YPF SOCIEDAD ANONIMA
Form 6-K
March 17, 2014
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of March, 2014

Commission File Number: 001-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

Macacha Güemes 515

C1106BKK 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 x Form 40-F ¨

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 ¨ No x

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 ¨ No x

Table of Contents

YPF Sociedád Anonima

TABLE OF CONTENTS

ITEM

Table of Contents

SOCIEDAD ANONIMA

Consolidated Financial Statements
as of December 31, 2013 and
Comparative Information
Independent Auditors   Report

Deloitte & Co. S.A.

Florida 234, 5th floor

C1005AAF

Ciudad Autónoma

de Buenos Aires

Argentina

Phone.: (+54-11) 4320-2700

Fax: (+54-11) 4325-8081/4326-7340

www.deloitte.com/ar

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 inclusion of the last paragraph.

Independent Auditors Report

To the President and Board of Directors of

YPF SOCIEDAD ANONIMA

Macacha Güemes 515

Buenos Aires City

Report on financial statements

1. Identification of the financial statements subject to audit

We have audited the accompanying consolidated financial statements of YPF SOCIEDAD ANONIMA (an Argentine corporation, hereinafter mentioned YPF SOCIEDAD ANONIMA or the Company) and its controlled companies (which are detailed in the Exhibit I of such consolidated financial statements) which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of comprehensive income, changes in shareholders equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information included in their notes 1 to 14 and Exhibits I, II and III.

The figures and other information corresponding to the years ended on December 31, 2012 and 2011 are an integral part of these consolidated financial statements above mentioned and are intended to be read only in relation to the amounts and other disclosures relating to the current year.

2. Company s Board of Directors responsibility for the consolidated financial statements

The Company s Board of Directors is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional financial standard as they were approved by the International Accounting Standards Board (IASB) and incorporated by the Argentine Securities Commission to its regulations. Moreover, the Board of Directors is responsible of an internal control system as it determines necessary to enable the preparation of consolidated financial statements that are free from material misstatements.

Deloitte & Co. S.A. Registro de Soc. Com. CPCECABA T°1 Folio 3

Table of Contents

3. Auditor s responsibility

Our responsibility is to express an opinion about the accompanying consolidated financial statements, based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA) adopted by Technical Resolution No. 32 issued by the FACPCE. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditor s professional judgment , including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the Company s preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company s Board of Directors and Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph of section 1 of this report, presents fairly, in all material respects, the financial position of YPF SOCIEDAD ANONIMA and its controlled companies as of December 31, 2013, and the comprehensive results of their operations, changes in its shareholders equity and their cash flow for the year then ended, in accordance with the International Financial Reporting Standards.

5. English translation of statutory financial statements

This report and the consolidated financial statements referred to in section 1, have been translated into English for the convenience of English-speaking readers. The accompanying consolidated financial statements are the English translation of those originally issued by YPF SOCIEDAD ANÓNIMA in Spanish and presented in accordance with International Financial Reporting Standards.

Buenos Aires City, Argentina
March 7, 2014

Deloitte & Co. S.A.

Guillermo D. Cohen
Partner

member firms.

Table of Contents

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013

AND COMPARATIVE INFORMATION

Table of Contents

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA

Macacha Güemes 515 Ciudad Autónoma de Buenos Aires, Argentina

FISCAL YEAR NUMBER 37

BEGINNING ON JANUARY 1, 2013

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

Principal business of the Company: exploration, development and production of oil, natural gas and other minerals and refining, transportation, marketing and distribution of oil and petroleum products and petroleum derivatives, including petrochemicals, chemicals and non-fossil fuels, biofuels and their components; production of electric power from hydrocarbons; rendering telecommunications services, as well as the production, industrialization, processing, marketing, preparation services, transportation and storage of grains and its derivatives.

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 14, 2010.

Optional Statutory Regime related to Compulsory Tender Offer provided by Decree No. 677/2001 art. 24: not incorporated (modified by Law No. 26,831).

Capital structure as of December 31, 2013

(expressed in Argentine pesos)

Subscribed, paid-in and authorized for stock exchange listing	3,933,127,930 (1)

(1) Represented by 393,312,793 shares of common stock, Argentine pesos 10 per value and 1 vote per share.

MIGUEL MATÍAS GALUCCIO
President

1

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos Note 1.b.1)

	Note	2013	2012	2011
Noncurrent Assets				
Intangible assets	2.f	2,446	1,492	1,300
Fixed assets	2.g	93,496	56,971	43,522
Investments in companies	2.e	2,124	1,914	2,013
Deferred income tax assets, net	10	34	48	30
Other receivables and advances	2.c	2,927	1,161	882
Trade receivables	2.b	54	15	22
Total non-current assets		101,081	61,601	47,769
Current Assets				
Inventories	2.d	9,881	6,922	6,006
Other receivables and advances	2.c	6,506	2,635	2,788
Trade receivables	2.b	7,414	4,044	3,315
Cash and equivalents	2.a	10,713	4,747	1,112
Total current assets		34,514	18,348	13,221
Total assets		135,595	79,949	60,990
Shareholders equity				
Shareholders contributions		10,600	10,674	10,674
Reserves, other comprehensive income and retained earnings		37,416	20,586	12,746
Shareholders equity attributable to the shareholders of the parent company		48,016	31,260	23,420
Non-controlling interest		224		
Total shareholders equity (per corresponding statements)		48,240	31,260	23,420

Noncurrent Liabilities				
Provisions	2.j	19,172	10,663	9,206
Deferred income tax liabilities, net	10	11,459	4,685	2,724
Other taxes payable		362	101	136
Salaries and social security		8	48	38
Loans	2.i	23,076	12,100	4,435
Accounts payable	2.h	470	162	60
Total noncurrent liabilities		54,547	27,759	16,599
Current Liabilities				
Provisions	2.j	1,396	820	965
Income tax liability		122	541	
Other taxes payable		1,045	920	511
Salaries and social security		1,119	789	537
Loans	2.i	8,814	5,004	7,763
Accounts payable	2.h	20,312	12,856	11,195
Total current liabilities		32,808	20,930	20,971
Total liabilities		87,355	48,689	37,570
Total liabilities and shareholders equity		135,595	79,949	60,990

Notes 1 to 14 and the accompanying exhibits I, II and III are an integral part of these statements.

MIGUEL MATÍAS GALUCCIO
President

2

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos, except for per share amounts in Argentine pesos Note 1.b.1)

	Note	2013	2012	2011
Revenues	2.k	90,113	67,174	56,211
Cost of sales	2.k	(68,571)	(50,267)	(41,143)
Gross profit		21,542	16,907	15,068
Selling expenses	2.k	(7,571)	(5,662)	(5,438)
Administrative expenses	2.k	(2,686)	(2,232)	(1,822)
Exploration expenses	2.k	(829)	(582)	(574)
Other income (expense), net	2.k	704	(528)	(46)
Operating income		11,160	7,903	7,188
Income on investments in companies		353	114	685
Financial income (expense), net:				
Gains (losses) on assets				
Interests		924	198	180
Exchange differences		(2,175)	(337)	(173)
(Losses) gains on liabilities				
Interests		(3,833)	(1,557)	(1,045)
Exchange differences		7,919	2,244	751
Net income before income tax		14,348	8,565	7,586
Current Income tax	10	(2,844)	(2,720)	(2,495)
Deferred income tax	10	(6,425)	(1,943)	(646)
Net income for the year		5,079	3,902	4,445
Net income for the year attributable to:				
Shareholders of the parent company		5,125	3,902	4,445
Non-controlling interest		(46)		
Earnings per share attributable to shareholders of the parent company basic and diluted	9	13.05	9.92	11.30

Other comprehensive income			
Actuarial gains (losses) Pension Plans [2]	6	18	(12)
Translation differences from investments in companies [3]	(416)	(198)	(110)
Translation differences from YPF S.A. [4]	12,441	4,421	1,974
Total other comprehensive income for the year [1]	12,031	4,241	1,852
Total comprehensive income for the year	17,110	8,143	6,297

(1) Entirely assigned to the parent company s shareholders.
(2) Immediately reclassified to retained earnings.
(3) Will be reversed to net income at the moment of the sale of the investment or full or partial reimbursement of the capital.
(4) Will not be reversed to net income.

Notes 1 to 14 and the accompanying exhibits I, II and III are an integral part of these statements.

MIGUEL MATÍAS GALUCCIO
President

3

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos, except for the amounts per share expressed in pesos Note 1.b.1)

	Shareholders contributions				Reserves							
	Suscribed capital	Adjustment to contributions	Issuance premium	Total	Legal	Future dividends	Investments	Other comprehensive income	Retained earnings	Equity attributable to Parent company shareholders	Non-controlling interest	Total shareholders equity
Balances at the beginning of year	3,933	7,281	640	11,854	2,243	596			7,995	22,688		22,688
As decided by the General Ordinary Shareholder s Meeting of April 26, 2011:												
Absorption of the effect of the modification of previous year s information (Note 4).		(1,180)		(1,180)					1,180			
Reversal of Legal Reserve (Note 4).					(236)				236			
Reversal of Reserve for future dividends						(596)			596			
Appropriation to Reserve for						6,622			(6,622)			

future dividends											
As decided by the Board of Directors Meeting of April 26, 2011:											
Cash dividends (7 per share)						(2,753)				(2,753)	(2,753)
As decided by the Board of Directors Meeting of November 2, 2011:											
Cash dividends (7.15 per share)						(2,812)				(2,812)	(2,812)
Other comprehensive income for the year								1,852		1,852	1,852
Actuarial losses reclassification Pension Plans								12	(12)		
Net income									4,445	4,445	4,445
Balances as of December 31, 2011	3,933	6,101	640	10,674	2,007	1,057		1,864	7,818	23,420	23,420
As decided by General Ordinary Shareholders Meeting of July 17, 2012:											
Reversal of Reserve for future dividends						(1,057)			1,057		
Appropriation to Reserve for investments							5,751		(5,751)		
Appropriation to Reserve for future dividends						303			(303)		
As decided by the Board of Directors Meeting of											

November 6, 2012:											
Cash dividends (0.77 per share)						(303)				(303)	(303)
Other comprehensive income for the year								4,241		4,241	4,241
Actuarial gains reclassification Pension Plans								(18)	18		
Net income									3,902	3,902	3,902
Balances as of December 31, 2012	3,933	6,101	640	10,674	2,007		5,751	6,087	6,741	31,260	31,260

MIGUEL MATÍAS GALUCCIO
President

4

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos, except for the amounts per share expressed in pesos Note 1.b.1)

	Shareholders contributions								Reserves								E attr
d l	Adjust-ment to contri-bu tions	Trea-sury shares	Adjust-ment to trea-sury shares	Share based bene-fit plans	Acqui-sition cost of trea-sury shares	Share tra-ding Pre-mium	Issu-ance Pre-mium	Total	Legal	Future divi-dends	Invest-ments	Pur-chase of trea-sury shares	Ini-tial IFRS adjust-ment	Other compre-hensive in-come	Re-tained ear-nings	Pare con pan shar holde
3	6,101						640	10,674	2,007		5,751			6,087	6,741	31,2
2)	(19)	12	19		(120)			(120)								(1
				81 (2)				81								
3	5	(3)	(5)	(41)	10	(4)		(35)								(

											2,643				(2.643)	
										330					(330)	
												120			(120)	
													3,648		(3.648)	
										(326)						(3
														12,031		12,0
														(6)	6	
															5,125	5,1
4	6,087	9	14	40	(110)	(4)	640	10,600	2,007	4	8,394	120	3,648	18,112 (1)	5,131	48,0

(1) Includes 18,836 corresponding to the effect of the translation of the financial statements of YPF S.A. and (724) corresponding to the effect of the translation of the financial statements of investments in companies with functional currency different to dollar, as detailed in Note 1.b.1. During the year ended December 31, 2013, (115) have been reclassified in relation with the effect of the translation of the financial statements of Pluspetrol Energy S.A. as result of the spin-off of such Company (see Note 13).

(2)

Includes 38 corresponding to long-term benefit plans as of December 31, 2012, which were converted to share-based benefit plans (see Note 1.b.10) and 43 corresponding to the accrual of share-based benefit plans for the year ended December 31, 2013.

(3) Net of employees income tax withholding related to the share-based benefit plans.

Notes 1 to 14 and the accompanying exhibits I, II and III are an integral part of these statements.

MIGUEL MATÍAS GALUCCIO
President

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos Note 1.b.1)

	2013	**2012**	**2011**
Cash flows from operating activities			
Net income	5,079	3,902	4,445
Adjustments to reconcile net income to cash flows provided by operating activities:			
Income on investments in companies	(353)	(114)	(685)
Depreciation of fixed assets	11,236	8,129	6,438
Amortization of intangible assets	197	152	61
Consumption of materials and retirement of fixed assets and intangible assets, net of provisions	2,336	1,170	1,022
Net increase (decrease) of fixed assets provisions	16	(1)	21
Income tax	9,269	4,663	3,141
Net increase in provisions	3,256	2,208	1,261
Changes in assets and liabilities:			
Trade receivables	(2,627)	(517)	14
Other receivables and advances	(3,288)	22	745
Inventories	(2,959)	(916)	(2,258)
Accounts payable	3,243	1,857	2,330
Other taxes payables	272	374	(111)
Salaries and social security	253	262	147
Decrease in provisions from payment	(713)	(1,406)	(1,126)
Interest, exchange differences and other (1)	(1,243)	(825)	895
Dividends from investments in companies	280	388	579
Income tax payments	(3,290)	(2,047)	(4,233)
Net cash flows provided by operating activities	20,964	17,301	12,686
Cash flows used in investing activities (2)			
Payments for investments:			
Acquisition of fixed assets and intangible assets	(27,639)	(16,403)	(12,156)
Acquisition of investment in companies	(36)		
Capital contributions to investments in companies	(20)		(2)

Proceeds from sale of fixed and intangible assets (Note 11.c)	5,351		
Net cash flows used in investing activities	(22,344)	(16,403)	(12,158)
Cash flows used in financing activities			
Payments of loans	(6,804)	(28,253)	(16,997)
Payments of interest	(2,720)	(920)	(457)
Proceeds from loans	16,829	32,130	21,175
Dividends paid	(326)	(303)	(5,565)
Net cash flows provided by (used in) financing activities	6,979	2,654	(1,844)
Translation differences generated by cash and equivalents	224	83	102
Net increase (decrease) in cash and equivalents	5,823	3,635	(1,214)
Cash and equivalents at the beginning of year	4,747	1,112	2,326
Cash and equivalents provided by business combinations (Note 13)	143		
Cash and equivalents at the end of year	10,713	4,747	1,112
Net increase (decrease) in cash and equivalents	5,823	3,635	(1,214)
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF YEAR			
Cash	4,533	950	777
Other financial assets	6,180	3,797	335
TOTAL CASH AND EQUIVALENTS AT THE END OF YEAR	10,713	4,747	1,112

(1) Does not include translation differences generated by cash and equivalents, which is exposed separately in the statement.

(2) The main investing activities that have not affected cash and equivalents correspond to unpaid acquisitions of fixed assets and concession extension bonus at the end of the year for 2,833, increase in hydrocarbons wells abandonment obligations costs for 4,357, capital contributions in kind to investments in companies for 133 and the incorporation of assets and liabilities related to business combinations mentioned in Note 13.

Notes 1 to 14 and the accompanying exhibits I, II and III are an integral part of these statements.

MIGUEL MATÍAS GALUCCIO
President

Table of Contents

English translation of the financial statements originally filed in Spanish with the Argentine Securities Commission (CNV).

In case of discrepancy, the financial statements filed with the CNV prevail over this translation.

YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013 AND COMPARATIVE INFORMATION

(amounts expressed in millions of Argentine pesos, except where otherwise indicated Note 1.b.1)

1. CONSOLIDATED FINANCIAL STATEMENTS

1.a) Presentation Basis

Application of International Financial Reporting Standards

The consolidated financial statements of YPF S.A. (hereinafter YPF) and its controlled companies (hereinafter and all together, the Group or the Company) for the year ended December 31, 2013 are presented in accordance with International Financial Reporting Standard (IFRS). The adoption of these standards as issued by the International Accounting Standards Board (IASB) was determined by the Technical Resolution No. 26 (ordered text) issued by Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and the Regulations of the Argentine Securities Commission (CNV).

The amounts and other information corresponding to the years ended on December 31, 2012 and 2011 are an integral part of the consolidated financial statements mentioned above and are intended to be read only in relation to these statements.

Criteria adopted by YPF in the transition to IFRS

At the date of the transition to IFRS (January 1, 2011, hereinafter the transition date), the Company has followed the following criteria in the context of the alternatives and exemptions provided by IFRS 1 First-Time Adoption of International Financial Reporting Standards :

I. Fixed assets and intangible assets have been measured at the transition date at the functional currency defined by the Company according to the following basis:

a)

Assets as of the transition date which were acquired or incorporated before March 1, 2003, date on which General Resolution No. 441 of the CNV established the discontinuation of the remeasurement of financial statements in constant pesos: the value of these assets measured according to the accounting standards outstanding in Argentina before the adoption of IFRS (Previous Argentine GAAP) have been adopted as deemed cost as of March 1, 2003 and remeasured into U.S. dollars using the exchange rate in effect on that date;

b) Assets as of the transition date which were acquired or incorporated subsequently to March 1, 2003: have been valued at acquisition cost and remeasured into U.S. dollars using the exchange rate in effect as of the date of incorporation or acquisition of each asset.

II. The cumulative translation differences generated by investments in foreign companies as of the transition date were reclassified to retained earnings. Under previous Argentine GAAP, these differences were recorded under shareholders equity as deferred earnings.

The effect arising from the initial application of IFRS, considering the mentioned criteria has been recorded in the Initial IFRS adjustment reserve account within Shareholders equity . See additionally Note 1.b.17).

Use of estimations

The preparation of the consolidated financial statements in accordance with IFRS, which is YPF´s Board of Directors responsibility, require certain accounting estimates to be made and the Board of Directors and Management to make judgments when applying accounting standards. Areas of greater complexity or that require further judgment, or those where assumptions and estimates are significant, are detailed in Note 1.c Accounting Estimates and Judgments .

Table of Contents

Consolidation policies

a) General criteria

For purpose of presenting the consolidated financial statements, the full consolidation method was used with respect to those subsidiaries in which the Company holds, either directly or indirectly, control, understood as the ability to establish/manage the financial and operating policies of a company to obtain benefits from its activities. This capacity is, in general but not exclusively, obtained by the ownership, directly or indirectly of more than 50% of the voting shares of a company.

Interest in joint operations and other agreements which gives the Company a percentage contractually established over the rights of the assets and obligations that emerge from the contract (joint operations), have been consolidated line by line on the basis of the mentioned participation over the assets, liabilities, income and expenses related to each contract. Assets, liabilities, income and expenses of joint operations are presented in the consolidated balance sheet and in the consolidated statement of comprehensive income, in accordance with their respective nature.

Paragraph a) of Exhibit I details the controlled companies which were consolidated using the full consolidation method and Exhibit II details the main joint operations which were proportionally consolidated.

In the consolidation process, balances, transactions and profits between consolidated companies have been eliminated.

The Company s consolidated financial statements are based on the most recent available financial statements of the companies in which YPF holds control, taking into consideration, where necessary, significant subsequent events and transactions, information available to the Company s management and transactions between YPF and such controlled companies, which could have produced changes to their shareholders equity. The date of the financial statements of such controlled companies used in the consolidation process may differ from the date of YPF s financial statements due to administrative reasons. The accounting principles and procedures used by controlled companies have been homogenized, where appropriate, with those used by YPF in order to present the consolidated financial statements based on uniform accounting and presentation policies. The financial statements of controlled companies whose functional currency is different from the presentation currency are translated using the procedure set out in Note 1.b.1.

YPF, directly and indirectly, holds approximately 100% of capital of the consolidated companies. With the exception of the indirect holdings in MetroGAS S.A. (MetroGAS) and YPF Tecnología S.A. (YPF Tecnología). In accordance with the previously mentioned, there are no material non-controlling interests to be disclosed, as required by IFRS 12 Disclosure of Interests in Other Entities .

b) Business combinations

As detailed in Note 13, during second quarter 2013, the Company obtained control over Gas Argentino S.A. (GASA), parent company of MetroGAS and as from August 2013, over YPF Energía Eléctrica S.A (YPF Energía Eléctrica) a company resulting from the spin-off of Pluspetrol Energy S.A.

The Company has consolidated the results of operations of GASA, and consequently of its subsidiaries, and of YPF Energía Eléctrica as from the moment in which it obtained control over such companies. The accounting effects of the above mentioned transactions, which include the purchase price allocation to the assets and liabilities acquired, are disclosed in Note 13.

1.b) Significant Accounting Policies

1.b.1) Functional and Reporting Currency and tax effect on Other Comprehensive Income

Functional Currency

YPF based on parameters set out in IAS 21 The effects of change in foreign exchange rates , has defined the U.S. dollar as its functional currency.

Consequently, non-monetary cost-based measured assets and liabilities, as well as income or expenses, are remeasured into functional currency by applying the exchange rate prevailing at the date of the transaction.

Table of Contents

Transactions in currencies other than the functional currency of YPF are deemed to be foreign currency transactions and are remeasured into functional currency by applying the exchange rate prevailing at the date of the transaction (or, for practical reasons and when exchange rates do not fluctuate significantly, the average exchange rate for each month). At the end of each year or at the time of cancellation the balances of monetary assets and liabilities in currencies other than the functional currency are measured at the exchange prevailing at such date and the exchange differences arising from such measurement are recognized as Financial income (expense), net in the consolidated statement of comprehensive income for the year in which they arise.

Assets, liabilities and income and expenses related to controlled companies and investments in companies are measured using their respective functional currency. The effects of translating into U.S. dollars the financial information of companies with a functional currency different from the U.S. dollar are recognized in Other comprehensive income for the year.

Reporting Currency

According to General Resolution No. 562 of the CNV, the Company must file its financial statements in pesos. Accordingly, the financial statements prepared by YPF in its functional currency have to be translated into reporting currency, following the criteria described below:

- Assets and liabilities of each balance sheet presented are translated at the closing exchange rate outstanding at the date of each balance sheet presented;

- Items of the statement of comprehensive income are translated at the exchange rate prevailing at the date of each transaction (or, for practical reasons and when exchange rates do not fluctuate significantly, the average exchange rate of each month); and

- The exchange differences resulting from this process are reported in Other comprehensive income .

Tax effect on other comprehensive income:

Results accounted for in Other comprehensive income related to exchange differences arising from investments in companies with functional currencies other than U.S. dollars and also as a result of the translation of the financial statements of YPF to its reporting currency (pesos), have no effect on the current or deferred income tax because as of the time that such transactions were generated, they had no impact on net income nor taxable income.

1.b.2) Financial assets

The Company classifies its financial assets when they are initially recognized and reviews their classification at the end of each year, according to IFRS 9, Financial Instruments .

A financial asset is initially recognized at its fair value. Transaction costs that are directly attributable to the acquisition or issuance of a financial asset are capitalized upon initial recognition of the asset, except for those assets designated as financial assets at fair value through profit or loss.

Following their initial recognition, the financial assets are measured at its amortized cost if both of the following conditions are met: (i) the asset is held with the objective of collecting the related contractual cash flows (i.e., it is held for non-speculative purposes); and (ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on its outstanding amount. If either of the two criteria is not met, the financial instrument is classified at fair value through profit or loss.

A financial asset or a group of financial assets measured at its amortized cost is impaired if there is objective evidence that the Company will not be able to recover all amounts according to its (or their) original terms. The amount of the loss is measured as the difference between the asset s carrying amount and the present value of the estimated cash flows discounted at the effective interest rate computed at its initial recognition, and the resulting amount of the loss is recognized in the consolidated statement of comprehensive income. Additionally, if in a subsequent period the amount of the impairment loss decreases, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined if no impairment loss had been recognized at the date the impairment was reversed.

Table of Contents

The Company writes off a financial asset when the contractual rights on the cash flows of such financial asset expire, or the financial asset is transferred.

In cases where current accounting standards require the valuation of receivables at discounted values, the discounted value does not differ significantly from their face value.

1.b.3) Inventories

Inventories are valued at the lower of their cost and their net realizable value. Cost includes acquisition costs (less trade discount, rebates and other similar items), transformation and other costs which have been incurred when bringing the inventory to its present location and condition.

In the case of refined products, costs are allocated in proportion to the selling price of the related products (isomargen method) due to the difficulty for distributing the production costs to every product.

The Company assesses the net realizable value of the inventories at the end of each year and recognizes in profit or loss in the consolidated statement of comprehensive income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories net realizable value because of changes in economic circumstances, the amount of a write-down is reversed.

Raw materials, packaging and others are valued at their acquisition cost.

1.b.4) Intangible assets

The Company initially recognizes intangible assets at their acquisition or development cost. This cost is amortized on a straight-line basis over the useful lives of these assets (see Note 2.f). At the end of each year, such assets are measured at cost, considering the criteria adopted by the Company in the transition to IFRS (see Note 1.a), less any accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Company are as follows:

I. *Service concessions arrangements:* includes transportation and storage concessions (Note 2.f). These assets are valued at their acquisition cost considering the criteria adopted by the Company in the transition to IFRS (Note 1.a), net of accumulated amortization. They are depreciated using the straight-line method during the course of the concession period.

II. *Exploration rights:* the Company recognizes exploration rights as intangible assets, which are valued at their cost considering the criteria adopted by the Company in the transition to IFRS (see Note 1.a), net of the related impairment, if applicable. Investments related to unproved properties are not depreciated. These investments are reviewed for impairment at least once a year or whenever there are indicators that the assets may have become impaired. Any impairment loss or reversal is recognized in profit or loss in the consolidated statement of comprehensive income. Exploration costs (geological and geophysical expenditures, expenditures associated with the maintenance of unproved reserves and other expenditures relating to exploration activities), excluding exploratory wells drilling expenditures, are charged to expense in the consolidated statement of comprehensive income as incurred.

III. *Other intangible assets:* mainly includes costs relating to computer software development expenditures, as well as assets that represent the rights to use technology and knowledge (know how) for the manufacture and commercial exploitation of equipment related to oil extraction. These items are valued at their acquisition cost considering the criteria adopted by the Company in the transition to IFRS (see Note 1.a), net of the related depreciation and impairment, if applicable. These assets are amortized on a straight-line basis over their useful lives, which range between 3 and 14 years. Management reviews annually the mentioned estimated useful life.

The Company has no intangible assets with indefinite useful lives as of December 31, 2013, 2012 and 2011.

1.b.5) Investments in companies

Investments in affiliated companies and Joint Ventures are valued using the equity method. Affiliated companies are considered those in which the Company has significant influence, understood as the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies. Significant influence is presumed when the Company has an interest of 20% or more in a company.

The equity method consists in the incorporation in the balance sheet line Investments in companies , of the value of net assets and goodwill, if any, of the participation in the affiliated company or Joint Venture. The net income or expense for each year corresponding to the interest in these companies is reflected in the statement of comprehensive income in the Income on investments in companies line.

Investments in companies have been valued based upon the latest available financial statements of these companies as of the end of each year, 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 s shareholders equity. The dates of the financial statements of such related companies used in the consolidation process may differ from the date of the Company s financial statements due to administrative reasons. The accounting principles and procedures used by affiliated companies have been homogenized, where appropriate, with those used by YPF in order to present the consolidated financial statements based on uniform accounting and presentation policies. The financial statements of affiliated companies whose functional currency is different from the presentation currency are translated using the procedure set out in Note 1.b.1.

Investments in companies in which the Company has no joint control or significant influence, have been valued at cost.

Investments in companies with negative shareholders equity are disclosed in the Accounts payable account, provided that the Company has the intention to provide the corresponding financial support.

In paragraph b) of Exhibit I are detailed the investments in companies.

As from the effective date of Law No. 25,063, dividends, either in cash or in kind, that the Company receives from investments in other companies and which are in excess of the accumulated income that these companies carry upon distribution shall be subject to a 35% income tax withholding as a sole and final payment. The Company has not recorded any charge for this tax since it has estimated that dividends from earnings recorded by the equity method will not be subject to such tax.

1.b.6) Fixed assets

i. *General criteria:*

Fixed assets are valued at their acquisition cost, plus all the costs directly related to the location of such assets for their intended use, considering the criteria adopted by the Company in the transition to IFRS (see Note 1.a).

Borrowing costs of assets that require a substantial period of time to be ready for their intended use are capitalized as part of the cost of these assets.

Major inspections, necessary to restore the service capacity of the related asset (overhauls), are capitalized and depreciated on a straight-line basis over the period until the next overhaul is scheduled.

11

Table of Contents

The costs of renewals, betterments and enhancements that extend the useful life of properties and/or improve their service capacity are capitalized. As fixed assets are retired, the related cost and accumulated depreciation are eliminated from the balance sheet.

Repair and maintenance expenses are recognized in the statement of comprehensive income as incurred.

These assets are reviewed for impairment at least once a year or whenever there are indicators that the assets may have become impaired.

The carrying value of the fixed assets based on each cash generating unit, as defined in Note 1.b.8, does not exceed their estimated recoverable value.

ii. Depreciation:

Fixed assets, other than those related to oil and gas exploration and production activities, are depreciated using the straight-line method, over the years of estimated useful life of the assets, as follows:

	Years of Estimated Useful Life
Buildings and other constructions	50
Refinery equipment and petrochemical plants	20 25
Infrastructure of natural gas distribution	20 50
Transportation equipment	5 25
Furniture, fixtures and installations	10
Selling equipment	10
Electric power generation facilities	15 20
Other property	10

Land is classified separately from the buildings or facilities that may be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

The Company reviews annually the estimated useful life of each class of assets.

iii. Oil and gas exploration and production activities:

The Company recognizes oil and gas exploration and production transactions using the successful-efforts method. The costs incurred in the acquisition of new interests in areas with proved and unproved reserves are capitalized as incurred under Mineral properties, wells and related equipment. Costs related to exploration permits are classified as intangible assets (see Notes 1.b.4 and 2.f).

Exploration costs, excluding the costs associated to exploratory wells, are charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, are capitalized pending determination as to whether the wells have found proved reserves that justify commercial development. If such reserves are not found, the mentioned costs are charged to expense. Occasionally, an exploratory well may be determined to have found oil and gas reserves, but classification of those reserves as proved cannot be made. 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 company is making sufficient progress assessing the reserves as well as the economic and operating viability of the project. If any of the mentioned conditions are not met, cost of drilling exploratory wells is charged to expense. In addition, the exploratory activity involves, in many cases, the drilling of multiple wells through several years in order to completely evaluate a project. As a consequence some exploratory wells may be kept in evaluation for long periods, pending the completion of additional wells and exploratory activities needed to evaluate and quantify the reserves related to each project. The detail of the exploratory well costs in evaluation stage is described in Note 2.g).

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 described above are depreciated as follows:

a) The capitalized costs related to productive activities have been depreciated by field on a unit-of-production basis by applying the ratio of produced oil and gas to the estimated proved and developed oil and gas reserves.

b) The capitalized costs related to the acquisition of property and the extension of concessions with proved reserves have been depreciated by field on a unit-of-production basis by applying the ratio of produced oil and gas to the estimated proved oil and gas reserves.

Table of Contents

Revisions in oil and gas proved reserves are considered prospectively in the calculation of depreciation. Revisions in estimates of reserves are performed at least once a year. Additionally, estimates of reserves are audited by independent petroleum engineers on a three-year rotation plan.

iv. Costs related to hydrocarbon wells abandonment obligations:

Costs related to hydrocarbon wells abandonment obligations are capitalized at their discounted value 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 estimated value of the discounted payable amounts. Revisions of the payable amounts are performed upon consideration of the current costs incurred in abandonment obligations on a field-by-field basis or other external available information if abandonment obligations were not performed. Due to the number of wells in operation and/or not abandoned and likewise the complexity with respect to different geographic areas where the wells are located, current costs incurred in plugging activities are used for estimating the plugging activities costs of the wells pending abandonment. Current costs incurred are the best source of information in order to make the best estimate of asset retirement obligations. Future changes in the costs above mentioned, as well as changes in regulations related to abandonment obligations, which are not possible to be predicted at the date of issuance of these financial statements, could affect the value of the abandonment obligations and, consequently, the related asset, affecting the results of future operations.

v. Environmental tangible assets:

The Company capitalizes the costs incurred in limiting, neutralizing or preventing environmental pollution only in those cases in which at least one of the following conditions is met: (a) the expenditure improves the safety or efficiency of an operating plant (or other productive assets); (b) the expenditure prevents or limits environmental pollution at operating facilities; or (c) the expenditure is incurred to prepare assets for sale and do not raise the assets carrying value above their estimated recoverable value.

The environmental related assets and the corresponding accumulated depreciation are disclosed in the consolidated financial statements together with the other elements that are part of the corresponding assets which are classified according to their accounting nature.

1.b.7) Provisions

The Company makes a distinction between:

a) Provisions: represent legal or assumed obligations, arising from past events, the settlement of which is expected to give rise to an outflow of resources and which amount and timing are uncertain. Provisions are recognized when the liability or obligation giving rise to an indemnity or payment arises, to the extent that its amount can be reliably estimated and that the obligation to settle is probable or certain. Provisions include both obligations whose occurrence does not depend on future events (such as provisions for environmental liabilities and provision for hydrocarbon wells abandonment obligations), as well as those obligations that are probable and can be reasonably estimated whose realization depends on the occurrence of a future events that are out of the control of the Company (such as provisions for contingencies). The amount recorded as provision corresponds to the best estimate of expenditures required to settle the obligation, taking into consideration the relevant risks and uncertainties; and

b) Contingent liabilities: represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources embodying future economic benefits. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed to the extend they are significant, as required by IAS No 37, Provisions, contingent liabilities and contingent assets (see Note 11).

Table of Contents

When a contract qualifies as onerous, the related unavoidable liabilities are recognized in the consolidated financial statements as provisions, net of the expected benefits.

Except for provisions for hydrocarbon wells abandonment obligations, where the timing of settlement is estimated on the basis of the work plan of the Company, and considering the estimated production of each field (and therefore its abandonment) and provisions for pension plans, in relation to other noncurrent provisions, it is not possible to reasonably estimate a specific schedule of settlement of the provisions considering the characteristics of the concepts included.

1.b.8) Impairment of fixed assets and intangible assets

For the purpose of evaluating the impairment of fixed assets and intangible assets, the Company compares their carrying value with their recoverable value at the end of each year, or more frequently, if there are indicators that the carrying amount of an asset may not be recoverable. In order to assess impairment, assets are grouped into cash-generating units (CGUs), whereas the asset does not generate cash flows that are independent of those generated by other assets or CGUs, considering regulatory, economic, operational and commercial conditions. Considering the above mentioned, and specifically in terms of assets corresponding to the Upstream, they have been grouped into four CGUs (one of them grouping the assets of fields with oil reserves, and three units that group assets of fields with reserves of natural gas considering the country s basins -Neuquina, Noroeste and Austral basins-), which are the best reflect of how the Company currently manage them in order to generate independent cash flows. The remaining assets are grouped at the Downstream CGU which mainly includes the assets assigned to the refining of crude oil (or that complement such activity) and marketing of such products, in MetroGAS CGU which includes assets related to the distribution of natural gas and in YPF Energía Eléctrica CGU, which includes assets related to generation and commercialization of electric energy.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average capital cost employed for each CGU.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount, and an impairment loss is recognized as an expense under Impairment losses recognized and losses on disposal of fixed assets/intangible assets in the consolidated statement of comprehensive income.

Any impairment loss is allocated to the assets comprising the CGU on a pro-rata basis based on their carrying amount. Consequently, the basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

Upon the occurrence of new events or changes in existing circumstances, which prove that an impairment loss previously recognized could