YPF SOCIEDAD ANONIMA
Form 6-K
August 30, 2004

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the month of August, 2004

Commission File Number: 001-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

**Av. Pte. R.S. Peña 777 8th Floor
1354 Buenos Aires, Argentina**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file
annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ý Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes o No ý

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes o No ý

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes o No ý

If Yes is marked, indicate below the file number assigned to the registrant

in connection with Rule 12g3-2(b): N/A

YPF Sociedad Anónima

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English translation of the report originally issued in Spanish, except for the omission of certain disclosures related to formal legal requirements for reporting in Argentina and the addition of the last paragraph - See Note 11 to the primary financial statements

Limited Review Report on Interim Period Financial Statements

To the Board of Directors of YPF SOCIEDAD ANONIMA:

1. We have reviewed the balance sheet of YPF SOCIEDAD ANONIMA (an Argentine Corporation) as of June 30, 2004, and the related statements of income, changes in shareholders equity and cash flows for the six-month period then ended. We have also reviewed the consolidated balance sheet of YPF SOCIEDAD ANONIMA and its controlled and jointly controlled companies as of June 30, 2004, and the related consolidated statements of income and cash flows for the six-month period then ended, which are presented as supplemental information in Schedule I. These financial statements are the responsibility of the Company s Management.

2. We conducted our review in accordance with generally accepted auditing standards in Argentina for a review of interim period financial statements. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for accounting and financial matters. A review is substantially less in scope than an audit of financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

3. Based on our review, we are not aware of any material modification that should be made to the financial statements referred to in the first paragraph for them to be in conformity with generally accepted accounting principles in Buenos Aires City, Argentina.

4. As described in Note 9 to the accompanying primary financial statements, during year 2002, a deep change was implemented in the economic model of the country to overcome the economic crisis in the medium-term. Therefore, the Argentine Federal Government abandoned the parity between the Argentine peso and the US dollar in place since March 1991 and adopted a set of economic, monetary, financial, fiscal and exchange measures. The accompanying financial statements should be read taking into account these issues. The future development of the economic crisis may require further measures from the Argentine Federal Government.

5. In relation to the financial statements as of December 31, 2003 and June 30, 2003, which are presented for comparative purposes, we issued our unqualified auditors report dated March 4, 2004, and our unqualified limited review report on interim period financial statements dated August 7, 2003, respectively. These financial statements, presented for comparative purposes, include the restatement related to the presentation of discontinued operations mentioned in Note 1.c. to the accompanying consolidated financial statements.

6. Certain accounting practices of YPF SOCIEDAD ANONIMA used in preparing the accompanying financial statements conform with generally accepted accounting principles in Buenos Aires City, Argentina, but do not conform with generally accepted accounting principles in the United States of America (see Note 11 to the accompanying financial statements).

Buenos Aires, Argentina

July 29, 2004

DELOITTE & Co. S.R.L.

RICARDO C. RUIZ

Partner

YPF SOCIEDAD ANONIMA

FINANCIAL STATEMENTS AS OF JUNE 30, 2004 AND COMPARATIVE INFORMATION

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English translation of the financial statements originally issued in Spanish,
except for the inclusion of Note 11 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA

Avenida Presidente Roque Sáenz Peña 777 Buenos Aires

FISCAL YEARS NUMBER 28 AND 27

BEGINNING ON JANUARY 1, 2004 AND 2003

FINANCIAL STATEMENTS AS OF JUNE 30, 2004 AND COMPARATIVE INFORMATION

(The financial statements as of June 30, 2004 and June 30, 2003 are unaudited)

Principal business of the Company: exploration, development and production of oil and natural gas and other minerals and refining, marketing, transportation and distribution of oil and petroleum products and petroleum derivatives, including petrochemicals and chemicals, generation of electric power from hydrocarbons, as well as rendering telecommunications services.

Date of registration with the Public Commerce Register: June 2, 1977.

Duration of the Company: through June 15, 2093.

Last amendment to the bylaws: April 9, 2003.

Optional Statutory Regime related to Compulsory Tender Offer provided by Decree No. 677/2001: not incorporated.

Capital structure as of June 30, 2004

(expressed in Argentine pesos)

	Subscribed, paid-in and authorized for stock exchange listing

	(Note 4 to primary financial statements)
Shares of Common Stock, Argentine pesos 10 par value, 1 vote per share	3,933,127,930

JOSE MARIA RANERO DIAZ
Director

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Schedule I

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English translation of the financial statements originally issued in Spanish,
except for the inclusion of Note 11 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2004 AND DECEMBER 31, 2003

(amounts expressed in millions of Argentine pesos - Note 1 to the primary financial statements)

(The financial statements as of June 30, 2004 and June 30, 2003 are unaudited)

	2004	**2003**
Current Assets		
Cash	225	357
Investments (Note 2.a)	312	952
Trade receivables (Note 2.b)	1,836	1,823
Other receivables (Note 2.c)	3,370	6,415
Inventories (Note 2.d)	1,061	806
Other assets (Note 1.c)	78	84
Total current assets	6,882	10,437
Noncurrent Assets		
Trade receivables (Note 2.b)	78	84
Other receivables (Note 2.c)	1,380	1,435
Investments (Note 2.a)	648	573
Fixed assets (Note 2.e)	20,214	20,423
Intangible assets	26	32
Total noncurrent assets	22,346	22,547
Total assets	29,228	32,984
Current Liabilities		
Accounts payable (Note 2.f)	1,636	1,712
Loans (Note 2.g)	475	915
Salaries and social security	110	102
Taxes payable	1,493	3,396
Net advances from crude oil purchasers	262	260
Reserves	83	98
Total current liabilities	4,059	6,483
Noncurrent Liabilities		
Accounts payable (Note 2.f)	489	454
Loans (Note 2.g)	1,939	2,085
Salaries and social security	113	114

Taxes payable	25	21
Net advances from crude oil purchasers	760	881
Reserves	568	537
Total noncurrent liabilities	3,894	4,092
Total liabilities	7,953	10,575
Temporary differences		
Foreign companies translation	(109)	(115)
Valuation of derivative instruments	(9)	(10)
Shareholders Equity	21,393	22,534
Total liabilities, temporary differences and shareholders equity	29,228	32,984

Notes 1 to 4, the accompanying exhibits A and H to Schedule I and the primary financial statements of YPF, are an integral part of and should be read in conjunction with these statements.

JOSE MARIA RANERO DIAZ
Director

Schedule I

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English translation of the financial statements originally issued in Spanish,
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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(amounts expressed in millions of Argentine pesos, except for per share amounts in Argentine pesos - Note 1 to the primary financial statements)

(The financial statements as of June 30, 2004 and June 30, 2003 are unaudited)

	2004	**2003**
Net sales (Note 4)	9,156	8,520
Cost of sales	(4,228)	(3,746)
Gross profit	4,928	4,774
Administrative expenses (Exhibit H)	(202)	(167)
Selling expenses (Exhibit H)	(627)	(538)
Exploration expenses (Exhibit H)	(189)	(124)
Operating income	3,910	3,945
Income on long-term investments (Note 4)	83	137
Other expenses, net (Note 2.h)	(107)	(82)
Financial income (expense), net and holding gains:		
Gains (Losses) on assets		
Interests	82	136
Exchange differences	(22)	(1,126)
Holding gains on inventories	120	42
Losses on exposure to inflation		(8)
(Losses) Gains on liabilities		
Interests	(106)	(134)
Exchange differences	(33)	980
Gains on exposure to inflation		14
Net income before income tax	3,927	3,904
Income tax	(1,544)	(1,724)
Net income from continuing operations	2,383	2,180
Income on discontinued operations (Note 1.c)	16	9
Net income	2,399	2,189
Earnings per share	6.10	5.57

Notes 1 to 4, the accompanying exhibits A and H to Schedule I and the primary financial statements of YPF, are an integral part of and should be read in conjunction with these statements.

JOSE MARIA RANERO DIAZ
Director

English translation of the financial statements originally issued in Spanish,
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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(amounts expressed in millions of Argentine pesos - Note 1 to the primary financial statements)

(The financial statements as of June 30, 2004 and June 30, 2003 are unaudited)

	2004	2003
Cash Flows from Operating Activities		
Net income	2,399	2,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Income on long-term investments and discontinued operations	(99)	(146)
Dividends from long-term investments	38	23
Depreciation of fixed assets	1,198	1,125
Consumption of materials and fixed assets retired, net of allowances	166	367
Increase in allowances for fixed assets	59	24
Net increase in reserves	16	29
Changes in assets and liabilities:		
Trade receivables	(7)	297
Other receivables	3,133	497
Inventories	(255)	(139)
Accounts payable	(97)	(182)
Salaries and social security	2	(54)
Taxes payable	(1,899)	1,568
Net advances from crude oil purchasers	(127)	(508)
Exchange differences, interests and others	(85)	(1,031)
Net cash flows provided by operating activities	4,442(1)	4,059(1)
Cash Flows from Investing Activities		
Acquisitions of fixed assets	(1,197)	(1,048)
Capital distributions from long-term investments	4	
Capital contributions in long-term investments		(3)
Investments (non cash and equivalents)	8	(31)
Net cash flows used in investing activities	(1,185)	(1,082)

Cash Flows from Financing Activities		
Payment of loans	(725)	(1,013)
Proceeds from loans	273	37
Dividends paid	(3,540)	(1,967)
Net cash flows used in financing activities	(3,992)	(2,943)
(Decrease) increase in Cash and Equivalents	(735)	34
Cash and equivalents at the beginning of years	1,248	810
Effect of changes in the purchasing power of Argentine pesos on cash and equivalents		(5)
Cash and equivalents at the end of periods	513	839

For supplemental information on cash and equivalents, see Note 2.a.

(1) Includes (3,539) and (125) corresponding to income tax and minimum presumed income tax payments and (107) and (160) corresponding to interest payments for the six-month periods ended June 30, 2004 and 2003, respectively.

Notes 1 to 4, the accompanying exhibits A and H to Schedule I and the primary financial statements of YPF, are an integral part of and should be read in conjunction with these statements.

JOSE MARIA RANERO DIAZ
Director

Schedule I

English translation of the financial statements originally issued in Spanish,
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YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2004 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos - Note 1 to the primary financial statements, except where otherwise indicated)

(The financial statements as of June 30, 2004 and June 30, 2003 are unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

a) Consolidation policies:

Following the methodology established by Technical Resolution No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.), YPF Sociedad Anónima (the Company or YPF) has consolidated its balance sheets as of June 30, 2004 and as of December 31, 2003 and the related statements of income and cash flows for the six-month periods ended June 30, 2004 and 2003, as follows:

Investments and income (loss) related to controlled companies in which YPF has the number of votes necessary to control corporate decisions are substituted for such companies assets, liabilities, net revenues, cost, expenses and, if applicable, temporary differences, which are aggregated to the Company s balances after the elimination of intercompany profits, transactions, balances and other consolidation adjustments. If applicable, minority shareholders interest on equity and net income is disclosed separately in the balance sheets and income statements, respectively.

Investments and income (loss) related to companies in which YPF holds joint control are consolidated line by line on the basis of the Company s proportionate share in their assets, liabilities, net revenues, cost, expenses and, if applicable, temporary differences, considering intercompany profits, transactions, balances and other consolidation adjustments.

Under General Resolution No. 368 from the Argentine Securities Commission (CNV), the Company discloses its consolidated financial statements, included in Schedule I, preceding its primary financial statements.

b) Financial statements used for consolidation:

The consolidated financial statements are based upon the last available financial statements of those companies in which YPF holds control or joint control, taking into consideration, if applicable, significant subsequent events and transactions, available management information and transactions between YPF and the related company, which have produced changes on the latter shareholders equity.

c) **Valuation criteria:**

In addition to the valuation criteria disclosed in the notes to YPF primary financial statements, the following additional valuation criteria have been applied in the preparation of the consolidated financial statements:

Other assets and income on discontinued operations

As of June 30, 2004, YPF through YPF Holdings Inc., has agreed the sale at fair market value of 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. The mentioned transaction was consummated in July 2004 for an amount of US$ 43 millions.

Prior to June 30, 2004, YPF has proportionally consolidated its balance sheet and statements of income and cash flows with Global s respective financial statements. Due to the mentioned sale agreement, the Company s equity interest and equity income in Global are disclosed in Other assets and Income on discontinued operations accounts of the consolidated balance sheet and statement of income, respectively, together with the goodwill originated in the puchase of such company and its corresponding amortization. The financial statements presented for comparative purposes were restated to give retroactive effect to the presentation of this discontinued operation. As a consequence, net sales and operating income for the six-month period ended June 30, 2003 decreased in 2,004 and 17, respectively.

Fixed assets

Mineral property on foreign unproved properties has been valued at cost translated as detailed in Note 2.d to the primary financial statements. Capitalized costs related to unproved reserves properties are reviewed periodically by Management to ensure the carrying value is recoverable.

Intangible assets

Correspond to start up and organization costs, valued at acquisition cost restated as detailed in Note 1 to the primary financial statements, less corresponding accumulated amortization, which is calculated using the straight-line method over its estimated useful life of five years.

In the opinion of Company s Management, future activities will generate enough economic benefits to recover incurred costs.

Salaries and Social Security Pensions and other Postretirement and Postemployment Benefits

YPF Holdings Inc., a YPF subsidiary with operations in United States of America, has a number of trustee noncontributory pension plans and postretirement benefits.

The funding policy related to trustee noncontributory pension plans is to contribute amounts to the plans sufficient to meet the minimum funding requirements under governmental regulations, plus such additional amounts as Management may determine to be appropriate. The benefits related to the plans are accrued based on years of service and compensation earned during years of employment. YPF Holdings Inc. also has a noncontributory supplemental retirement plan for executive officers and other selected key employees.

YPF Holding Inc. provides certain health care and life insurance benefits for eligible retired employees, and also certain insurance, and other postemployment benefits for eligible individuals in the case employment is terminated by YPF Holdings Inc. before their normal retirement. YPF Holdings Inc. accrues the estimated cost of retiree benefit payments, other than pensions, during employees active service periods. Employees become eligible for these benefits if they meet minimum age and years of service requirements. YPF Holdings Inc. accounts for benefits provided when the minimum service period is met, payment of the benefit is probable and the amount of the benefit can be reasonably estimated. Other postretirement and postemployment benefits are funded as claims are incurred.

Recognition of revenues and construction costs

Revenues and costs related to construction activities are accounted by the percentage of completion method. When adjustments in contract values or estimated costs are determined, any change from prior estimates is reflected in earnings in the current period. Anticipated losses on contracts in progress are expensed when identified.

Derivative instruments

Compañía Mega S.A. (Mega) and Profertil S.A. have entered into cash flow hedges, for which the objective is to provide protection against variability in cash flows due to changes in interest rates established in financial obligation contracts. Changes in the fair value of cash flow hedges are initially deferred in the account Temporary differences - Valuation of derivative instruments in the balance sheet and charged to financial expenses of the statement of income as the related transactions are recognized. Fair value of these derivative instruments generated an increase in liabilities of 9 and 10 as of June 30, 2004 and December 31, 2003, respectively, and were included in the Loans account of the balance sheet.

2. ANALYSIS OF THE MAIN ACCOUNTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Details regarding the significant accounts included in the accompanying consolidated financial statements are as follows:

Consolidated Balance Sheet Accounts as of June 30, 2004 and December 31, 2003

Assets

a) Investments:

	2004		2003	
	Current	Noncurrent	Current	Noncurrent
Short-term investments and government securities	312(1)	9	952(1)	9
Long-term investments		991		857
Allowance for reduction in value of holdings in long-term investments		(352)		(293)
	312	648	952	573

(1) Includes 288 and 891 as of June 30, 2004 and December 31, 2003, respectively, with an original maturity of less than three months.

b) Trade receivables:

	2004		2003	
	Current	Noncurrent	Current	Noncurrent
Accounts receivable	1,782	78	1,770	84
Related parties	386		428	
	2,168	78	2,198	84
Allowance for doubtful trade receivables	(332)		(375)	
	1,836	78	1,823	84

c) Other receivables:

	2004		2003	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax		188		203
Tax credits and export rebates	300	84	285	106
Trade	30		40	
Prepaid expenses	43	227	46	251
Concessions charges	18	115	18	125
Related parties	2,680(1)	632	5,906(1)	615
Loans to clients	9	87	9	87
From the renegotiation of long-term contracts		21		25
From joint ventures and other agreements	17		29	
Miscellaneous	401	103	204	103
	3,498	1,457	6,537	1,515
Allowance for other doubtful accounts	(128)		(122)	
Allowance for valuation of other receivables to their estimated realizable value		(77)		(80)
	3,370	1,380	6,415	1,435

(1) Includes 1,363, which accrues an annual interest rate from 0.99% to 2.40% as of June 30, 2004, and 4,393 as of December 31, 2003 with Repsol International Finance B.V. (Other related party under common control).

d) **Inventories:**

	2004	2003
Refined products and other manufactured for sale	557	413
Crude oil	342	268
Products in process of refining and separation	12	16
Raw materials, packaging materials and others	150	109
	1,061	806

e) **Fixed assets:**

	2004	2003
Net book value of fixed assets (Exhibit A)	20,346	20,509
Allowance for unproductive exploratory drilling	(85)	(39)
Allowance for obsolescence of materials	(26)	(26)
Allowance for fixed assets to be disposed of	(21)	(21)
	20,214	20,423

Liabilities

f) **Accounts payable:**

	2004		2003	
	Current	Noncurrent	Current	Noncurrent
Trade	1,288	37	1,367	37
Hydrocarbon wells abandonment obligations		359		347
Related parties	106		144	
From joint ventures and other agreements	104		104	
Miscellaneous	138	93	97	70
	1,636	489	1,712	454

g) **Loans:**

	Interest rates(1)	Principal maturity	2004		2003	
			Current	Noncurrent	Current	Noncurrent
YPF Negotiable Obligations	7.75-10.00%	2007-2028	30	1,071	574	1,075

Related parties(2)	1.94-10.77%	2004-2014	107	257	50	
Maxus Notes	10.38-10.83%	2004	5		6	
Mega Negotiable Obligations	5.15-10.77%	2004-2014	16	114	29	409
Profertil syndicated loan	3.73-7.22%	2004-2010	48	296	41	366
Interest rate swaps			1	8	1	9
Other bank loans and other creditors	1.25-7.65%	2004-2007	268	193	214	226
			475	1,939	915	2,085

(1) Annual interest rates as of June 30, 2004.

(2) Includes 272 and 92 granted by Repsol Netherlands Finance B.V. and Mega, respectively, as of June 30, 2004, and 44 granted by Repsol Netherlands Finance B.V. as of December 31, 2003.

Consolidated Statements of Income Accounts as of June 30, 2004 and 2003

h) Other expenses, net:

	Income (Expense)	
	2004	**2003**
Reserve for pending lawsuits	(48)	(140)
Miscellaneous	(59)	58
	(107)	(82)

3. COMMITMENTS AND CONTINGENCIES IN CONTROLLED COMPANIES

Laws and regulations related to health and environmental quality in the United States affect nearly all of the operations of YPF Holdings Inc. 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 establish in certain circumstances remedial obligations.

YPF Holdings Inc. 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 Inc. and, as discussed below, Maxus Energy Corporation (Maxus) and Tierra Solutions, Inc. (TS) have certain potential liabilities associated with operations of Maxus former chemical subsidiary. YPF Holdings Inc. 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 Inc. for the installation and operation of systems and equipment for remedial tasks 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 June 30, 2004, reserves for the environmental contingencies totaled approximately 178. Management believes it has adequately reserved for all environmental contingencies, which 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, Diamond Shamrock Chemicals Company (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$ 67 million as of June 30, 2004. The remaining portion of this cost sharing arrangement (US$ 8 as of June 30, 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 Inc. 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 Inc. 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. The construction of the approved remedy was substantially completed in early 2002. The facility is in an optimization phase, which includes testing and related operations and is expected to continue through 2004. This work is being 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 complete the optimization phase and thereafter to conduct ongoing operation and maintenance of such remedy (at an average cost of approximately US$ 1 million annually) for 9 years from and after January 1, 2004.

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 s studies. YPF Holdings Inc. currently expects the testing and studies to be completed in 2005 and the cost to be incurred are approximately 21 after June 30, 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 Initiative (the PRRI). TS has agreed, along with approximately thirty other entities, to participate in a remedial investigation and feasibility study proposed in connection with the PRRI. TS s estimated share of the cost of this remedial investigation and feasibility study is 1 over the next three years, which amount has been fully reserved. As of June 30, 2004, there is an additional 6 reserved in connection with continuing such other studies and related matters related to the Passaic River; however, given the DEP s Directive No. 1 and a Notice of Intent to sue (both discussed below), this reserve amount is currently being reassessed. Until these studies are completed and evaluated, YPF Holdings Inc. cannot reasonably forecast what remedial program, if any, will be proposed for the Passaic River or the Newark Bay watershed and, therefore, 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.

On September 19, 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 sixty six 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 PRRI, 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. The 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.

On February 13, 2004, the EPA and Occidental entered into an administrative order on consent (the AOC) pursuant to which TS (on behalf of Occidental) has agreed to conduct testing and studies to characterize contaminated sediment and biota in the Newark Bay. The scope of the work plan is expected to be agreed upon during the third quarter of 2004. Once the work plan for and estimated cost of these studies have been determined, an appropriate reserve will be established.

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 presently performing the work, and TS is funding Occidental s share of the cost of investigation and remediation of these sites. TS, on behalf of Occidental, is required to provide financial assurance for performance of the work. Currently, the required financial assurance is provided through a letter of credit. 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 Inc. has reserved its best estimate of the remaining cost to perform the investigations and remedial work as being approximately 79 as of June 30, 2004. In addition, 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. The State of New Jersey has expressed an increased interest in possibly instituting legal action seeking recovery of its expenditures in connection with these sites. The parties have settled the DEP s claims of natural resource damages related to chromite ore residue both at said orphan sites and other known and unknown sites in Hudson and Essex Counties, New Jersey. While Maxus and TS expect settlement discussions to continue on the other aspects of the DEP s claims, there can be no assurance of a negotiated resolution to these claims. 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 June 30, 2004, it is estimated that the remaining cost of performing the RIFS will be approximately 1. 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 Inc. has reserved its estimated share of the cost to perform the RIFS and an additional 2, as of June 30, 2004, for 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 Inc. 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. While the developer is proceeding with its development plans, 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 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 a number of these sites, the ultimate response cost and Chemicals share of such costs cannot be estimated at this time. At June 30, 2004, YPF Holdings Inc. has reserved approximately 13 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 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. The estimated cost of such remediation is not expected to exceed a total of US$ 80 million. Pursuant to a cost sharing agreement among the defendants, TS (on behalf of Occidental) contributed US$ 6.3 million toward the settlement, subject to the defendants agreement to arbitrate their respective obligations in connection with the settlement. The arbitration is expected to begin in the second half of 2004.

Legal Proceedings. In 1998, a subsidiary of Occidental filed a lawsuit in state court in Ohio seeking a declaration of the parties rights with respect to obligations for certain costs allegedly related to Chemicals Ashtabula, Ohio facility, as well as certain other costs. Both Maxus and Occidental filed motions for partial summary judgment. In 2002, the court granted Occidental s and denied Maxus respective motions for partial summary judgment. Maxus believes the court erred and has appealed.

In 2001, the Texas State Comptroller assessed Midgard Energy Company, a subsidiary of YPF Holdings Inc., approximately 76 in Texas state franchise taxes, plus penalty and interest (currently estimated to be in excess of 146), for periods from 1997 back to 1984. The basis for the assessments essentially is the Comptroller s attempt to characterize certain debt as capital contributions. YPF Holdings Inc. believes the assessment is without substantial merit and has challenged the assessment through administrative appeals procedures.

In 2001, the Texas State Comptroller also assessed Maxus Corporate Company, a former subsidiary of YPF Holdings Inc. that was merged into Maxus in December 1998, approximately 4 in Texas state sales taxes for the period of September 1, 1995 through December 31, 1998, plus penalty and interest (currently estimated in 3). On March 31, 2004, the administrative law judge issued a proposed decision that would affirm approximately 3 of such assessment, plus penalty and interest. YPF Holdings Inc. believes the proposed decision is erroneous and, when the decision is issued in final form, intends to challenge it in a court action, where there would be a new trial.

In 2002, Occidental sued Maxus and TS in state court in Dallas, Texas seeking a declaration that Maxus and TS have the obligation under the agreement pursuant to which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals, including claims related to Agent Orange and vinyl chloride monomer (VCM), notwithstanding the fact that (a) said agreement contains a 12-year cut-off for defense and indemnity obligations with respect to most litigation, and (b) TS is not a party to said agreement. Both Maxus and TS, on the one hand, and Occidental, on the other, filed motions for summary judgment in this action. The court granted Maxus and TS motion, and overruled Occidental s motion, on July 19, 2004. Once a final judgment has been entered, Occidental will have the right to appeal this decision. In a related development, in June 2003, the U.S. Supreme Court affirmed, by a four to four vote, a decision of the Second Circuit Court of Appeals, which held that the 1984 settlement of the claims of Vietnam veterans does not preclude certain Vietnam veterans from asserting claims alleging injury due to Agent Orange exposure. While Maxus believes there are a number of valid defenses to any claims that may be asserted by Vietnam veterans who are not bound by the terms of the 1984 settlement, it also believes that Occidental is responsible for any Agent Orange lawsuits filed after the September 4, 1986 cut-off date.

In May 2003, the U.S. Internal Revenue Service (IRS) assessed Maxus (for 1994, 1995 and 1996) and YPF Holdings Inc. (for 1997) an aggregate of approximately 70 in additional income taxes. Maxus and YPF Holdings Inc. believe that most of these assessments are without substantial merit, and they have protested this assessment. On January 30, 2004, the IRS assessed YPF Holdings Inc. an additional 22 in withholding taxes, which the IRS contends should have been withheld from an interest payment to YPF International Ltd. in 1997. YPF Holdings Inc. believes this assessment is without substantial merit and has challenged same.

YPF Holdings Inc., including its subsidiaries, is a party to various other lawsuits, the outcomes of which are not expected to have a material adverse affect on YPF Holdings Inc. s financial condition. YPF Holdings Inc. has established reserves for legal contingencies in situations where a loss is probable and can be reasonably estimated.

YPF Holdings Inc. has entered into various operating agreements and capital commitments associated with the exploration and development of its oil and gas properties. Such contractual, financial and/or performance commitments are not material.

4. CONSOLIDATED BUSINESS SEGMENT INFORMATION

The Company organizes its business into five segments which comprise: the exploration and production, including contractual purchases of natural gas and crude oil arising from service contracts and concession obligations, as well as natural gas sales (Exploration and Production); the refining and marketing of crude oil and petroleum derivatives (Refining and Marketing); the petrochemical operations (Chemical); the marketing of certain natural gas liquids and electric power generation (Natural Gas and Electricity); and other activities, not falling into these categories, are classified under Corporate and Other which principally include corporate administration costs and assets, construction activities and environmental remediation activities related to YPF Holdings Inc. preceding operations mentioned in Note 3.

Operating income (loss) and assets for each segment have been determined after intersegment adjustments. Sales between business segments are made at internal transfer prices established by YPF, which approximate market prices.

	Exploration and Production	Refining and Marketing	Chemical	Natural Gas and Electricity	Corporate and Other	Consolidation Adjustments	Total
Six-month period ended June 30, 2004							
Net sales to unrelated parties	820	6,113	794	145	61		7,933
Net sales to related parties	230	884		109			1,223
Net intersegment sales	5,222	341	78		53	(5,694)	
Net sales	6,272	7,338	872	254(1)	114	(5,694)	9,156
Operating income (loss)	3,112	675	213	117	(167)	(40)	3,910
Income on long-term investments	5	15	46	17			83
Depreciation and amortization	944	182	42	15	15		1,198
Acquisitions of fixed assets	1,068	100	33	1	9		1,211
As of June 30, 2004							
Assets	15,493	7,731	2,006	1,003	3,639	(644)	29,228

Six-month period ended June 30, 2003