it also buys LPG from third parties as detailed in the following table:

	Purchase (tonnes)
LPG Purchases:	
Upstream	250,944
Refineries	364,678
Petrochemical	27,881
Refinor (1)	116,076
Others	106,473
Total	866,052

(1) YPF owns 50 % of Refinor.

Chemicals:

During 2004 YPF s revenues from chemical sales were Ps. 2.146 million and the operating income was Ps. 564 million.

Petrochemicals are produced at five different facilities at YPF s petrochemical complex in Ensenada and Plaza Huincul.

YPF s petrochemical production operations in Ensenada are closely integrated with YPF s refining activities (La Plata Refinery). This close integration allows for a flexible supply of feedstock, the efficient use of byproducts (such as hydrogen) and others synergies.

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

	Capacity (tonnes per year)
Site Ensenada	
Aromatics	
BTX (Benzene, Toluene, Mixed Xylenes)	244,000
Paraxylene	38,000
Orthoxylene	25,000
Cyclohexane	95,000
Solvents	66,100
Olefins Derivatives	

MTBE	60,000
Butene I	25,000
Oxoalcohols	35,000
TAME	105,000
LAB/LAS	
LAB	48,000
LAS	25,000
Polybutenes	
PIB	26,000
Maleic	
Maleic Anhydride	17,500
Site Plaza Huincul	
Methanol	411,000

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In 2002, the methanol unit started operations in Plaza Huincul. Natural gas, raw material for methanol, is supplied by YPF s upstream unit. In 2004 the plant operated at 97.7% of its nominal capacity. Production from the Methanol unit during 2004 was destined to exports (78%), to YPF s internal consumption as feedstock for MTBE and Tame (14%) and to the local market (8%).

The raw materials for petrochemical production in Ensenada, including Virgin Naphtha, Propane, Butane, and Kerosene, are supplied mainly by La Plata Refinery.

In 2004, petrochemicals sales from Ensenada Industrial Complex and Methanol units were Ps. 1.352 million, with the domestic market accounting for 42% and exports for 58%. During 2004, the exports were destined to Mercosur countries, Latin American countries, Europe and the United States and Middle East.

The methanol unit in Plaza Huincul s refinery uses natural gas as raw material and makes possible the monetization of reserves, which demonstrates the integration between the petrochemical and upstream units.

YPF also participates in the fertilizer business directly and through Profertil S.A. (Profertil) (a 50% subsidiary of YPF), which is proportially consolidated.

Profertil is a jointly-controlled investment between YPF and Agrium (a worldwide leader in fertilizers), that produces urea and ammonia and started operations in 2001. YPF is Profertil s principal supplier of natural gas, supplying approximately 57% of Profertil s feedstock.

In 2002, YPF s fertilizers retail activities were integrated into the Industrial Product Business Unit. The fertilizers sold are supplied by Profertil (urea) or imported (phosphorus and potassium based fertilizers). In 2003, YPF started participating in an exchange program that allows producers to deliver corn as payment for fertilizers. The corn delivered to YPF is resold in the market.

Subsequently to December 31, 2004, YPF sold its interests in PBBPolisur S.A. for US$ 97.5, recording a gain of Ps. 75 million in the financial statements as of March 31, 2005. Additionally, subsequently to December 31, 2004, YPF sold its interests in Petroquímica Ensenada S.A. (Petroken), for US$ 58 million. As of the date of issuance of these report, the transaction is subject to approval by the Antitrust Board. During 2004, Petroken s contribution to the operating income was Ps. 60 million compared to Ps. 44 million in 2003.

Repsol YPF s presence has strengthened YPF s position in the global markets, improving YPF s access to these markets due to a better negotiating position derived from its ability to offer a more complete portfolio of products and a sales force of its own, now located in regions previously served only by distributors.

Competition

The deregulation and privatization process created a competitive environment in the Argentine oil and gas industry. In its Exploration and Production business, YPF encounters competition from major international oil companies and other domestic oil companies in acquiring exploration permits and production concessions. In its Refining and Marketing and Petrochemicals business, YPF faces competition from several major international oil companies, such as Esso (a subsidiary of ExxonMobil), Shell and Petrobras as well as several domestic oil companies. In its export markets, YPF competes with numerous oil companies and trading companies in global markets.

YPF expects increasing levels of competition in the Argentine downstream industry and the crude oil and natural gas production industry. Crude oil and refined products prices are subject to international supply and demand and, accordingly, may fluctuate for a variety of reasons. Changes in the international price of crude oil and refined products will have a direct effect on YPF s results of operations and on its levels of capital expenditures. See Item 3: Key Information Risk Factors Fluctuations in Oil and Gas Prices Affect Our Level of Capital Expenditures.

Environmental Matters

YPF

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

In 2004, YPF continued to make investments in order to comply with new Argentine fuel specifications that are expected to come into effect in 2006 pursuant to Resolution of the Secretary of Energy No. 398/2003. Estimated capital expenditures associated with the improvement and construction of new units at our refineries in Argentina to comply with the fuel specifications, are approximate of US$ 51.8 million. During 2004, YPF has already invested US$ 26 million at La Plata Refinery in a FCC fractioning and hydrotreatment units, in order to accomplish new gasolines quality environmental specifications, we estimate to complete these investees in 2005.

In addition YPF has started basic engineering studies for the construction of diesel-oil desulfuration units at La Plata and Luján de Cuyo refineries.

Each producer, transporter, storer, handler and disposer of hazardous waste, that conducts interstate business or whose activities affect the environment of another province or territory under federal jurisdiction in Argentina is required to register in a national registry and in certain provincial registries of producers and handlers of hazardous wastes. During 2004 YPF has spent US$ 4.68 million for treatment and disposal waste.

At each of its refineries, YPF is performing, on a voluntary basis, remedial investigations and feasibility studies and pollution abatements projects, which are designed to control liquid effluent discharges and air emissions. In addition, YPF has implemented an environmental management system to assist its efforts to collect and analyze environmental data in its upstream and downstream operations. Almost all the operating units are ISO 14001 certified as of November 2003.

In addition to the projects related to the new specifications standards mentioned above, YPF has begun to implement a broad range of environmental projects in the Domestic Exploration and Production and Refining and Marketing businesses. Capital expenditures for those environmental projects associated with Refining and Marketing projects are currently estimated to reach approximately US$ 90 million, during the period from 2004 through 2008, with approximately US$ 10.2 million spent during 2004. A significant portion of the environmental program is dedicated to La Plata Refinery and Luján de Cuyo Refinery. The primary projects at La Plata include installation of separation systems and water treatment to replace existing systems, air pollution control devices, gas recovery systems, hydrocarbon recovery systems, process recovery measures and site remediation. Capital expenditures associated with Domestic Exploration and Production environmental projects during 2004 amounted US$ 21.2 million and include oil recovery systems and remediation of well sites, tank batteries and oil spills in the gathering systems of fields. Investments will also be made to improve technical assistance and training and to establish environmental contamination remediation plans, air emissions monitoring plans and ground water investigation and monitoring programs. YPF s estimated capital expenditures are based on currently available information and on current laws, and future changes in laws or technology could cause a revision of such estimates. In addition, while YPF does not expect environmental expenditures to have a significant impact on YPF s financial position in 2004 or any future years, changes in management s business plans or in Argentine laws and regulations may cause expenditures to become material to YPF s financial position, and may affect results of operations in any given year.

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

In 1991, YPF entered into an agreement (*Convenio de Cooperación Interempresarial* or CCI) with certain other oil and gas companies for the implementation of a plan to reduce and assess environmental damage resulting from oil spills in Argentine waters to reduce the environmental impact of potential oil spills offshore. This agreement involves consulting on technological matters and mutual assistance in the event of any oil spills in rivers or at sea, due to accidents involving tankers or offshore exploration and production facilities.

Regarding to climate change, YPF is developing a plan to address the requirements of the Kyoto Protocol. The main elements of this plan are the following:

- Actively promote the identification and pursuit of opportunities to reduce emissions within the company. For that, the Company takes into account the cost of carbon into the business decisions.

- Intensify the execution of internal projects for credit-generating by the Clean Development Mechanisms that help the company meet its obligations. YPF collaborates with competent authorities from the countries in which it operates, in particular the Argentina Clean Development Mechanism Office (OAMDL).

YPF Holdings

Laws and regulations relating to health and environmental quality in the United States affect nearly all of YPF Holdings operations in the United States. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and impose, in certain circumstances, remedial obligations.

YPF Holdings believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of YPF Holdings and, as discussed below, Maxus Energy Corporation (Maxus) and TS have certain potential liabilities associated with operations of Maxus former chemical subsidiary, Diamond Shamrock Chemicals Company (Chemicals). YPF Holdings 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. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by YPF Holdings for the installation and operation of systems and equipment for remedial tasks, possible dredging requirements and in certain other respects. Also, certain laws allow for recovery of natural resource damages from responsible parties and ordering the implementation of interim remedies to abate an imminent and substantial endangerment to the environment. Potential expenditures for any such actions cannot be reasonably estimated.

As of December 31, 2004, reserves for the environmental contingencies totaled approximately US$ 98.3 million. Management believes it has adequately reserved for all environmental contingencies that are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

In connection with the sale of Maxus former chemical subsidiary, Chemicals, to Occidental Petroleum Corporation (Occidental) in 1986, Maxus agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals prior to the September 4, 1986 closing date (the Closing Date), including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the Closing Date.

In addition, under the agreement pursuant to which Maxus sold Chemicals to Occidental, Maxus is obligated to indemnify Chemicals and Occidental for 50% of certain environmental costs incurred on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of Chemicals as of the Closing Date and for any period of time following the Closing Date which relate to, result from or arise out of conditions, events or circumstances discovered by Chemicals and as to which Chemicals provided written notice prior to September 4, 1996, irrespective of when Chemicals incurs and gives notice of such costs, with Maxus aggregate exposure for this cost sharing being limited to US$ 75 million. The total expended by YPF Holdings Inc. under this cost sharing arrangement was approximately US$ 70 million as of December 31,2004. The remaining portion of this cost sharing arrangement (US$ 5.4 million as of December 31, 2004) has been reserved.

TS has agreed to assume essentially all of Maxus aforesaid indemnity obligations to Occidental in respect of Chemicals.

In the following discussions concerning plant sites and third party sites, references to YPF Holdings include, as appropriate and solely for ease of reference, references to Maxus and TS. As indicated above, TS is also a subsidiary of YPF Holdings and has assumed certain of Maxus obligations.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the EPA), the New Jersey Department of Environmental Protection and Energy (the DEP) and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals former Newark, New Jersey agricultural chemicals plant. In 1998, the EPA approved the remedial design. TS believes the construction of the approved remedy has been completed and has submitted to the EPA its report in connection with the required optimization phase, which included testing and related operations. TS is awaiting the EPA s response to such report so that it may move beyond the optimization phase. This work was supervised and paid for by TS pursuant to the above described indemnification obligation to Occidental. YPF Holdings Inc. has fully reserved the estimated costs required to conduct ongoing operation and maintenance of such remedy, at an average cost of approximately US$ 1 million annually, for 10 years from and after January 1, 2005.

Passaic River, New Jersey. Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the former Newark plant, are contaminated with hazardous chemicals from many sources. These studies suggest that the older and more contaminated sediments located adjacent to the former Newark plant generally are buried under more recent sediment deposits. Maxus, on behalf of Occidental, negotiated an agreement with the EPA under which TS is conducting further testing and studies to characterize contaminated sediment and biota in a six-mile portion of the Passaic River near the plant site. The stability of the sediments in the entire six-mile portion of the Passaic River study area is also being examined as a part of TS studies. YPF Holdings currently expects the testing and studies to be completed in 2005 and the cost to be incurred are approximately US$ 3 million after December 31, 2004, which amount has been fully reserved. Maxus and TS have been conducting similar studies under their own auspices for several years. In addition, the EPA and other agencies are addressing for the lower Passaic River in a cooperative effort designated as the Lower Passaic River Restoration Project (the PRRP). TS has agreed, along with approximately thirty other

entities, to participate in a remedial investigation and feasibility study proposed in connection with the PRRP. Additional parties are currently negotiating to join in helping fund the EPA s activities in this regard, eight additional parties having sent letters of intent to participate. The EPA has agreed to amend the order regarding this study when a total of nine additional parties (making a total of 40 entities) agree to participate. TS estimated share of the cost of this remedial investigation and feasibility study is approximately US$ 0.3 million over the next three years, which amount has been fully reserved. As of December 31, 2004, there is a total of approximately US$ 12 million reserved in connection with continuing such other studies and related matters related to the Passaic River and the Newark Bay (see discussion of the DEP s Directive No. 1 and the Administrative Order on Consent (the AOC) below). Studies are ongoing with respect to the Passaic River and the Newark Bay watershed. Until these studies are completed and evaluated, YPF Holdings cannot estimate what additional costs, if any, will be required to be incurred. However, it is possible that additional work, including interim remedial measures, may be ordered with respect to the Passaic River and/or Newark Bay.

In 2003, the DEP issued its Directive No. 1 for Natural Resource Injury Assessment and Interim Compensatory Restoration of Natural Resources for the Lower Passaic River (Directive No. 1). Directive No. 1 was served on approximately 66 entities, including Occidental and Maxus and certain of their respective related entities, and seeks to address natural resource damages allegedly resulting from almost 200 years of historic industrial and commercial development of the lower 17 miles of the Passaic River and a part of its watershed. Directive No. 1 asserts that the named entities are jointly and severally liable for the alleged natural resource damages without regard to fault. The DEP has asserted jurisdiction in this matter even though all or part of the lower Passaic River has been designated as a Superfund site and is a subject of the PRRP, a Congressional urban rivers restoration initiative designed to address urban rivers such as the Passaic through a joint federal, state, local and private sector cooperative effort. Directive No. 1 calls for the following actions: interim compensatory restoration, injury identification, injury quantification and value determination. Maxus and TS have filed a response to Directive No. 1 on behalf of themselves and Occidental, as successor to Chemicals, which sets forth both how these parties are complying with Directive No. 1 and certain defenses thereto. Settlement discussions between the DEP and the named entities have been held; however, no agreement has been reached or is assured.

In 2004, the EPA and Occidental entered into an AOC pursuant to which TS (on behalf of Occidental) has agreed to conduct testing and studies to determined contaminated sediment and biota in the Newark Bay. TS presented a proposed initial work plan to the EPA, a study that would include sampling in Newark Bay, will be approved in mid-2005. If approved, TS currently plans to conduct this study in 2005 at an estimated cost of US$ 4.5 million. Such amount has been fully reserved. After the data has been collected in the initial study, a determination will be made as to what additional work, if any, might be required. In January 2005, several environmental groups sued the U.S. Army Corps of Engineers (the Army Corps) challenging the Army Corps failure to prepare a supplemental environmental impact statement that plaintiffs allege is required in connection with a dredging project proposed for New York New Jersey Harbor. Although neither YPF Holdings nor any of its subsidiaries is a party to this lawsuit, it could impact the timing, cost and approval of the proposed initial work plan.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromite ore processing plant at Kearny, New Jersey (the Kearny s Plant). According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in and near Hudson County. The DEP and Occidental, as successor to Chemicals, signed an administrative consent order with the DEP in 1990 for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. TS, on behalf of Occidental, is providing financial assurance in the amount of US$ 20 million for performance of the work. This financial assurance may be reduced with the approval of the DEP following any annual cost review. While TS has participated in the cost of studies and is implementing interim remedial actions and conducting remedial investigations, the ultimate cost of remediation is uncertain. TS submitted its remedial investigation reports to the DEP in late 2001, and the DEP continues to review these reports. The results of the DEP s review of these reports could increase the cost of any further remediation that may be required. YPF Holdings has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being approximately

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US$ 25.5 million as of December 31, 2004. Also, the DEP has indicated that it expects Occidental and Maxus to participate with the other chromium manufacturers in the funding of certain remedial activities with respect to a number of so-called orphan chrome sites located in Hudson County, New Jersey. Occidental and Maxus have declined participation as to those sites for which there is no evidence of the presence of residue generated by Chemicals. While claims for natural resources damages related to chromite ore residue at known and unknown sites in Hudson and Essex Counties, New Jersey, have been settled on May 3, 2003 the DEP issued a directive and also filed a lawsuit seeking recovery of its expenditures, the clean-up and certain other remedies in connection with these sites damages to the natural resources of known and unknown. Sites in the counties of Hudson and Essex, New Jersey related to chromite one residue known sites in Hudson County. YPF Holdings notes that TS, on behalf of Occidental, has assumed responsibility for certain sites, but otherwise believes that these actions by the DEP have little or no merit to the extent they seek recovery or relief related to Chemicals. In addition, in June 2004, the DEP expressed a desire that a sediments testing program be conducted on a portion of the Hackensack River, near the former Kerny Plant. TS, on behalf of Occidental, and other parties are engaged in discussions with the DEP regarding this issue. The Governor of New Jersey issued an Executive Order requiring state agencies to provide specific justification for any state requirements more stringent than federal requirements. In 1998, the DEP proposed new soil action levels for chromium. While the proposal remains incomplete in certain regards, the DEP is currently reviewing the proposed action levels.

Painesville, Ohio. From about 1912 through 1976, Chemicals operated manufacturing facilities in Painesville, Ohio (the Painesville Works). The operations over the years involved several discrete but contiguous plant sites over an area of about 1,300 acres. The primary area of concern historically has been Chemicals former chromite ore processing plant (the Chrome Plant). For many years, the site of the Chrome Plant has been under the administrative control of the EPA pursuant to an administrative consent order under which Chemicals is required to maintain a clay cap over the Chrome Plant site and to conduct certain ground water and surface water monitoring. Certain other areas have previously been clay-capped, and one specific site, which was a waste disposal site from the mid-1960s until the 1970s, has been encapsulated and is being controlled and monitored. In 1995, the Ohio Environmental Protection Agency (the OEPA) issued its Director s Final Findings and Order (the Director s Order) by consent ordering that a remedial investigation and feasibility study (the RIFS) be conducted at the former Painesville Works area. TS has agreed to participate in the RIFS as required by the Director s Order. TS submitted the remedial investigation report to the OEPA, which was finalized in 2003. TS will submit required feasibility reports separately. As of December 31, 2004, it is estimated that the remaining cost of performing the RIFS will be approximately US$ 0.5 million. In addition, in the third quarter of 2004 and first quarter of 2005, the OEPA approved certain work, including the remediation of the site of a former cement plant, remediation of a former aluminum smelting plant and work associated with the development plans discussed below. TS expects these projects to begin in 2005 and estimates its share of the costs associated with these projects to be approximately US$ 8.8 million. As the OEPA approves additional projects for the site of the former Painesville Works, additional amounts may need to be reserved. In spite of the many remedial, maintenance and monitoring activities performed, the former Painesville Works site has been proposed for listing on the National Priority List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA); however, the EPA has stated that the site will not be listed so long as it is satisfactorily addressed pursuant to the Director s Order and OEPA s programs. YPF Holdings has reserved a total of approximately US$ 9.6 million as of December 31, 2004 for its estimated share of the cost to perform the RIFS, the remediation work and other operation and maintenance activities at this site. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, YPF Holdings will continuously assess the condition of the Painesville Works site and make any changes, including additions, to its reserve as may be required. TS has entered into an agreement with a developer for the possible development and use of all or portions of this site. However, there can be no assurance that this site will be successfully developed or that any productive use can be made of all or a portion of this site.

Third Party Sites. Chemicals has also been designated as a potentially responsible party (PRP) by the EPA under CERCLA with respect to a number of third party sites where hazardous substances from Chemicals plant

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operations allegedly were disposed or have come to be located. Numerous PRPs have been named at substantially all of these sites. At several of these, Chemicals has no known exposure. Although PRPs are typically jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. At December 31, 2004, YPF Holdings has reserved approximately US$ 3.7 million in connection with its estimated share of costs related to these sites.

The Port of Houston Authority (the Port) sued a number of parties, including Occidental (as successor to Chemicals) and Maxus, alleging in excess of US$ 25 million in damages to its property, plus the need for remediation at certain of its property, as a result of contamination allegedly emanating from a facility adjoining Greens Bayou formerly owned by Chemicals and at which DDT and certain other chemicals were manufactured. Chemicals conveyed the Greens Bayou facility to a company in which it owned a 50% interest in 1983 and later conveyed its interest in that company to Maxus. Subsequently in 1985, Maxus acquired a full ownership interest in the company and then conveyed all of its interest in such company to a third party. TS is handling this matter on behalf of Occidental. While some of the substances of concern may have been manufactured at the Greens Bayou facility prior to these conveyances, TS and Maxus believe that most of any contamination of the Port s property that may have emanated from the Greens Bayou facility occurred after the conveyance of the company in 1985 or has been remediated. The Port s claims have been settled for an initial payment of US$ 30 million and certain other undertakings, including an agreement to remediate various properties in the vicinity of the Greens Bayou facility, an agreement by another defendant to purchase a tract of land for up to US$ 5 million, and an agreement to indemnify the Port up to an aggregate of US$ 20 million in respect of certain matters. Based on current estimates, the cost of such remediation is not expected to exceed a total of US$ 44 million. Pursuant to a cost sharing agreement among the defendants, TS (on behalf of Occidental) contributed US$ 6 million toward the settlement, subject to the defendants agreement to arbitrate their respective obligations in connection with the settlement. The hearing in this arbitration was completed on October 14, 2004, and the arbitral tribunal issued its final award on January 7, 2005, after having issued an initial award in November 2004. The award, if it stands, would require TS (on behalf of Occidental) to pay the other defendants US$ 26 million, and possibly interest (the Current Payment Amount), and bear approximately 70% of said costs. Maxus and TS paid approximately US$ 28 million into a trust account in December 2004, which amount is to be made available to pay the Current Payment Amount if required. On February 7, 2005, Maxus and TS have filed a notice of appeal to a second arbitration panel pursuant to the parties arbitration agreement. Maxus and TS have also challenged the award in a court proceeding in Houston, Texas. There is no assurance of success of the appeal or the challenge. As of December 31, 2004, YPF Holdings accrued a total of US$ 31.2 million related to this matter.

YPF Holdings, including its subsidiaries, is a party to or involved in various other proceedings, the outcomes of which are not expected to have a material adverse effect on YPF s financial condition. Reserves have been established for legal contingencies, in situations where losses are probable and can be reasonably estimated.

Property, Plant and Equipment

Most of YPF s property, consisting of interests in crude oil and natural gas reserves, refineries, storage, manufacturing and transportation facilities and service stations, is located in Argentina. YPF also owns property in the United States. See Item 4: Information on the Company .

There are several classes of property which YPF does not own in fee. YPF s petroleum exploration and production rights are in general based on sovereign grants of a concession. Upon the expiration of the concession, the exploration and production assets of YPF associated with a particular property subject to the relevant concession revert to the government. In addition, at December 31, 2004, YPF leased 80 service stations to third parties and 1,745 service stations are owned by third parties and operated by them under a supply contract with YPF for the distribution of YPF products.

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Regulatory Framework and Relationship with Argentine Government

Overview

The Argentine oil and gas industry is regulated by Law No. 17,319, referred to as the Hydrocarbons Law, which was adopted in 1967. The executive branch of the Argentine government applies this law through the national Secretary of Energy. The regulatory framework of the Hydrocarbons Law was established on the assumption that the reservoirs of hydrocarbons would be national properties and Yacimientos Petrolíferos Fiscales Sociedad del Estado, YPF s predecessor, would lead the oil and gas industry and operate under a different framework than private companies. In 1992, Law No. 24,145, referred to as the Privatization Law, privatized YPF and was designed to implement the transfer of ownership of reservoirs to the provinces, subject to the existing rights of holders of exploration permits and production concessions. However, the transfer of property to the provinces has not been implemented, since an amendment to the Hydrocarbons Law has not been enacted. In August 2003, executive Decree No. 546/03 transferred to the provinces the right to grant hydrocarbons exploitation and transportation concessions in certain locations designated as transfer areas as well as in other areas designated by the competent provincial authorities.

In October 1994, the national constitution was amended. Article 124 establishes that natural resources existing within a province s territory are the property of such province. Article 75 of the national constitution allows Congress to enact laws to develop mineral resources existing within the national territory. The governments of the provinces where the mineral and hydrocarbon reservoirs are located will be responsible for carrying out these laws. Legislators have submitted to Congress new drafts of the Hydrocarbons Law. These drafts establish the provinces ownership of the hydrocarbon reservoirs in accordance with Article 124. However, the enactment of the reforms is still pending.

On January 6, 2002, the Argentine Congress enacted Law No. 25,561, the Public Emergency and Foreign Exchange System Reform Law, which represented a profound change of the economic model effective as of that date, and rescinded the Convertibility Law No. 23,928, which had been in effect since 1991, and had pegged the peso to the dollar on a one-to-one basis. In addition, Law No. 25,561 granted the executive branch of the Argentine government authority to enact all necessary regulations in order to overcome the economic crisis in which the country was then immersed.

After the enactment of the Public Emergency and Foreign Exchange System Reform Law, several other laws and regulations have been enacted. The following are the most significant measures enacted to date in Argentina:

Conversion into pesos of (i) all funds deposited in financial institutions at an exchange rate of Ps. 1.40 = US$ 1.00 and (ii) all obligations (e.g., loans) with financial institutions denominated in foreign currency and governed by Argentine law at an exchange rate of Ps. 1.00 = US$ 1.00. The deposits and obligations converted into pesos will be thereafter adjusted by a reference stabilization index, the *Coeficiente de Estabilidad de Referencia* (CER), to be published by the Argentine Central Bank. Obligations governed by non-Argentine law have not been converted to pesos under the new laws. Substantially all of YPF s dollar-denominated debt is governed by non-Argentine law.

Conversion into pesos at an exchange rate of Ps. 1.00 = US$ 1.00 of all obligations outstanding among private parties at January 6, 2001 that are governed by Argentine law and payable in foreign currency. The obligations so converted into pesos will be adjusted through the CER index, as explained above. In the case of non-financial obligations, if as a result of the mandatory conversion into pesos the resulting intrinsic value of the goods or services that are the object of the obligation are higher or lower than its price expressed in pesos, then either party may request an equitable adjustment of the price. If they cannot agree on such equitable price adjustment, either party may resort to the courts.

Conversion into pesos at an exchange rate of Ps. 1.00 = US$ 1.00 of all tariffs of public services and the imposition of a period of renegotiation with the governmental authorities thereafter.

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Imposition of customs duties on the export of hydrocarbons with instructions to the executive branch of the Argentine government to set the applicable rate thereof. Executive Decrees No. 310/2002 and No. 809/2002 (as amended by resolutions 335/04, 336/04 and 337/04 issued by the Ministry of Economy and Production) imposed certain customs duties on crude oil, LPG, gasoline, diesel and certain refined products exports. On May 26, 2004 through the issuance of Decree No. 645/04 an export duty on the export of natural gas and LPG was established at a rate of 20%. Moreover, 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.

In October 2004, the Argentine Congress enacted Law No. 25,943 creating a new state-owned energy company Energía Argentina Sociedad Anónima (ENARSA). The corporate purpose of ENARSA is the exploration and exploitation of solid, liquid and gaseous hydrocarbons, the transport, storage, distribution, commercialization and industrialization of these products, as well as the performance of the transportation and distribution of gas public service and the generation, transportation, distribution and marketing of electricity. Moreover, Law 25,943 granted to ENARSA exploration permits over all the national off-shore areas, not covered by endorsed exploration permits or exploitation concessions, at the time of the enactment of the law.

Exploration and Production

The Hydrocarbons Law establishes the basic legal framework for the regulation of oil and gas exploration and production in Argentina. The Hydrocarbons Law empowers the executive branch to establish a national policy for development of Argentina s hydrocarbon reserves, with the principal purpose of satisfying domestic demand.

The Hydrocarbons Law permits surface reconnaissance of territory not covered by exploration permits or production concessions, upon authorization of the Secretary of Energy and with permission of the private property owner. Information gained as a result of surface reconnaissance must be provided to the Secretary of Energy. The Secretary of Energy may not disclose this information for two years without permission of the party who conducted the reconnaissance, except in connection with the grant of exploration permits or production concessions.

Under the Hydrocarbons Law, the national executive may grant exploration permits after submission of competitive bids. Permits granted to third parties in connection with the deregulation and demonopolization process were granted in accordance with procedures specified in the Oil Deregulation Decrees, and permits covering areas in which YPF was operating at the date of the Privatization Law were granted to YPF by such law. In 1991, the national executive established a program under the Hydrocarbons Law (known as the Argentina Plan) pursuant to which exploration permits may be auctioned. The holder of an exploration permit has the exclusive right to perform the operations necessary or appropriate for the exploration of oil and gas within the area specified by the permit. Each exploration permit may cover only unproved areas not to exceed 10,000 square kilometers (15,000 square kilometers offshore), and may have a term of up to 14 years (17 years for offshore exploration). The 14-year term is divided into three basic terms and one extension term. At the expiration of each of the first two basic terms, the acreage covered by the permit is reduced, at a minimum, to 50% of the remaining acreage covered by the permit. At the expiration of the three basic terms, the permit holder is required to revert all of the remaining acreage to the Argentine government, unless the holder requests an extension term, in which case such grant is limited to 50% of the remaining acreage.

If the holder of an exploration permit discovers commercially exploitable quantities of oil or gas, the holder may obtain an exclusive concession for the production and development of this oil and gas. A production concession gives the holder the exclusive right to produce oil and gas from the area covered by the concession for a term of 25 years (plus, in certain cases, a part of the unexpired portion of the underlying exploration permit). The term may be extended for an additional 10 years by application to the executive branch. A production concession also confers on the holder the right to conduct all activities necessary or appropriate for the production of oil and gas, provided that such activities do not interfere with the activities of other holders of exploration permits and production concessions. A production concession entitles the holder to obtain a transportation concession for the oil and gas produced. See Transportation below.

Exploration permits and production concessions require holders to carry out all necessary work to find or extract hydrocarbons, using appropriate techniques, and to make specified investments. In addition, holders are required to:

- avoid damage to oil fields and waste of hydrocarbons;
- adopt adequate measures to avoid accidents and damage to agricultural activities, fishing industry, communications networks and the water table; and
- comply with all applicable federal, provincial and municipal laws and regulations.

Holders of production concessions, including YPF, also are required to pay royalties to the province where production occurs. A 12% royalty is payable on the estimated value at the wellhead of crude oil production and the natural gas volumes commercialized. The estimated value is calculated based upon the approximate sale price of the crude oil and gas produced, less the costs of transportation and storage. Royalty expense is accounted for as a production cost. Any oil and gas produced by the holder of an exploration permit prior to the grant of a production concession is subject to the payment of a 15% royalty.

Exploration permits and production or transportation concessions will terminate upon any of the following events:

- failure to pay annual surface taxes within three months of the date due;
- failure to pay royalties within three months of the due date;
- substantial and unjustifiable failure to comply with specified production, conservation, investment, work or other obligations;
- repeated failure to provide information to, or facilitate inspection by, authorities or to utilize adequate technology in operations;
- in the case of exploration permits, failure to apply for a production concession within 30 days of determining the existence of commercially exploitable quantities of hydrocarbons;
- bankruptcy of the permit or concession holder;
- death or end of legal existence of the permit or concession holder; or

failure to transport hydrocarbons for third parties on a non-discriminatory basis or repeated violation of the authorized tariffs for such transportation.

When a production concession expires or terminates, all oil and gas wells, operating and maintenance equipment and facilities automatically revert to the Argentine government, without payment to the holder of the concession.

The Privatization Law granted YPF 24 exploration permits covering approximately 132,735 square kilometers and 50 production concessions covering approximately 32,560 square kilometers. The Hydrocarbons Law limits the number and total area of exploration permits or production concessions that may be held by any one entity. YPF was exempted from such limit with regard to the exploration permits and production concessions awarded to it by Law No. 24,145. The National Directorate of Economy of Hydrocarbons (Dirección Nacional de Economía de los Hidrocarburos), applying a restrictive interpretation of Section 25 and 34 of Law No. 17,319, has objected to the award of new exploration permits and production concessions in which YPF has a 100%

interest. If such limit is applied in the future, it may affect YPF s ability to acquire 100% of new exploration permits and/or exploitation concessions. As a consequence of the transfer of ownership of certain hydrocarbons areas to the provinces in accordance with Decree No. 1,055/89 and Law 24,145, YPF participates in competitive bidding rounds organized since the year 2000 by the provincial government of Neuquen for the award of contracts for the exploration of hydrocarbons.

Security Zones Legislation

Argentine law restricts the ability of non-Argentine companies to own real estate, oil concessions or mineral rights located within, or with respect to areas defined as, security zones (principally border areas). Prior approval of the Argentine government may be required:

- for non-Argentine shareholders to acquire control of YPF; or
- if and when the majority of the shares of YPF belong to non-Argentine shareholders, for any additional acquisition of real estate, mineral rights, oil or other Argentine government concessions located within, or with respect to, security zones. Because approval of Class A shares is required for a change in control of YPF under its by-laws, and approval of the national executive or provincial governments is required for the grant or transfer of oil concessions, YPF believes that possible additional requirements under the security zone legislation will not have a significant impact on its operations.

Natural Gas

In June 1992, Law No. 24,076, referred to as the Natural Gas Law, was passed providing for the privatization of Gas del Estado and the deregulation of the price of natural gas. To effect the privatization of Gas del Estado, the five main trunk lines of the gas transmission system were divided into two systems principally on a geographical basis (the northern and the southern trunk pipeline systems). This is designed to give both systems access to gas sources and to the main centers of demand in and around Buenos Aires. These systems were transferred into two new transportation companies. The Gas del Estado distribution system was divided into eight regional distribution companies, including two distribution companies serving the greater Buenos Aires area. Shares of each of the transportation and distribution companies were sold to consortiums of private bidders. Likewise, in 1997, a distribution license for the Provinces of Chaco, Formosa, Entre Ríos, Corrientes and Misiones was granted to private bidders.

The regulatory structure for the natural gas industry creates an open-access system, under which gas producers such as YPF will have open access to future available capacity on transmission and distribution systems on a non-discriminatory basis.

New cross-border gas pipelines have been built to interconnect Argentina, Chile, Brazil and Uruguay, and producers such as YPF are currently exporting natural gas to the Chilean and Brazilian markets. Exports of natural gas require prior approval by the Secretary of Energy. In 2001, Resolution No. 131/01 was passed by the Secretary of Energy to expedite the issuance of authorizations for natural gas exports (suspended by Resolution No. 265/04 issued by the Secretary of Energy in March 2004). Decree No. 689/02 established an exception to the public emergency laws and regulations, providing that the prices of long-term natural gas sale agreements executed before the enactment of the Decree and denominated in U.S. dollars, will not be converted into pesos (Ps. 1 = US$ 1) when the natural gas is exported to third countries.

In January 2004, executive Decree No. 181/04 authorized the Secretary of Energy to negotiate with producers a pricing mechanism for the normalization of the price of natural gas supplied to industries and electric generation companies. Domestic market prices at the retail market level were excluded form these negotiations. On April 2, 2004 the Secretary of Energy and gas producers signed an agreement, which was ratified by Resolution No. 208/04 issued by the Ministry of Federal Planning, Public Investment and Services. The aim of the agreement is the implementation of a scheme for the normalization of the natural gas price. The main aspects of the agreement are: (i) price adjustments are initially applied exclusively to gas supplied by producers to industrial users, new direct consumers and electricity generators (to the extent that electricity is destined for the domestic market); (ii) prices are adjusted from May 10, 2004 until July 31, 2005 on which date the agreement will be terminated only with respect to such industrial consumers and electricity generators; and (iii) the Secretary of Energy shall implement in the future a progressive scheme for the normalization of the price of natural gas destined to residential users and small commercial users before December 31, 2006 on which date the agreement will be terminated with respect to such residential and small commercial consumers. Until the Secretary of Energy implements such scheme, the prices of natural gas for residential and small commercial consumers, are those established under the agreement for each basin.

Decree No. 180/04, issued in January 2004, created a trust fund for the financing of transportation and distribution facilities under a global program for the issuance of debt securities and participation certificates approved by Resolution No. 185/04, issued by the Ministry of Federal Planning, Public Investment and Services on April 20, 2004. In accordance to Decree No. 180/2004, two trust funds were created to finance an expansion of the North Pipeline operated by TGN and an expansion of the San Martín Pipeline operated by TGS which are currently under construction. YPF has participated as investor in the trust fund corresponding to the expansion of TGN s North Pipeline, which would increase gas transportations capacity from Bolivia with a contribution of US$ 100 millions to the mentioned trust fund organized by the argentine government. Contributions to this trust fund will accrue interest and will enable YPF to obtain the mentioned additional natural gas transport capacity.

Provision No.752 issued by the Secretary of Energy (May 2005) will gradually allow users who consume certain levels above the minimum consumption set by the provision herein to obtain natural gas at the Transport System Input Point (Direct users) directly from producers to whom they may ask to transfer the volume they sold to the Distributor that supplied the user. Distributors, at the beginning of 2006, will just be able to sell term contracted gas to home users and small consumers that should not exceed certain gas volumes, through a gradual process that starts on August 2005 with Highest Consumption Direct Users.

Finally, a Standardised Irrevocable Offers procedure is set forth, which will operate at the Electronic Gas Market (MEG) through which any direct consumer shall be able to bid for a term gas purchase at the export average gas price net of withholdings by basin. The volume necessary to satisfy the Standardised Irrevocable Offers which have not been satisfied will be required as Permanent Additional Inyection only until the end of the seasonal period during which the unsatisfied request should be made (October- April or May- September). Such Additional Inyection will be requested from the producers that export gas and that inyect the natural gas from the basins, who are able to supply those unsatisfied Irrevocable Offers. Priority will be given to those which, considering the transportation available, imply a lower cost at the Delivery Point, corresponding to consumers who made the stantardised Irrevocable Offer, still unsatisfied. In the case that the Permanent Additional Inyection Volume should exceed the volumes exported, priority will be given to those consumers that have firm transport and/or distribution systems.

Transportation

The Hydrocarbons Law permits the national executive to award 35-year concessions for the transportation of oil, gas and petroleum products following submission of competitive bids. Holders of production concessions are entitled to receive a transportation concession for the oil, gas and petroleum products that they produce. The term of a transportation concession may be extended for an additional ten-year term upon application to the executive branch. The holder of a transportation concession has the right to:

- transport oil, gas, and petroleum products; and
- construct and operate oil, gas and products pipelines, storage facilities, pump stations, compressor plants, roads, railways and other facilities and equipment necessary for the efficient operation of a pipeline system.

The holder of a transportation concession is obligated to transport hydrocarbons for third parties on a non-discriminatory basis for a fee. This obligation, however, applies to producers of oil or gas only to the extent that

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the concession holder has surplus capacity available and is expressly subordinated to the transportation requirements of the holder of the concession. Transportation tariffs are subject to approval by the Secretary of Energy, for oil and petroleum pipelines, and by the ENERGAS, for gas pipelines. Upon expiration of a transportation concession, the pipelines and related facilities automatically revert to the Argentine government without payment to the holder. The Privatization Law granted YPF a 35-year transportation concession with respects to the pipelines operated by YPF at the time. Gas pipelines and distribution systems sold in connection with the privatization of Gas del Estado are subject to a different regime under the Natural Gas Law.

On January 13, 2004 the Secretary of Energy issued Resolution No.5/04 establishing the maximum tariffs that may be perceived by the holders of transportation concessions during the term of 180 days as of the day of publication of such resolution in the official gazette. This term was extended for an additional 180 days as of October 2004, by means of Resolution No. 963/04.

Refining

Crude oil refining activities conducted by oil producers or others are subject to Argentine government registration requirements and safety and environmental regulations, as well as to provincial environmental legislation and municipal health and safety inspections. Registration in the registry of oil companies maintained by the Secretary of Energy also is required to operate a refinery in Argentina. The refineries operated by YPF are so registered. Registration is granted on the basis of general financial and technical standards.

Market Regulation

Under the Hydrocarbons Law and the Oil Deregulation Decrees, holders of production concessions have the right to produce and own oil and gas and are allowed to dispose of such production in the market without restriction. In 2002, Decree No. 867/02 declared a temporary emergency for the provision of hydrocarbons within Argentina for the period May through September 2002, and authorized the Secretary of Energy to establish the volume of crude oil and LPG to be sold in the domestic market until September 30, 2002. Moreover, Resolutions No. 140/02 and No. 166/02 (both derogated) established for the period June through September 2002 a ceiling over crude oil exports on a percentile basis.

In March 2004, the Secretary of Energy issued resolution No. 265/04 adopting measures intended to ensure the adequate supply of natural gas to the domestic market and its consequences on the electricity wholesale prices. Among the measures adopted were:

- the suspension of all exports of surpluses of natural gas that may be needed for internal consumption;
- the suspension of automatic approvals of requests to export natural gas;
- the suspension of all applications for new authorizations to export natural gas filed or to be filed before the Secretary of Energy, and
- authorizing the Sub-Secretary of Fuels to formulate a rationalization plan of gas exports and transportation capacity.

In March 2004, the Sub-Secretary of Fuels, pursuant to the authority given to it under resolution No. 265/04, issued regulation No. 27/04 establishing a rationalization plan of gas exports and transportation capacity. Among other things, regulation No. 27/04 established a limit on natural gas exports authorizations, which, absent an express authorization by the Sub-Secretary of Fuels, may not be granted for volumes exceeding exports registered during 2003. Based on the provisions of regulation 27/04, the Sub-Secretary of Fuels has instructed YPF to temporarily suspend certain exports of natural gas and to re-direct such natural gas volumes to the internal market. YPF has invoked the occurrence of a Force Majeure event under the corresponding natural gas purchase and sale agreements and some of the counterparties thereto have rejected such agreement.

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In June 2004, the Secretary of Energy issued resolution No. 659/04 removing the limit on natural gas exports authorizations (based on a comparison of volumes to export in 2004 with volumes exported in 2003) established by regulation 27/04. In addition, resolution No. 659/04 established a new program for the adequate supply of natural gas to the domestic market. Under resolution No. 659/04, natural gas exports may be partially or totally affected due to shortages of natural gas in the domestic market.

In January 2004, decree No. 180/04 created the Gas Electronic Market for the trade of daily spot sales of gas, a secondary market of transportation and distribution services, and established information duties for buyers and sellers of natural gas in relation to their respective commercial operations (further regulated by Resolution No. 1,146/04 issued on November 9, 2004). According to decree No. 180/04, all daily spot sales of natural gas must be traded through the Gas Electronic Market.

Provision No.752 issued by the Secretary of Energy (May 2005) will gradually allow users who consume certain levels above the minimum consumption set by the provision herein to obtain natural gas at the Transport System Input Point (Direct users) directly from producers to whom they may ask to transfer the volume they sold to the Distributor that supplied the user. Distributors, at the beginning of 2006, will just be able to sell term contracted gas to home users and small consumers that should not exceed certain gas volumes, through a gradual process that starts on August 2005 with Highest Consumption Direct Users.

At present YPF, as well as private companies producing oil and gas under service contracts with YPF, following conversion of such contracts to concessions, may sell their production in domestic or export markets and refiners may obtain crude oil from suppliers within or outside Argentina.

The Hydrocarbons Law authorizes the national executive to regulate the Argentine oil and gas markets and prohibits the export of crude oil during any period in which the national executive finds domestic production to be insufficient to satisfy domestic demand. If the national executive restricts the export of oil and petroleum products or the free disposition of natural gas, the Oil Deregulation Decrees provide that producers, refiners and exporters shall receive a price:

- in the case of crude oil and petroleum products, not lower than that of similar imported crude oil and petroleum products; and
- in the case of natural gas, not less than 35% of the international price per cubic meter of Arabian light oil, 34° API.

Resolution No. 85/2003 of the Secretary of Energy ratified the agreement subscribed between crude oil producers including YPF, and refiners for the stability of the price of crude oil, gasoline and gas oil. This agreement provides that during the first quarter of 2003, the crude oil forwarded to the refineries by producers shall be invoiced and paid based on a WTI crude oil reference price of US$ 28.50 per barrel. The difference between this reference price and the actual WTI crude oil price, will be assigned to an adjustment of price account and the producer will receive the difference between the reference price and the actual WTI price from the moment that the actual WTI price falls below the reference price. The amounts assigned to the adjustment of price account will yield an annual interest rate equal to the higher of (i) LIBOR plus 2% or (ii) 8% per year. Crude oil sale agreements effective or entered into between January and March 2003 were to incorporate an additional clause reflecting this mechanism. This clause will be reviewed on a monthly basis and may be terminated by any party if (i) the peso exchange rate depreciates below Ps. 3.65=US$ 1 (Banco de la Nación Argentina seller quotation), (ii) WTI crude oil prices exceed US$ 35 per barrel for 10 consecutive quotation days, (iii) WTI crude oil prices fall below US$ 22 per barrel for 10 consecutive quotation days or (iv) taxes and/or export duties applicable to oil producers are increased. At present, the crude oil forwarded by producers like YPF to local refineries is invoiced taking into account the effect of the custom duties on the export of crude oil over the actual WTI price.

On February 25, 2003 oil producers and refiners entered into a supplementary agreement to the agreement for the stability of the price of crude oil, gasoline and gas oil. The parties to this supplementary agreement agreed

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to extend the agreement for the stability of the crude oil, gasoline and gas oil until March 31, 2003 and to fix a maximum WTI reference price of US$ 36 per barrel in any agreement for the delivery of crude oil to the local market entered into between oil producers and refiners until March 31, 2003. This agreement was extended over 2003 and through May 2004. Moreover, the parties agreed that the amounts assigned to the adjustment of price account will yield an annual interest rate equal to the higher of: (i) LIBOR plus 2% or (ii) 7% per year.

On April 2002, the national government and the main oil companies, including YPF, reached an agreement to regulate a subsidy provided by the Argentine government to public bus transportation companies. This agreement, named Convenio de Estabilidad de Suministro de Gas Oil was approved by decree No. 652/02 and assured the transportation companies their necessary supply of gas oil at a fixed price of Ps. 0.75 per liter from April 22, 2002 to July 31, 2002. Additionally, it established that the oil companies shall compensate for the difference between the fixed price and the market price through a reduction of their export duties. This agreement was extended through August 31, 2002. Through new price-stabilization agreements the subsidy was extended through June 30, 2005 and was increased up to Ps. 0.82 per liter. After June 25,2005 the price to paid by transportators shall be reduced to Ps. 0.42 for local public transportation and to Ps. 0.62 for the rest of public transportation.

Taxation

Holders of exploration permits and production concessions are subject to federal, provincial and municipal taxes and regular customs duties on imports. The Hydrocarbons Law grants such holders a legal guarantee against new taxes and certain tax increases at the provincial and municipal levels. Holders of exploration permits and production concessions must pay an annual surface tax based on the area held. In addition, net profit (as defined in the Hydrocarbons Law) of holders of permits or concessions accruing from activity as such holders is subject to a special 55% income tax. This tax has never been applied. Each permit or concession granted to an entity other than YPF has provided that the holder thereof is subject instead to the general Argentine tax regime, and a decree of the national executive provides that YPF also is subject instead to the general Argentine tax regime.

Following the introduction of market prices for downstream petroleum products in connection with the deregulation of the petroleum industry, Law No. 23,966 established a volume-based tax on transfers of certain types of fuel, replacing the prior regime which was based on the regulated price. Law No. 25,745 modified, effective as of August 2003, the mechanism for calculating the tax, replacing the old fixed value per liter according to the type of fuel for a percentage to apply to the sales price, maintaining as the minimum tax the old fixed value.

In compliance with the provisions of the Law No. 25,561 on Public Emergency and Foreign Exchange System Reform, the Argentine government imposed (via the Executive Decrees Nos. 310/2002 and 809/2002, as amended by resolutions 335/04, 336/04 and 337/04 issued by the Ministry of Economy and Production on May 11, 2004) customs duties on the export of crude oil at a rate of 25%, butane, methane and LPG at a rate of 20% and gasoline and diesel at a rate of 5%. Moreover, on May 26, 2004 through the issuance of Decree No. 645/04 an export duty on the export of natural gas and LNG was established at a rate of 20%. 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.

Certain contracts under which YPF exports gas provide that any tax (which definition YPF believes is inclusive of the above mentioned export duties) that is created after the execution of such agreements shall be borne by the buyer thereof. Consequently, it is reasonable to estimate that the applicable export duty will be not entirely borne by YPF.

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Antitrust Agreement

On June 16, 1999, the Argentine Ministry of Economy and Public Works delivered a letter to Repsol YPF setting forth a series of obligations that Repsol YPF would be required to assume in the event that Repsol YPF acquires a majority of the share capital of YPF. Repsol YPF has, in a letter dated June 17, 1999, accepted the Ministry s requirements, which are described below:

Repsol YPF must instruct YPF not to renew specified contracts under which YPF purchases natural gas. Repsol YPF estimates that these contracts accounted for approximately 15% of the natural gas sold in Argentina by YPF and Repsol YPF in 1998.

By January 1, 2001, Repsol YPF was required to divest itself of Argentine refining capacity equal to 4% of total Argentine installed capacity at December 31, 1998 and of a number of service stations that account for a sales volume equivalent to that of Eg3 S.A., a refining and marketing argentine subsidiary of Repsol YPF (Eg3) in 1998. Both of these requirements were satisfied through the swap agreement with Petrobras. In addition to Eg3, the swap agreement encompasses other assets located in Argentina. Repsol YPF received assets in Brazil valued at approximately US$ 559 million.

Until the gas contracts referred to above have expired, Repsol YPF may not participate in any new electricity generation project.

Repsol YPF must eliminate from YPF s LPG export contracts any provision prohibiting reimportation by the buyer.

By December 1, 2002, Repsol YPF must reduce its share of the Argentine retail LPG market by 4%. Repsol YPF estimates that the combined Repsol YPF/YPF share of this market was approximately 38% at December 31, 1998.

During the period until December 1, 2002, Repsol YPF must pass on in the form of price reductions any benefits resulting from economies of scale in its Argentine LPG operations resulting from the YPF acquisition. Repsol YPF believes that these benefits consisted mainly of cost reductions, which could be passed directly to consumers.

YPF believes that it has complied with all the obligations required in the letter delivered on June 16, 1999 by the Argentine Ministry of Economy and Public Works and the Argentine government has not raised any objections to the performance of those obligations.

On March 14, 2000, the Secretary for the Defense of Competition and the Consumer of the Ministry of Economy (Secretaría de Defensa de la Competencia y del Consumidor del Ministerio de Economía) issued a press release stipulating the following series of guidelines establishing the manner in which Repsol YPF must meet its obligation under the June 16, 1999 letter of the Argentine Ministry of Economy and Public Works requiring that Repsol YPF dispose of refining assets and service stations in Argentina in connection with its acquisition of control of YPF:

(1) Repsol YPF must make the required sale of service stations to a single purchaser.

(2) The block of service stations and refining capacity to be sold must correspond to an equivalent of Repsol YPF s share of the relevant geographical and product markets prior to its acquisition of YPF in 1999. The sale of the block of service stations must keep Repsol YPF s market share at YPF s pre-acquisition market share levels. Repsol YPF must transfer refining capacity sufficient to permit adequate supply of the block of service stations transferred.

(3) The entity acquiring the service stations and refining assets must have no agreements with Repsol YPF. In addition, Repsol YPF may not transfer the assets to any related entity or to an entity which has a market share greater than 10% for each of refining and service station activities in Argentina.

(4) The Secretary for the Defense of Competition and the Consumer may supervise Repsol YPF s divestment of the specified assets. The Court of Defense of Competition will have the authority to review Repsol YPF s disposal of the specified refining assets and service stations.

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Repsol YPF met all of the above requirements upon execution of the asset swap agreement entered into with Petrobras in December 2001.

Repsol YPF believes that the acquisition of YPF will not be subject to further antitrust scrutiny in Argentina under existing law. However, the Ministry has not stated that there will be no further antitrust scrutiny and no assurances can be given that Repsol YPF will not be required to accept additional undertakings or other measures intended to address any perceived anti-competitive effects of the YPF acquisition.

Law No. 26,020 (hereinafter, the Law), which sets forth the Regulatory Framework for the Industry and Commercialization of LPG was enacted on March 9, 2005.

The Law regulates the activities of production, bottling, transportation, storage, distribution, and commercialization of LPG in Argentina; and declares such activities of public interest.

Inter alia, the Law:

Creates the Registry of LPG Bottles, obliging LPG Bottlers to register the bottles of their property.

Protects the trademarks of LPG Bottlers.

Creates a price reference system, pursuant to which, the Energy Secretariat shall periodically publish reference prices for LPG sold in bottles of 45Kg. or less.

Gives the Energy Secretariat a one hundred an twenty day term, to comply with the following tasks: (i) create LPG transfer mechanisms, in order to guarantee access to the product to all the agents of the supply chain; (ii) establish mechanisms for the stabilization of LPG prices charged to local LPG Bottlers; and (iii) together with the Antitrust Agency, make a deep analysis of the composition of the LPG market and its behavior, in order to establish limitations to the concentration of the market in each phase, or limitations to the vertical integration throughout the chain of the LPG industry. Such limitations must include affiliates, subsidiaries, and controlled companies.

Grants open access to LPG storage facilities.

Repatriation of Foreign Currency

Executive Decree No. 1,589/89, relating to the Deregulation of the Upstream Oil Industry, allows YPF and other companies engaged in oil and gas production activities in Argentina to freely sell and dispose of the hydrocarbons they produce. Additionally, under Decree No. 1,589/89, YPF and other oil producers are entitled to keep out of Argentina up to 70% of foreign currency proceeds they receive from crude oil and gas sales, being required to repatriate the remaining 30% through the exchange markets of Argentina.

In July 2002, Argentina s Attorney General issued an opinion (Dictamen 235) which would have effectively required YPF to liquidate 100% of its export receivables in Argentina, instead of the 30% provided in Decree No. 1,589/89. The Attorney General s opinion was based on the assumption that Decree No. 1,589/89 had been superseded by other decrees (Decree No. 530/91 and 1,606/01) issued by the government. Subsequent to this opinion, however, the government issued Decree No. 1,912/02 ordering the Central Bank to apply the 70/30% regime set out in Decree No. 1,589/89. Nevertheless, on December 5, 2002, representatives of the Central Bank, responding formally to an inquiry from the Argentine Bankers Association, stated that the Central Bank would apply the Attorney General s opinion. On December 9, 2002, YPF filed a declaratory judgment action (*Acción Declarativa de Certeza*) before a federal court requesting the judge to clarify the uncertainty generated by the opinion and statements of the Attorney General and the Central Bank, and requesting confirmation of YPF s right to freely dispose of up to 70% of its export receivables. On December 9, 2002, the federal judge issued an injunction ordering the Argentine government, the Central Bank and the Ministry of the Economy to refrain from interfering with YPF s access to and use of 70% of the foreign exchange proceeds from its exports. This decision was appealed by the Central Bank and the Ministry of Economy.

On December 27, 2002, the government issued Decree No. 2,703/02, effective as of January 1, 2003, setting forth a minimum repatriation limit of 30% with respect to proceeds from the export of hydrocarbons and by-products, with the remaining portion freely disposable. However, when referring to the minimum repatriation limit of 30%, the decree only mentions the foreign exchange proceeds from freely disposable exports of crude oil and its by-products. Although the recitals and the first part of Section 1 of Decree No. 2,703/02 mention natural gas and LPG as covered by this regime, there are no express references to natural gas or LPG in the rest of Section 1. However, taking into account the rights granted by Decree No. 1,589/89, YPF applies this regime to the export of crude oil, LPG and natural gas. It is worth noting that the recitals of Decree No. 2,703/02 restate the interpretation maintained by the Attorney General in the sense that Decree No. 1,589/89 has been repealed by Decree Nos. 530/91 and 1606/01. This interpretation prompted the filing of the above-mentioned declaratory judgment action. Moreover, since Decree No. 2703/02 is effective as from January 1, 2003, and, in light of the Attorney General s opinion, it is unclear whether hydrocarbon exporters would be required to repatriate the total amount of their 2002 export proceeds or whether the existing hydrocarbons regulatory framework will prevail, YPF has expanded the object of the declaratory judgment action before the federal court to request that the judge expressly state that Decree No. 530/91 did not derogate Decree No. 1,589/89 and, thus, that the right of free disposal of export receivables was effective between issuance of Decree No. 1,606/01 and Decree 2,703/02. On December 1, 2003 the National Administrative Court of Appeals decided that the issuance of Decree No. 2,703/02, 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 to oil & gas companies during the period between the issuance of Decree No. 1,606/01 and the issuance of Decree 2,703/02. On February 6, 2004, the Court of Appeals dismissed YPF s motion for clarification, indicating that the regulations included in Decree 2,703/02 were 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 requesting 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 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.

ITEM 5. Operating and Financial Review and Prospects

You should read the information in this section together with the Consolidated Financial Statements and the related notes included in this annual report. YPF prepares its consolidated statements in accordance with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. Notes 13 and 14 to the Consolidated Financial Statements provide a summary and the effect of the significant differences on net income and shareholders equity under Argentine GAAP and U.S. GAAP. Note 15 provide certain additional disclosures required under U.S. GAAP.

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Summarized Income Statement

	For The Year Ended December 31,		
	2004	2003	2002
	(in millions of pesos)		
Net sales	19,931	17,514	17,050
Gross profit	10,719	9,758	8,424
Administrative expenses	(463)	(378)	(411)
Selling expenses	(1,403)	(1,148)	(1,077)
Exploration expenses	(382)	(277)	(240)
Operating income	8,471	7,955	6,696
Income (Loss) on long term investments	154	150	(450)
Amortization of goodwill			(13)
Other expenses, net	(1,012)	(152)	(245)
Financial income (expense), net and holding gains	138	(50)	(2,991)
Income from sale of long-term investments			690
Income before income tax	7,751	7,903	3,687
Income tax	(3,017)	(3,290)	(58)
Income from continuing operations	4,734	4,613	3,629
Income (loss) on discontinued operations	3	15	(13)
Income from sale of discontinued operations	139		
Net income	4,876	4,628	3,616

YPF s Characteristics

YPF s operations are affected mainly by changes in international oil prices and by economic changes in Argentina.

The average export sales price per barrel realized by YPF from Argentina was US$ 33.65 in 2004, US$ 27.23 in 2003 and US$ 21.64 in 2002. Future changes in international oil prices and the fluctuation of the peso against the dollar will continue to affect YPF s results.

YPF s results of operations are somewhat seasonal because of shift in demand between the summer and winter months. Weather patterns may also impact YPF s results, particularly affecting sales of natural gas to power generation plants, which activity decreases as high rainfall levels stimulates production of hydroelectric power.

Due to the sales of the interest in Global and in YPF Indonesia Ltd., YPF conducts its main activities in Argentina, where almost 100% of total consolidated sales were made during 2004, including oil and products exports.

During the year ended December 31, 2004, YPF Holdings Inc. and YPF International S.A. sold their interests in Global Companies LLC and affiliates (Global) and in YPF Indonesia Ltd., respectively. Income from these sales was included in the Income from sale of discontinued operations line item of the statement of income. Financial statements presented for comparative purposes were restated to give retroactive effect to the mentioned divestitures. As a consequence, Global and YPF Indonesia Ltd. results were disclosed in Income (Loss) on discontinued operations line item of the statement of income. Assets and liabilities of these companies amounted to Ps. 493 and Ps. 373 as of December 31, 2003, and to Ps. 507 and Ps. 375 as of December 31, 2002, respectively, and were disclosed net in the Other assets line item of the balance sheet.Net sales and operating income of these operations amounted to Ps. 3,658 and Ps. 29, and to Ps. 2,695 and Ps. 29, for the years ended December 31, 2003 and 2002, respectively.

Critical Accounting Policies

Basis of presentation of financial statements

Our accounting policies are described in Notes 1 and 2 to the Consolidated Financial Statements. We prepare our Consolidated Financial Statements in conformity with Argentine GAAP, which differ in certain significant respects from U.S. GAAP. Argentine GAAP require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures of contingent assets and liabilities of the financial statements. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

Functional Currency

YPF has determined the U.S. dollar as its functional currency, because YPF transacts more of its operations in U.S. dollars or indexed to U.S. dollars than in any other currency. For U.S. GAAP reconciliation purposes, financial statements are remeasured into U.S. dollars and the assets and liabilities translated into Argentine pesos (reporting currency) at the exchange rate prevailing at year end and revenues, expenses, gains and losses are translated at the exchange rate existing at the time of each transaction, or, if appropriate, at a weighted average of the exchange rates during the year.

In determining the functional currency, we make judgments based on the collective economic indicators affecting YPF. The economic indicators we review include the currency in which cash flows are denominated, how sales prices are determined, the sales markets in which we operate, how our operating costs are derived, how financing is obtained and the level of intercompany transactions with Repsol YPF. A significant change in the facts and the circumstances relating to the collective economic indicators discussed above would result in our reassessing the functional currency.

The determination of the functional currency to be applied to a business for accounting purposes is a decision which impacts, among other things, the reported results of operations, the exchange income or losses recorded and the translation differences arising from the conversion of its financial statements from the functional currency to the company s reporting currency.

Oil and Gas reserves

YPF prepares its assumptions and estimates regarding oil and gas reserves taking into consideration the rules and regulations established for the oil and gas industry by the U.S. Securities and Exchange Commission and the accounting principles laid down by the U.S. Financial Accounting Standards Board. In accordance with these rules, proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrates with reasonable certainty that can be extracted from known fields in future years under existing economic and operating conditions, such as prices and costs as of the date of the estimates. Prices include consideration of changes in existing prices only by contractual arrangements, but not of escalations based upon future conditions. In order to estimate its proved reserves, YPF prepares internal studies and uses, to a certain extent, reports of independent engineers.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods and current economic conditions as of each balance sheet date. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion, but does not

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include reserves attributable to any acreage for which an application of fluid injection or other improved recovery techniques is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation.

Unproved reserves are those with less than reasonable certainty of recoverability and are classified as either probable or possible.

YPF follows the successful effort method of accounting for its oil and gas exploration and production operations. Accordingly, exploratory costs, excluding the costs of exploratory wells, have been charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, have been capitalized pending determination as to whether the wells have found proved reserves that justify commercial development. If such reserves were not found, the mentioned costs are charged to expense. Occasionally, however, an exploratory well may be determined to have found oil and gas reserves, but classification of those reserves as proved cannot be made when drilling is completed. In those cases, the cost of drilling the exploratory well shall continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If any of the mentioned conditions is not met, cost of drilling exploratory wells is charged to expense. Capitalized exploratory wells which are in evaluation process are not material.

Intangible drilling costs applicable to productive wells and to developmental dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, have been capitalized.

The capitalized costs related to producing activities, including tangible and intangible costs, have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable proved and developed oil and gas reserves.

The capitalized costs related to acquisitions of properties with proved reserves have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to proved oil and gas reserves.

Therefore, YPF s management must make reasonable and supportable assumptions and estimates with respect to (i) the market value of reserves, (ii) oil fields production profiles, (iii) future investments and their amortization, taxes and costs of extraction and (iv) appropriate risk factors for unproved reserves and other factors. Such assumptions and estimates have a significant impact on evaluating the impairment of fixed assets (oil and gas investments). As such, any change in the variables used to prepare such assumptions and estimates may have, as a consequence, a significant effect in the impairment tests on investments in areas with oil reserves.

The estimation of proved reserves, which is based on the requirement of reasonable certainty, is an ongoing process based on rigorous technical evaluations and extrapolations of well information such as flow rates and reservoir pressure declines.

Impairment of long-lived assets

YPF assesses the recoverability of its held-for-use assets on a business segment basis for Argentine GAAP purposes. With respect to operations that are held pending sale or disposal, YPF s policy is to record these assets at amounts that do not exceed net realizable value.

Under U.S. GAAP, for proved oil and gas properties, YPF performs the impairment review on an individual field basis. Other long-live assets are aggregated, so that the individual cash flows produced by each group of assets may be separately analyzed.

For Argentine and U.S. GAAP, held-for-use properties, grouped as described in previous paragraphs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An asset would be impaired if the undiscounted cash flows were less than its carrying value.

The impairment of oil and gas producing properties is calculated as the difference between the market value or, if appropriate, the discounted estimated future cash flows from its proved reserves and unproved reserves, adjusted for risks related to such reserves, in each field owned at the year end with the net book value of the assets relating thereto. Expected future cash flows from the sale or production of reserves are calculated considering crude oil prices based on a combination of market forward quotes and standard long term projections. The discounted values of cash flows are determined using a reasonable and supportable discount rate based on standard WACC-CAPM (weighted average cost of capital capital asset pricing model) assumptions including, if appropriate, a risk premium related to this type of asset. The estimated cash flows are based on future levels of production, the future commodity prices, lifting and development costs, estimates of future expenditures necessary with respect to undeveloped oil and gas reserves, field decline rates, market demand and supply, economic regulatory climates and other factors.

Charges for impairment are recognized in YPF s results from time to time as a result of, among other factors, adverse changes in the recoverable reserves from oil and natural gas fields, and changes in economic regulatory conditions in certain countries. If proved reserves estimates were revised downward, net income could be negatively affected by higher impairment charge on the property s book value.

Therefore, YPF s management must make reasonable and supportable assumptions and estimates with respect to: (i) the market value of reserves, (ii) oil fields production profiles, (iii) future investments and their amortization, taxes and costs of extraction and (iv) risk factors for unproved reserves are in accordance with the Swanson rule (which relates to the calculation of the mean value of a lognormal distribution knowing three points), these imply risk factors of 70% and 30% for probable and possible reserves, respectively and other factors. Such assumptions and estimates have a significant impact on calculations in accordance with the unit of production method and evaluating the impairment of fixed assets (oil and gas investments). As such, any change in the variables used to prepare such assumptions and estimates may have, as a consequence, a significant effect on both the depreciation of, and the impairment tests relating to, investments in areas with oil and gas reserves.

YPF performs asset valuation analyses on an ongoing basis as a part of its asset management program. In general, YPF does not view temporarily low oil prices as a triggering event for conducting the impairment tests. Accordingly, any impairment tests that YPF performs make use of YPF s long-term price assumptions for the crude oil and natural gas markets and petroleum products.

Impact of Oil and Gas Reserves and Prices on Testing for Impairment

Proved oil and gas properties held and used by YPF are reviewed for impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable. An asset would be impaired if the undiscounted cash flows were less than its carrying value. Impairments are measured by the amount by which the carrying value exceeds its fair value.

YPF performs asset valuation analyses on an ongoing basis as a part of its asset management program. In general, YPF does not view temporarily low oil prices as a triggering event for conducting the impairment tests. Accordingly, any impairment tests that YPF performs make use of YPF s long-term price assumptions for the crude oil and natural gas markets and petroleum products.

Depreciation

Volumes produced and asset costs are known, while proved reserves have a high probability of recoverability and are based on estimates that are subject to some variability. The impact of changes in estimated proved reserves are treated prospectively by amortizing the remaining book value of the assets over the future expected production. In 2004, 2003 and 2002 YPF recorded depreciation of fixed assets associated with hydrocarbon reserves amounting to Ps. 1,936 million, Ps. 1,789 million and Ps. 1,614 million, respectively. If proved reserves estimates are revised downward, net income could be negatively affected by higher depreciation expense.

Asset retirement obligations

Future costs related to hydrocarbon wells abandonment obligations are capitalized along with the related assets, and are depreciated using the unit-of-production method. As compensation, a liability is recognized for this concept at the same estimated value of the discounted payable amounts. Future estimated retirement obligations and removal costs are based on management s best estimate of the time that the event will occur and the assertion of costs to be met with the removal of the asset. Asset removal technologies and costs, as well as political, environmental, safety and public expectations, are constantly changing. Consequently, the timing and future cost of dismantling are subject to significant modification. The timing and the amount of future expenditures of dismantling are reviewed annually. As such, any change in variables used to prepare such assumptions and estimates can have, as a consequence, a significant effect in the liability and the related capitalized asset and in the future charges related to the retirement obligations.

Environmental liabilities, Litigation and other contingencies

Environmental liabilities are recorded when environmental assessments and/or remediation are probable, material and can be reasonably estimated. Such estimates are based on either detailed feasibility studies of remediation approach and cost for individual sites or on YPF s estimate of costs to be incurred based on historical experience and available information based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental standards change, YPF revises its estimate of costs to be incurred in environmental assessment and/or remediation.

Reserves are established to cover litigation and other contingencies which are probable and can be reasonably estimated. The final costs arising from litigation and other contingencies may vary from YPF s estimates on differing interpretations of laws, opinions and final assessments on the amount of claims. As such, changes in the facts or circumstances related to these types of contingencies, as well as the future outcome of these disputes, can have, as a consequence, a significant effect on the amount of reserves for litigation and other contingencies recorded.

A reserve totaling Ps. 1,298 million and Ps. 706 million as of December 31, 2004 and 2003, respectively, have been established to afford contingencies which are probable and can be reasonably estimated. In the opinion of Management and its external counsel, the amount reserved reflects the best estimation, based on the information available as of the date of the issuance of these financial statements, of the possible outcome of the mentioned contingencies.

Presentation of financial statements

The Consolidated Financial Statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Argentine GAAP until February 28, 2003, when the restatement in constant money was discontinued. See Note 1 to the Consolidated Financial Statements.

U.S. GAAP Reconciliation

The recurrent difference between YPF s net income under Argentine GAAP and its net income under U.S. GAAP for the years ended December 31, 2004, 2003 and 2002 is due primarily to the remeasurement into functional currency and translation into reporting currency, the elimination of the restatement into Argentine constant pesos, the effects of the sale of noncurrent assets to related parties and the impairment of long-lived assets.

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

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Under U.S. GAAP, a definition of the functional currency is required which may differ from the reporting currency. Management has determined the U.S. dollar to be YPF s functional currency in accordance with SFAS No. 52. Therefore, it has remeasured into U.S. dollars the Consolidated Financial Statements as of December 31, 2004, 2003 and 2002, prepared in accordance with Argentine GAAP by applying the procedures specified in SFAS No. 52. The objective of the remeasurement process is to produce the same results that would have been reported if the accounting records had been kept in the functional currency. Accordingly, monetary assets and liabilities are remeasured at the balance sheet date (current) exchange rate. Amounts carried at prices in past transactions are remeasured at the exchange rates in effect when the transactions occurred. Revenues and expenses are remeasured on a monthly basis at the average rates of exchange in effect during the period, except for consumption of nonmonetary assets, which are remeasured at the rates of exchange in effect when the respective assets were acquired. Translation gains and losses on monetary assets and liabilities arising from the remeasurement are included in the determination of net income (loss) in the period such gains and losses arise. For certain of YPF s subsidiaries, YPF has determined the Argentine peso as its functional currency. Translation adjustments resulting from the process of translating the financial statements of the mentioned subsidiaries into U.S. dollars are not included in determining net income and are reported in other comprehensive income.

The amounts obtained from the remeasurement process referred to above are translated into Argentine pesos following the provisions of SFAS No. 52. Assets and liabilities are translated at the current selling exchange rate of Argentine pesos Ps. 2.98, Ps. 2.93 and Ps. 3.37 to US$ 1, as of December 31, 2004, 2003 and 2002, respectively. Revenues, expenses, gains and losses reported in the income statement are translated at the exchange rate existing at the time of each transaction or, if appropriate, at the weighted average of the exchange rates during the period. Translation effects of exchange rate changes are included as a cumulative translation adjustment in shareholders equity. As of December 31, 2004, 2003 and 2002, the remeasurement into functional currency and the translation into reporting currency (decreased)/increased net income in Ps. (1,447) million, Ps. (1,629) million and Ps. 1,382 million, respectively.

YPF has proportionally consolidated, net of intercompany transactions, assets, liabilities, net revenues, cost and expenses of investees in which joint control is held, which is not allowed for U.S. GAAP purposes. The mentioned proportional consolidation generated an increase of Ps. 672 million, Ps. 2,022 million and Ps. 1,379 million in total assets and total liabilities as of December 31, 2004, 2003 and 2002, respectively, and an increase of Ps. 1,122 million, Ps. 760 million and Ps. 1,019 million in net sales and Ps. 640 million, Ps. 428 million and Ps. 356 million in operating income for the years ended December 31, 2004, 2003 and 2002, respectively.

From January 1, 2003, under Argentine GAAP, in order to perform the recoverability test, long-lived assets are grouped with other assets at business segment level. With respect to operations that were held pending sale or disposal, YPF s policy was to record these assets at amounts that did not exceed net realizable value.

Under U.S. GAAP, for proved oil and gas properties, YPF performs the impairment review on an individual field basis. Other long-live assets are aggregated, so that the individual cash flows produced by each group of assets may be separately analyzed. Each asset is tested following the guidelines of SFAS No. 144, Accounting for the Impairment of Long Lived Assets , by comparing the net book value of such an asset with the expected cash flow (before income tax and without discounting the cash flow). Impairment losses are measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. When fair values are not available, YPF estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets. The accumulated adjustments under U.S. GAAP of the impairment generated as of December 31, 2004, 2003 and 2002 were Ps. 764 million, Ps. 692 million and Ps. 985 million, respectively, for YPF s Exploration and Production segment, and Ps. 9 million, Ps. 12 million and Ps. 16 million, respectively, for the Refining and Marketing segment, corresponding to investments in controlled companies. Impairment charges under U.S. GAAP amounted to Ps. 177 million, Ps. 6 million and Ps. 45 million for the years ended December 31, 2004, 2003 and 2002, respectively. The impairments recorded were the result of studies conducted that have revealed a decrease in proved reserves.

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The adjusted basis after impairment results in lower depreciation under U.S. GAAP of Ps. 122 million, Ps. 174 million and Ps. 144 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Under U.S. GAAP, results on sales of non current assets to related parties under common control and related accounts receivables are considered as a capital (dividend) transaction. Under Argentine GAAP, results on sales of non current assets and account receivables are recognized in the statement of income and the balance sheet, respectively.

YPF, through its indirect subsidiary Greenstone Assurance Limited, is a member of Oil Insurance Limited (OIL). OIL is owned by and operated by and for its shareholders, all of whom are engaged in energy operations. Pursuant to OIL s Rating and Premium Plan, there is a withdrawal premium (the Avoided Premium Surcharge or APS) to which insured members are liable under certain circumstances which include cancellation and non-renewal of the policy. The APS is calculated by OIL at its sole discretion, it is final and the amount shall not exceed the applicable future premiums that the insured would have paid absent such cancellation or non-renewal, in respect of losses incurred before the date on which the cancellation or non-renewal takes place. Such obligation, in substance, is similar to a retrospective premium to recover past losses which is paid in any case, either through future premium payments (if the member remains in the company) or as a one-time payment if the member withdraws from OIL.

FIN No. 46R, Consolidation of Variable Interest Entities, (FIN 46R), clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The interpretations explain how to identify variable interest entities and how an enterprise assesses its interests in a variable interest entity to decide whether to consolidate that entity. They require existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Under Argentine GAAP consolidation is based on the control of corporate decisions through the shareholding (Note 1 to the Consolidated Financial Statements). FIN 46R is applicable to the Company as of January 1, 2004.

As of December 31, 2004, the Company has operations with two variable interest entities (VIEs) which have been created in order to structure YPF s future deliveries of oil (FOS), as described in Note 10.b to the Consolidated Financial Statements

The effects of the consolidation of these VIEs following the provisions of FIN 46R were reported as an accumulative effect of an accounting change as of December 31, 2004 included in Note 14 and a reclassification of the outstanding balance of the account Net advances from crude oil purchasers into the Loans account in the balance sheets. Additional disclosures required by FIN 46R are included in Note 13.l to the Consolidated Financial Statements.

For a more detailed discussion of the most significant differences between Argentine GAAP and U.S. GAAP, please refer to Note 13 to the Consolidated Financial Statements.

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Consolidated Oil and Gas Reserves and Production

The following table sets forth YPF s estimated proved reserves of crude oil and natural gas on a consolidated basis at December 31, 2004, 2003 and 2002. The reserve estimates set forth below were prepared in accordance with Rule 4-10 of Regulation S-X of the Securities and Exchange Commission.

	At December 31,		
	2004	2003	2002
	(millions of barrels)		
Estimated proved crude oil reserves (1)(2)			
Developed	908	1,047	1,136
Undeveloped	200	222	251
Total	1,108	1,269	1,387
	(billions of cubic feet)		
Estimated proved natural gas reserves (1)(2)			
Developed	5,041	5,609	6,801
Undeveloped	1,775	2,371	2,173
Total	6,816	7,980	8,974
	(millions of barrels)		
Crude oil production (1)(2)	146	157	160
	(billions of cubic feet)		
Natural gas production (1)(2)	705	644	542

(1) Crude oil (including condensate and natural gas liquids) and gas reserves and production amounts are stated before making any deductions in respect of royalties. Royalties on YPF s production are accounted for as a cost of production and are not deducted in determining net sales.

(2) All information relating to YPF s oil and gas production has been determined in accordance with Rule 4-10 of Regulation S-X of the Securities and Exchange Commission and Statement of Financial Accounting Standards No. 69, and such amounts may differ from actual production amounts and actual deliveries of oil or natural gas.

Overview of Consolidated Results of Operations

Macroeconomic conditions

Throughout 2004 the international economic environment remained favorable to Argentina. The world economy grew at a high rate (around 5%), and international interest rates stayed at historically low levels. In Latin America, Argentina was favored by the strength of the Brazilian economy.

In Argentina, 2004 was the second year of strong economic recovery. After the macroeconomic instability associated with the economic and financial crisis of 2001 and 2002, GDP grew at 8.7% in 2003 and 9.0% in 2004. Argentina benefited from a favorable international environment in which high commodity prices pushed exports up by 16.5% over the past year. Trade surplus totaled US$ 12.1 billion. Foreign Reserves at the Central Bank increased US$ 5.5 billion, reaching US$ 19.6 billion by the end of the year.

After reaching a peak of 41% in 2002, and lowering to only 3.7% in the following year, the inflation rate during 2004 was 6.1%. The first quarter of 2005 ended with a quarterly increase of 4.0% in the consumer price index, 9.1% year-on-year, warning local authorities about its future trend. The exchange rate of the Argentine peso against the U.S. remained stable during 2004. National public finances continued to perform well in 2004, mainly due to increasing tax revenues (36% of growth on a year-over-year). The consolidated fiscal primary surplus reached almost 3.9% of GDP, widely above the target set in the budget and in the agreement with the International Monetary Fund (IMF).

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At the end of 2003, Argentina signed a Stand-by agreement with the IMF, based on a three-year economic program. In the second half of the year 2004, the third review of the IMF program was postponed by request of the Argentine government, in order to avoid interference with the process of the non-performing sovereign bonds restructuring. The most important step in the debt restructuring process ended successfully in March 2005, reaching 76% of acceptance to the argentine exchange offer. The level of public debt to GDP has been considerably reduced and the debt maturity profile has became more sustainable. Recently, argentine authorities restarted negotiations with the IMF in order to sign a new program. Negotiations will include not only usual matters -such as fiscal and monetary targets, renegotiation of utilities contracts and tax reform- but also the need of a solution to hold-out creditors.

Forecasts about economic growth in 2005 are optimistic, encouraged by the high participation rate in the public debt exchange. Private analysts estimate that GDP will grow around 6.5% in 2005. However, we cannot predict future macroeconomics events in Argentina or in the rest of the world, but expect for domestic operations to continue being adversely affected by economic and political events in Argentina.

Results of Operations

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

	Year Ended December 31,		
	2004	2003	2002
	(percentage of net sales)		
Net sales	100.0%	100.0%	100.0%
Cost of sales	(46.2)	(44.3)	(50.6)
Gross profit	53.8	55.7	49.4
Administrative expenses	(2.2)	(2.1)	(2.4)
Selling expenses	(7.0)	(6.6)	(6.3)
Exploration expenses	(1.9)	(1.6)	(1.4)
Operating income	42.5	45.4	39.3

As mentioned in Critical Accounting Policies Discontinued operations above in this item 5, during the year ended December 31, 2004, YPF Holdings Inc. and YPF International S.A. sold their interests in Global and in YPF Indonesia Ltd., respectively. Financial statements presented for comparative purposes were restated to give retroactive effect to the mentioned divestitures. As a consequence, Global and YPF Indonesia Ltd. results were disclosed in Income (Loss) on discontinued operations account of the statement of income.

Net Sales

Net sales for the year ended December 31, 2004 were Ps. 19,931 million compared to Ps. 17,514 million in 2003, an increase of 14%. This increase mainly reflects stronger international oil and refined products prices, partially offset by higher withholdings of hydrocarbon exports and higher discounts due to inferior oil quality, an increase in international costs of freight, a decrease of crude oil volume sold, due to lower production, as well as an increase in domestic prices of diesel, propilyne and natural gas.

Net sales for the year ended December 31, 2003 were Ps. 17,514 million compared to Ps. 17,050 million in 2002, an increase of 3%. This increase mainly reflects a rise in domestic retail prices caused by the devaluation of the peso and inflation, an increase in sales of natural gas, reflecting both higher domestic demand and higher export sales, as well as an increase in crude oil prices during 2003. This was partially offset by lower crude oil production as well as a decrease in revenues in pesos from export sales due to the appreciation of the peso against the dollar.

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Cost of Sales

The cost of sales in 2004 was Ps. 9,212 million, compared to Ps. 7,756 million in 2003, an increase of 19% mainly due to higher purchases of crude oil and natural gas, royalties, depreciation and other production cost.

The cost of sales in 2003 was Ps. 7,756 million, compared to Ps. 8,626 million in 2002, a decrease of 10%.

Operating Income

Operating income in 2004 was Ps. 8,471 million compared to Ps. 7,955 million in 2003, which represents an increase of 6%. This increase was mainly due to the higher international prices that increase refined products exports sales margins.

Operating income in 2003 was Ps. 1,259 million higher compared to Ps. 6,696 million in 2002, representing an increase of 19%. Operating income was positively affected in 2003 mainly due to an improvement in Refining and Marketing operating margins.

Other Expenses

Other expenses net increased to Ps. 1,012 million in 2004 from Ps. 152 million in 2003, mainly reflecting an increase in provisions related to pending lawsuits, environmental issues and other contingencies. The most significant contingencies are described in Item 8, Legal Proceedings .

Other expenses net were lower in 2003 compared to Ps. 245 million of 2002, mainly reflecting a decrease in write-offs of unrecoverable receivables, partially offset by an increase in provisions related to pending lawsuits.

Financial income (expense), net and holding gains

In 2004 financial income net was Ps. 138 million compared to an expense net of Ps. 50 million in 2003. The increase in financial income reflects an increase in holding gains on inventories due to higher production cost.

In 2002 financial expense net was Ps. 2,991 million. The significant decrease in financial expenses reflect the stabilization of the peso/dollar exchange rate during 2003 which had negatively impacted our results in 2002, as all of our financial debt is denominated in dollars. Also contributing to the decrease in financial expense was a decrease in interest expenses, reflecting the reduction in our debt during 2003 as well as the appreciation of the peso against the dollar.

Taxes

Income tax expense during 2004 was Ps. 3,017 million compared to Ps. 3,290 million in 2003. The effective income tax rate for 2004 and 2003 was 38.22% and 41.55%, respectively, compared to the statutory income tax rate of 35%. The significant increase in the effective tax rate above the statutory rate is primarily due to the non-recognition for tax purposes of higher depreciation expenses that resulted from the restatement in constant Argentine pesos of fixed assets and inventories. Income tax expense in 2002 amounted to Ps. 58 million, due to low tax earnings, which did not include, among others, translation of gains of foreign assets.

Net Income

Net income for 2004 was Ps. 4,876 million compared to Ps. 4,628 million in 2003, an increase of 5%. This increase mainly reflects the increase of 6% in operating income and lower financial expenses, partially offset by the increase in other expenses net, as well as income from the sale of discontinued operations of Ps. 139 million.

Net income for 2003 was Ps. 1,012 million higher compared to Ps. 3,616 million in 2002, mainly due to lower financial net losses, higher operating income, partially offset by an increase in income tax expense of Ps. 3,232 million.

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Results of Operations by Business Segment

The tables below set forth YPF s net sales and revenues and operating income by business segment for 2004, 2003 and 2002, as well as the percentage changes in revenues for the periods shown.

	2004	2003	2002	2004 vs. 2003	2003 vs. 2002
		(millions of pesos)			
Net sales and revenues					
Exploration and Production	13,796	12,138	13,002	13.66%	(6.65)%
Refining and Marketing	15,808	14,667	14,396	7.78%	1.88%
Chemical	2,146	1,553	1,583	38.18%	(1.90)%
Natural Gas and Electricity (1)	577	418	347	38.04%	20.46%
Corporate and others	266	236	463	12.71%	(49.03)%
Consolidation adjustments	(12,662)	(11,498)	(12,741)		
Total	19,931	17,514	17,050	13.80%	2.72%

	2004	2003	2002	2004 vs. 2003	2003 vs. 2002
		(millions of pesos)			
Operating income					
Exploration and Production	6,878	6,182	6,666	11.26%	(7.26)%
Refining and Marketing	1,324	1,527	(126)	(13.29)%	N/A
Chemical	564	387	340	45.74%	13.82%
Natural gas and Electricity (1)	262	180	137	45.56%	31.39%
Corporate and others	(430)	(311)	(300)	38.26%	3.67%
Consolidation adjustments	(127)	(10)	(21)		
Total	8,471	7,955	6,696	6.49%	18.80%

(1) Natural gas sales are recorded in Exploration and Production segment.

Transactions with Controlled Companies

In the ordinary course of the company s business, the company maintains purchases, sales and financing transactions with related parties, as mentioned in Note 7 to the Consolidated Financial Statements.

Exploration and Production

Exploration and Production net sales during 2004 were Ps. 13,796 million compared to Ps. 12,138 million in 2003, an increase of 14%. Net crude oil sales increased Ps. 1,099 million mainly as a consequence of higher international oil prices used to determine internal transfer prices, partially offset by a reduction in sales volumes, due to a lower crude oil production. Additionally, during 2004 there was an increase of Ps. 480 million in natural gas sales due to higher industrial prices and an increase in production, as well as a natural gas liquids sales increase of Ps. 79 million.

Due to higher operating expenses, primarily withholdings, depreciation, preservation, repair and maintenance and crude oil and natural gas purchases, Exploration and Production operating income increased 11%, to Ps. 6,878 million compared to Ps. 6,182 million in 2003.

Crude oil, condensate and natural gas liquids production during 2004 decreased to 399 thousand barrels per day compared to 430 thousand barrels per day obtained in 2003. Natural gas production during 2004 increased to 1,926 million of cubic feet per day from 1,767 million of cubic feet per day in 2003.

Exploration and Production net sales during 2003 were Ps. 12,138 million compared to Ps. 13,002 million in 2002, which represents a decrease of 7%. Net crude oil sales decreased Ps. 1,167 million mainly due to a reduction in sales volumes compared to 2002, reflecting lower crude oil production and a decrease in revenues in pesos due to the appreciation of the peso. This was partially offset by an increase in natural gas sales of Ps. 247 million, which demand increased due to stable prices in pesos which have remained frozen since 2001, leading to an increase of residential and industrial consumption, automobile fuel consumption and thermal generation of electricity.

Crude oil, condensate and natural gas liquids production during 2003 decreased to 430 thousand barrels per day compared to 442 thousand barrels per day obtained in 2002, mainly as a result of the sale of production assets in Bolivia and a lower crude oil production in Argentina. Natural gas production during 2003 increased to 1,767 million of cubic feet per day compared to 1,545 million of cubic feet per day in 2002.

Exploration and Production operating income decreased 7% to Ps. 6,182 million compared to Ps. 6,666 million in 2002. This decrease mainly reflects a decrease of 7% in net sales during 2003.

Refining and Marketing

Net sales in 2004 were Ps. 15,808 million, an 8% increase compared to Ps. 14,667 million in 2003, mainly as a result of higher exports prices of refined products, partially offset by lower sales volumes of gasoline and diesel in the international market, and an increase in exports withholdings. Sales volumes of diesel in the local market were higher than 2003 in order to supply local demand, while prices remainded significantly lower than export prices.

Operating income in 2004 was Ps. 1,324 million, a 13% decrease compared to Ps. 1,527 million in 2003, mainly reflecting a higher cost of crude oil purchased to the Exploration and Production segment and a higher refining cost. Refining cost per barrel in 2004 was Ps. 7.2, compared to Ps. 6.3 in 2003, a 14% increase.

Refinery throughput in 2004 reached 298 thousand barrels per day, representing a utilization rate of 93%. Processing capacity was 319.5 thousand barrels per day during 2004.

Net sales in 2003 were Ps. 14,667 million, a 2% increase compared to Ps. 14,396 million in 2002, mainly as a result of higher domestic prices, partially offset by lower revenues in pesos from foreign sales as a result of the appreciation of the peso. Sales volumes of gasoline and diesel in the local market decreased 10% and 4% respectively, partially offset by an increase of export sales of diesel and fuel oil.

Operating income in 2003 was Ps. 1,527 million, compared to an operative loss of Ps. 126 million in 2002, mainly as a result of better margins in the domestic market, principally diesel, gasolines and LPG. Refining cost per barrel in 2003 was Ps. 6.3, compared to Ps. 6.1 in 2002, an 8% decrease.

Refinery throughput in 2003 reached 306 thousand barrels per day, representing a utilization rate of 93%. Processing capacity decreased to 319 thousand barrels per day during 2002 due to modifications made at the Luján de Cuyo refinery.

Chemical

Net sales during 2004 were Ps. 2,146 million compared to Ps. 1,553 million in 2003. This increase mainly reflects a strong increase in sales volumes, primary exported, due to the methanol production record reached, which was 12% higher than in 2003.

Operating income in 2004 was Ps. 564 million, an increase of 46%, compared to Ps. 387 million in 2003. This increase reflects higher sales volumes and higher Profertil operating income, which achieved a substantial improvement in operations. Otherwise, the increase in the production was accompanied by an increase in urea s international prices, which reached its highest level since 1995.

Net sales during 2003 were Ps. 1,553 million compared to Ps. 1,583 million in 2002. This decrease reflects the effect of a 26% decrease in average sales prices in pesos partially offset by the increase in sales volumes of petrochemicals and derivative products.

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Operating income in 2003 was Ps. 387 million, an increase of 14%, compared to Ps. 340 million in 2002. This increase reflects higher margins in basic petrochemicals and derivative products such as urea and methanol which reached record production levels in 2003. Also contributing to the increase in operating income were higher margins from fertilizers produced by Profertil, basically drived by a reduction in the consumption of natural gas.

Natural Gas and Electricity

Net sales during 2004 were Ps. 577 million compared to Ps. 418 million in 2003, an increase of 38%.

Operating income in 2004 was Ps. 262 million, an increase of 46% compared to Ps. 180 million in 2003. This increase come from margins obtained by Compañía Mega, due to higher ethane, LPG and natural gasoline prices obtained during 2004.

Net sales during 2003 were Ps. 418 million compared to Ps. 347 million in 2002. This increase reflects the effect of a 17% increase in sales volumes of Compañía Mega as well as higher prices obtained during 2003.

Operating income in 2003 was Ps. 180 million, an increase of 31% compared to Ps. 137 million in 2002, reflecting the increase in sales prices.

Liquidity and Capital Resources

Financial Condition

Total net debt outstanding as of December 31, 2004 was US$ 648 million (Ps. 1,930 million), consisting of short-term debt (including the current portion of long-term debt) of US$ 83 million (Ps. 246 million) and long-term debt of US$ 565 million (Ps. 1,684 million). As of December 31, 2004, almost all of our debt was denominated in U.S. Dollars. The main operations with derivatives are detailed in Item 11: Quantitative and Qualitative Disclosures about Market Risk.

Since September 2001, YPF has repurchased certain of its publicly-traded bonds in open market transactions on an arms-length basis. YPF has repurchased approximately US$ 278 million of its outstanding bonds, which have not been cancelled and remain in its investment portfolio. YPF may from time make additional purchases of, or effect other transactions relating to, its publicly-traded bonds if in YPF s own judgment the market conditions are attractive.

Our current financing policy is to use cash flows provided by operating activities to fund both investing and operating activities, as well as to settle outstanding financial liabilities.

Net cash flow provided by operating activities was Ps. 8,515 million in 2004, compared to Ps. 7,417 million in 2003, an increase of 15%. This increase was principally due to the increase in operating income (excluding depreciation and unproductive exploratory drillings) mainly due to the higher international prices that increase refined products exports sales margins compared to 2003. Net income was Ps. 4,876 million in 2004 compared to Ps. 4,628 million in 2003, which represents an increase of Ps. 248 million. Additionally, changes in working capital increased operating cash flow by Ps. 332 million in 2004.

The principal uses of cash in investing and financing activities in 2004 included Ps. 2,867 million in fixed assets acquisitions, Ps. 5,310 million for dividends paid, Ps. 980 net repayments of outstanding loans; the principal cash provided by these activities included Ps. 244 million from the sale of discontinued operations. In 2003 the principal uses of cash from investing and financing activities included Ps. 2,418 million in fixed assets acquisitions, Ps. 2,990 million for dividends paid and Ps. 1,516 million for net repayments of outstanding loans.

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The following table sets forth information with regard to our commitments for the periods indicated below with regard to our debt:

	Expected Maturity Date						
	2005	2006	2007	2008	2009	Thereafter	Total
	(million of Ps.)						
Debt	246	149	665	77	456	337	1,930

The Shareholders Meeting held on April 19, 2005, approved a Notes Program of up to US$ 700 million. The Board of Directors was authorized in order to determine terms, conditions and characteristics of each issuance, in the case of eventually financial needs.

Contractual Obligations

The following table sets forth information with regard to YPF s commitments under commercial contracts for the years indicated below, as of December 31, 2004:

	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
	(million US$)				
Contractual Obligations					
Debt	648	83	273	179	113
Capital Lease Obligations					
Operating Lease Obligations	350	84	114	77	75
Purchase Obligations (1)	2,162	384	408	347	1,023
Purchases of services	1,120	131	213	173	603
Purchases of goods	1,042	253	195	174	420
LPG	20	10	7	2	1
Electricity	241	26	52	45	118
Natural gas	202	156	17	12	17
Steam	131	10	20	20	81
Others	448	51	99	95	203
Other Liabilities (2)	2,012	1,481	287	79	165
Total	5,172	2,032	1,082	682	1,376

(1) Includes purchase commitments under commercial agreements that do not provide for a total fixed amount, which have been valued using YPF s best estimates.

(2) Contingent liabilities, which amount to US$ 345 million, are not included in the contractual obligations table above, as the Company based on the evidence available to date, cannot reasonably estimate the settlement date such contingencies may become due.

Total	Less than	1 3	3 5 years	More than

		1 year	years		5 years
			(million US$)		
Sale Commitments					
Crude oil sales	332	89	178	65	
Natural Gas sales	7,561	857	1,412	1,235	4,057
LPG sales	2,758	226	429	424	1,679
Other petroleum and petrochemical product sales	1,354	500	767	80	7
Services	278	49	63	40	126
Total	12,283	1,721	2,849	1,844	5,869

YPF has additional commitments under derivatives contracts and guarantees. For a discussion of these additional commitments see Item 11: Quantitative and Qualitative Disclosures About Market Risk and Guarantees Provided below.

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Transactions With Unconsolidated Variable Interest Entities

Since 1996, YPF has entered into three forward oil sale agreements, which we refer to as the FOS transactions in this annual report. These agreements were entered into in order to obtain cash to fund operations in advance of the actual sale and delivery of oil. Under these transactions, YPF was advanced US$ 381 million in 1996, US$ 300 million in 1998 and US$ 383 million in 2001, against future deliveries of oil. YPF s obligations under the FOS transactions are recorded as a liability in the consolidated balance sheet as customer advances and will be reduced and taken to income as the physical deliveries are made over the term of the contracts. As of December 31, 2004, the amount of FOS customer advances recorded on our consolidated balance sheet was Ps. 898 million (US$ 302 million). The obligations to deliver crude oil under the agreements entered into in 1996 have been satisfied in their entirety, with the last delivery having taken place in October 2003. The obligations to deliver crude oil under the 1998 and 2001 agreements will continue through June 2008 and December 2008, respectively.

The structure of each of these FOS transactions is similar. YPF enters into a forward oil sale agreement that calls for the future delivery of oil for the life of the contract. YPF is paid in advance for the future delivery of oil. The price of the oil to be delivered is calculated using various factors, including the expected future price and quality of the crude oil being delivered. The counterparty or assignee to each oil supply agreement is a special purpose entity incorporated in the Cayman Islands, which finances itself as described below. The oil to be delivered under each supply agreement is subsequently sold in the open market.

YPF is exposed to any change in the price of the crude oil it will deliver in the future under the FOS transactions. YPF s exposure derives from various crude oil swap agreements under which YPF pays a fixed price with respect to the nominal amount of the crude oil sold, and receives the variable market price of such crude oil. See Item 11 Quantitative and Qualitative Disclosure about Market Risk Commodity Price Risk Crude Oil Price Swaps , and Item 7 Major Shareholders and Related Party Transactions. See Note 13(l) to the Consolidated Financial Statements for a description of the treatment of the FOS transactions under U.S. GAAP.

The following provides an overview of the outstanding FOS transactions:

	FOS II	FOS III(2)
Date	June 24, 1998	December 31, 2001
Net proceeds (1)	US$ 299,967,289	US$ 382,693,787
SPE	Oil Enterprises Ltd.	Oil International Limited
SPE Debt	US$ 315 million 6.239% notes	US$ 200 million 3.98% notes/ US$ 162.7 million 3.90% notes
Purchaser	Morgan Guaranty Trust	Morgan Stanley Capital Group Limited (UK)
Marketer	YPF	Repsol YPF Trading & Transport, S.A.
Guarantee/hedge	Oil Price Hedge Agreement/ Default Insurance	Oil Price Hedge Agreement/ Contingent Supply Agreement/ Default Insurance
Total crude oil barrels to be delivered over the life of the contract	23,933,985	24,105,532
Average crude oil barrels per month	201,126	287,054
Term of transaction	10 years	7 years

(1)

The total sale amount under each FOS transaction is as follows: FOS II US$ 310,587,895 and FOS III US$ 400,000,000. The difference between the net proceeds and the sale amount is deposited in a reserve account to cover certain contingencies and, absent an event of default or other events set forth in the transaction documents, will be paid to YPF during the last three months of the term of each transaction.

(2) The original FOS III debt was refinanced in December 2002 and further refinanced in February 2003.

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Repsol YPF has guaranteed various of YPF s obligations under the FOS III structure through a contingent supply agreement. Under the contingent supply agreement, Repsol YPF may be required to make up for any shortfall in the crude oil deliveries that YPF is required to make under the forward oil sale agreement. Additionally, if certain events of default occur under the contingent supply agreement, including failure to make up for YPF s delivery shortfalls, Repsol YPF may be required to deliver at one time all the crude oil that YPF was to deliver during the life of the forward oil sale agreement. If Repsol YPF is not able to deliver the amount of barrels not delivered by YPF, then Repsol YPF will be required to pay in cash an amount equivalent to the barrels of crude oil not yet delivered. Repsol YPF may also be required to deliver similar amounts of crude oil or pay similar amounts in cash if YPF decides to terminate the forward oil sale agreement and is not able to satisfy the amounts due and unpaid by YPF. The contingent supply agreement includes cross-default provisions that may be triggered if an event of default occurs with respect to the indebtedness of Repsol YPF or certain of its subsidiaries equal to or exceeding US$ 30 million. Under the contingent supply agreement, Repsol YPF has also agreed to indemnify the FOS III special purpose entity for certain taxes it may be required to reimburse to the holders of the notes issued by the special purpose entity and for any make-whole premium it may be required to pay in case of early redemption of those notes. Also in connection with FOS III, Repsol YPF has guaranteed YPF s obligations under the crude oil swap agreement related to FOS III.

In December 2002, FOS III was refinanced through the issuance of two series of notes by a new special purpose entity. One of the series was guaranteed by a default insurance policy issued by a third-party insurer. The proceeds from the insured and the uninsured notes were used to repay the original debt of the FOS III special purpose entity issued in December 2001 and to repurchase its preferred shares. The underlying oil supply contracts were assigned to the new special purpose entity. In February 2003, the new special purpose entity retired and replaced the uninsured notes by issuing a second series of insured notes guaranteed by a different third-party insurer. Repsol YPF has agreed to reimburse each insurer for any payment made under any of the default insurance policies covering the notes and has also guaranteed the special purpose entity s obligations in connection with such insurance policies. Repsol YPF has also provided indemnities and warranties to the underwriter of the notes. Neither Repsol YPF nor any of its affiliates received any proceeds from a third party or recognized any income as a direct result of this refinancing.

The third-party insurer guaranteeing the series of FOS III insured notes issued in December 2002 is also a reinsurer of the insurance policy issued under FOS II. As part of the refinancing of FOS III, Repsol YPF agreed to reimburse this third-party insurer for any payment made by it as reinsurer in connection with the FOS II default insurance policy.

YPF s monthly crude oil delivery obligations under the FOS transactions represent 4.80% of its monthly production as of December 31, 2004. Total remaining crude delivery obligations under the FOS transactions represent 18.12% of YPF s 2004 crude oil production and 10.64% of Repsol YPF s crude oil annual production. If YPF is not able to deliver the required number of barrels from its own production, YPF may be required to purchase oil of similar quality in the open market.

As described in Item 8, Legal proceedings on March 8, 2004, the Argentine tax authorities formally communicated to YPF their view that the FOS I and FOS II transactions should have been treated as financial transactions carried out in Argentina and, as such, should have been subject to the relevant tax withholdings.

Covenants in YPF indebtedness

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

In the event of a default under any series of our bonds, the trustee, at its sole discretion or at the request of the holders of at least one fifth or one quarter of the bonds, depending upon the series, can declare the bonds of that series to be due and payable.

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With respect to bond issuances totalling US$ 437 million, YPF has agreed to clauses including, among others, to pay all amounts due on maturity and, subject to certain exceptions, not to establish liens or charges on its assets. In the event of a default, the trustee or the holders of at least 25% of the total principal of the outstanding debentures may declare due and immediately payable the principal and accrued interest on all the debentures.

Almost all of our total outstanding debt is subject to cross-default provisions. These provisions may be triggered if an event of default occurs with respect to the payment of principal of or interest on indebtedness equal to or exceeding US$ 20 million.

As a result of these cross-default provisions, a default on the part of YPF or any of our consolidated subsidiaries covered by such provisions could result in a substantial portion of our debt being declared in default or accelerated. YPF believes that none of its debt or that of any of its consolidated subsidiaries is currently in default.

Credit Rating

On October 21, 2003, FITCH raised YPF s long-term debt to BB. YPF s long-term debt continues to be rated as B1 by Moody s and as BB by Standard & Poor s. The outlook or rating watch for YPF at each of these rating agencies is currently set at stable by Standard & Poor s, Fitch IBCA and Moody s (which upgraded it from negative on October 20, 2003). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

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

Guarantees Provided

As of December 31, 2004, YPF had provided the following guarantees:

YPF has signed guarantees in relation to the financing activities of Pluspetrol Energy S.A., Central Dock Sud S.A. and PBBPolisur S.A. for approximately US$ 54 million, US$ 65 million and US$ 7 million, respectively, and for the financing of the expansion of the PBBPolisur S.A. plant, for approximately US$ 146 million. As of December 31, 2004, YPF sold its interest in PBBPolisur S.A., which sale closed in January 2005. As a result of the sale, YPF s guarantees in respect of PBBPolisur S.A. s obligations were cancelled.

YPF pledged all of its shares of capital stock in Mega and Profertil, and committed, among other things, to maintain its interests in these companies until December 31, 2004 and December 31, 2010, respectively, as required by the corresponding financing agreements. Furthermore, YPF signed a guarantee in relation to the financing activities of Mega for an amount of approximately US$ 13 million. As of December 31, 2004, Mega had fully paid the debt covered by the guarantee, and the bank has been asked to cancel the guarantee before 2005 year end.

YPF may from time to time make additional purchases of, or effect other transactions relating to, its publicly-traded bonds if in YPF s own judgment the market conditions are attractive.

Capital Investments and expenditures

Capital investments in 2004 totaled approximately Ps. 3,052 million. The table below sets forth YPF´s capital expenditures and investments by activity for each of the years ended 2004, 2003 and 2002.

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	(In millions of Pesos)					
	2004		2003		2002	
		%		%		%
Capital expenditures and investments						
Exploration and Production	2,477	81	2,338	90	2,396	79
Refining and Marketing	434	14	180	7	298	12
Chemical	86	3	47	2	148	7
Natural Gas and Electricity	3		4		150	
Corporate and other	52	2	39	1	47	2
Total	3,052	100%	2,608	100%	3,039	100%

Future capital expenditures and investments

YPF has projected investments for 2005 to be approximately US$ 1,068 million. Figures are disclosed in U.S. dollars as they are mainly budgeted and incurred in this currency. The broken down by business segments as follows:

	2005
	(millions of US$)
Future Capital investments and Expenditures	
Exploration and Production	788
Refining and Marketing	195
Chemical	60
Natural Gas and Electricity	7
Corporate and other	18
	1,068

YPF expects to finance its 2005 capital expenditure budget mainly through cash from operations and from the Notes Program approved in the Shareholders Meeting held on April 19, 2005, as mentioned in Financial Condition above. Actual capital investments and exploration expenditures may differ from these estimates.

Research and Development

Research and development activities are managed by Repsol YPF. Consequently,. YPF has no research and development expenditures. Repsol YPF intends to continue developing its potential for technological innovation consistently with its business growth. Repsol YPF s research and development activities are aimed to both develop new products and production processes in areas where using proprietary technology provides a competitive advantage, and to provide the necessary support to incorporate technological improvements to existing products and processes. The goal is the continuous search for excellence in product quality and production costs. Repsol YPF also undertakes longer-term and riskier projects to evaluate the future potential of new technologies.

With these objectives in mind, in 2002 Repsol YPF opened its technology center in Móstoles (Madrid), one of the best technology centers in the international energy industry and which clearly reflects Repsol YPF s commitment to research and development. This center houses all of Repsol YPF s Research and Development and Technical Assistance facilities that were previously scattered throughout Spain. This center offers our researchers state-of-the-art facilities in terms of safety and health and environmental care, which are functional and flexible enough to undertake changes and development of future applications.

Projects in Exploration and Production have focused principally on increasing oil recovery in oil fields, reducing production costs and minimizing the environmental impact of our operations.

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Off-Balance Sheet Arrangements

YPF has entered into certain off-balance sheet arrangements, as described in Item 5: Transactions With Unconsolidated Variable Interest Entities, Guarantees Provided and Contractual Obligations.

ITEM 6. Directors, Senior Management and Employees

Board of Directors

Currently, YPF s Board of Directors consists of the following directors:

Name	Position	Class of Shares Represented	Director Since	Term Expires
Antonio Brufau Niubo	Chairman and Director	D	2004	2007
Enrique Locutura	Executive Vice Chairman and Director	D	2005	2007
Jorge Horacio Brito	Director	D	2004	2007
Carlos de la Vega	Director	D	1993	2007
Eduardo Elsztain	Director	D	2005	2007
Federico Mañero	Director	D	2005	2007
Miguel Madanes	Director	D	1993	2007
Carlos Alberto Olivieri	Director	D	2002	2007
Alejandro Quiroga López	Director	D	2004	2007
José María Ranero Díaz	Director	D	2001	2007
Luis Pagani	Director	D	2005	2007
Carlos Bruno	Director	D	2005	2007
Javier Monzón	Director	D	2005	2007
Ernesto Dardis	Director	A	2004	2006

Executive Officers

The President of the Board of Directors, who, according to the by-laws of YPF, must be a Class D director, is elected by the Board of Directors to serve for a term not to exceed his term as director; all other officers serve at the discretion of the Board of Directors and may be terminated at any time without notice.

The current executive officers of YPF, their respective positions and the years they were appointed as executive officers are as follows (as reported to the local regulatory authorities):

Name	Position	Executive Officer Since
Enrique Locutura	Chief Executive Officer	2005
Gonzalo López Fanjul	Director of E & P	2004
Alfredo Pochintesta	Director of Marketing	2005
Alejandro Quiroga López	Director of Legal Affairs	2001
Francisco Javier Macián	Director of Human Resources	2005
Fabián Falco	Director of Communication and External Relations	2001
Carlos Alberto Olivieri	Chief Financial Officer	2002
Jesús Guinea	Director of Refining and Logistic	2005
Rafael López Revuelta	Director of Chemicals	2005
José Manuel Gallego	Director of Resources	2005
Alicia Schammah	Director of Management Control	2005

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Supervisory Committee

The by-laws provide for a Supervisory Committee consisting of three members and three alternates members, elected to one-year terms. The holders of Class D Shares will elect two members and two alternates and the remaining member and alternate will be elected by the holders of Class A Shares, as long as one share of such class remains outstanding.

Under the by-laws, meetings of the Supervisory Committee may be called by any member and require the presence of three members, and decisions may be made by a majority of such members. Under Argentine law, the functions of the Supervisory Committee include attending all meetings of the Board of Directors, overseeing the management of YPF, preparing a report to the shareholders on YPF s financial statements, attending shareholders meetings and providing information upon request to holders of at least 2% of YPF s capital stock. The current members of the Supervisory Committee, the year they were appointed and the year their term expires are as follows:

Name	Class of Shares Represented	Member Since	Term Expires
Mario E. Vázquez	D	1993	2006
Juan A. Gelly y Obes	D	2005	2006
Mariano A. de los Heros	A	2005	2006

Director s outside business interests and experience

Antonio Brufau Niubo

Graduate in Economics from the University of Barcelona, he began his professional career at Arthur Andersen, where he became Partner and Director of Auditing. In 1988, he joined La Caixa as Deputy Managing Director and, from 1999 to 2004, held the position of Managing Director for the La Caixa Group.

Appointed Chairman of the Gas Natural Group in July 1997, he served as a member of the Repsol YPF Board of Directors from 1996 until becoming Chairman and CEO of Repsol YPF on 27 October 2004, which position he currently holds. He is also Vice Chairman of the Gas Natural Group.

During his extensive business career, Antonio Brufau has served on the Board of Directors of several companies, including Suez, Enagás, Abertis, Aguas de Barcelona, Colonial and Caixa Holding, the CaixaBank France and CaixaBank Andorra. In July 2002, he was designated Chairman of Barcelona s Círculo de Economía and, since March 2003, is the only Spanish member of the Executive Committee of the International Chamber of Commerce (ICC).

Enrique Locutura

Graduate as Mine Engineer at the Escuela Técnica Superior de Ingenieros de Minas of Madrid. In 1972, he joined the Empresa Nacional del Petróleo (ENPTASA) in Tarragona, now a member of the Repsol YPF Group. He has held high positions with ENPETROL, CAMPSA, CLH and Repsol YPF. He played an active role in the creation of Gas Natural SDG, which emerged from the companies of Catalana de Gas and Gas Madrid. He was the Manager of Petronor and, in June 2003, was named Manager of Gas Natural SDG representing Repsol YPF, which position he held until he was appointed Executive Director of Argentina, Brazil and Bolivia in Repsol YPF

Jorge Horacio Brito

Graduate as Engineer at UCA University. President of Banco Macro Bansud S.A.; President of Sud Valores S.A. Sociedad de Bolsa. President of the Asociación de Bancos de Argentina (ABA) and member of the Board of Directors of various financial corporations.

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Carlos de la Vega

Director of La Caja ART since 1996. Since April 2003 he is President of the Argentine Chamber of Commerce of which he also was President from 1988 to 1993. A former member of the Board of Directors and Director of Institutional Relations of Ciba-Geigy Argentina until 1996.

Eduardo Elsztain

Chairman and founder of Consultores Asset Management, a portfolio management firm in emerging countries; Chairman of the Board of Directors of the following companies: IRSA Inversiones y Representaciones S.A., an Argentine real estate company listed on the New York Stock Exchange; Alto Palermo S.A. (APSA), a real estate company that specializes in shopping centers and listed on Nasdaq; and, Cresud, a pure agriculture company also listed on Nasdaq. He is also Vice Chairman of Banco Hipotecario S.A. and the Chairman of the BACS: Banco de Crédito & Securitización. He is a member of the Asociacion Empresaria Argentina (AEA), as well as of the Group of Fifty and the World Economic Forum. Chairman of the IRSA Foundation.

Federico Mañero

Obtained Diploma in Law. President of C&GE (Comunicación y Gestión de Entornos), has more than twenty-five years of experience in managerial and consulting positions, Organizations and Private, Public and Politic Projects. Expert in Strategic Positioning and Corporate Communication, he has an international profile with professional activities in more than fifty countries and strong relations with Latin America. Founder of various non-profit Projects and Organizations like Solidaridad Internacional, Programa de Cooperación Iberoamericana en Temas de Juventud (OIJ, Organismo Iberoamericano de Juventud) and Movimiento por la Paz, el Desarme y la Libertad (MPDL). Regular collaborator with the Fundación Salvador Allende, Fundación Progreso Global and UNICEF. Native speaker in Spanish and French.

Miguel Madanes

Graduate as Industrial Engineer from the University of Buenos Aires. President of Nuem S.A.; President of Pentex S.A.; CEO of FATE S.A., 1976-1993; CEO of ALUAR S.A. 1978-1993; Member of the Government s Privatization Committee, 1989-1990; Member of the Board of Directors of YPF, 1991-1992; Member of the Audit Committee of YPF S.A. from 1993 to 1995 and since 2003; Executive Vice President of YPF S.A. 1995-1997; Chairman of the Board of Directors of YPF. 1997-1998; He was Vice President of the Board of Directors of YPF, 1998-1999.

Carlos Alberto Olivieri

He is a Certified Public Accountant and a professor at Cema University and at Di Tella in Argentina as well as an invited fellow of Michigan University. Chief Financial Officer (CFO) of YPF. He has been associated with YPF since 1993 when he was appointed Vice President and General Controller. From 1999 to 2002, he was CFO of Quilmes Industrial S.A. and returned to YPF in September 2002. He was member of the Board of Directors of the Central Bank (1991) and Aerolìneas Argentinas S.A. from 1991 to 1992.

Alejandro Quiroga López

Graduate as Attorney. Professor of Commercial Law at Cema University. He is Director of Legal Affairs of YPF; Former partner of the law firm of Nicholson & Cano. Foreign Associate at Davis, Polk & Wardwell; Former Sub Secretary of Banking & Insurance at the Ministry of Economy of Argentine.

José María Ranero Díaz

Graduate as Mine Engineer at the Escuela Técnica Superior de Ingenieros de Minas of Madrid. Country Manager of Repsol YPF in Argentina and General Manager of YPF since October 2000. President of Caveant

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S.A., Repsol YPF GAS S.A. and Poligas Luján S.A.C.I., Vice President of A-Evangelista S.A. In 1996, he was appointed President of Astra CAPSA and EG3. From 1990 to 1996, he held different managerial positions in Repsol YPF Exploration and Production business

Luis Pagani

Graduated at Universidad Nacional de Córdoba (Argentina) as a National Public Accountant, and completed a coursework in Marketing in New York University. President and CEO of Arcor Group (1993); since 2002 President of the Asociación Empresaria Argentina (AEA); Director of Praxair S.A. (2002); Secretary to Fundación Carolina de Argentina (2003); Vice President of the Argentine-Mexican Chamber of Commerce; Director of Bimbo S.A. (2004).

Carlos Bruno

Received his degree in Architecture from the University of Buenos Aires. President and co-founder of the CENIT (Centro de Investigaciones para la Transformación). Has participated in the creation of the Center of International Economy while being a member of the Ministry of Foreign Relations. Under Secretary of Economic Integration and Secretary of International Economy Relations (1984-89). Appointed Ambassador V with the Senate s approval, his areas of expertise are International Economic Relations and International Trade.

Javier Monzón

Graduate as economist. Chairman & CEO of INDRA. He has a finance and management background and has held, among others, the following positions: Corporate Banking Director in CAJA MADRID; CFO, Executive Vice President & member of the Executive Committee in TELEFONICA, as well as Chairman & CEO of Telefonica International; Worldwide partner in ARTHUR ANDERSEN & Managing Partner of Corporate Finance Consulting Services and President of Alpha Corporate in Arthur Andersen Spain. He has also been and presently is board member of different companies, foundations and entrepreneurial organizations.

Ernesto Dardis

Graduate as Hydraulic Engineer. A Director of YPF since 2004 representing the National Government. Since 2004 he is the Secretary of Production at the Ministry of Economy and Public Works of the province of Santa Cruz; prior to that from 1994-2003 he was Provincial Director of Energy and from 1991-1994 he was General Director of the Energetic Administration.

Executive Officer s business experience and functions within YPF

Gonzalo López Fanjul

Graduate as Mine Engineer. Director of the Exploration and Production of YPF; Member of the Upstream Chamber of the Oil Industry in Argentina and President of the Argentine Oil and Gas Institute; Comahue Branch (Neuquén); pr