

YPF SOCIEDAD ANONIMA
Form 6-K
March 10, 2017
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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, 2017

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)

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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

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

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

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YPF Sociedad Anonima

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YPF S.A.
Consolidated Results
Full Year 2016 and Q4 2016

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Consolidated Results Full Year 2016 and Q4 2016

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Consolidated Results Full Year 2016 and Q4 2016

2016 ended with an increase in revenues of 34.6%, an increase in adjusted EBITDA of 22.4% and a decrease in operating income before impairment of assets of 44.1%.

Q4 2015	Q3 2016	Q4 2016	Var.% Q4 16/ Q4 15		Jan - Dec 2015	Jan - Dec 2016	Var.% 2016 /2015
Revenues							
40,946	55,849	54,558	33.2%	(Million Ps)	156,136	210,100	34.6%
Operating income							
910	(34,578)	3,396	273.2%	(Million Ps)	16,588	(24,246)	(246.2%)
Operating income before Impairment of assets							
3,445	1,610	2,151	(37.6%)	(Million Ps)	19,123	10,697	(44.1%)
Net income							
(1,865)	(30,256)	1,775	(195.2%)	(Million Ps)	4,426	(28,379)	(741.2%)
Net income before impairment of assets							
(217)	(6,734)	966	(544.5%)	(Million Ps)	6,074	(5,666)	(193.3%)
Adj. EBITDA							
11,589	14,609	13,933	20.2%	(Million Ps)	47,556	58,216	22.4%
Earnings per share							
(4.32)	(77.14)	4.35	(200.8%)	(Ps per Share)	11.68	(72.13)	(717.5%)
Capital Expenditures (*)							
18,322	14,997	18,569	1.3%	(Million Ps)	61,161	62,805	2.7%

Adjusted EBITDA = Net income attributable to shareholders + Net income (loss) for non-controlling interest - Deferred income tax - Income tax - Financial income (losses) gains on liabilities - Financial income gains (losses) on assets - Income on investments in companies + Depreciation of property, plant and equipment + Amortization of intangible assets + Impairment of property, plant and equipment.

(*)

Capital Expenditures net of costs related to obligations for the abandonment of hydrocarbon wells of Ps 2.4 billion

(Amounts are expressed in billions of Argentine pesos, except where indicated)

1. MAIN MILESTONES AND ECONOMIC MAGNITUDES FOR FULL YEAR 2016

Revenues for 2016 were Ps 210.1 billion, 34.6% higher than 2015.

Operating income for 2016, before asset impairment charges, was Ps 10.7 billion, 44.1% lower than 2015, while adjusted EBITDA for 2016 was Ps 58.2 billion, 22.4% higher than 2015.

Operating cash flow was Ps 49.2 billion for 2016, 18.8% higher than the Ps 41.4 billion reported for 2015.

Total investments in fixed assets were Ps 62.8 billion, 2.7% higher than 2015.

Hydrocarbon production for 2016 was 577.4 Kbped, 0.1% higher than 2015. Crude oil production for 2016 was 244.7 Kbbld for 2016, 2.0% lower than 2015. Natural gas production for 2016 was 44.6 Mm3d, 0.9% higher than 2015. Average crude oil processed for 2016 was 294 Kbbld, 1.8% lower than 2015. The refinery utilization average for 2016 was 92%, 1.8% lower than 2015.

In 2016, proved reserves (P1) decreased 9.2% from 1,226 Mboe in 2015 to 1,113 Mboe in 2016. The reserve replacement ratio was 46%. Hydrocarbon reserves increased 98 Mboe, of which 22 Mbbl corresponds to liquids and 76 Mboe corresponds to natural gas.

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Consolidated Results Full Year 2016 and Q4 2016

2. ANALYSIS OF RESULTS FOR FULL YEAR 2016 AND Q4 2016

2.1 CUMULATIVE RESULTS

Revenues for 2016 were Ps 210.1 billion, 34.6% higher than 2015, due primarily to the following factors:

Natural gas revenues increased Ps 14.4 billion, 65.5% higher than 2015, due to a 67.8% increase in prices in Argentine peso terms, due to an increase in third party sale prices as well as the effect of the stimulus program for the surplus injection of natural gas on incremental production, which was partially offset by a 1.4% decrease in sales volumes;

Diesel revenues increased Ps 14.3 billion, 25.2% higher than 2015, due to a 30.5% increase in the company's diesel product mix prices, which was partially offset by a 4.1% decrease in sales volumes, despite a 8.3% increase in sales volumes of Infinia diesel, a premium diesel product;

Gasoline revenues increased Ps 11.3 billion, 32.3% higher than 2015, due to a 34.1% increase in the company's gasoline product mix prices, which was partially offset by a 1.3% decrease in sales volumes, despite a 1.1% increase in sales volumes of Infinia gasoline, a premium gasoline product;

Retail natural gas revenues from the company's Metrogas S.A. (Metrogas) subsidiary (residential and small business and companies), increased Ps 2.9 billion, 78.0% higher than 2015, due to a 60.1% increase in prices and an 11.2% increase in sales volumes;

Fuel oil revenues in the Argentine domestic market increased Ps 2.6 billion, 36.6% higher than 2015, due to a 54.5% increase in prices, which was partially offset by a 11.6% decrease in sales volumes;

Export revenues increased Ps 4.1 billion, 33.0% higher than 2015, due to a 38.8% increase in exports of flour, grains and oil, a 29.0% increase in exports of jet fuel, and a 37.2% increase in exports of petrochemical products, all due to increases in prices in Argentine peso terms, which was partially offset by lower sales volumes; and

Partially offsetting the effect of the increases discussed above, was Ps 2.0 billion recorded in 2015 due to the Crude Oil Production Stimulus Program, which was discontinued as of 2016.

Cost of sales for 2016 were Ps 177.3 billion, 48.3% higher than 2015. This includes a 48.5% increase in production costs and a 43.9% increase in purchases. Cash costs, which include production costs and purchases but exclude depreciation and amortization, increased 41.4%. This increase was driven by the following factors:

a) Costs of production:

Depreciation of property, plant and equipment increased Ps 17.4 billion, 67.6% higher than 2015, due to increased investments in assets and appreciation based on their valuation in U.S. dollars, which is the functional currency of the company;

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Consolidated Results Full Year 2016 and Q4 2016

Lifting costs increased Ps 8.4 billion, 29.1% higher than 2015, reflecting a 28.2% increase in the unit indicator in Argentine peso terms;

Royalties increased Ps 5.2 billion, 45.7% higher than 2015. Of this increase, Ps 3.2 billion was related to an increase in royalties for crude oil production and Ps 2.0 billion was related to an increase in royalties for natural gas production, due to higher wellhead values of these products;

Production costs related to refining increased Ps 2.5 billion, 42.0% higher than 2015, due primarily to increased costs for the consumption of materials, spare parts, electricity and other supplies and fuels, reflecting a 44.2% increase in the unit indicator in Argentine peso terms;

Transportation costs increased Ps 2.2 billion, 45.0% higher than 2015, due primarily to increases in rates produced during 2016.

b) Purchases:

Biofuel purchases increased Ps 5.5 billion, 70.5% higher than 2015, due to higher FAME and ethanol biofuel prices of 76.3% and 45.6%, respectively, an 11.0% increase in volumes purchased of ethanol biofuel due to an increase in the amount of ethanol biofuel required to be included in gasoline, and a 1.4% increase in volumes purchased of FAME;

Natural gas purchases from other suppliers for resale in the retail segment (residential and small business and companies) from the company's Metrogas subsidiary increased Ps 2.3 billion, 78.2% higher than 2015, due to a 70.0% increase in prices and a 4.8% increase in volumes purchased;

Crude oil purchases from third parties increased Ps 2.2 billion, 19.5% higher than 2015, despite a 13.4% decrease in U.S. dollar prices charged by third parties, due to a 35.0% increase in the purchase price in Argentine peso terms, related principally to the devaluation of the Argentine peso, partially offset by an 11.4% decrease in volumes purchased;

Grain purchases in the agricultural sales segment through the form of barter, which were recorded as purchases for accounting purposes, increased Ps 1.5 billion, 58.1% higher than 2015, due to a 91.1% increase in prices, partially offset by a 17.3% decrease in volumes purchased;

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Fuel imports decreased Ps 0.6 billion, 10.0% lower than 2015, due to a 38.5% decrease in volumes purchased of diesel, which was partially offset by a 15.7% increase in volumes purchased of gasoline and jet fuel.

Additionally, the insurance payment recorded in 2015 related to the loss incurred by the La Plata refinery in April 2013 was Ps 0.6 billion, and the insurance payment recorded in 2015 related to the incident at the Cerro Divisadero treatment plant in Mendoza in March 2014 was Ps 1.2 billion, of which Ps 0.8 billion was recorded as a lower cost of purchases and Ps 0.4 billion was recorded in other operating results, net. Cost of sales in 2016 compared to 2015 was negatively affected by the absence of these insurance payments in 2016.

Administration expenses for 2016 were Ps 7.1 billion, an increase of 27.6% compared to Ps 5.6 billion in 2015. The increase was principally due to higher personnel expenses and higher IT costs.

Selling expenses for 2016 were Ps 15.2 billion, an increase of 37.1% compared to Ps 11.1 billion in 2015. This was driven primarily by increases in transport expenses, primarily due to higher rates paid for domestic transport of fuels, and increases in personnel costs, depreciation of property, plant and equipment, advertising and promotional activities, and in the provision for doubtful accounts, which was negatively affected by recoveries in the provision for doubtful accounts in the natural gas distribution segment in 2015.

Exploration expenses for 2016 were Ps 3.2 billion, an increase of 27.6% compared to Ps 2.5 billion in 2015.

In 2016 the company recorded an impairment charge for property, plant and equipment of Ps 34.9 billion, due to an estimated reduction in crude oil prices in the Argentine domestic market, together with the estimated evolution of costs based on both the impact of macroeconomic factors and the operational behavior of the company's assets.

In 2015, the company recorded an impairment charge for property, plant and equipment and intangible assets of Ps 2.5 billion, due to an expected continued decline in oil prices in the Argentine domestic market over the short term and an expected decline in international oil prices over the medium and long term. This loss impacted field assets in Argentina with reserves and production primarily of oil by Ps 2.3 billion and field assets with crude oil production in the United States by Ps 0.2 billion.

Other operating results, net, for 2016 were a gain of Ps 3.4 billion, a 101.8% increase compared to a gain of Ps 1.7 billion for 2015. This amount includes a net gain of Ps 1.5 billion associated with the deconsolidation of Maxus Energy Corporation, Tierra Solutions Inc., Maxus International Energy Company, Maxus (US) Exploration and Gateway Coal Company (collectively, the Maxus Entities) and income of Ps 1.4 billion related to the Area Magallanes Incremental Project (PIAM) under the agreement reached with the company's partner in the Magallanes area to participate in the extension of the concession of this area. Additionally, this amount includes a Ps 0.2 billion decrease in the receipt of construction incentives by the company's A-Evangelista subsidiary and a Ps 48 million increase in temporary economic assistance accrued by the company's Metrogas subsidiary.

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Financial results for 2016 were a loss of Ps 6.1 billion, a 150.6% decrease compared to a gain of Ps 12.2 billion for 2015. This change was driven primarily by lower positive effects of foreign exchange rates on net liabilities in Argentine pesos of Ps 8.6 billion, generated by lower devaluation of the Argentine peso in 2016 compared to 2015. Higher interest expenses and other financial results of Ps 9.7 billion were also recorded due to increased levels of debt and higher interest rates in 2016 compared to 2015.

Income tax for 2016 was a benefit of Ps 1.4 billion, a decrease of 105.8% compared to an expense of Ps 24.6 billion in 2015. This benefit was mainly due to lower deferred tax of Ps 27.3 billion, which was partially offset by a Ps 1.3 billion increase in current income tax. The lower deferred tax charge is due to the recognition of the deferred tax assets of Ps 12.2 billion related to the impairment charge for property, plant and equipment discussed above and the lower difference generated by the revaluation of the book value of the company's property, plant and equipment in U.S. dollars, which is the functional currency of the company, and the tax bases of such property, plant and equipment denominated in Argentine pesos, due to the lower devaluation of the Argentine peso in 2016.

Net income for 2016 was a loss of Ps 28.4 billion, compared to net income of Ps 4.4 billion in 2015. Net income for 2016, before asset impairment charges, was a loss of Ps 5.7 billion, a decrease of 193.3% compared to a gain of Ps 6.1 billion in 2015.

Capital expenditures for property, plant and equipment in 2016 were Ps 62.8 billion, 2.7% higher than in 2015.

In 2016, proved reserves decreased 9.2% from 1,226 Mboe in 2015 to 1,113 Mboe in 2016. The reserve replacement ratio was 46%, while the ratio was 74% for gas and 20% for liquids. In addition, 98 Mboe of hydrocarbon reserves were added, of which 22 Mbbl corresponds to liquids and 76 Mboe corresponds to natural gas.

2.2 RESULTS FOR Q4 2016

Revenues for Q4 2016 were Ps 54.6 billion, 33.2% higher than Q4 2015, due primarily to the following factors:

Diesel revenues increased Ps 3.5 billion, 23.7% higher than Q4 2015, due to a 27.8% increase in the company's diesel product mix prices, which was partially offset by a 3.2% decrease in sales volumes, despite a 10.6% increase in sales volumes of Infinia diesel, a premium diesel product;

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Consolidated Results Full Year 2016 and Q4 2016

Gasoline revenues increased Ps 3.0 billion, 31.4% higher than Q4 2015, due to a 33.5% increase in the company's gasoline product mix prices, which was partially offset by a 1.6% decrease in sales volumes, despite a 5.1% increase in sales volumes of Infinia gasoline, a premium gasoline product;

Natural gas revenues increased Ps 2.9 billion, 47.4% higher than Q4 2015, due to a 59.4% increase in prices in Argentine peso terms, due to an increase in third party sale prices as well as the effect of the stimulus program for the surplus injection of natural gas on incremental production, which was partially offset by a 7.5% decrease in sales volumes;

Retail natural gas revenues from the company's Metrogas subsidiary (residential and small business and companies) increased Ps 0.7 billion, 79.8% higher than Q4 2015, due to a 93.7% increase in prices, which was partially offset by a 7.2% decrease in sales volumes;

Fuel oil revenues in the Argentine domestic market decreased Ps 0.2 billion, 13.9% lower than Q4 2015, due to a 39.7% decrease in sales volumes, which was partially offset by a 42.8% increase in prices;

Export revenues increased Ps 1.8 billion, 66.3% higher than 2015, due primarily to a 34.0% increase in exports of flour, grains and oil, a 57.5% increase in exports of jet fuel, and a 68.1% increase in exports of petrochemical products, all due to increases in prices in Argentine peso terms, which was partially offset by a decrease in export volumes. In addition, exports of virgin naphtha and LPG increased 117.6% and 693.4%, respectively, due to increases in both prices and export volumes;

Partially offsetting the effect of the increases discussed above, was Ps 0.8 billion recorded in Q4 2015 due to the Crude Oil Production Stimulus Program, which was discontinued as of 2016.

Cost of sales for Q4 2016 were Ps 46.3 billion, 41.3% higher than Q4 2015. This includes a 36.6% increase in production costs and a 40.7% increase in purchases. Cash costs, which include production costs and purchases but exclude depreciation and amortization, increased 38.3%. This increase was driven by the following factors:

a) Costs of production:

Depreciation of property, plant and equipment increased Ps 2.5 billion, 34.5% higher than Q4 2015, due to investments in assets and appreciation based on their valuation in U.S. dollars, which is the functional currency of the company;

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Lifting costs increased Ps 2.0 billion, 24.4% higher than Q4 2015, reflecting a 24.6% increase in the unit indicator in Argentine peso terms;

Royalties increased Ps 1.1 billion, 36.2% higher than Q4 2015. Of this increase, Ps 0.7 billion was related to an increase in royalties for crude oil production and Ps 0.4 billion was related to an increase in royalties for natural gas production, due to higher wellhead values of these products;

Production costs related to refining increased Ps 0.6 billion, 34.4% higher than Q4 2015, due primarily to increased costs for the consumption of materials, spare parts, electricity and other supplies and fuels, reflecting a 30.8% increase in the unit indicator in Argentine peso terms;

Transportation costs increased Ps 0.6 billion, 40.7% higher than Q4 2015, due primarily to increases in rates produced during 2016.

b) Purchases:

Biofuel purchases increased Ps 1.9 billion, 97.9% higher than Q4 2015, due to higher FAME and ethanol biofuel prices of 63.5% and 53.2%, respectively, a 20.1% increase in volumes purchased of ethanol biofuel, and a 29.8% increase in volumes purchased of FAME;

Natural gas purchases from other suppliers for resale in the retail segment (residential and small business and companies) from the company's Metrogas subsidiary increased Ps 0.6 billion, 103.1% higher than Q4 2015, due to a 104.2% increase in prices in Argentine peso terms, which was partially offset by a 0.5% decrease in volumes purchased;

Grain purchases in the agricultural sales segment through the form of barter, which were recorded as purchases for accounting purposes, increased Ps 0.3 billion, 50.9% higher than Q4 2015, due to an increase in prices in Argentine peso terms and similar volumes purchased;

Crude oil purchases from third parties increased Ps 0.3 billion, 9.7% higher than Q4 2015, due to a 22.5% increase in the purchase price in Argentine peso terms, partially offset by a 10.4% decrease in volumes purchased;

Diesel, gasoline and jet fuel imports decreased Ps 1.0 billion, 63.1% lower than Q4 2015, due to an 89.2% decrease in volumes purchased of diesel and a 44.5% decrease in volumes purchased of gasoline and jet fuel.

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Additionally, the insurance payment recorded in Q4 2015 related to the incident at the Cerro Divisadero treatment plant in Mendoza in March 2014 was Ps 0.6 billion, of which Ps 0.4 billion was recorded as a lower cost of purchases and Ps 0.2 billion was recorded in other operating results, net. Cost of sales in Q4 2016 compared to Q4 2015 was negatively affected by the absence of this insurance payment in Q4 2016.

Administration expenses for Q4 2016 were Ps 1.9 billion, 8.0% higher than Q4 2015. The increase was principally due to higher personnel expenses and higher IT costs.

Selling expenses for Q4 2016 were Ps 4.5 billion, 49.4% higher than Q4 2015. This was driven primarily by increases in transport expenses, primarily due to higher rates paid for domestic transport of fuels, and increases in personnel costs, depreciation of property, plant and equipment, and advertising and promotional activities.

Exploration expenses for Q4 2016 totaled Ps 1.7 billion, 131.6% higher than Q4 2015.

In Q4 2016, the company recorded a recovery of the impairment charge for property, plant and equipment of Ps 1.2 billion, due primarily to a reduction in estimated operating costs and a slight improvement in projected international prices, all of which was partially offset by the effect of the change in reserves with respect to the previous period.

In Q4 2015, the company recorded an impairment charge for property, plant and equipment and intangible assets of Ps 2.5 billion, due to an expected continued decline in oil prices in the Argentine domestic market over the short term and an expected decline in international oil prices over the medium and long term. This loss impacted field assets in Argentina with reserves and production primarily of oil by Ps 2.3 billion and field assets with crude oil production in the United States by Ps 0.2 billion.

Other operating results, net, for Q4 2016 was a gain of Ps 2.0 billion, a 160.8% increase compared to a gain of Ps 0.8 billion for Q4 2015. This amount includes income of Ps 1.1 billion related to PIAM under the agreement reached with the company's partner in the Magallanes area to participate in the extension of the concession of this area. Additionally, this amount includes Ps 0.8 billion in temporary economic assistance accrued by the company's Metrogas subsidiary in Q4 2016 compared to Ps 0.1 billion in Q4 2015.

Financial results for Q4 2016 were a loss of Ps 2.2 billion, a 115.6% decrease compared to a gain of Ps 14.2 billion in Q4 2015. This change was driven primarily by a Ps 13.6 billion decrease in positive effects of foreign exchange rates on net liabilities in Argentine peso terms, generated by lower devaluation of the Argentine peso in Q4 2016 compared to Q4 2015. Higher interest expenses and other financial results of Ps 2.8 billion were also recorded in Q4 2016 due to increased levels of debt in Q4 2016 compared to Q4 2015.

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Income tax for Q4 2016 was a benefit of Ps 0.4 billion, a decrease of 102.2% compared to an expense of Ps 17.2 billion in Q4 2015. This benefit was mainly due to lower deferred tax of Ps 21.2 billion, which was partially offset by a Ps 3.7 billion increase in current income tax. The lower deferred tax charge is due to the recognition of the deferred tax assets related to the impairment charge for property, plant and equipment discussed above and the lower difference generated by the revaluation of the book value of the company's property, plant and equipment in U.S. dollars, which is the functional currency of the company, and the tax bases of such property, plant and equipment denominated in Argentine pesos, due to the lower devaluation of the Argentine peso in 2016.

Net income for Q4 2016 was a gain of Ps 1.8 billion, compared to a loss of Ps 1.9 billion in Q4 2015. Net income for Q4 2016, before asset impairment charges, was a gain of Ps 1.0 billion, an increase of 544.5% compared to a loss of Ps 0.2 billion in Q4 2015.

Total capital expenditures for property, plant and equipment in Q4 2016 were Ps 18.6 billion, 1.3% higher than Q4 2015.

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Consolidated Results Full Year 2016 and Q4 2016

3. ANALYSIS OF OPERATING RESULTS**3.1 UPSTREAM**

Q4						Jan - Dec	Jan - Dec	Var.%
2015	Q3	Q4	Var.%			2015	2016	2016 /2015
	2016	2016	Q4 16/ Q4 15					
Operating income								
570	(35,137)	2,135	274.6%	(Million Ps)		7,535	(26,845)	(456.3%)
Operating income before Impairment of assets								
3,105	1,051	890	(71.3%)	(Million Ps)		10,070	8,098	(19.6%)
Revenues								
21,664	28,096	28,878	33.3%	(Million Ps)		80,287	114,143	42.2%
Crude oil production								
252.4	247.1	239.7	(5.0%)	(Kbbld)		249.7	244.7	(2.0%)
NGL production								
53.9	50.1	54.2	0.6%	(Kbbld)		49.2	52.5	6.9%
Gas production								
43.8	44.9	44.6	1.7%	(Mm3d)		44.2	44.6	0.9%
Total production								
581.9	579.3	574.1	(1.3%)	(Kboed)		576.7	577.4	0.1%
Exploration costs								
713	312	1,651	131.6%	(Million Ps)		2,473	3,155	27.6%
Capital Expenditures (*)								
14,477	11,665	13,824	(4.5%)	(Million Ps)		49,879	49,153	(1.5%)
Depreciation								
6,631	10,965	8,330	25.6%	(Million Ps)		23,075	38,125	65.2%

Realization Prices

Crude oil prices in domestic market

63.5	59.9	53.3	(16.2%)	Period average (USD/bbl)	67.6	58.9	(12.8%)
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Average gas price

4.45	4.78	4.79	7.6%	(USD/Mmbtu)	4.50	4.76	5.8%
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(*) Capital Expenditures net of costs related to obligations for the abandonment of hydrocarbon wells of Ps 2.4 billion

3.1.1 CUMULATIVE RESULTS

Operating income for the Upstream business segment for 2016 before asset impairment charges was Ps 8.1 billion, 19.6% lower than 2015. Taking into account asset impairment charges related to property, plant and equipment of Ps 34.9 billion in 2016 and Ps 2.5 billion in 2015, which also included intangible asset impairment charges, operating income for the Upstream business segment was a loss of Ps 26.8 billion in 2016 compared to a gain of Ps 7.5 billion in 2015.

Revenues were Ps 114.1 billion in 2016, 42.2% higher than 2015, due primarily to the following factors:

Crude oil revenues increased Ps 21.9 billion, 39.0% higher than 2015, due to a 38.8% increase in Argentine peso terms of the transfer prices between the Upstream and Downstream business segments. Volumes transferred between business segments increased 0.6% and volumes sold to third parties decreased 8.4%;

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Consolidated Results Full Year 2016 and Q4 2016

Natural gas revenues from sales to third parties increased Ps 14.4 billion, 65.5% higher than 2015, due to an increase in prices for third-party sales in Argentine peso terms, which was partially offset by a 1.4% decrease in sales volumes;

Partially offsetting the effect of the increases discussed above, was Ps 2.0 billion recorded in 2015 due to the Crude Oil Production Stimulus Program, which was discontinued as of 2016.

The price obtained in U.S. dollars for crude oil in the Argentine domestic market for 2016 decreased 12.8% to US\$58.90/barrel. The price obtained for natural gas for 2016 was US\$4.76/Mmbtu, 5.8% higher than 2015.

Hydrocarbon production for 2016 was 577.4 Kboed, remaining stable compared to 2015. Crude oil production for 2016 was 244.7 Kbbld, 2.0% lower than 2015. Natural gas production for 2016 was 44.6 Mm3d, 0.9% higher than 2015. NGL production for 2016 was 52.5 Kbbld, 6.9% higher than 2015.

Organic growth in production came mainly from the Neuquina basin, especially the production of tight gas from the Lajas formation, which reached a daily average of 4.9 Mm3d, 14.0% higher than 2015.

642 wells were put in production during 2016, including both YPF and YSUR, 184 of which targeted non-conventional formations. Of these, 59 were in the Loma Campana area, 41 were in Lajas in the Loma La Lata area, 28 were in the Rincón del Mangrullo area, 35 were in the El Orejano area and 21 were in the Estación Fernández Oro area. As of December 31, 2016, the total number of active drilling rigs was 41, while 11 rigs remained on standby.

Operating costs for 2016 were Ps 104.0 billion, 51.9% higher than 2015, mainly due to the following:

Depreciation of property, plant and equipment increased Ps 15.1 billion, a 65.2% increase;

Lifting costs increased Ps 8.4 billion, a 29.1% increase, reflecting a 28.2% increase in the unit indicator in Argentine peso terms;

Royalties increased Ps 5.2 billion, a 45.7% increase, related to an increase in royalties for crude oil production of Ps 3.2 billion and an increase in royalties for natural gas production of Ps 2.0 billion, due to higher wellhead values of these products;

Transportation costs increased Ps 0.6 billion, a 40.2% increase, due to increases in rates produced during 2016.

Exploration expenses for 2016 were Ps 3.2 billion, an increase of 27.6% compared to Ps 2.5 billion in 2015. This change was due principally to a Ps 0.6 billion increase in negative results from unproductive exploratory wells in 2016 compared to 2015. Expenses for the development of geological and geophysical studies did not change significantly between 2016 and 2015. Nevertheless, total exploration investments decreased Ps 1.4 billion, 49.7% lower than 2015.

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Consolidated Results Full Year 2016 and Q4 2016

In 2016, the company recorded an impairment charge for property, plant and equipment of Ps. 34.9 billion, due to an estimated reduction in crude oil prices in the Argentine domestic market, together with the estimated evolution of estimated costs based on both the impact of macroeconomic factors and the operational behavior of the company's assets.

In 2015, the company recorded an impairment charge for property, plant and equipment and intangible assets of Ps 2.5 billion, due to an expected continued decline in oil prices in the Argentine domestic market over the short term and an expected decline in international oil prices over the medium and long term. This loss impacted field assets in Argentina with reserves and production primarily of oil by Ps 2.3 billion and field assets with crude oil production in the United States by Ps 0.2 billion.

In 2016, there was income of Ps 1.4 billion related to PIAM under the agreement reached with the company's partner in the Magallanes area to participate in the extension of the concession of this area. This amount was recorded in other operating income, net.

With respect to the incident at the Cerro Divisadero treatment plant in Mendoza in March 2014, an insurance payment of Ps 1.2 billion was recorded in 2015, of which Ps 0.8 billion was recorded as revenues in this business segment and Ps 0.4 billion in other operating income, net.

Unit cash costs in U.S. dollars decreased 14.5% to US\$20.70/boe in 2016 from US\$23.20/boe in 2015, including taxes of US\$6.00/boe and US\$6.60/boe, respectively. In turn, the average lifting cost for YPF was US\$12.00/boe for 2016, 19.7% lower than US\$15.00/boe in 2015.

Reserves

In 2016, proved reserves decreased 9.2% from 1,226 Mboe in 2015 to 1,113 Mboe in 2016. The reserve replacement ratio was 46%, while the ratio was 74% for gas and 20% for liquids. In addition, 98 Mboe of hydrocarbon reserves were added, of which 22 Mbbl corresponds to liquids and 76 Mboe corresponds to natural gas.

In the Neuquina basin, proved reserves were added from the development of reservoirs of the Vaca Muerta formation, both in Shale Gas (El Orejano) and Shale Oil (Loma La Lata Norte, Loma Campana), as well as the development of the tight gas reservoirs in the Lajas formation in Estación Fernández Oro, Aguada Toledo - Sierra Barrosa and Mulichinco formation in Rincón del Mangrullo. In conventional areas of gas, there was activity in Loma La Lata Central and Aguada Pichana and in conventional areas of oil, such as the enhanced oil recovery in Chachahuén Sur and CNQ7/A and, the drilling activity in Volcán Auca Mahuida. In addition, the company acquired a participating interest in Río Neuquén and Aguada de la Arena.

In the Golfo San Jorge basin area, reserves were added due to the continued expansion of secondary recovery projects in Manantiales Behr, El Trébol and Barranca Baya.

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In the Austral basin area, reserves were added in the Magallanes area due to the PIAM infrastructure improvements, while, in the Cuyana basin area, reserves were added as a part of the new Mesa Verde field and the drilling activity in Ugarteche.

There were decreases in net reserves of crude oil in 2016 due principally to an expected reduction in prices in Argentine peso terms in the Argentine domestic market and the estimated evolution of costs based on both the impact of macroeconomic factors and the operational behavior of the company's assets. There were also decreases in net reserves of natural gas due to revisions of previous estimates and a decrease in the sale price in the fields on the island of Tierra del Fuego.

3.1.2 FOURTH QUARTER 2016

Operating income for the Upstream business segment for Q4 2016, before asset impairment charges, was Ps 0.9 billion, 71.3% lower than Q4 2015. Taking into account asset impairment charges related to property, plant and equipment, which was a recovery of Ps 1.2 billion in Q4 2016 and a charge of Ps 2.5 billion in Q4 2015, which also included intangible asset impairment charges, operating income in the Upstream business segment was a gain of Ps 2.1 billion in Q4 2016 compared to a gain of Ps 0.6 billion in Q4 2015.

Revenues were Ps 28.9 billion in Q4 2016, 33.3% higher than Q4 2015, due primarily to the following factors:

Crude oil revenues increased Ps 4.8 billion, 32.4% higher than 2015, due to a 27.5% increase in Argentine peso terms of the transfer prices between the Upstream and Downstream business segments, while volumes transferred between business segments increased 4.2% and volumes sold to third parties decreased 2.4%;

Natural gas revenues from sales to third parties increased Ps 2.9 billion, 47.4% higher than 2015, due to a 59.4% increase in prices in Argentine peso terms, which was partially offset by a 7.5% decrease in sales volumes;

Partially offsetting the effect of the increases discussed above, was Ps 0.8 billion recorded in Q4 2015 due to the Crude Oil Production Stimulus Program, which was discontinued as of 2016.

The price obtained in U.S. dollars for crude oil in the Argentine domestic market for Q4 2016 decreased 16.2% to US\$53.30/barrel. The price obtained in U.S. dollars for natural gas was US\$4.79/Mmbtu, 7.6% higher than Q4 2015.

Hydrocarbon production for Q4 2016 was 574.1 Kboed, 1.3% lower than Q4 2015. Crude oil production for Q4 2016 was 239.7 Kbbld, 5% lower than Q4 2015. Natural gas production for Q4 2016 was 44.6 Mm3d, 1.7% higher than Q4 2015. NGL production for Q4 2016 was 54.2 Kbbld, 0.6% higher than Q4 2015.

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Consolidated Results Full Year 2016 and Q4 2016

With respect to development activity, 132 wells were put in production in Q4 2016, including the shale and tight wells mentioned below, resulting in total new wells put in production in 2016 of 642.

Hydrocarbon production in shale areas for Q4 2016 was 62.3 Kboed, including 32.8 Kbbld of crude oil, 9.9 Kbbld of NGL and 3.1 Mm3d of natural gas, of which YPF consolidates approximately 50%. During Q4 2016, 19 wells were put in production targeting the Vaca Muerta formation, for a total of 541 wells, including 9 active drilling rigs and 8 workovers.

With respect to tight gas activity: (i) in the Lajas formation, 4 wells were put into production during Q4 2016, and natural gas production was 5.17 Mm3d, (ii) in the Mulichinco formation in the Rincón del Mangrullo area, natural gas production was 2.3 Mm3d, and three wells were put into production, and (iii) in the Estación Fernández Oro project natural gas production reached 2.2 Mm3d.

Operating costs for Q4 2016 were Ps 27.6 billion, 47.3% higher than Q4 2015, mainly due to the following:

Lifting costs increased Ps 2.0 billion, a 24.4% increase, reflecting a 24.6% increase in the unit indicator in Argentine peso terms;

Depreciation of property, plant and equipment increased Ps 1.7 billion, a 25.6% increase;

Royalties increased Ps 1.1 billion, a 36.2% increase, related to an increase in royalties for crude oil production of Ps 0.7 billion and an increase in royalties for natural gas production of Ps 0.4 billion;

Transportation costs increased Ps 0.2 billion, a 38.4% increase, due to increases in rates produced during 2016.

Exploration expenses for Q4 2016 were Ps 1.7 billion, an increase of 131.6% compared to Ps 0.7 billion for Q4 2015. This change was due principally to a Ps 0.9 billion increase in negative results from unproductive exploratory wells in Q4 2016 compared to Q4 2015. Expenses for the development of geological and geophysical studies did not change significantly between Q4 2016 and Q4 2015. Nevertheless, total exploration investments decreased Ps 0.2 billion, 21.8% lower than Q4 2015.

In Q4 2016 there was income of Ps 1.1 billion related to PIAM under the agreement reached with the company's partner in the Magallanes area to participate in the extension of the concession of this area.

Unit cash costs in U.S. dollars decreased 7.0% to US\$21.80/boe for Q4 2016 from US\$23.40/boe for Q4 2015, including taxes of US\$5.90/boe and US\$5.80/boe, respectively. In turn, the average lifting cost for YPF was US\$12.70/boe, 15.6% lower than US\$15.00/boe for Q4 2015.

CAPEX

Cumulative capital expenditures for the Upstream business segment for 2016 were Ps 49.2 billion, 1.5% lower than 2015.

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Consolidated Results Full Year 2016 and Q4 2016

Of these cumulative capital expenditures, 69% were invested in drilling and workover, 19% in facilities, and the remaining 12% in exploration and other activities in the Upstream business segment.

Capital expenditures for the Upstream business segment for Q4 2016 were Ps 13.8 billion, 4.5% lower than Q4 2015.

In Q4 2016, 55% of capital expenditures were invested in drilling and workover, 23% in facilities, and the remaining 22% in exploration and other activities in the Upstream business segment.

In the Neuquina basin, activities for Q4 2016 were focused on the development of the Loma Campana, Aguada Toledo - Sierra Barrosa (Lajas), Rincón del Mangrullo, El Orejano, La Amarga Chica, Loma La Lata (Sierras Blancas), Chachahuen, Llancauelo and Cerro Fortunoso blocks. Development activities continued at the Cuyana basin, mainly in the Barrancas, Estructura Cruz de Piedra, Mesa Verde and Vizcacheras blocks. In the Golfo San Jorge basin, most activity was concentrated in Cañadón de la Escondida, El Guadal, Seco León and Barranca Baya, in the province of Santa Cruz and Manantiales Behr and El Trébol-Escalante in the province of Chubut.

Exploration activities for Q4 2016 covered the Cuyana, Neuquina, Golfo San Jorge and Austral basins. In the Cuyana basin, exploratory activity was in the La Ventana block. In the Neuquina basin, exploratory activity focused on the Cerro Arena, Señal Picada - Punta Barda, Payún Oeste, Agua Salada, Señal Cerro Bayo, CNQ7 and Chachahuen blocks. In the Golfo San Jorge basin, activity focused on the evaluation of deep targets in Los Perales and Cañadón de la Escondida and in the north flank of the Manantiales Behr and Escalante - El Trébol blocks. In the Austral basin, exploratory activity was performed in the Fracción E and Lago Fuego blocks.

During Q4 2016, 15 exploratory wells were completed (ten crude oil and five gas).

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3.2 DOWNSTREAM

Q4	Q3	Q4	Var. %		Jan - Dec	Jan - Dec	Var. %
2015	2016	2016	Q4 16/ Q4 15		2015	2016	2016 /2015
Operating income							
(678)	332	520	(176.7%)	(Million Ps)	6,948	3,093	(55.5%)
Revenues							
32,519	42,992	43,064	32.4%	(Million Ps)	125,766	163,463	30.0%
Sales of refined products in domestic market							
4,218	4,259	4,043	(4.2%)	(Km3)	17,029	16,463	(3.3%)
Exportation of refined products							
382	303	498	30.4%	(Km3)	1,461	1,568	7.3%
Sales of petrochemical products in domestic market (*)							
193	227	229	18.7%	(Ktn)	815	851	4.4%
Exportation of petrochemical products							
59	80	53	(10.2%)	(Ktn)	301	202	(32.9%)
Crude oil processed							
294	292	299	1.7%	(Kboed)	299	294	(1.8%)
Refinery utilization							
92%	91%	94%	1.7%	(%)	94%	92%	(1.8%)
Capital Expenditures							
2,910	2,486	3,323	14.2%	(Million Ps)	8,874	9,839	10.9%

Depreciation

852	1,317	1,712	100.9%	(Million Ps)	2,912	5,507	89.1%
Average domestic market gasoline price (**)							
722	645	627	(13.2%)	(USD/m3)	747	626	(16.3%)
Average domestic market diesel price (**)							
728	629	602	(17.4%)	(USD/m3)	754	614	(18.6%)

(*) Fertilizer sales not included.

(**) Includes gross income and net of deductions, commissions and other taxes

3.2.1 CUMULATIVE RESULTS

Operating income for the Downstream business segment for 2016 was Ps 3.1 billion, 55.5% lower than 2015.

Revenues were Ps 163.5 billion in 2016, 30.0% higher than 2015, due primarily to the following factors:

Diesel revenues increased Ps 14.3 billion, 25.2% higher than 2015, due to a 30.5% increase in the company's diesel product mix prices, which was partially offset by a 4.1% decrease in sales volumes, despite a 8.3% increase in sales volumes of Infinia diesel, a premium diesel product;

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Consolidated Results Full Year 2016 and Q4 2016

Gasoline revenues increased Ps 11.3 billion, 32.3% higher than 2015, due to a 34.1% increase in the company's gasoline product mix prices, which was partially offset by a 1.3% decrease in sales volumes, despite a 1.1% increase in sales volumes of Infinia gasoline, a premium gasoline product;

Fuel oil revenues increased Ps 2.6 billion, 36.6% higher than 2015, as a result of a 54.5% increase in prices, which was partially offset by an 11.6% decrease in sales volumes;

Jet fuel and LPG revenues increased Ps 1.2 billion and Ps 0.9 billion, or 47.4% and 36.4%, respectively, in the Argentine domestic market, mainly due to increased prices in Argentine peso terms and stable sales volumes;

Petrochemical revenues increased Ps 0.8 billion, due to a 15% increase in sales prices in Argentine peso terms, as well as a 7.1% increase in sales volumes;

Exports increased Ps 4.1 billion, 33.0% higher than 2015, mainly due to the increase in international prices. Exports of flour, grains and oil increased 38.8% to Ps 5.0 billion.

Cost of sales for 2016 increased Ps 41.6 billion, 35.0% higher than 2015, due primarily to the following factors:

Crude oil purchases increased Ps 23.8 billion, 36.1% higher than 2015, due to a 38.8% increase in transfer prices between business segments and 35.0% increase in purchase price to third parties. The crude oil volumes transferred from the Upstream business segment increased 0.6% while the volumes purchased from third parties decreased 11.4%;

Biofuel purchases increased Ps 5.5 billion, 70.5% higher than 2015, due to higher prices of FAME and ethanol biofuel and purchase volume increases of 1.4% and 11.0%, respectively;

Grain purchases in the agricultural sales segment through the form of barter, which were recorded as purchases for accounting purposes, increased Ps 1.5 billion, 58.1% higher than 2015, due to a 91.1% increase in prices, partially offset by a 17.3% decrease in volumes purchased;

Imports of fuels decreased Ps 0.6 billion, 10.0% lower than 2015, due to a 38.5% decrease in volumes purchased of diesel, which was partially offset by a 15.7% increase in volumes purchased of gasoline and jet fuel;

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Production costs related to refining costs increased Ps 2.5 billion, 42.0% higher than 2015, due to increased expenses for materials, parts, electricity, other supplies and fuel. As a result, taking into account the lower processed volumes, the unitary refining costs in 2016 increased 44.2% compared to 2015. Transportation costs related to production (shipping, oil pipelines, and multiproduct pipelines) increased Ps 1.2 billion, a 40.0% increase;

Depreciation of property, plant and equipment increased Ps 2.5 million, 100.5% higher than 2015, due to the production process;

Selling expenses increased Ps 3.8 billion, 35.6% higher than 2015, due to higher transportation costs related to an increase in Argentine domestic fuel transportation rates and increased depreciation costs of assets linked to commercial use and increased advertising and promotional activities; and

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In other operating results, net, of this business segment and corresponding to 2015, there was an increase in the reserve for contingencies and litigation of Ps 0.7 billion. This was in connection with a ruling against YPF regarding a claim filed by the Union of Consumers and Users (*Unión de Usuarios y Consumidores*) alleging that excess fees were charged to LPG consumers during the period from 1993 to 1997.

In 2016, the processing capacity level of our refineries was an average of 294 thousand barrels of oil per day, 1.8% lower than 2015. These processing levels resulted in a 1.3% decrease in diesel production, a 1.0% decrease in gasoline production, a 16.0% decrease in fuel oil production, and an increase in the production of other refined products such as LPG and petrochemical products. The decrease in fuel oil production was emphasized by the commencement of operations at the new Coke unit at the La Plata refinery, which allows for the production of increased levels of intermediate products.

3.2.2 FOURTH QUARTER 2016

Operating profit for the Downstream business segment for Q4 2016 was Ps 520 billion, a 176.7% increase compared to the operating loss of Ps 0.7 billion in Q4 2015.

Revenues were Ps 43.1 in Q4 2016, 32.4% higher than Q4 2015, due primarily to the following factors:

Diesel revenues increased Ps 3.5 billion, 23.7% higher than Q4 2015, due to a 27.8% increase in the company's diesel product mix prices, which was partially offset by a 3.2% decrease in sales volumes, despite a 10.6% increase in sales volumes of Infinia diesel, a premium diesel product;

Gasoline revenues increased Ps 3.0 billion, 31.4% higher than Q4 2015, due to a 33.5% increase in the company's gasoline product mix prices, which was partially offset by a 1.6% decrease in sales volumes, despite a 5.1% increase in sales volumes of Infinia gasoline, a premium gasoline product;

Fuel oil revenues decreased Ps 0.2 billion, 13.9% lower than Q4 2015, in the Argentine domestic market, due to a 39.7% decrease in sales volumes, which was partially offset by a 42.8% increase in the average sales price;

Petrochemical product revenues in the Argentine domestic market increased Ps 0.4 billion, 52.7% higher than Q4 2015, due to a 24.7% increase in sales volumes and a 22.5% increase in prices in Argentine peso terms;

Exports increased Ps 1.8 billion, 66.3% higher than Q4 2015, due to higher prices in Argentine peso terms driven by devaluation of the Argentine peso in Q4 2016, which was partially offset by a slight decrease in export volumes. Exports of flour, grains and oil totaled Ps 0.9 billion, 34.0% higher than Q4 2015.

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Consolidated Results Full Year 2016 and Q4 2016

Cost of sales for Q4 2016 increased Ps 9.3 billion, 28.2% higher than Q4 2015, due to the following factors:

Crude oil purchases increased Ps 5.0 billion, 29.0% higher than Q4 2015, due to an increase in prices in Argentine peso terms of crude oil purchased of 26.5%, offset by a 4.2% increase in volumes purchased from the Upstream business segment and a 10.4% decrease in volumes purchased from other producers of crude oil. Purchase prices from the Upstream business segment in Argentine peso terms increased 27.5%, and purchase prices from other producers of crude oil similarly increased 22.5%;

Biofuel purchases increased Ps 1.9 billion, 97.9% higher than Q4 2015, due to higher FAME and ethanol biofuel prices of 63.5% and 53.2%, respectively, and a 20.1% increase in volumes purchased of ethanol biofuel and a 29.8% increase in volumes purchased of FAME;

Grain purchases in the agricultural sales segment through the form of barter, which were recorded as purchases for accounting purposes, increased Ps 0.3 billion, 50.9% higher than Q4 2015;

Fuel imports decreased Ps 1.0 billion, 63.1% lower than Q4 2015, due to an 89.2% decrease in volumes purchased of diesel and a 44.5% decrease in volumes purchased of gasoline and jet fuel;

Production costs related to refining increased Ps 0.6 billion, 34.4% higher than Q4 2015, due to increased expenses for materials, parts, electricity, other supplies and fuel. As a result, taking into account the decrease in volumes processed, unit refining costs in Q4 2016 were 30.8% higher than Q4 2015. Transportation costs related to production (shipping, oil pipelines, and multiproduct pipelines) increased Ps 0.3 billion, 32.2% higher than Q4 2015;

Property, plant and equipment depreciation increased Ps 0.9 billion, 116.8% higher than Q4 2015, resulting from an increase in the value of assets subject to depreciation compared to Q4 2015, taking into account the commencement of operations at the new Coke unit at the La Plata refinery and an increase in asset values, based on their valuation in U.S. dollars, the functional currency of the company;

Selling expenses increased Ps 1.5 billion, 50.5% higher than Q4 2015, due to higher transportation costs related to an increase in Argentine domestic fuel transportation rates and increased depreciation costs of assets linked to commercial use and increased advertising and promotional activities;

In other operating results, net, for this business segment and corresponding to Q4 2015, there was an increase in the reserve for contingencies and litigation of Ps 0.7 billion. This was in connection with a ruling against YPF regarding a claim filed by the Union of Consumers and Users (*Unión de Usuarios* y

Consumidores) alleging that excess fees were charged to LPG consumers during the period from 1993 to 1997.

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The volume of crude oil processed in Q4 2016 was 292 Kbbld, 1.7% lower than Q4 2015. These increased processing levels resulted in a 7.7% increase in diesel production, a 2.9% increase in gasoline production and a 44.1% decrease in fuel oil production. In addition, the company increased its production of LPG, jet fuel and petrochemical products compared to Q4 2015.

CAPEX

Cumulative capital expenditures for the Downstream business segment for 2016 were Ps 9.8 billion, 10.9% higher than Q4 2015. Capital expenditures in Q4 2016 were Ps 3.3 billion, 14.2% higher than Q4 2015.

The construction of the new Coke unit at the La Plata refinery was completed, and it commenced operations on September 29, 2016. In addition, improvements to the Topping III unit in Mendoza have progressed, and it is expected to commence operations in Q2 2017. Work to improve YPF's logistical facilities and optimize safety and environmental performance has also continued.

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3.3 GAS AND ENERGY

Q4 2015	Q3 2016	Q4 2016	Var.% Q4 16/ Q4 15		Jan - Dec 2015	Jan - Dec 2016	Var.% 2016 / 2015
Operating income							
243	786	825	239.5%	(Million Ps)	1,498	2,008	34.0%
Revenues							
4,541	8,360	9,104	100.5%	(Million Ps)	16,187	29,726	83.6%
Capital Expenditures							
176	420	877	398.3%	(Million Ps)	469	2,134	355.0%
Depreciation							
66	72	73	10.6%	(Million Ps)	255	290	13.7%

In 2016, the YPF Group began to report its Gas and Energy business segment, which includes activities related to transportation, distribution and the sale of natural gas to third parties, regasification services for liquefied natural gas (LNG) and electricity generation.

Operating profits for this business segment in 2016 were Ps 2.0 billion, 34.0% higher than operating profits of Ps 1.5 billion in 2015, reflecting the results of regasification services for LNG in Bahía Blanca and Escobar in peso terms, the results of our YPF Energía Eléctrica S.A. subsidiary and the accrual of Ps 0.8 billion for Transitional Economic Assistance by the company's Metrogas subsidiary in 2016 compared to Ps 0.7 billion in 2015.

Operating profits for this business segment for Q4 2016 were Ps 0.8 billion, 239.5% higher operating profits of Ps 0.2 billion in Q4 2015, reflecting the results of regasification services for LNG in Bahía Blanca and Escobar in peso terms and the accrual of Ps 0.8 billion for Transitional Economic Assistance by the company's Metrogas subsidiary in Q4 2016 compared to Ps 0.1 billion in Q4 2015 are highlighted.

CAPEX

Cumulative capital expenditures for the Gas and Energy business segment for 2016 were Ps 2.1 billion, 335.0% higher than 2015. Capital expenditures for the Gas and Energy business segment in Q4 2016 were Ps 0.9 billion, 389.3% higher than Q4 2015.

Construction work on the new Loma Campana I thermoelectric plant, located in the basin of the same name, and the Manantiales Behr wind farm in Comodoro Rivadavia continued. Both are expected to commence operations in Q2 2017.

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3.4 CORPORATE

This business segment involves mainly corporate costs and other activities that are not reported in any of the previously-mentioned business segments.

Corporate operating income for 2016 was a loss of Ps 1.6 billion, a 30.7% improvement compared to a loss of Ps 2.3 billion in 2015. In 2016, Corporate operating income included Ps 1.5 billion associated with the deconsolidation of the Maxus Entities. This change was driven primarily by higher personnel expenses, higher IT costs, and depreciations of property, plant and equipment.

Consolidation adjustments to eliminate results among business segments not transferred to third parties were negative Ps 0.9 billion for 2016 compared to positive Ps 2.9 billion for 2015.

3.5 RELATED COMPANIES

Results from related companies for 2016, mainly from MEGA, Profertil and Refinor, were Ps 0.6 billion, an increase of Ps 0.3 billion, or 84.9% compared to 2015. Results from related companies for Q4 2016 were Ps 0.2 billion, a 19.2% decrease compared to Ps 0.3 billion for Q4 2015.

4. LIQUIDITY AND SOURCES OF CAPITAL

In 2016, net cash flows provided by operating activities were Ps 49.2 billion, 18.8% higher than 2015. Although adjusted EBITDA increased Ps. 10.7 billion, net operating cash flow increased Ps 7.8 billion due to an increase in working capital in 2016. In addition, the partial payments owed to the company from the stimulus program for the surplus injection of natural gas were received in BONAR 2020 sovereign bonds issued by Argentina, which remain in the company's investment portfolio at the end of 2016 but do not increase the operating cash flow of the company. If these payments were considered as operating cash flows, net operating cash flows would have increased Ps 17.7 billion, 42.7% higher than 2015, reaching a total of Ps 59.1 billion.

Net cash flows from investing activities were Ps 66.2 billion for 2016, 3.3% higher than 2015. Investments in property, plant and equipment and intangible assets were 0.6% higher than 2015, and an increase in investments in financial assets of Ps 2.4 billion was recorded.

The previously discussed cash flow generation, together with a net increase of Ps 10.8 billion from financing activities, and the company's investment in BONAR 2021 sovereign bonds issued by Argentina, contributed to a Ps 26.0 billion cash and cash equivalent position as of December 31, 2016.

The main debt issuances in 2016 consisted of seven new series of negotiable obligations for a total of Ps 13.3 billion, US\$1.0 billion and Swiss francs 300 million. Total debt in U.S. dollars was US\$9.7 billion, net debt was US\$8.1 billion⁽¹⁾ and the net debt/adjusted EBITDA LTM⁽²⁾ ratio was 2.04x.

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The average interest rate for debt denominated in Argentine pesos in 2016 was 27.74%, while the average interest rate for debt denominated in U.S. dollars and Swiss francs was 7.79% and 3.75%, respectively.

YPF negotiable obligations issued during Q4 2016 are detailed below:

YPF Note	Amount	Interest Rate	Maturity
Series XXVIII (*)	USD 197 million	8.75%	90 months

(*) Subscription in kind made only with Series X and XI

(1) Net Debt: Includes investments in government securities of US\$965 million at market value.

(2) Net Debt: US\$8,100 million/adjusted EBITDA LTM: US\$3,962 million = 2.04x.

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5. TABLES AND NOTES

Q4 2016 Results

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5.1 CONSOLIDATED STATEMENT OF INCOME**YPF SOCIEDAD ANONIMA AND CONTROLLED COMPANIES**

(Unaudited, figures expressed in millions of pesos)

Q4 2015	Q3 2016	Q4 2016	Var.% Q4 16/ Q4 15		Jan - Dec 2015	Jan - Dec 2016	Var.% 2016 /2015
40,946	55,849	54,558	33.2%	Revenues	156,136	210,100	34.6%
(32,781)	(48,028)	(46,326)	41.3%	Costs	(119,537)	(177,304)	48.3%
8,165	7,821	8,232	0.8%	Gross profit	36,599	32,796	(10.4%)
(3,034)	(3,934)	(4,534)	49.4%	Selling expenses	(11,099)	(15,212)	37.1%
(1,729)	(1,939)	(1,868)	8.0%	Administration expenses	(5,586)	(7,126)	27.6%
(713)	(312)	(1,651)	131.6%	Exploration expenses	(2,473)	(3,155)	27.6%
(2,535)	(36,188)	1,245	(149.1%)	Impairment of property, plant and equipment and intangible assets	(2,535)	(34,943)	1,278.4%
756	(26)	1,972	160.8%	Other operating results, net	1,682	3,394	101.8%
910	(34,578)	3,396	273.2%	Operating income (loss)	16,588	(24,246)	(246.2%)
266	110	215	(19.2%)	Results on investments in companies and joint ventures	318	588	84.9%
14,166	(3,291)	(2,213)	115.6%	Net Financial Results:	12,157	(6,146)	150.6%
15,342	(37,759)	1,398	(90.9%)	Net income (loss) before income tax	29,063	(29,804)	(202.5%)
(17,207)	7,503	377	(102.2%)	Income tax	(24,637)	1,425	(105.8%)
(1,865)	(30,256)	1,775	(195.2%)	Net Income (loss) for the period	4,426	(28,379)	(741.2%)
(170)	(45)						