YPF SOCIEDAD ANONIMA
Form 6-K
March 18, 2019
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, 2019

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 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

Table of Contents

YPF SOCIEDAD ANONIMA

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 and 2016

Table of Contents

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

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YPF SOCIEDAD ANONIMA

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018, 2017 AND 2016
CONTENT

Table of Contents

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YPF SOCIEDAD ANONIMA

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018, 2017 AND 2016

GLOSSARY OF TERMS

Term	Definition
ADR	American Depositary Receipt
ADS	American Depositary Share
AESA	Subsidiary A-Evangelista S.A.
AFIP	Argentine Tax Authority
ASC	Accounting Standards Codification
Associate	Company over which YPF has significant influence as provided for in IAS 28
BNA	Banco de la Nación Argentina
BO	Official Gazette of the Argentine Republic
BOE	Barrel of Oil Equivalent
BONAR	Argentine Treasury Bonds
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico S.A.
CDS	Associate Central Dock Sud S.A.
CFO	Chief Financial Officer
CGU	Cash-Generating Units
CIMSA	Subsidiary Compañía de Inversiones Mineras S.A.
CNDC	Argentine Antitrust Authority
CNV	Argentine Securities Commission
CPI	Consumer price index
CSJN	Argentine Supreme Court of Justice
DOP	Deliver or pay
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
Eleran	Subsidiary Eleran Inversiones 2011 S.A.U.
ENARGAS	Argentine Gas Regulator
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
FASB	Financial Accounting Standards Board
FOB	Free on Board
Group	YPF and its subsidiaries
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IEASA (former ENARSA)	Integración Energética Argentina S.A. (former Energía Argentina S.A.)

IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IDS	Associate Inversora Dock Sud S.A.
INDEC	National Institute of Statistics and Census
IVA	Value Added Tax
Joint venture	Company jointly owned by YPF as provided for in IFRS 11
JO	Joint operation
IPIM	Internal Wholesale Price Index
IVA	Value Added Tax
LGS	Argentine General Corporations Law No. 19,550 (T.O. 1984), as amended
LNG	Liquified natural gas
LPG	Liquefied Petroleum Gas
MEGA	Joint Venture Company Mega S.A.
Metroenergía	Subsidiary Metroenergía S.A.
Metrogas	Subsidiary Metrogas S.A.
MINEM	Former Ministry of Energy and Mining
MMBtu	Million British thermal units
NO	Negotiable Obligations
Oiltanking	Associate Oiltanking Ebytem S.A.
Oldelval	Associate Oleoductos del Valle S.A.
OPESSA	Subsidiary Operadora de Estaciones de Servicios S.A.
OTA	Associate OleoductoTrasandino (Argentina) S.A.
OTC	Associate OleoductoTrasandino (Chile) S.A.
PEN	National Executive Power
Peso	Argentine Peso
Profertil	Joint Venture Profertil S.A.
Refinor	Joint Venture Refinería del Norte S.A.
ROD	Record of Decision
SEC	U.S. Securities and Exchange Commission
SEE	Secretariat of Electric Energy
SGE	Government Secretariat of Energy
Subsidiary	Company controlled by YPF in accordance with the provisions of IFRS 10.
TCF	Trillion Cubic Feet
Termap	Associate Terminales Marítimas Patagónicas S.A.
TSEP	Transportation system entry point
UNG	Unaccounted Natural Gas
US$	U.S. dollar
US$/Bbl	U.S. dollar per barrel
Y-GEN I	Joint venture Y-GEN Eléctrica S.A.U.
Y-GEN II	Joint venture Y-GEN Eléctrica II S.A.U.
YPF Brasil	Subsidiary YPF Brasil Comercio Derivado de Petróleo Ltda.
YPF Chile	Subsidiary YPF Chile S.A.
YPF EE	Joint venture YPF Energía Eléctrica S.A.
YPF Gas	Associate YPF Gas S.A.
YPF Holdings	Subsidiary YPF Holdings, Inc.
YPF International	Subsidiary YPF International S.A.
YPF or the Company	YPF Sociedad Anónima
YTEC	Subsidiary YPF Tecnología S.A.
WEM	Wholesale Electricity Market

1

Table of Contents

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YPF SOCIEDAD ANONIMA

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018, 2017 AND 2016

LEGAL INFORMATION

Legal address

Macacha Güemes 515 Ciudad Autónoma de Buenos Aires, Argentina

Fiscal year number 42

Beginning on January 1, 2018

Principal business of the Company

The Company s purpose shall be to perform, on its own, through third parties or in association with third parties, the exploration, development and production of oil, natural gas and other minerals and refining, marketing and distribution of oil and petroleum products and direct and indirect petroleum derivatives, including petrochemicals, chemicals, including those derived from hydrocarbons and non-fossil fuels, biofuels and their components, as well as production of electric power from hydrocarbons, through which it may manufacture, use, purchase, sell, exchange, import or export them. It shall also be the Company s purpose to render, directly, through a subsidiary, or in association with third parties, telecommunications services in all forms and modalities authorized by the legislation in force after applying for the relevant licenses, as required by the regulatory framework, as well as the production, industrialization, processing, commercialization, conditioning, transportation and stockpiling of grains and products derived from grains, as well as any other activity complementary to its industrial and commercial business or any activity which may be necessary to attain its objective. In order to fulfill these objectives, the Company may set up, become associated with or have an interest in any public or private entity domiciled in Argentina or abroad, within the limits set forth in the Bylaws.

Filing with the Public Registry

Bylaws filed on February 5, 1991 under No. 404, Book 108, Volume A , Sociedades Anónimas, with the Public Registry of Buenos Aires City, in charge of the Argentine Registrar of Companies (*Inspección General de Justicia*); and Bylaws in substitution of previous Bylaws, filed on June 15, 1993, under No. 5109, Book 113, Volume A , Sociedades Anónimas, with the above mentioned Registry.

Duration of the Company

Through June 15, 2093.

Last amendment to the Bylaws

April 29, 2016 registered with the Argentine Registrar of Companies (Inspección General de Justicia) on December 21, 2016 under No. 25,244, Book 82 of Corporations.

Capital structure

393,312,793 shares of common stock, Pesos 10 par value and 1 vote per share.

Subscribed, paid-in and authorized for stock exchange listing (in Pesos)

3,933,127,930

MIGUEL ANGEL GUTIERREZ

President

2

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YPF SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018, 2017 AND 2016

(Amounts expressed in millions of Argentine Pesos)

	Notes	**2018**	**2017**	**2016**
ASSETS				
Noncurrent Assets				
Intangible assets	7	20,402	9,976	8,114
Property, plant and equipment	8	699,087	354,443	308,014
Investments in associates and joint ventures	9	32,686	6,045	5,488
Assets held for disposal	3		8,823	
Deferred income tax assets, net	15	301	588	564
Other receivables	11	9,617	1,335	3,909
Trade receivables	12	23,508	2,210	87
Investment in financial assets	6			7,737
Total noncurrent assets		**785,601**	**383,420**	**333,913**
Current Assets				
Assets held for disposal	3	3,189		
Inventories	10	53,324	27,149	21,808
Contract assets	19	420	142	12
Other receivables	11	21,867	12,684	13,456
Trade receivables	12	72,646	40,649	33,645
Investment in financial assets	6	10,941	12,936	7,548
Cash and cash equivalents	13	46,028	28,738	10,757
Total current assets		**208,415**	**122,298**	**87,226**
TOTAL ASSETS		**994,016**	**505,718**	**421,139**
SHAREHOLDERS EQUITY				
Shareholders contributions		10,518	10,402	10,403
Reserves, other comprehensive income and retained earnings		348,682	141,893	108,352

Shareholders equity attributable to shareholders of the parent company		**359,200**	**152,295**	**118,755**
Non-controlling interest		3,157	238	(94)
TOTAL SHAREHOLDERS EQUITY		**362,357**	**152,533**	**118,661**
LIABILITIES				
Noncurrent Liabilities				
Liabilities associated with assets held for disposal	3		4,193	
Provisions	14	83,388	54,734	47,358
Deferred income tax liabilities, net	15	91,125	37,645	42,465
Contract liabilities	19	1,828	1,470	
Taxes payable		2,175	220	98
Loans	16	270,252	151,727	127,568
Other liabilities	17	549	277	336
Accounts payable	18	3,373	185	2,187
Total noncurrent liabilities		**452,690**	**250,451**	**220,012**
Current Liabilities				
Liabilities associated with assets held for disposal	3	3,133		
Provisions	14	4,529	2,442	1,994
Income tax liability		357	191	176
Contract liabilities	19	4,996	1,460	14
Taxes payable		10,027	6,879	4,440
Salaries and social security		6,154	4,132	3,094
Loans	16	64,826	39,336	26,777
Other liabilities	17	722	2,383	4,390
Accounts payable	18	84,225	45,911	41,581
Total current liabilities		**178,969**	**102,734**	**82,466**
TOTAL LIABILITIES		**631,659**	**353,185**	**302,478**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**994,016**	**505,718**	**421,139**

Accompanying notes are an integral part of consolidated financial statements

MIGUEL ANGEL GUTIERREZ

President

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YPF SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts expressed in millions of Argentine Pesos except per share information, expressed in Argentine Pesos)

Net income	**Notes**	**2018**	**2017**	**2016**
Revenues	19	435,820	252,813	210,100
Costs	20	(359,570)	(211,812)	(177,304)
Gross profit		**76,250**	**41,001**	**32,796**
Selling expenses	21	(27,927)	(17,954)	(15,212)
Administrative expenses	21	(13,922)	(8,736)	(7,126)
Exploration expenses	21	(5,466)	(2,456)	(3,155)
Recovery / (Impairment) of property, plant and equipment	2.c and 8	2,900	5,032	(34,943)
Other net operating results	22	11,945	(814)	3,394
Operating profit / (loss)		**43,780**	**16,073**	**(24,246)**
Income from equity interests in associates and joint ventures	9	4,839	1,428	588
Financial income	23	100,083	17,623	16,759
Financial loss	23	(63,681)	(28,629)	(24,944)
Other financial results	23	5,123	2,208	2,039
Net financial results	23	41,525	(8,798)	(6,146)
Net profit / (loss) before income tax		**90,144**	**8,703**	**(29,804)**
Income tax	15	(51,538)	3,969	1,425
Net profit / (loss) for the year		**38,606**	**12,672**	**(28,379)**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
		(18,307)	(641)	(938)

Translation differences from subsidiaries, associates and joint ventures				
Result from net monetary position in subsidiaries, associates and joint ventures [(1)]		14,006		
Exchange differences reversed to profit for the period[(2)]		1,572		
Translation differences from Assets held for disposal			(499)	
Items that may not be reclassified subsequently to profit or loss:				
Translation differences from YPF		175,329	23,057	28,352
Other comprehensive income for the year		**172,600**	**21,917**	**27,414**
Total comprehensive income / (loss) for the year		**211,206**	**34,589**	**(965)**
Net profit / (loss) for the year attributable to:				
Shareholders of the parent company		38,613	12,340	(28,237)
Non-controlling interest		(7)	332	(142)
Other comprehensive income for the year attributable to:				
Shareholders of the parent company		169,674	21,917	27,414
Non-controlling interest		2,926		
Total comprehensive income / (loss) for the year attributable to:				
Shareholders of the parent company		208,287	34,257	(823)
Non-controlling interest		2,919	332	(142)
Earnings per share attributable to shareholders of the parent company				
Basic and Diluted	26	98.43	31.43	(72.13)

(1) Result associated to subsidiaries, associates and joint ventures with the Peso as Functional currency. See accounting policy in Note 2.b.1.

(2) Corresponds to reversal to net profit for the year, for the partial disposal of the investment in YPF EE. See Note 3.

Accompanying notes are an integral part of consolidated financial statements

MIGUEL ANGEL GUTIERREZ

President

4

Table of Contents

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YPF SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts expressed in millions of Argentine Pesos)

	2018								
	Shareholders contributions								
	Subscribed capital	Adjustment to contributions	Treasury shares	Adjustment to treasury shares	Share-based benefit plans	Acquisition cost of treasury shares	Share trading premium	Issuance premiums	Total
Balance at the beginning of the fiscal year	3,924	6,085	9	16	36	(91)	(217)	640	10,402
Modification to the balance at the beginning of the fiscal year(5)									
Balance at the beginning of the fiscal year modified	3,924	6,085	9	16	36	(91)	(217)	640	10,402
Accrual of share-based benefit plans(4)					308				308
Repurchase of treasury shares	(3)	(4)	3	4		(120)			(120)
Settlement of share-based benefit plans(2)	2	3	(2)	(3)	(229)	222	(65)		(72)

As decided by the Shareholders Meeting on April 27, 2018[(3)]									
As decided by the Board of Directors on December 12, 2018 [(3)]									
Other comprehensive income									
Net profit (loss)									
Balance at the end of the fiscal year	3,923	6,084	10	17	115	11	(282)	640	10,518

	2018									
	Reserves							**Equity attributable to Shareholders of the parent company**		
	Legal	**Future dividends**	**Investments**	**Purchase of treasury shares**	**Initial IFRS adjustment**	**Other comprehensive income**	**Retained earnings**		**Non-controlling interest**	**Total shareholders equity**
Balance at the beginning of the fiscal year	2,007			100		127,446	12,340	152,295	238	152,533
Modification to the balance at the beginning of the fiscal year[(5)]							(298)	(298)		(298)
Balance at the beginning of the fiscal year modified	2,007			100		127,446	12,042	151,997	238	152,235
Accrual of share-based benefit plans[(4)]								308		308
Repurchase of treasury shares								(120)		(120)
Settlement of share-based benefit plans[(2)]								(72)		(72)
		1,200	11,020	120			(12,340)			

As decided by the Shareholders Meeting on April 27, 2018 (3)									
As decided by the Board of Directors on December 12, 2018 (3)		(1,200)					(1,200)		(1,200)
Other comprehensive income					169,674		169,674	2,926	172,600
Net profit (loss)						38,613	38,613	(7)	38,606
Balance at the end of the fiscal year	2,007		11,020	220	297,120 (1)	38,315	359,200	3,157	362,357

(1) Includes 307,720 corresponding to the effect of the translation of the financial statements of YPF, (21,680) corresponding to the effect of the translation of the financial statements of investments in subsidiaries, associates and joint ventures with functional currencies other than the U.S. dollar and 11,080 corresponding to the recognition of the result for the net monetary position of subsidiaries, associates and joint ventures with the Peso as functional currency, as detailed in Note 2.b.1.
(2) Net of employees income tax withholdings related to the share-based benefit plans.
(3) See Note 25.
(4) See Note 32.
(5) Corresponds to the change in the accounting policy described in Note 2.b.26.

MIGUEL ANGEL GUTIERREZ

President

5

Table of Contents

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YPF SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 (Cont.)

(Amounts expressed in millions of Argentine Pesos)

	2017								
	Shareholders contributions								
	Subscribed capital	Adjustment to contributions	Treasury shares	Adjustment to treasury shares	Share-based benefit plans	Acquisition cost of treasury shares	Share trading premium	Issuance premiums	Total
Balance at the beginning of the fiscal year	3,923	6,085	10	16	61	(152)	(180)	640	10,403
Accrual of share-based benefit plans(3)					162				162
Repurchase of treasury shares	(3)	(4)	3	4		(100)			(100)
Settlement of share-based benefit plans(2)	4	4	(4)	(4)	(187)	161	(37)		(63)
As decided by the Shareholders Meeting on April 28, 2017									
As decided by the Board of Directors on June 8, 2017, July 9, 2017 and December 14, 2017									

Other comprehensive income										
Net income										
Balance at the end of the fiscal year	3,924	6,085	9	16	36	(91)	(217)	640	10,402	

	2017									
	Reserves									
	Legal	**Future dividends**	**Investments**	**Purchase of treasury shares**	**Initial IFRS adjustment**	**Other comprehensive income**	**Retained earnings**	**Equity attributable to Shareholders of the parent company**	**Non-controlling interest**	**Total Shareholders equity**
Balance at the beginning of the fiscal year	2,007	5	24,904	490	3,648	105,529	(28,231)	118,755	(94)	118,661
Accrual of share-based benefit plans[3]								162		162
Repurchase of treasury shares								(100)		(100)
Settlement of share-based benefit plans[2]								(63)		(63)
As decided by the Shareholders Meeting on April 28, 2017		711	(24,904)	(390)	(3,648)		28,231			
As decided by the Board of Directors on June 8, 2017, July 9, 2017 and December 14, 2017		(716)						(716)		(716)
Other comprehensive income						21,917		21,917		21,917
Net income							12,340	12,340	332	12,672
Balance at the end of the fiscal year	2,007			100		127,446[1]	12,340	152,295	238	152,533

(1) Includes 132,391 corresponding to the effect of the translation of the financial statements of YPF S.A. and (4,945) corresponding to the effect of the translation of the financial statements of investments in subsidiaries, associates and joint ventures with functional currencies other than the U.S. dollar, as detailed in Note 2.b.1.
(2) Net of employees income tax withholdings related to the share-based benefit plans.
(3) See Note 32.

MIGUEL ANGEL GUTIERREZ

President

6

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YPF SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 (Cont.)

(Amounts expressed in millions of Argentine Pesos)

	2016								
	Shareholders contributions								
	Subscribed capital	Adjustment to contributions	Treasury shares	Adjustment to treasury shares	Share-based benefit plans	Acquisition cost of treasury shares	Share trading premium	Issuance premiums	Total
Balance at the beginning of the fiscal year	3,922	6,083	11	18	67	(277)	(115)	640	10,349
Accrual of share-based benefit plans(3)					153				153
Repurchase of treasury shares	(2)	(3)	2	3		(50)			(50)
Settlement of share-based benefit plans(2)	3	5	(3)	(5)	(159)	175	(65)		(49)
As decided by the Shareholders meeting of April 29, 2016									
As decided by the Board of Directors of June 9, 2016									
Other comprehensive income									
Net loss									

Balance at the end of the fiscal year	3,923	6,085	10	16	61	(152)	(180)	640	10,403	

2016

	Reserves							Equity attributable to Shareholders of the parent company		
	Legal	**Future dividends**	**Investments**	**Purchase of treasury shares**	**Initial IFRS adjustment**	**Other comprehensive income**	**Retained earnings**		**Non-controlling interest**	**Total Shareholders equity**
Balance at the beginning of the fiscal year	2,007	5	21,264	440	3,648	78,115	4,585	120,413	48	120,461
Accrual of share-based benefit plans(3)								153		153
Repurchase of treasury shares								(50)		(50)
Settlement of share-based benefit plans(2)								(49)		(49)
As decided by the Shareholders meeting of April 29, 2016		889	3,640	50			(4,579)			
As decided by the Board of Directors of June 9, 2016		(889)						(889)		(889)
Other comprehensive income						27,414		27,414		27,414
Net loss							(28,237)	(28,237)	(142)	(28,379)
Balance at the end of the fiscal year	2,007	5	24,904	490	3,648	105,529(1)	(28,231)	118,755	(94)	118,661

(1) Includes 109,334 corresponding to the effect of the translation of the financial statements of YPF and (3,805) corresponding to the effect of the translation of the financial statements of investments in subsidiaries, associates and joint ventures with functional currencies other than the U.S. dollar, as detailed in Note 2.b.1.
(2) Net of employees income tax withholdings related to the share-based benefit plans.
(3) See Note 32.

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MIGUEL ANGEL GUTIERREZ

President

7

Table of Contents

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YPF SOCIEDAD ANONIMA

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts expressed in millions of Argentine Pesos)

	2018	2017	2016
Cash flows from operating activities			
Net income	38,606	12,672	(28,379)
Adjustments to reconcile net income to cash flows provided by operating activities:			
Income from equity interest in associates and joint ventures	(4,839)	(1,428)	(588)
Depreciation of property, plant and equipment	87,569	53,512	44,752
Amortization of intangible assets	1,749	838	717
Consumption of materials and retirement of property, plant and equipment and intangible assets	12,101	4,592	5,791
Charge on income tax	51,538	(3,969)	(1,425)
(Recovery) / Impairment of property, plant and equipment and intangible assets	(2,900)	(5,032)	34,943
Net increase in provisions	(3,422)	4,924	6,040
Exchange differences, interest and other [1]	(28,611)	7,611	3,298
Share-based benefit plans	308	162	153
Accrued insurance	(417)	(206)	
Result of companies revaluation	(11,980)		
Income on deconsolidation of subsidiaries			(1,528)
Changes in assets and liabilities:			
Trade receivables	(25,912)	(8,073)	(16,079)
Other receivables	(9,873)	895	5,406
Inventories	951	(1,556)	1,396
Accounts payable	18,769	3,747	(1,103)
Taxes payables	2,615	2,550	(1,776)
Salaries and social security	1,904	1,065	784
Other liabilities	(1,178)	(717)	190
Decrease in provisions due to payment/use	(2,652)	(1,388)	(1,753)
Contract assets	(278)	(130)	73
Contract liabilities	2,179	2,661	(30)
Dividends received	583	328	420

Proceeds from collection of lost profit insurance	496		607
Income tax payments	(2,248)	(1,084)	(2,726)
Net cash flows from operating activities	**125,058**	**71,974**	**49,183**
Investing activities:(2)			
Acquisition of property, plant and equipment and intangible assets	(88,293)	(59,618)	(64,160)
Contributions and acquisitions of interests in associates and joint ventures	(280)	(891)	(448)
Proceeds from sales of financial assets	7,879	4,287	1,072
Interests received from financial assets	750	980	483
Payments from business combinations	(2,307)		
Payments from acquisition of financial assets			(3,476)
Proceeds from collection of damaged property s insurance			355
Net cash flows used in investing activities	**(82,251)**	**(55,242)**	**(66,174)**
Financing activities:(2)			
Payment of loans	(55,734)	(36,346)	(73,286)
Payments of interest	(26,275)	(17,912)	(16,330)
Proceeds from loans	39,673	54,719	101,322
Repurchase of treasury shares	(120)	(100)	(50)
Dividends paid	(1,200)	(716)	(889)
Contributions of non-controlling interests			50
Net cash flows provided by financing activities	**(43,656)**	**(355)**	**10,817**
Translation differences provided by cash and cash equivalents	**18,139**	**1,665**	**1,692**
Reclassification of assets held for disposal		**(61)**	
Deconsolidation of subsidiaries			**(148)**
Net increase / (decrease) in cash and cash equivalents	**17,290**	**17,981**	**(4,630)**
Cash and cash equivalents at the beginning of year	28,738	10,757	15,387
Cash and cash equivalents at the end of year	46,028	28,738	10,757
Net increase / (decrease) in cash and cash equivalents	**17,290**	**17,981**	**(4,630)**

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

(2) The main investing and financing transactions that have not affected cash and cash equivalents correspond to:

	2018	**2017**	**2016**
Acquisition of property, plant and equipment and concession extension easements not paid	11,561	6,019	6,559
Net (decreases) increases related to hydrocarbon wells abandonment obligation costs	(11,710)	(4,913)	2,243
Contributions in joint ventures		19	
Dividends to collect			100

Increase in investments in financial assets through a decrease in trade receivables and other receivables	9,918

Accompanying notes are an integral part of consolidated financial statements.

MIGUEL ANGEL GUTIERREZ

President

8

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016

(Amounts expressed in millions of Argentine Pesos, except shares and per shares amounts expressed in Argentine Pesos, and as otherwise indicated)

1. GENERAL INFORMATION, STRUCTURE AND ORGANIZATION OF THE BUSINESS OF THE GROUP

General information

YPF Sociedad Anónima is a stock corporation (*sociedad anónima*) incorporated under the laws of the Argentine Republic, with a registered office at Macacha Güemes 515, in the City of Buenos Aires.

YPF and its subsidiaries form the leading energy group in Argentina, which operates a fully integrated oil and gas chain with leading market positions across the domestic Upstream and Downstream segments.

Structure and organization of the economic Group

The following table shows the organizational structure, including the main companies of the Group, as of December 31, 2018:

(1) Held directly and indirectly.
(2) See Note 3
(3) See Note 30.h.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
1. GENERAL INFORMATION, STRUCTURE AND ORGANIZATION OF THE BUSINESS OF THE GROUP (Cont.)

Organization of the business

As of December 31, 2018, the Group carries out its transactions and operations in accordance with the following structure:

- Upstream;
- Gas and Power;
- Downstream;
- Central administration and others, which covers the remaining activities not included in the previous categories.

Activities covered by each business segment are detailed in Note 5.

Almost all operations, properties and clients are located in Argentina. However, the Group also holds participating interests in exploratory and production areas in Chile and Bolivia. The Group also sells lubricants and derivatives in Brazil and Chile.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.a) Basis of preparation

Application of IFRS

The consolidated financial statements of the Group for the year ended December 31, 2018 are presented in accordance with IFRS as issued by IASB and interpretations issued by the IFRIC.

Moreover, some additional issues required by the LGS and/or CNV s regulations have been included.

The amounts and other information corresponding to the years ended on December 31, 2017 and 2016 are an integral part of the consolidated financial statements mentioned above and are intended to be read only in relation to these financial statements.

These consolidated financial statements were approved by the Board of Directors meeting and authorized to be issued on March 7, 2019.

Current and Noncurrent classification

The presentation in the statement of financial position makes a distinction between current and noncurrent assets and liabilities, according to the activities operating cycle. Current assets and liabilities include assets and liabilities, which are realized or settled within the 12-month period from the end of the fiscal year.

All other assets and liabilities are classified as noncurrent. Current and deferred tax assets and liabilities (payable income tax) are presented separately from each other and from other assets and liabilities, as current and noncurrent, as applicable.

Fiscal year-end

The Company s fiscal year begins on January 1 and ends on December 31, each year.

Accounting criteria

The consolidated financial statements have been prepared under historical cost criteria, except for financial assets measured at fair value through profit or loss and share-based compensation, which were measured at fair value.

Non-monetary assets and liabilities of subsidiaries having the Peso as functional currency, were adjusted for inflation. See Note 2.b.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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Use of estimates

The preparation of financial statements at a certain date requires the Management to make estimates and assessments affecting the amount of assets and liabilities recorded, contingent assets and liabilities disclosed at such date, as well as income and expenses recorded during the period. Future results might differ from the estimates and assessments made on the date of preparation of these consolidated financial statements.

The description of any significant estimates and accounting judgments made by Management in applying the accounting policies, as well as the key estimates and areas with greater degree of complexity which require more critical judgments, are disclosed in Note 2.c.

Consolidation policies

For purposes of presenting the consolidated financial statements, the full consolidation method was used with respect to all subsidiaries, which are those companies which the Group controls. The Group controls an entity when it is exposed, or is entitled to the variable results arising from its equity interest in the entity, and has the ability to affect those results through its power over the entity. This capacity is, in general but not solely, obtained by the direct or indirect ownership of more than 50% of the voting shares of a company.

Interest in JO and other agreements which gives the Group a contractually-established percentage over the rights of the assets and obligations that emerge from the contract, 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 JO are presented in the consolidated statement financial position and in the consolidated statement of comprehensive income, in accordance with their respective nature.

Note 9 details the fully consolidated controlled subsidiaries. Furthermore, Note 24 details the main JO, proportionally consolidated.

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

The Company s consolidated financial statements are based on the most recent available financial statements of the companies which YPF controls, taking into consideration, where applicable, significant subsequent events and transactions, information available to the Company s management and transactions between YPF and such subsidiaries, which could have produced changes to their shareholders equity. The date of the financial statements of such subsidiaries 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 subsidiaries 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 subsidiaries whose functional currency is different from the presentation currency are translated using the procedure set out in Note 2.b.1.

The Group holds 100% of capital of the consolidated companies, with the exception of the holdings in Metrogas and YTEC. The Group takes into account quantitative and qualitative aspects to determine which subsidiaries have significant non-controlling interests. 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 .

Financial information of subsidiaries, associates and joint ventures in hyperinflationary economies

Under IAS 29 Financial Reporting in Hyperinflationary Economies the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the end of the reporting period. The standard sets forth quantitative and qualitative factors to be contemplated in order to determine whether or not an economy is hyperinflationary. In recent years, inflation in Argentina has been high, with an accumulated inflation rate exceeding 100% over the last three years. In addition, certain recent qualitative and quantitative factors, such as the significant devaluation of the Peso, lead to the conclusion that the restatement by inflation of annual or interim financial statements corresponding to annual or interim periods ending after July 1, 2018, should be applied.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Companies could not present their restated financial statements because Decree No. 664/03 of the PEN prohibited regulatory agencies (including the CNV) from receiving financial statements adjusted for inflation.

Law No. 27,468, published on December 4, 2018 in the Official Gazette repealed Decree No. 1,269/02 of the PEN as amended (including the aforementioned Decree No. 664/03 of the PEN). The provisions of the aforementioned law became in full force and effect as of December 28, 2018, the date of the publication of the CNV General Resolution No. 777/18, which established that annual financial statements, interim and special periods closing from December 31, 2018 inclusive, must be submitted adjusted for inflation, as established by IAS 29. The FACPCE s guidelines will be applied to those issues not specifically addressed in the aforementioned regulations.

Although the application of IAS 29 does not directly affect YPF because its functional currency is the U.S. dollar as mentioned in section b) of this Note, it does affect the investments that the Company has in its subsidiaries, associates and joint ventures whose functional currency is the Peso, all of which have restated their financial statements.

In compliance with IAS 29 guidelines, the adjustment was based on the last date on which subsidiaries, associates and joint ventures whose functional currency is the Peso restated their financial statements to reflect the effects of inflation. For this purpose, in general terms, the inflation from the date of acquisition or addition, or from the date of asset revaluation, as applicable, was computed in balances of non-monetary assets and liabilities. As a result of the adjustment for inflation in such financial statements, the value of non-monetary items increased, with the cap of their recoverable value, and with the consequent effect on deferred tax. Regarding income statement, in addition to the restatement of revenues, costs, expenses and other items, the net monetary effect was included in a separate item in the Other financial results.

In accordance with the above, the application of IAS 29 generated an increase in equity, net income and other comprehensive income for the fiscal year of the Company.

2.b) Significant Accounting Policies

2.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.

Transactions in currencies other than the functional currency of the Company 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 payment, the balances of monetary assets and liabilities in currencies other than the functional currency are measured at the exchange rate prevailing at such date and the exchange differences arising from such measurement are recognized as Net financial results in the consolidated statement of comprehensive income for the year in which they arise.

Assets, liabilities and results of subsidiaries, associates and joint ventures are shown in their respective functional currencies. The effects of the conversion into U.S. dollars of the financial information of those companies whose functional currency is other than the U.S. dollar are recorded as Other comprehensive income in the Consolidated Statement of Comprehensive Income.

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YPF SOCIEDAD ANONIMA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Presentation currency

According to CNV Resolution No. 562, the Company must present its financial statements in pesos. Therefore, the financial statements prepared in the Company s functional currency are translated into the presentation currency, as per the following procedures:

Assets and liabilities of each of the balance sheets presented are translated using the exchange rate on the balance sheet closing date;

Items of the consolidated statement of comprehensive income are translated using the exchange rate at the time the transactions were generated (or, for practical reasons, and provided the exchange rate has not changed significantly, using each month s average exchange rate);

All translation differences resulting from the foregoing are recognized under Other Comprehensive Income in the statement of comprehensive income.

Effects of the translation of investments in subsidiaries, associates and joint ventures with the Peso as functional currency corresponding to a hyperinflationary economy

Under IAS 21, the financial statements of a subsidiary with the functional currency of a hyperinflationary economy are to be restated according to IAS 29 before they are included in the consolidated financial statements of its parent company with a functional currency of a non-hyperinflationary economy, except for their comparative figures.

Following the aforementioned guidelines, the results and financial position of subsidiaries with the Peso as functional currency were translated into U.S dollars by the following procedures: all amounts (i.e., assets, liabilities, stockholders equity items, expenditures and revenues) were translated at the exchange rate effective at the closing date of the financial statements, except for comparative amounts, which were presented as current amounts in the financial statements of the previous fiscal year (i.e., these amounts were not be adjusted to reflect subsequent variations in price levels or exchange rates). Thus, the effect of the restatement of comparative amounts was recognized in other comprehensive income.

These criteria were also implemented by the Group for its investments in associates and joint ventures.

When an economy ceases to be hyperinflationary and an entity ceases to restate its financial statements in accordance with IAS 29, it will use the amounts restated according to the price level of the date on which the entity ceased to make such restatement as historical costs, in order to them into the presentation currency.

Tax effect on Other Comprehensive Income

Results included in Other Comprehensive Income in connection with translation differences generated by investments in subsidiaries, associates and joint ventures whose functional currency is other than U.S. dollar as well as conversion differences arising from the translation of YPF s financial statements into its presentation currency (Pesos), have no effect on the income tax or in the deferred tax since at the time they were generated, the relevant transactions did not make any impact on net income or taxable income.

2.b.2) Financial Assets

Classification

In accordance with IFRS 9 Financial instruments , the Group classifies its financial assets into two categories:

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following criteria are met: (i) the objective of the Group s business model is to hold the assets to collect the contractual cash flow, and (ii) the contractual terms only require specific dates for payment of principal and interest.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

In addition, and for assets that meet the above conditions, IFRS 9 contemplates the option of designating, at the time of the initial recognition, an asset as measured at its fair value, if doing so would eliminate or significantly reduce the valuation or recognition inconsistency that could arise in the event that the valuation of the assets and liabilities or the recognition of profit or losses resulting therefrom be carried out on different bases. The Group has not designated a financial asset at fair value by using this option.

As of the closing date of these consolidated financial statements, the Group s financial assets at amortized cost include certain elements of cash and cash equivalents, trade receivables and other receivables.

Financial assets at fair value through profit or loss

If either of the two criteria above are not met, the financial asset is classified as an asset measured at fair value through profit or loss .

As of the closing date of these consolidated financial statements, the Group s financial assets at fair value through profit or loss include mutual funds and public securities.

Recognition and measurement

Purchases and sales of financial assets are recognized on the date on which the Group commits to purchase or sell the assets. Financial assets are recognized when the rights to receive cash flows from the investments and the risks and rewards of ownership have expired or have been transferred.

Financial assets at amortized cost are initially recognized at fair value plus transaction costs. These assets accrue interest based on the effective interest rate method.

Financial assets at their fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as an expense in the statement of comprehensive income. They are subsequently valued at fair value. Changes in fair values and results from sales of financial assets at fair value through profit or loss are recorded in Net financial results in the statement of comprehensive income.

In general, the Group uses the transaction price to ascertain the fair value of a financial instrument on initial recognition. In other cases, the Group records a gain or loss on initial recognition only if the fair value of the financial instrument can be supported by other comparable and observable market transactions for the same type of instrument or if it is based in a technical valuation that only inputs observable market information. Unrecognized gains or losses on initial recognition of a financial asset are recognized later on, only to the extent they arise from a change in the factors (including time) that market participants would consider upon setting the price.

Gains/losses on debt instruments measured at amortized cost and not included for hedging purposes are charged to income when the financial assets are derecognized or an impairment loss is recognized and during the amortization process using the effective interest rate method. The Group reclassifies all investments on debt instruments only when its business model for managing those assets changes.

Impairment of financial assets

The Group assesses the impairment of its financial assets according to the expected credit losses model. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach allowed by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. See Note 2.b.18.

Offsetting financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.b.3) Inventories

Inventories are valued at the lower value between 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. The net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

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 each product. Raw materials, packaging and other inventory are valued at their acquisition cost.

The Group 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.

2.b.4) Intangible assets

The Group 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. At the end of each year, such assets are measured at their acquisition or development cost, considering the criteria adopted by the Group in the transition to IFRS, less any accumulated amortization and any accumulated impairment losses.

The main intangible assets of the Group are as follows:

i. Service concessions arrangements

Includes transportation and storage concessions. These assets are valued at their acquisition cost, considering the criteria adopted by the Group in the transition to IFRS, net of accumulated amortization. They are depreciated using the straight-line method during the course of the concession period.

The Argentine Hydrocarbons Law allows the executive branch of the Argentine government to award 35-year concessions for the transportation of oil, gas and petroleum products following submission of competitive bids. The term of a transportation concession may be extended for an additional ten-year term. Pursuant to Law No. 26,197, provincial governments have the same powers. Holders of production concessions are entitled to receive a transportation concession for the oil, gas and petroleum products that they produce. The holder of a transportation concession has the right to:

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

In addition, a transportation concession holder is under an obligation to transport hydrocarbons to third parties, without discrimination, in exchange for a tariff. This obligation, however, is applicable to oil or gas producers only to the extent the concession holder has available additional capacity, and is expressly subject to the transportation requirements of the concession holder. Transportation tariffs are subject to approval by the Federal Energy Secretariat for oil and petroleum derivatives pipelines, and by ENARGAS, for gas pipelines. Upon expiration of a transportation concession, oil pipelines and related facilities revert to the Argentine Government, without any payment to the concession holder.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

In connection with the foregoing, the Privatization Law granted the Company 35-year transportation concessions for the transportation facilities operated by Yacimientos Petrolíferos Fiscales S.E. as of such date. The main pipelines related to said transportation concessions are the following:

- La Plata / Dock Sud
- Puerto Rosales / La Plata
- Monte Cristo / San Lorenzo
- Puesto Hernández / Luján de Cuyo
- Luján de Cuyo / Villa Mercedes

Thus, assets meeting certain requirements set forth by the IFRIC 12, which the Company Management s judgment are met in the facilities mentioned in the preceding paragraphs, are recognized as intangible assets.

ii. Exploration rights

The Group classifies exploration rights as intangible assets, which are valued at their cost, considering the criteria adopted by the Group in the transition to IFRS, net of the related impairment, if applicable.

Investments related to unproved oil reserves or fields under evaluation 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 well drilling costs, are charged to expense in the consolidated statement of comprehensive income as incurred.

iii. Other intangible assets

In this section, it 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 Group in the transition to IFRS, 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. The Group reviews annually the mentioned estimated useful life.

The Group has no intangible assets with indefinite useful lives as of December 31, 2018, 2017 and 2016.

2.b.5) Investments in associates and joint ventures

Investments in associates and joint ventures are valued using the equity method.

According to this method, the investment is initially recognized at cost under Investments in associates and joint ventures in the statement of financial position, and the book value increases or decreases to recognize the investor s interest in the income of the associate or joint venture after the acquisition date, which is reflected in the statement of comprehensive income under Income from equity interest in associates and joint ventures . The investment includes, if applicable, the goodwill identified in the acquisition.

Associates are considered those in which the Group 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 in companies in which a company has an interest of 20% or more and less than 50%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Joint arrangements are contractual agreements through which the Group and the other party or parties have joint control. Under the provisions of IFRS 11, Joint arrangements, and IAS 28, Investments in Associates and Joint Ventures, investments in which two or more parties have joint control (defined as a joint arrangement) will be classified as either a joint operation (when the parties that have joint control have rights to the assets and obligations for the liabilities relating to the joint arrangement) or a joint venture (when the parties that have joint control have rights to the net assets of the joint arrangement). Considering such classification, joint operations will be proportionally consolidated and joint ventures will be accounted for under the equity method.

Associates and joint ventures 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 the Group 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 associates and joint ventures have been homogenized, where appropriate, with those used by the Group in order to present the consolidated financial statements based on uniform accounting and presentation policies. The financial statements of associates and joint ventures whose functional currency is different from the presentation currency are translated using the procedure set out in Note 2.b.1.

Investments in companies in which the Group has no significant influence or joint control, are valued at cost.

Investments in companies with negative shareholders equity are disclosed in the Other Liabilities account.

On each closing date or upon the existence of signs of impairment, it is determined whether there is any objective evidence of impairment in the value of the investment in associates and joint ventures. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable value of associates and joint ventures and their book value, and recognizes the difference under Income from equity interest in associates and joint ventures in the statement of comprehensive income. The recorded value of investments in associates and joint ventures does not exceed their recoverable value.

Note 9 details the investments in associates and joint ventures.

2.b.6) Property, plant and equipment

General criteria

Property, plant and equipment are valued at their acquisition cost, plus all the costs directly related to the location of such assets for their intended use, considering the deemed cost criteria adopted by the Group in the transition to IFRS.

Borrowing costs of assets that require a substantial period 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 are capitalized and depreciated on a straight-line basis over the period until the next overhaul is scheduled.

The costs of renewals, betterments and enhancements that extend the useful life of properties and/or improve their service capacity are capitalized. As property, plant and equipment are retired, the related cost and accumulated depreciation are derecognized.

Repair, conservation and ordinary 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, as detailed in Note 2.b.8.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Depreciation

Property, plant and equipment, 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 Group reviews annually the estimated useful life of each class of assets.

Oil and gas exploration and production activities

The Group 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.

Exploration costs, excluding the costs associated with 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 will continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well, and the Group 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, the 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 8.

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 estimate proved, 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.

Revisions in estimates of crude 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 external independent petroleum engineers on a three-year rotation plan.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Costs related to hydrocarbon well abandonment obligations

Costs related to hydrocarbon well 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 considering internal and external available information. Due to the number of wells in operation and/or not abandoned and as well as the complexity with respect to different geographic areas where the wells are located, current costs incurred in plugging activities, weighted by the complexity level of the wells, 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 mentioned above, the useful life of the wells and their estimate of abandonment, as well as changes in regulations related to abandonment, which are not possible to be predicted at the date of issuance of these consolidated financial statements, could affect the value of the abandonment obligations and, consequently, the related asset, affecting the results of future operations. Such changes are recognized pursuant to IFRIC 1.

Environmental property, plant and equipment

The Group capitalizes the costs incurred in limiting, neutralizing or preventing environmental pollution only in those cases where 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 does not raise the assets carrying value above their estimated recoverable value.

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

2.b.7) Provisions and contingent liabilities

The Group makes a distinction between:

i. 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 obligations that are probable and can be reasonably estimated whose realization depends on the occurrence of future events that are out of the control of the Group (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. See Note 14.

ii. 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 Group, 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 extent they are significant, as required by IAS 37, Provisions, contingent liabilities and contingent assets . See Note 28.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Except for provisions for hydrocarbon wells abandonment obligations, where the timing of settlement is estimated on the basis of the work plan of the Group, and considering the estimated production of each field (and therefore its abandonment), 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.

In relation to certain provisions and contingent liabilities, the Group, in accordance with the established exemption contemplated in IAS 37, has decided not to set forth certain critical information that could seriously impair it in the claims made by third parties.

2.b.8) Impairment of property, plant and equipment and intangible assets

To evaluate the impairment of property, plant and equipment and intangible assets, the Group compares their carrying value with their recoverable amount at the end of each year, or more frequently, if there are indicators that the carrying value of an asset may not be recoverable.

In order to assess impairment, assets are grouped into CGU, whereas the assets do not generate cash flows that are independent of those generated by other assets or CGU, considering regulatory, economic, operational and commercial conditions. Considering the above mentioned, the Group s assets were grouped into nine CGU, which are described below:

i. Upstream Segment

The assets included in this segment have been grouped into four CGU: one of them groups the assets of YPF fields with crude oil reserves, and three of them group the assets of fields with natural gas reserves, according to Argentina s basins.

CGU Oil;

CGU Gas Neuquina Basin;

CGU Gas Noroeste Basin;

CGU Gas Austral Basin;

As of December 31, 2016, there were the Gas CGU Neuquina Basin YSUR and CGU Gas Austral Basin YSUR, which after the operative merger of the YSUR Group with YPF, were incorporated to the CGU Gas Neuquina Basin and CGU Gas Austral Basin, both of YPF.

ii. Gas and Power Segment

The assets of this segment have been grouped into three CGU: CGU Gas and Power YPF, which mainly includes the commercialization and regasification of natural gas; CGU Metrogas, which includes assets related to natural gas distribution activities; and CGU YPF EE, which includes the assets related to the generation and commercialization of electric energy. In connection with CGU YPF EE, see Notes 3 and 5.

iii. Downstream Segment

The assets of this segment have been grouped in the CGU Downstream YPF, which mainly comprises the assets involved in crude oil refining (or supplementing that activity), the petrochemical industry and the marketing of such products.

iv. Central Administration and Others

It includes the CGU AESA, which primarily comprises the assets used for construction purposes related to the activities of the subsidiary.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

This aggregation is the best reflection of how the Group currently makes its assets management decisions for the generation of independent cash flows.

The recoverable amount is the higher of the fair value less costs of disposal and the 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 cost of capital employed for the Group.

If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount, and an impairment loss is recognized 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 have disappeared or decreased, a new estimate of the recoverable amount of the corresponding asset is calculated to determine whether a reversal of the impairment losses recognized in previous periods needs to be made. See Note 2.c.

In the event of a reversal, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the CGU) in the past.

2.b.9) Methodology used in the estimation of recoverable amounts

The methodology used to estimate the recoverable amount of property, plant and equipment and intangible assets consists of using the higher of: i) the calculation of the value in use, based on expected future cash flows from the use of such assets, discounted at a rate that reflects the weighted average cost of capital, and, if available, ii) the price that would be received in a regular transaction between market participants to sell the asset as of the date of these consolidated financial statements, less the disposal costs of such assets.

In the assessment of the value in use, cash flow forecasts based on the best estimate of income and expense available for each CGU using sector inputs, past results and future expectations of business evolution and market development are utilized. The most sensitive aspects included in the cash flows used in all the CGU are the purchase and sale prices of hydrocarbons (including applicable gas distribution fees), outstanding regulations, estimates of cost increases, personnel costs and investments.

The cash flows from Upstream assets are generally projected for a period that covers the economically productive useful lives of the oil and gas fields and is limited by the contractual expiration of the concession permits, agreements or exploitation contracts. The estimated cash flows are based on production levels, commodity prices and estimates of the future investments that will be necessary in relation to undeveloped oil and gas reserves, production costs, field decline rates, market supply and demand, contractual conditions and other factors. The unproved reserves are weighted with risk factors, based on the type of each one of the Upstream assets.

Downstream and Gas and Power cash flows are estimated on the basis of projected sales trends, contribution margins by unit, fixed costs and investment flows, in line with the expectations regarding the specific strategic plans of each business. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The projections evaluation horizon is 10 years, considering annual rent for the last period, based on the long useful life of these CGU assets.

The reference prices considered are based on a combination of market prices available in those markets where the Group operates, also taking into consideration specific circumstances that could affect different products the Group commercializes and management s estimations and judgments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.b.10) Employee benefit plans and share-based payments

i. Retirement plan

Effective March 1, 1995, the Group has established a defined contribution retirement plan that provides benefits for each employee who elects to join the plan. Each plan member will pay an amount between 3% and 10% of his monthly compensation, and the Group will pay an amount equal to that contributed by each member.

The plan members will receive from the Group the contributed funds before retirement only in the case of voluntary termination under certain circumstances or dismissal without cause and, additionally, in case of death or incapacity. The Group has the right to discontinue this plan at any time, without incurring termination costs.

ii. Performance Bonus Programs

These programs cover certain of the Group s personnel. These bonuses are based on compliance with corporate business unit objectives and performance. They are calculated considering the annual compensation of each employee, certain key factors related to the fulfillment of these objectives and the performance of each employee, and are paid in cash.

iii. Share-based benefit plan

From the year 2013, YPF has decided to implement a share-based benefit plan. This plan, organized in annual programs, covers certain executive and management positions and key personnel or personnel with critical technical knowledge. The above-mentioned plan is aimed at aligning the performance of these personnel with the objectives of the strategic plan of the Company.

This plan consists in giving participation, through shares of the Company, to each selected employee with the condition of remaining in it for the previously defined period (up to three years from the grant date, hereinafter service period), being this the only condition necessary to access the agreed final retribution.

For accounting purposes, YPF recognizes the effects of the plans in accordance with the guidelines of IFRS 2, Share-based Payment . In this order, the total cost of the plans granted is measured at the grant date, using the fair value or market price of the Company s share in the United States market. The above-mentioned cost is accrued in the Company s net income for the year, over the vesting period, with the corresponding increase in Shareholders equity in the Share-based Benefit Plans account.

2.b.11) Revenue recognition

Revenue from ordinary activities arising from contracts entered into with customers

In compliance with IFRS 15, the Group has classified the main contracts with customers, as follows:

- Contracts for the sale of fuel in consignment;
- Contracts for the direct sale of fuel;
- Contracts for the sale of natural gas;
- Contracts and agreements for the sale of other refined products;
- Construction contracts.

In the first four types of contracts, related to the sale of goods, revenue is recognized when the control of the goods is transferred to the customer. Even in the case of consignment contracts, income is not recognized until the good is sold to the intermediary s customer. It is emphasized that in these contracts there are no performance obligations that are separate or different from the delivery of goods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

In the case of the construction contracts, revenue is recognized considering the estimated final margin for each project that arises from technical studies on sales and the estimated total costs of each of them, as well as their physical progress. In this type of contracts, performance obligations are satisfied over time.

As mentioned in Note 2.b.26, as IFRS 15 became effective, the Group has adopted the full retrospective approach for the implementation of this standard, which has not affected the accounting policies related to the recognition of revenues from contracts with customers for the years ended 2017 and 2016.

In compliance with IAS 18, in fiscal years 2017 and 2016, revenue was recognized on sales of crude oil, refined products and natural gas, in each case, when title and risks were transferred to the customer following the conditions described below:

The Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

The Group does not retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The amount of revenue can be measured reliably.

It is probable that the economic benefits associated with the transaction will flow to the Group.

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In compliance with IAS 11, in fiscal years 2017 and 2016, revenues and costs related to construction activities performed by AESA are accounted for in the consolidated statement of comprehensive income for the year using the percentage of completion method, considering the final contribution margin estimated for each project at the date of issuance of the financial statements, which arises from technical studies on sales and total estimated costs for each of them, as well as their physical progress. The adjustments in contract values, changes in estimated costs and anticipated losses on contracts in progress are reflected in earnings in the year when they become evident.

Revenue recognition related to Government incentive programs

The following are the main revenues that fall within the scope of the IAS 20 Accounting for Government grants and disclosure of government assistance :

Incentives for the Additional Injection of Natural Gas Stimulus Program and benefits from the Stimulus Program for Investments in the Natural Gas Production Development from Unconventional Reservoirs

Granted by the former Planning and Strategic Coordination Commission of the National Plan of Hydrocarbons Investment by Resolutions No. 1/2013 and No. 14/2015 and by the MINEM by Resolution 46-E/2017, respectively (see Note 30.g), they constitute economic compensation for the companies committed to increase their respective production. These incentives have been included in Revenues in the consolidated statement of comprehensive income.

Compensation for providing gas oil to public transport of passengers at a differential price

Economic compensations to hydrocarbon producing and refining companies committed to ensure the supply of gasoil in the necessary volumes to meet domestic needs. These incentives have been included in Revenues in the consolidated statement of comprehensive income.

Procedure to compensate for the lower income that Natural Gas Piping Distribution Service Licensed Companies receive from their users

Compensations received as a result of (i) the application of benefits and/or discounts to users under the regulations in force regarding tariffs of the natural gas distribution service through networks and (ii) the higher costs of UNG with respect to those established for their recognition in tariffs. These incentives have been included in Revenues in the consolidated statement of comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Payment of the daily differences accumulated on a monthly basis between the price of gas purchased by Distributors and the natural gas price included in the tariff schemes effective from April 1, 2018 to March 31, 2019

Under Decree No. 1053/18, the Argentine Government assumed the payment of the differences exclusively arising from exchange rate variations and corresponding to natural gas volumes delivered in such term. These incentives have been included as reversals in Costs in the consolidated statement of comprehensive income.

Temporary economic assistance to Metrogas

Enacted by the MINEM under Resolution No. 312-E/2016 and by the former Argentine Energy Secretariat under Resolution No. 263/2015 (see Note 30.h), its purpose was to fund the expenses and investments related to the normal operation of the natural gas distribution service through networks, while preserving the chain of payment to natural gas producers until the Tariff Review was concluded. The incentives were included in the item Other net operating results in the consolidated statement of comprehensive income.

Incentive for investment in capital goods, computers and telecommunications for domestic manufacturers

It takes place through a fiscal bond, provided that manufacturers have industrial establishments located in Argentina, a requirement that is satisfied by the controlled company AESA. The Group recognizes such incentive when the formal requirements established by Decrees of the PEN No. 379/2001, No. 1551/2001, its amendments and regulations are satisfied, to the extent that there is reasonable certainty that the grants will be received. The bond received may be computed as a tax credit for the payment of national taxes (i.e., income tax, tax on minimum presumed income, value added tax and domestic taxes) and may be transferred to third parties only one time. The incentives have been included in the item Other net operating results in the consolidated statement of comprehensive income.

Recognition of these incomes are made at their fair value when there is a reasonable certainty that incentives will be received and that regulatory requirements related therewith have been fulfilled.

2.b.12) Leases

The Group s leases are classified as operating or financial leases, taking into account the economic substance of the contracts.

The Group as a lessee:

Operating leases

A lease is classified as an operating lease when the lessor does not transfer substantially to the lessee the entire risks and rewards incidental to ownership of the asset.

Costs related to operating leases are recognized on a straight-line basis in Rental of real estate and equipment and Operation services and other service contracts of the consolidated statement of comprehensive income for the year in which they arise.

Financial Leases

Leases are classified as financial when the lessor transfers to the lessee substantially all the risks and benefits inherent in the leased property.

The Group has no significant financial leases as they are defined by current IFRS regulations.

The Group does not own significant assets leased to third parties.

See also Note 2.b.26 regarding the initial application of IFRS 16 Leases on January 1, 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.b.13) Net income per share

Net income per share is calculated by dividing the net income for the year attributable to YPF s shareholders by the weighted average of shares of YPF outstanding during the year net of repurchased shares as mentioned in Note 25.

Diluted net income per share is calculated by dividing the net income for the fiscal year by the weighted average of shares outstanding, and when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as if they had been converted.

In computing diluted net income per share, income available to ordinary shareholders, used in the basic earnings per share calculation, is adjusted by those results that would result of the potential conversion into ordinary stock. The weighted average number of ordinary shares outstanding is adjusted to include the number of additional ordinary shares that would have been outstanding if the dilutive potential ordinary shares had been issued. Diluted net income per share is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted net income per share excludes potential ordinary shares if their effect is anti-dilutive.

As of the date of the issuance of these consolidated financial statements, there are no YPF instruments outstanding that imply the existence of potential ordinary shares (taking into account the Company s intent to cancel the share-based benefit plans through their repurchase in the market), thus the basic net income per share matches the diluted net income per share. See Note 26.

2.b.14) Financial liabilities

Financial liabilities are initially recognized at their fair value less the transaction costs incurred. Because the Group does not have financial liabilities whose characteristics require the recognition at their fair value, according to IFRS, after their initial recognition, financial liabilities are measured at amortized cost. Any difference between the financing received (net of transaction costs) and the repayment value is recognized in the consolidated statement of comprehensive income over the life of the related debt instrument, using the effective interest rate method.

The Group eliminates a financial liability (or a part thereof) from its statement of financial position when it has been extinguished, i.e., when the obligation specified in the corresponding contract has been paid or canceled, or has expired.

The Group will account for a swap of financial instruments with substantially different conditions by eliminating the original financial liability and registering a new financial liability. Similarly, the Group will account for a substantial change in the current conditions of an existing financial liability or part of it as a cancellation of the original financial liability and the recognition of a new financial liability.

At the closing of these consolidated financial statements, the Group s financial liabilities at amortized cost include accounts payable, other liabilities, loans and liabilities associated with assets held for disposal.

2.b.15) Taxes, withholdings and royalties

Income tax and tax on minimum presumed income

The Group recognizes income tax applying the deferred tax method, which considers the effect of temporary differences between the carrying amount of an asset or a liability and its tax base and the tax loss carryforwards and other tax credits, which may be used to offset future taxable income, at the statutory rate then in force, at the time of its use or reversion.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Tax expense for the year includes current and deferred income tax. Income tax is recognized in the consolidated statement of net income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Tax expense is calculated on the basis of the tax laws enacted or substantially enacted at the date of the fiscal year end, in the countries where the Company and its subsidiaries operate and generate taxable income. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

According to the amendments introduced by the Argentine Tax Reform Law No. 27,430 published in the Official Gazette on December 29, 2017 (see Note 30.j), the general tax rate is reduced from 35% for fiscal years 2016 y 2017 to 30% for fiscal years 2018 and 2019 and to 25% from year 2020. Accordingly, although the gradual changes of the income tax rate are not applicable to the measurement of the current tax, the main accounting impact of the new regulations occurs in the measurement of deferred assets and tax liabilities. See Note 15.

Additionally, upon the determination of taxable profit on minimum presumed income is calculated by applying the current 1% tax rate to taxable assets as of the end of each year. This tax supplements income tax. The tax liability will coincide with the higher of the determination of tax on minimum presumed income and the Group s tax liability related to income tax, calculated applying the current income tax rate to taxable income for the year. However, if the tax on minimum presumed income exceeds income tax during one tax year, such excess may be computed as prepayment of any income tax excess over the tax on minimum presumed income that may be generated in the next ten years. It is worth mentioning that it was overruled for the years beginning on January 1, 2019, as established by Law No. 27,260.

Personal assets tax Substitute responsible

Individuals and foreign entities, as well as their undistributed estates, regardless of whether they are domiciled or located in Argentina or abroad, are subject to personal assets tax of 0.25% of the value of any shares or ADSs issued by Argentine entities, held at December 31 of each year. The tax is levied on the Argentine issuers of such shares or ADSs, such as YPF, which must pay this tax in substitution of the relevant shareholders, and is based on the equity value (following the equity method), or the book value of the shares derived from the latest financial statements at

December 31 of each year. Pursuant to the Personal Assets Tax Law, the Group is entitled to seek reimbursement of such paid tax from the applicable shareholders, using the method the Group considers appropriate. However, according to Law 27,260 YPF has requested the exemption of this tax (for the benefit of its shareholders). This exemption applied to fiscal periods 2016 to 2018.

Royalties and withholding systems for hydrocarbon exports

A 12% (or 15%, if applicable) royalty is payable on the value at the wellhead of crude oil production and the commercialized natural gas volumes, on the wellhead value of such products, which is similar to the final sales price less transportation and storage costs.

Pursuant to the extension of the original terms of exploitation concessions, the Group has agreed to pay an extraordinary production royalty and in some cases a royalty of 10% is payable over the production of unconventional hydrocarbons (see Note 30.a).

Royalty expense and extraordinary production royalties are accounted for as a production cost.

Besides, the Group is subject to the withholding regimes for hydrocarbon exports outlined in Note 30.d.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.b.16) Shareholders equity accounts

Shareholders equity accounts have been valued in accordance with accounting principles in effect as of the transition date. The accounting transactions that affect shareholders equity accounts were accounted for in accordance with the decisions taken by the Shareholders meetings, and legal standards or regulations.

Subscribed capital stock and adjustments to contributions

Consists of the shareholders contributions represented by shares and includes the outstanding shares at face value net of treasury shares mentioned in the following paragraph Treasury shares and adjustment to treasury shares . The subscribed capital account has remained at its historical value and the adjustment required previous Argentine GAAP (Generally Accepted Accounting Principles) to state this account in constant Pesos is disclosed in the Adjustments to contributions account.

The adjustment to contributions cannot be distributed in cash or in kind, but is allowed its capitalization by issuing shares. In addition, this item may be used to compensate for accumulated losses.

Treasury shares and adjustments to treasury shares

Corresponds to the reclassification of the nominal value and the corresponding adjustment for inflation (Adjustment to Contributions) of shares issued and repurchased by YPF in market transactions, as is required by the CNVs regulations in force.

Share-based benefit plans

Corresponds to the balance related to the share-based benefit plans as mentioned in Note 2.b.10.iii.

Acquisition cost of repurchased shares

Corresponds to the cost incurred in the acquisition of the shares that YPF holds as treasury shares. Additionally, see Note 25.

Considering CNV regulations RG 562, the balance of this account restricts the distribution of retained earnings.

Share trading premium

Corresponds to the difference between accrued amount in relation to the share-based benefit plans and acquisition cost of the shares settled during the year in relation with the mentioned plans.

Considering the debit balance of the premium, distribution of retained earnings is restricted by the balance of this premium.

Issuance premiums

Corresponds to the difference between the amount of subscription of the capital increase and the corresponding face value of the shares issued.

Legal reserve

In accordance with the provisions of LGS, YPF has to appropriate to the legal reserve no less than 5% of the algebraic sum of net income, prior year adjustments, and transfers from other comprehensive income to retained earnings and accumulated losses from previous years, until such reserve reaches 20% of the subscribed capital plus adjustment to contributions. As of December 31, 2018, the legal reserve has been fully integrated, amounting to 2,007.

Reserve for future dividends

Corresponds to the allocation made by the YPF s Shareholders meeting, whereby a specific amount is transferred to the reserve for future dividends.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Reserve for investments and reserve for purchase of treasury shares

Corresponds to the allocation made by the YPF s Shareholders meeting, whereby a specific amount is being assigned to be used in future investments and in the purchase of YPF s shares to meet the obligations arising from share-based benefit plan described in Note 2.b.10.iii.

Initial IFRS adjustment reserve

Corresponds to the initial adjustment in the transition to IFRS application, which was approved by the Shareholders meeting of April 30, 2013, in accordance with the General Resolution No. 609 of the CNV. Such reserve was disaffected for absorption of negative balance on the Retained earnings in the fiscal year ended December 31, 2017, according the aforementioned Resolution.

Other comprehensive income

Includes income and expenses recognized directly in equity accounts and the transfer of such items from equity accounts to the income statement of the year or to retained earnings, as defined by IFRS.

Retained earnings

Includes accumulated gains or losses without a specific appropriation that being positive can be distributed upon the decision of the Shareholders meeting, while not subject to legal restrictions. Additionally, it includes the net income of previous years that was not distributed, the amounts transferred from other comprehensive income and adjustments to income of previous years produced by the application of accounting standards.

Additionally, pursuant to the regulations of the CNV, when the net balance of other comprehensive income account is positive, it will not be distributed or capitalized nor used to compensate accumulated losses, and when the net balance of these results at the end of a year is negative, a restriction on the distribution of retained earnings for the same amount will be imposed.

Non-controlling interest

Corresponds to the interest in the net assets of Metrogas (30%) and YTEC (49%), representing the rights on shares that are not owned by YPF.

2.b.17) Derivative financial instruments and hedge transactions

Derivative financial instruments are recognized at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge instrument, and, if so, the nature of the item being hedged.

The Group manages exposures to several risks using different financial instruments. The Group does not use derivative financial instruments for speculative purposes.

The Group s policy is to apply hedge accounting to hedging relationships where it is both permissible and practical under IFRS 9, and its application reduces volatility. Transactions that may be effective hedges in economic terms may not always qualify for hedge accounting under IFRS 9.

During the fiscal year ended December 31, 2018, the Group only used derivative financial instruments traded on active markets (futures contracts in U.S. dollars) and has not applied hedge accounting.

During the fiscal year ended as of December 31, 2017, the Group did not used derivative financial instruments.

During the fiscal year ended December 31, 2016, the Group only used derivative financial instruments traded on active markets (futures contracts in U.S. dollars) and has not applied hedge accounting.

Gains or losses from these derivative financial instruments are classified as Other financial resul1ts , in the statement of comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Fair values of derivative financial instruments that are traded in active markets are computed by reference to market prices. The fair value of derivative financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each fiscal year.

2.b.18) Trade receivables and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Under IFRS 9, a provision for bad debt is created by preparing a matrix per category and grouping the assets based on the type of customer: i) related parties, ii) public sector and iii) private sector. These groups were subsequently divided into sub-groups based on special characteristics indicative of the repayment capacity, such as i) payment arrears, ii) existence of guarantees and iii) existence of a legal proceeding already initiated or in process of initiation for collection purposes, among others. Once each group was defined, an expected bad-debt rate is assigned based on historical default rates adjusted to future economic conditions.

The carrying amount of the assets is reduced through the use of the provision account, and the amount of the loss is recognized in the statement of comprehensive income within Selling expenses , as well as subsequent recoveries.

As IFRS 9 became effective, the Group has retroactively applied the changes in the standard, without restating the comparative amounts. Therefore, the difference between the previous accounting amounts and the new initial amounts resulting from the initial application of the standard were recognized as an adjustment in the Retained Earnings as of January 1, 2018. The information disclosed for 2017 and 2016 reflects the requirements set forth in IAS 39, and not those of IFRS 9 in relation to impairment of financial assets.

In compliance with IAS 39, in fiscal years 2017 and 2016, the impairment of a financial asset was recorded only when there was an objective evidence of the impairment of the asset, based on the difference between the book value of the asset and the current value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate.

2.b.19) Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquidity investments with original maturities of three months or less. They do not include bank overdrafts.

2.b.20) Dividends distribution

Dividends payable by the Group are recognized as liabilities in the period in which they are approved.

2.b.21) Business combinations

Business combinations are accounted for by applying the acquisition method when the Group takes effective control over the acquired company.

The Group recognizes in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and goodwill, if any, in accordance with IFRS 3.

The acquisition cost is measured as the sum of the consideration transferred, measured at fair value at its acquisition date and the amount of any non-controlling interest in the acquired entity. The Group will measure the non-controlling interest in the acquired entity at fair value or at the non-controlling interest s proportionate share of the acquired entity s identifiable net assets.

If the business combination is achieved in stages, the Group will remeasure its previously held equity interest in the acquired entity at its acquisition date fair value and recognize a gain or loss in the statement of comprehensive income.

The goodwill cost is measured as the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed net by the Group. If this consideration is lower than the fair value of the assets identifiable and liabilities assumed, the difference is recognized in the statement of comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

IFRS 3 authorizes a term of 12 months from the acquisition date to complete the measurement process of a business combination. When this is not recorded at the closing of the fiscal year in which the business combination takes place, the Group reports provisional amounts.

2.b.22) Total or partial disposal of foreign operation whose functional currency is other than the U.S. dollar

On the disposal of a foreign operation (a disposal of the Group s entire interest, or a partial disposal involving loss of control over a subsidiary), all of the translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss of that fiscal year.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated translation differences is reclassified to non-controlling interest and are not recognized in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rate. Translation differences arising are recognized in other comprehensive income.

2.b.23) Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the top authority decision-maker, who is the person responsible for allocating resources and assessing the performance of the operating segments. Operating segments are described in Note 5.

2.b.24) Assets held for disposal and related liabilities

An asset (or group of assets) is classified as held for disposal together with its related liabilities when the Group is expected to recover their value by means of a sale transaction (rather than through use) and where such sale is highly probable. In the event that the Group is engaged in a disposal plan, which involves the loss of control of a subsidiary, it will classify the assets and liabilities of such subsidiary as held for disposal provided that they comply with the criteria required by the IFRS 5 and its interpretations, regardless of whether the Group withholds a non-controlling interest in its former subsidiary after the transaction.

In order to apply the above classification, the asset (or group of assets) must be available for its immediate disposal or dilution in its current conditions, exclusively subject to the usual and habitual terms for the disposal or dilution of this asset (or group of assets).

For the transaction to be highly probable the appropriate level of Management or Board of Directors of the Company must be committed to a plan and an active program must have been actively initiated. In addition, the disposal of the asset (or groups of assets) must be actively negotiated at a reasonable price in relation to its or their current fair value. Moreover, the transaction must also be expected to meet the conditions for recognition as a completed disposal within one year after the classification date, with the exceptions permitted by IFRS 5, and the activities required to complete the plan should indicate that it is unlikely that significant changes are made to the plan or that it will be canceled.

Assets classified as held for disposal will be measured at the lower of their carrying amount or fair value less sale-related costs.

As of December 31, 2018, the Group classified certain areas as assets held for disposal. See Note 3.

As of December 31, 2017, the Group classified the investment in YPF EE as an asset held for disposal. See Note 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.b.25) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of suitable assets for which a prolonged period is required to place them in the conditions required for their use or sale, are capitalized as part of the cost of those assets until the assets are substantially ready for use or sale. Interests are capitalized according to the average debt rate of the Group. Foreign exchange differences for loans in foreign currency are capitalized if they are considered an adjustment to interest costs. The rest of the borrowing costs are recognized as expenses in the period in which they are incurred.

2.b.26) New standards issued

As required by IAS 8 Accounting policies, changes in accounting estimates and errors , below is a brief summary of the standards or interpretations issued by the IASB, whose application is mandatory as of the closing date of these consolidated financial statements, as well as of those whose application has not been mandatory as of the closing date of these consolidated financial statements and have, therefore, not been adopted by the Group.

<u>Those standards or interpretations issued by the IASB, the application of which is mandatory as of the closing date of these consolidated financial statements, have been adopted by the Group, if applicable</u>

IFRS 15 Income from ordinary activities arising from contracts entered into with customers
IFRS 15 is in effect for periods to be reported as from January 1, 2018, or afterwards, and may also be implemented in advance. Entities may decide whether to retrospectively apply the model or to use a modified transitional approach, to which the standard will be retrospectively applied only with regard to those contracts that are not completed by the initial date of application (e.g., January 1, 2018 for an entity with a fiscal year ended December 31).

It replaced the following Income Standards and Interpretations:

IAS 18 Revenue;

IAS 11 Construction contracts;

IFRIC 13 Customer loyalty programs;

IFRIC 15 Agreements for the construction of real estate;

IFRIC 18 Transfers of assets from customers; and

SIC 31 Revenue Barter transactions involving advertising services.

IFRS 15 presents a five-step approach to explain income from ordinary activities arising from contracts entered into with customers:

1. Identify the contract entered into with the customer.

2. Identify the separable obligations of the contract.

3. Determine the transaction price.

4. Allocate the transaction price between the obligations of the contract.

5. Recognize the income when the entity meets the obligations.

It is mainly based on the principle that the entity has to recognize revenue to represent the transfer of goods or services promised to customers in an amount that reflects the consideration that the entity expects to receive in exchange for the goods or services at the time a performance obligation is satisfied. An asset is transferred when (or as) the customer obtains control over that asset, with control defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

It has also introduced more prescriptive indications:

If the contract (or a combination of contracts) contains more than one promised good or service, when and how the goods and services should be delivered.

If the transaction price distributed to each performance obligation should be recognized as income over the course of a period of time or at a certain point in time. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, namely, when the control of the goods and services which has a particular obligation is transferred to the customer. The new model does not include separate guidelines for the sale of goods and the render of services . Instead, it requires that entities evaluate whether the revenue should be recognized over a period of time or at a given point in time, regardless of whether the said revenue includes the sale of goods or the render of services .

Where the transaction price contains an estimation of variable payments, how the amount and the time will affect the recognition of revenue. The concept of estimation of variable consideration is broad. A transaction price is considered variable on account of discounts, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency agreements. The new model introduces a major condition for a variable consideration to be recognized as revenue: only until it is highly improbable that a significant change in the accumulated revenue amount will occur, once the uncertainty associated with the variable consideration has been resolved.

When the incurred costs to execute a contract and the costs to perform it may be recognized as an asset.
The accounting policies related to revenues from ordinary activities from contracts entered into with customers of the Group are described in detail in Note 2.b.11.

The Group has adopted the full retrospective approach for the implementation of this standard, which has not affected the accounting policies related to the recognition of revenues from contracts with customers and therefore the initial retained earnings have not been affected either.

The Group has not identified a significant impact on its financial statements with respect to: (i) changes in transactions within the scope of the new standard; (ii) the identification of performance obligations; (iii) the determination and distribution of the price; and (iv) the recognition of income accounts; with respect to the income recognition criteria previously applied.

The Group has adopted the standard s terminology, identifying Contract Assets and Contract Liabilities . Thus, certain reclassifications have been made in the comparative amounts of the statements of financial position for the fiscal year ended December 31, 2017 and 2016, as shown below:

	Amounts as of December 31, 2017		**Reclassifications IFRS 15**		**Amounts restated as of December 31, 2017**	
	Noncurrent	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**
<u>Assets</u>						
Inventories		27,291		(142)		27,149
Contract Assets				142		142
<u>Liabilities</u>						
Accounts Payable	1,655	47,371	(1,470)	(1,460)	185	45,911
Contract Liabilities			1,470	1,460	1,470	1,460

	Amounts as of December 31, 2016		**Reclassifications IFRS 15**		**Amounts restated as of December 31, 2016**	
	Noncurrent	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**
<u>Assets</u>						
Inventories		21,820		(12)		21,808
Contract Assets				12		12
<u>Liabilities</u>						
Accounts Payable	2,187	41,595		(14)	2,187	41,581
Contract Liabilities				14		14

Additionally, IFRS 15 introduces requirements aimed at providing new disaggregation of information to be disclosed. Based on the revenue analysis carried out by the Company s Management, Note 19 has been broken down by (i) type of good or service; (ii) sales channels, and (iii) target market, according to the reported business segments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

IFRS 9 Financial Instruments

In July 2014, the IASB completed the amendment to the accounting for financial instruments and issued IFRS 9 Accounting for financial instruments (in its revised version of 2014 in effect for annual periods beginning on or after January 1, 2018), which will replace IAS 39 Financial Instruments: Recognition and Measurement after the expiration of the effective date thereof.

The following describes the key requirements of IFRS 9:

Classification and measurement of financial assets and liabilities

The IFRS 9 requires that all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement be subsequently measured at amortized cost or at fair value. Specifically, the debt instruments that are maintained within a business model whose objective is to collect the contractual cash flows, and which have contractual cash flows that are only principal and interest payments on the amount of outstanding capital, are generally measured at amortized cost at the end of subsequent accounting periods. All other investments in debt and equity securities are measured at their fair values as of the closing of subsequent accounting periods.

The most significant effect of IFRS 9 with respect to the classification and measurement of financial liabilities is related to the accounting for changes in the fair value of a financial liability (designated at fair value through profit or loss) attributable to the changes in the credit risk of such liability. Specifically, under IFRS 9, for financial liabilities that are designated at fair value through profit or loss, the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of the changes in the credit risk of the liability in other comprehensive income creates or increases a measurement inconsistency (accounting asymmetry) in the results. The changes in fair value attributable to the credit risk of the financial liability are not reclassified subsequently to the results of the fiscal year. Previously, under IAS 39, the total amount of the change in the fair value of the financial liability designated at fair value through profit or loss was recognized in the income statement of the fiscal year.

The Group has adopted IFRS 9 as of the transition date in advance in accordance with the regulations in force in 2013, which deal with everything related to the classification and measurement of financial assets and liabilities, so it is not expected that there will be an impact on the described treatments.

Hedge accounting

The general hedge accounting requirements of IFRS 9 maintain the three types of hedge accounting mechanisms included in IAS 39. However, the eligible types of hedge accounting transactions are now much more flexible, especially by expanding the types of instruments that are classified as hedging instruments and the types of risk components of non-financial elements ideal for hedge accounting.

In addition, the effectiveness test has been reviewed and replaced by the principle of economic relationship . A retrospective evaluation is no longer required to measure the effectiveness of the coverage. Many more disclosure requirements have been added regarding the entity s risk management activities.

The initial application of this standard related to hedge accounting, has not had any impact because the Group has not carried out these types of transactions in the fiscal years ended December 31, 2018, 2017 and 2016.

Impairment Methodology

The impairment model in accordance with IFRS 9 reflects expected credit losses, as opposed to credit losses incurred under IAS 39. In regard to the impairment in IFRS 9, it is no longer necessary for a credit event to occur before it is incurred. In contrast, an entity always accounts for both the expected credit losses and their changes. The amount of expected credit losses must be updated on each reporting date to reflect changes in credit risk from initial recognition.

The Group estimated the impairment of its financial assets and contract assets in compliance with the accounting policy outlined in Note 2.b.18 to these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Thereby, it is replaced the previous accounting policy under which the impairment of a financial asset was recorded only when there was an objective evidence of the impairment of the asset, based on the difference between the book value of the asset and the current value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate.

In compliance with the exception provided under IFRS 9, the Group has retroactively applied the changes in the standard, without restating the comparative amounts. Therefore, the difference between the previous accounting amounts and the new initial amounts resulting from the initial application of the standard were recognized as an adjustment in the Retained Earnings as of January 1, 2018. The information disclosed for 2017 reflects the requirements set forth in IAS 39, and not those of IFRS 9 in relation to impairment of financial assets. The implementation of the impairment method introduced by the standard generated a loss of 425 with the consequent effect on the deferred tax of 127. The net effect shown in the statement of changes in shareholders equity was 298, not being significant for the financial position and/or performance of the Group.

Amendments to IAS 40 Investment Properties

In December 2016, the IASB made amendments to IAS 40 applicable to fiscal years beginning on or after January 1, 2018.

IAS 40 has been modified to reflect that in relation to transfers, an entity will transfer an investment property to, or from investment properties when, and only when, there is a change in use. This change in use occurs when a property meets or fails to meet the definition of investment property and there is evidence of a change in use. It also clarifies that the change in the management s intentions regarding the use of a property does not provide evidence of a change of use.

The adoption of the foregoing modifications did not have any effects on the consolidated financial statements of the Group.

Amendments to IFRS 4 Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 that are applicable to those fiscal years beginning on or after January 1, 2018.

The adoption of the foregoing modifications did not have any effects on the consolidated financial statements of the Group.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB amended IFRS 2, and such amendments are to be applied for fiscal years beginning on or after January 1, 2018, though they may be implemented in advance.

IFRS 2 has been amended to reflect the following:

For share-based payment transactions that are settled in cash, the goods or services purchased and the liability, which they incur, will be measured at the fair value of the liability, subject to the requirements of this standard. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period, as well as on the settlement date, recognizing any change in fair value in the results for the period.

The conditions for the irrevocability of concession and conditions other than the irrevocability of the concession, other than market conditions, will not be taken into account when estimating the fair value of the share-based payment that is settled in cash on the date of measurement. Instead, they will be taken into account by adjusting the number of incentives included in the measurement of liabilities arising from the transaction. Accordingly, an amount will be recognized for the goods or services received during the period up to the irrevocability of the concession. This amount will be based on the best available estimate of the number of incentives that are expected to be irrevocable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

- If the terms and conditions of a share-based payment transaction to be settled in cash are modified to become a share-based payment transaction that is settled by equity securities, such transaction will be accounted for as of the date of the modification. Specifically: (a) a share-based payment transaction that is settled by equity securities is measured by reference to the fair value of the equity securities granted on the date of the modification. The share-based payment transaction settled by equity securities is recognized in equity on the date of the change, in proportion to the goods or services that have been received; (b) the liability for the share-based payment transaction settled in cash on the date of the amendment will be written off in the accounts on the same date; and (c) any difference between the carrying amount of the written off liability and the amount of equity recognized on the date of the change will be recognized immediately in the income statement for such period.

The adoption of the foregoing modifications did not have any effects on the consolidated financial statements of the Group.

IFRIC 22 Transactions in Foreign Currency and Advance Payments

In December 2016, the IASB approved the interpretation of IFRIC 22 Transactions in foreign currency and advance payments , which is applicable for the fiscal years beginning on or after January 1, 2018, though they may be implemented in advance. The scope of this interpretation applies to a foreign currency transaction (or any part thereof) where an entity recognizes a non-financial asset or non-financial liability arising from the payment or collection of an early consideration before the entity recognizes the asset, expense or related income (or any part thereof that may be appropriate). This interpretation does not apply when an entity measures the related asset, expense or income at the time of the initial recognition: (a) at fair value; or (b) the fair value of the consideration paid or received as of a date other than that of the initial recognition of the non-monetary asset, or non-monetary liability, arising from the anticipated consideration (e.g., measurement of the goodwill by applying the IFRS 3 Business Combinations).

The adoption of the foregoing modifications did not have any effects on the consolidated financial statements of the Group.

Annual improvements to IFRS 2014 2016 Cycle

In December 2016, the IASB issued the annual improvements 2014 2016, which are applicable to fiscal years beginning on or after January 1, 2018, though they may be implemented in advance.

Standard	Amended Subject	Detail
IFRS 1 First-time Adoption of International Financial Reporting Standards	Elimination of short-term exemptions for first-time adopters of IFRS.	The amendment introduces the deletion of paragraphs that consider the limited exemption of comparative disclosure from IFRS 7 for first-time adopters of IFRS, disclosures of transfers of financial assets and paragraph 39AA considered the annual best improvements to IFRS 2014-2016 Cycle.
IAS 28 Investments in associates and joint ventures	Measurement at fair value of an associate or joint venture.	The amendment introduces changes in relation to the exemption and the procedures to be applied to the equity method, clarifies that an entity will apply this exemption or the method separately to each associate or joint venture, in the case of exemption in the initial recognition of the associate or joint venture, and with respect to the method on a date that is the later of: a) when the associate or joint venture that is an investment entity is initially recognized; b) when the associate or joint venture becomes an investment entity; or c) when the associate or joint venture that is an investment entity becomes a parent company.

The adoption of the foregoing modifications did not have any effects on the consolidated financial statements of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Standards or interpretations issued by the IASB, the application of which is not mandatory as of the closing date of these consolidated financial statements and which, therefore, have not been adopted by the Group

IFRS 16 Leases

Type of modification

IFRS 16 was issued in January 2016. Under this standard all leases will be recognized in the statement of financial position by lessees, since the distinction between finance and operating leases is eliminated. The new standard recognizes a financial asset (the right to use the leased item) and a financial liability to pay the lease. The only exceptions are short-term and low value leases.

Description of IFRS 16 requirements

IFRS 16 is in effect for reporting periods beginning on January 1, 2019 and its implementation in advance is permitted for entities that have applied IFRS 15 Revenue from ordinary activities from contracts entered into with customers prior to the date of initial application of IFRS 16.

It will replace IAS 17 Leases and its interpretations after the effective date thereof.

IFRS 16 sets out the principles required for the recognition, measurement, presentation and disclosure of leases. The purpose thereof is to ensure that lessees and lessors provide relevant information in a way that faithfully represents those transactions. The changes incorporated by such standard mainly impact the lessees accounting.

This standard applies to all leases, including leases of rights-of-use assets in a sublease, with the exception of specific leases covered by other standards:

- Leases to explore or use minerals, oil, natural gas and similar non-renewable resources;

- Leases of biological assets within the scope of IAS 41 Agriculture kept by a lessee;
- Contracts included in the scope of application of IFRIC 12 Service Concession Agreements ;
- Intellectual property licenses granted by a lessor within the scope of IFRS 15 Revenue from contracts with customers ; and
- Rights kept on by a lessee under license agreements that are within the scope of IAS 38 Intangible assets for items such as movies, videos, games, manuscripts, patents and copyrights.

The model introduced by this standard is based on the definition of the term lease , which is mainly related to the concept of control. IFRS 16 makes a difference between lease contracts and service contracts on the basis of whether an identified asset is under the customer s control, which is deemed to exist if the customer has the right to: i) substantially obtain all the economic benefits from the use of the asset; and ii) control the use of the asset.

Lessor s accounting:

IFRS 16 requires the lessor to classify the lease as operating or finance. A finance lease is a lease in which substantially all the risks and benefits derived from ownership of the asset are transferred. A lease will be classified as operating if it does not transfer substantially all the risks and benefits derived from the ownership of an underlying asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

The classification of the lease is made on the effective date of the agreement and is evaluated again only if there is an amendment to the lease. Changes in estimates (e.g., changes in the economic life or in the residual value of the underlying asset) or changes in circumstances (e.g., non-compliance by the lessee) will not result in a new classification of the lease for accounting purposes.

Lessee s accounting:

The standard establishes that once the lease is identified, an entity should recognize the following items:

Right-of-use asset, whose cost includes:

(a) the amount of the initial measurement of the lease liability (as described below);

(b) any rent paid to the lessor prior to the commencement date or on the same date, after discounting any incentive received for the lease;

(c) the initial direct costs incurred by the lessee; and

(d) an estimate of the costs to be incurred by the lessee in dismantling and eliminating the underlying asset, restoring the place where the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless such costs are incurred at the time of making of the inventories. The lessee could incur in certain obligations because of such costs either on the date of commencement of the term of the lease, or because of having used the underlying asset during a specified period.

Subsequently, the valuation of the right of use of assets will be based on the cost model or the revaluation model under IAS 16 Property, Plant and Equipment (recognizing therefore the amortization and impairment in the profit and loss account and, if applicable the revaluation model, revaluations in equity). However, the IFRS 16 requires that the right to use a leased property investment be valued at its fair value under the provisions set forth in IAS 40 Investment properties for the investment property it holds.

Lease liability, measured at the present value of the lease payments that have not been paid on that date. Lease payments will be discounted using the interest rate implied in the lease, if that rate could be easily determined. If that rate cannot be easily determined, the lessee will use the lessee s incremental borrowing rate.

Lease liabilities must include the following items:

(a) fixed payments (including in substance fixed payments), less any lease incentive receivable;

(b) variable payments, which depend on an index or a rate, initially measured by using the index or rate (e.g., payments related to the consumer price index, prices related to a benchmark interest rate such as LIBOR, or payments that vary to reflect changes in market rental prices) on the effective date of the contract;

(c) amounts that the lessee expects to pay as residual value guarantees;

(d) the price of the purchase option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating the lease, if the lease period reflects that the lessee will exercise an option to terminate it (i.e., because there is a reasonable certainty thereon).

Subsequently, the lessee will increase the liability for the lease to reflect the accrued interest (and recognized in the income statement), deduct the installments that are being paid from such liability and recalculate the book value to reflect any review, amendment to the lease or review of the so-called in-substance fix payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

The lessee must review the lease liability in the following cases:

(a) when there is a change in the amount expected to be paid under a residual value guarantee;

(b) when there is a change in future rental payments to reflect the variation of an index or an interest rate used to determine such rental payments (including, for example, a market rent review);

(c) when there is a change in the term of duration of the lease as a result of a change in the non-cancellable period of the lease (for example, if the lessee does not exercise an option previously included in the determination of the lease period); or

(d) when there is a change in the evaluation of the purchase option of the underlying asset.

Preliminary assessment

During fiscal year 2018, the Group has developed the IFRS 16 implementation project to evaluate the application effects of this standard, including the impacts on the consolidated financial statements, key performance indicators and financial metrics, as well as the development of accounting policies. Additionally, an evaluation of the necessary changes in the systems and processes has been carried out. For these purposes, the Group has reviewed substantially all of the Group s leasing arrangements in light of the new lease accounting rules in IFRS 16.

Based on such analysis, it was preliminary concluded that the new definition of lease does not significantly change the scope of the contracts deemed as leases.

The Group expects to recognize, right-of-use assets and lease liabilities of about 23,059, as of January 1, 2019 in the consolidated statement of financial position, measured at the present value of future lease payments.

Regarding the comprehensive statement of income, the Group expects that the net fiscal year result will decrease by about 541 for fiscal year 2019, as a result of recognizing depreciations of right-of-use assets and the accrual of interest of lease liabilities.

On the other hand, as the payment of the principal portion of lease liabilities will be classified as cash flows from financing activities, the Group expects a decrease thereof and that cash flows from operating activities will increase in about 9,224 for 2019.

The application of this standard will have no effect on the retained earnings since the Group intends to apply the simplified model without restating any comparative figures, recognizing a right-of-use asset equivalent to the lease liability on the initial date of transition (January 1, 2019). There are no adjustments to be made due to impairment arising from the provision for onerous contracts related to these right-of-use assets.

With regard to short-term leases, and leases of low-value assets, the Group intends to continue recognizing them as straight-line expense over the effective term of the lease, unless another systematic basis is more representative, in accordance with the option indicated by the standard.

Moreover, the Group intends to apply the practical solution of the standard whereby leases expiring within the term of 12 months from the date of the initial application, regardless of the original date, and which comply with the conditions to be classified as short term leases, follow the treatment described in the previous paragraph.

The group s activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

IFRS 9 Prepayment with negative compensation

In October 2017, an amendment was introduced in connection with the feature of prepayment with negative compensation, whereby the lender (i.e., the holder) might be forced to accept in payment a prepayment amount that is substantially lower than the unpaid amounts of principal and interest. In these cases, the amendment proposes that financial assets with this feature should be measured at amortized cost or fair value with changes in other comprehensive income.

The Group estimates that the implementation of this last amendment, effective as from January 1, 2019, which may be applied in advance, will not have a significant impact on its financial statements as the Group does not perform this type of transactions.

IFRIC 23 Uncertainty about income tax treatment

The Interpretation issued in June 2017 clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding income tax treatment.

For such purpose, the entity must evaluate whether the tax authority will accept an uncertain tax treatment used, or proposed to be used, or which is intended to be used in its income tax filing.

If an entity concludes that the tax authority is likely to accept an uncertain tax treatment, the entity will determine the tax position consistent with the tax treatment used or intended to be used on its income tax filing. If an entity concludes that such acceptance is improbable, the entity will reflect the effect of the uncertainty in determining the fiscal result, the tax bases, unused tax losses, unused tax credits and tax rates. An entity will reflect the effect of the uncertainty for each uncertain tax treatment by using one of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

The most probable amount the only most probable amount in a range of possible outcomes. The most probable amount may better predict the resolution of the uncertainty if the possible outcomes are dual or are concentrated in a value.

The expected value the addition of the amounts weighted by their probability in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are not dual or are concentrated in a value.

This amendment will be effective for the fiscal years beginning on or after January 1, 2019 and may be early applied.

The Group estimates that the application of the aforementioned interpretation will not have a significant effect on its financial statements. Additionally, see Note 28.b.4.

Amendments to IAS 28 Long-term Investments in associates and joint ventures

In October 2017, the IASB issued amendments to IAS 28, which are applicable to the fiscal years beginning on or after January 1, 2019, allowing early application.

The amendment defines that the long-term investments in associates and joint ventures, which are not accounted for using the equity method, will be accounted for in accordance with IFRS 9.

The Group estimates that the application of the aforementioned interpretation will not have a significant effect on its financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

IFRS 17 Insurance contracts

The IFRS 17 issued in May 2017 is applicable to those fiscal years beginning on or after January 1, 2021, allowing its early application and replacing IFRS 4.

The Group does not anticipate that this standard will have effects on its financial statements because it does not provide this type of services.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

In September 2014, the IASB amended IFRS 10 and IAS 28 to clarify that in transactions involving a controlled company, the extent of the gain or loss to be recognized in the financial statements depends on whether the sold or contributed controlled company is considered a business in accordance with IFRS 3.

On August 10, 2015, the IASB issued a proposal to postpone the effective date of these changes indefinitely depending on the outcome of its research project on accounting by the equity method, which was approved on December 17, 2015.

Annual improvements to IFRS 2015-2017 Cycle

In December 2017, the IASB issued the 2015-2017 cycle of annual improvements that are applicable for the years beginning on or after January 1, 2019, allowing early application.

A summary of the main modified standards and their purpose follows:

Standard	Amended Subject	Detail
IFRS 3 Business Combinations and IFRS 11 Joint arrangements	Holdings previously held in a joint operation	The amendment to IFRS 3 establishes that when obtaining control of a business that was a joint operation, the acquirer will apply the requirements

			for a business combination carried out in stages, including the re-measurement of its previously held share in the joint operation at the fair value on the acquisition date. On the other hand, the amendment to IFRS 11 establishes that when obtaining joint control of a business that was a joint operation, it does not measure again its previously held shares.
IAS 12	Income Tax	Exposure of the effect of dividends on Income Tax	The amendment clarifies that the entity will recognize the consequences of the dividends on the income tax where it has recognized the transactions or events that gave rise to those distributable profits.
IAS 23	Borrowing Costs	Capitalization of generic loans	The amendment to this standard clarifies that, for the capitalization of costs from generic loans, it must necessarily consider all outstanding loans when determining the capitalization rate, except those taken specifically to finance an eligible asset that is not yet ready for its intended use or sale; i.e., if any specific loan remains unpaid after the related eligible asset is ready for its intended use or for sale, that loan becomes part of the funds that the entity took as generic loans.

The Group estimates that the application of the amendments to the mentioned standards will not have a significant effect on its financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Amendments to IAS 19 Employee benefits

In February 2018, the IASB issued amendments to this standards guidance, in relation to the accounting for Plans amendments, curtailments and settlements.

An entity shall determine the cost of services for the current period and the net interest for the remainder of the annual period, using actuarial assumptions determined at the beginning of the annual reporting period. However, if an entity remeasures the liability (asset) for net defined benefits, it will determine the current cost of the service and the net interest for the remainder of the annual period, using actuarial assumptions updated after the plan change.

Another modification consists in recognizing in results any reduction in the surplus, even if that surplus was not previously recognized due to the impact of the asset ceiling.

The Group estimates that the application of this amendment, effective as of January 1, 2019, allowing early application, will not have any significant effects on its financial statements.

Amendments to IFRS 3 Business combinations

In October 2018, the IASB has issued Definition of a Business (Amendments to IFRS 3), aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is allowed.

The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at least, an input and a substantive process that together significantly contribute to the ability to create outputs;

- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;

- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group estimates that the application of these amendments will not have significant effects on its financial statements.

Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors Definition of material

In October 2018, the IASB issued amendments that are applicable to fiscal years beginning on or from January 1, 2020, allowing for its anticipated application.

The amendments to the definitions of material or with relative importance seek to unify the definition of such concepts to the definitions of Conceptual Framework, also amended in 2018.

The Group estimates that the implementation of these amendments will not affect its financial statements.

Amendments to References to the Conceptual Framework for Financial Reporting

In March 2018, the IASB issued the revised Conceptual Framework applicable to annual periods beginning on or after January 1, 2020. This revision process did not imply a substantial change in the set of definitions, concepts and guidelines used as a basis for preparing financial information.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

2.c) Accounting Estimates and Judgments

The items in the financial statements and areas which require the highest degree of judgment and estimates in the preparation of these financial statements are:

Crude oil and natural gas reserves

Estimating crude oil and gas reserves is an integral part of the Group s decision-making process. The volume of crude oil and gas reserves is used to calculate depreciation using the unit of production ratio and to assess the impairment of the capitalized costs related to the Upstream assets (see Notes 2.b.8, 2.b.9 and the last paragraph of this Note).

The Group prepares its estimates of crude oil and gas reserves in accordance with the rules and regulations established for the crude oil and natural gas industry by Rule 4-10 (a) of Regulation S-X of the SEC.

Provision for litigation and other contingencies

The final costs arising from litigation and other contingencies, and the perspective given to each issue by the Management of the Company may vary from their estimates due to different interpretations of laws, contracts, opinions and final assessments of the amount of the claims. Changes in the facts or circumstances related to these types of contingencies and the strategy defined in each case can have, consequently, a significant effect on the amount of the provisions for litigation and other contingencies recorded or the perspective given by the Management of the Company.

Provision for environmental costs and obligations for the abandonment of hydrocarbon wells

Given the nature of its operations, the Group is subject to various laws and regulations relating to the protection of the environment. These laws and regulations may, among other things, impose liability on companies for the cost of pollution cleanup and environmental damages resulting from operations. YPF management believes that the Group s operations are in substantial compliance with laws and regulations of Argentina and the countries where the Group operates, relating to the protection of the environment as such laws have historically been interpreted and enforced.

The Group periodically conducts new studies to increase its knowledge of the environmental situation in certain geographic areas where it operates in order to establish the status, cause and remedy action of a given environmental issue and, depending on its years of existence, analyze the Argentine Government s possible responsibility for any environmental liabilities existing prior to December 31, 1990. The Group cannot estimate what additional costs, if any, will be required until such studies are completed and evaluated; however, provisional remedial actions or other measures may be required.

In addition to the hydrocarbon wells abandonment legal obligation, the Group has accrued environmental remediation which evaluations and/or remediation works are probable and can be reasonably estimated, based on the Group s existing remediation program. Legislative changes, on individual costs and/or technologies may cause a re-evaluation of the estimates. The Group cannot predict what environmental legislation or regulation will be enacted in the future or how future laws or regulations will be administered. In the long-term, these potential changes and ongoing studies could materially affect the Group s future results of operations.

The main guidelines on the provision for the obligations for the abandonment of hydrocarbon wells are set forth in detail in Note 2.b.6.

Income tax and deferred income tax

The proper assessment of income tax expenses depends on several factors, including interpretations related to tax treatment for transactions and/or events that are not expressly provided for by current tax law, options established by the law or its regulations, as well as estimates of the timing and realization of deferred income taxes. The actual collection and payment of income tax expenses may differ from these estimates due to, among others, changes in applicable tax regulations and/or their interpretations, as well as unanticipated future transactions affecting the Group s tax balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Provision for impairment of property, plant and equipment and intangible assets

The methodology used in estimating the recoverable amount of property, plant and equipment and intangible assets is detailed in Note 2.b.8 and 2.b.9.

The determination of whether an asset is impaired, and by how much, involves management s estimates of highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and future prices of the products, including the prospects of supply and demand conditions of the world or regional market for crude oil, natural gas and refined products, all of which affects the prices taken into account in the projection. Consequently, for oil and natural gas assets, the expected future cash flows are determined using management s best estimate of future oil and natural gas prices and production volumes and reserves. The foregoing implies the use of assumptions about future commodity prices, production and development costs, field decline rates, current tax regimes and other factors. These assumptions and the management decisions on which the estimates of expected cash flows are based are subject to changes as new information becomes available. Changes in economic conditions may also affect the rate used to discount future cash flow estimates.

In general, the Group does not consider temporarily low (or high) prices or margins as an indication of impairment (or reversal of an impairment charge). The impairment assessment mainly reflects long-term oil and natural gas prices that are consistent with intermediate points between the maximum and minimum ranges observed in the market and that are in the range of price forecasts published by third-party experts of the industry and government agencies, within which are the long and short term projections of the US Energy Information Administration and the Brent crude forward curve. The assumptions of future prices used by the Management of the Company tend to be stable because it does not consider short-term increases or decreases in prices to be indicative of long-term levels, but they are subject to change. Besides, oil prices do no rise above the historical oil prices observed in the past, applied to projected future production volumes. Gas prices correspond to the average weighted price per basin and channel, determined according to the market s supply and demand.

With regard to the oil market of prior periods, the applicable domestic prices of petroleum products were established for the short term mainly based on negotiations between Producers and Refiners of the country, without keeping a direct or specific reference with respect to the international quotations of such products. In 2016, due to the continued fall in international average prices for Brent crude oil, it was agreed to reduce in about 10% the domestic crude oil price per barrel with respect to effective price as of December 31, 2015. Additionally, in August 2016, a new agreement between producers, refiners and the MINEM allowed for a new gradual reduction in the domestic crude oil price per barrel in a monthly 2% in August, September and October, reaching an accumulated 6% drop by November 2016.

As detailed on Note 30.e., in January 2017, Producers and Refiners reached a new agreement in which a path of prices was established for the sale of oil in the domestic market for the purpose of achieving parity with the international markets during 2017, which took place during the last quarter of 2017.

In relation with the gas market, incentive schemes were established in recent years in order to increase the total injection of natural gas (see Note 30.g). In particular, in 2018 an excess in the supply with respect to the domestic demand took place at specific times of the year, an unusual situation in the past, which affected natural gas production due to the temporary shutdown of wells, as well as to the reinjection of the hydrocarbon. In this new scenario and under the new regulations (see Note 30) and agreements, domestic gas prices declined, and therefore it is expected a future reduction in natural gas sales prices compared to those contemplated in the 2017 projections.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Based on the aforementioned methodology, the expected decrease in the crude oil price as of December 31, 2016 together with the evolution of the cost behavior in terms of macroeconomic variables and the operational behavior of the Group s assets, caused CGU Oil to record an impairment charge for property, plant and equipment in the Upstream segment of 34,943 as of December 31, 2016.

The discount rate after taxes used as of December 31, 2016 was 8.67%, the recoverable value, after taxes, as of such date of the CGU Oil was 71,495.

As of December 31, 2017, the Group recognized a reversal in the charge for impairment of the value of its assets for the CGU Oil of 5,032, which arises from the combination of multiple factors, such as the variation in production and associated investments considered in the cash flows, the effect of variations in operating and abandonment costs, the variation in the discount rate and, to a lesser extent, the variation in oil prices, taking into account also the book value of the assets as of December 31, 2017 affected by depreciation charges for the year and investments made, among others.

The discount rate after taxes used as of December 31, 2017 was 8.28% for 2018 and 2019 and 8.42% for 2020 and thereafter, the recoverable value after taxes as of such date of the CGU Oil was 82,802.

As of December 31, 2018, the Group recognized a reversal in the charge for impairment of the value of its assets for the CGU oil of 39,837 and an impairment charge of property, plant and equipment, mainly for the CGU Gas Neuquina Basin of 28,326 and CGU Gas Austral Basin of 8,246.

The reversal of impairment charge of the CGU Oil assets is mainly due to the increase in oil reserves coupled with estimated cost improvements, all of which is mainly set off by: (i) the rise in the discount rate as a result of the higher country risk and cost of debt and (ii) larger investments associated to higher reserves contemplated in cash flows. All the foregoing taking into account the book value of assets as of December 31, 2018, affected by the deprecation charges for the fiscal year and the investments made, among others.

The impairment of the CGU Gas Neuquina Basin and CGU Gas Austral Basin assets arises from a combination of multiple factors, mainly from the anticipated reduction in gas market prices due to the lower sales price to distributors and power plants (see Note 30 in sections Terms and Conditions for the Distribution of Natural Gas through Networks and Natural Gas Sales for Electricity Generation) and the higher discount rate due to higher country risk and cost of debt, all of which is partially set off by a reduction in costs.

The discount rate after taxes used as of December 31, 2018 was 10.94% for 2019 and 11.19% for 2020 and thereafter, the recoverable value after taxes as of such date of the CGU OIL, CGU Gas Neuquina Basin and CGU Gas Austral Basin are 254,549, 108,509 and 8,606, respectively.

As mentioned above, as of the fiscal year end 2018, the Company s Management does not anticipate any relevant changes in long-term price curves, as it does not consider the recent (positive) changes in commodity prices, all the foregoing taking into account the high volatility observed, until the variables affecting them shall evidence certain stability in the course of time.

2.d) Comparative Information

Balance items as of December 31, 2017 and 2016 presented in these financial statements for comparison purposes arise from the consolidated financial statements then ended.

Additionally, certain amounts in the statement of financial position have been reclassified and new disclosures have been made due to the accounting policy changes mentioned in Note 2.b.26.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
3. ACQUISITIONS AND DISPOSITIONS

Agreement for YPF EE s capitalization
On December 14, 2017, the Board of Directors of the Company approved the terms of a memorandum of understanding signed with GE Energy Financial Services, Inc. (GE EFS) which established the framework conditions under which the parties would agree to the capitalization of YPF EE. This Agreement, the framework conditions of which were approved by the Board of Directors of the Company, established that GE EFS intended to contribute capital through a vehicle company and subscribe for shares of YPF EE in order to have a shareholding of 25% of its capital stock.

As of December 31, 2017, the Group had classified its investment in YPF EE as assets and liabilities held for disposal in separate lines from the rest of the assets and liabilities, given that as of that date they had met all the requirements for this classification (see Note 2.b.24). Given that, at the time of classification, the fair value less costs of the transaction was higher, the investment in YPF EE has been valued at its book value, therefore, no impairment has been recorded at the time of reclassification. Although YPF EE represented a component within YPF because it was an individual CGU within the Gas and Energy segment, it did not qualify as a discontinued operation since it did not represent a significant line of business nor a geographical area.

On February 6, 2018, YPF entered into a definitive and binding agreement with EFS Global Energy B.V. (GE) and GE Capital Global Energy Investments B.V., companies indirectly controlled by GE EFS, which establishes the conditions for the capitalization of YPF EE (the Share Subscription Agreement). The Share Subscription Agreement establishes that, subject to compliance with certain conditions precedent, GE will subscribe for shares of YPF EE in order to achieve a participation equal to 24.99% of its capital stock and jointly control this company with YPF.

On March 20, 2018, GE EFS Power Investments B.V., a subsidiary of EFS Global Energy B.V (both companies indirectly controlled by GE Energy Financial Services, Inc.; jointly GE), subscribed YPF EE shares representing 24.99% of its capital stock. Since then, GE EFS Power Investments and YPF jointly control YPF EE, undertaking to contribute as follows:

Subscription price of US$ 275 million:

US$ 135 million on the closing date of the transaction; and

US$ 140 million 12 months after the closing date of the transaction.

Contingent price of up to the maximum sum of US$ 35 million subject to the evolution of the electric market prices (33.33% as of 24 months from the closing date of the transaction and 16.67% each subsequent year).

In this way, the capital structure of YPF EE after the issuance of shares is as follows:

Shareholder	**Number of Shares**	**Interest holding in the capital stock**	**Class of Shares**
YPF	2,723,826,879	72.69218%	A
OPESSA	86,476,112	2.30783%	A
Group	**2,810,302,991**	**75.00001%**	**A**
GE	**936,767,364**	**24.99999%**	**B**
Total	**3,747,070,355**	**100.00000%**	

45

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
3. ACQUISITIONS AND DISPOSITIONS (Cont.)

The following table shows the main assets and liabilities held for disposal as of December 31, 2017:

Group of assets held for disposal:

	December 31, 2017
Property, plant and equipment	4,982
Investments in associates and joint ventures	2,117
Inventories	1
Other receivables	914
Trade receivables	713
Investments in financial assets	78
Cash and cash equivalents	61
Subtotal	8,866
Eliminations	(43)
Total	8,823

Liabilities associated to the group of assets held for disposal:

	December 31, 2017
Provisions	96
Deferred tax liabilities	282

Salaries and social security	47
Other liabilities	1
Loans	4,072
Accounts payable	938
Subtotal	5,436
Eliminations	(1,243)
Total	4,193

As a result of the implementation of IFRS 10 and the aforementioned capitalization process of YPF EE, the Group recorded a gain of 11,980 (11,879 through YPF and 101 through OPESSA) included in the item Other net operating results , which includes a gain of 13,552 (13,451 through YPF and 101 through OPESSA) due to the dilution of its interest in YPF EE with the consequent loss of control over it and the subsequent revaluation of its residual interest (3,438 y 10,114, respectively) and a loss of 1,572 (fully corresponding to YPF) for the reversal to net profit for the period of the accrued translation corresponding to the investment in this Company.

In order to determine the fair value of the investment in YPF EE, the Group has considered all the elements available as of the date of these financial statements, including the best estimation of the occurrence of the contingent payments provided in the operation. However, for the measurement of this fair value the Group has a term of one year to evaluate all the facts and circumstances existing as of the transaction date that might modify such measurement.

Regarding the participation held after the aforementioned transaction, the Group has followed the guidelines of IFRS 10 Consolidated financial statements and has concluded that from the entry of GE in YPF EE, GE and YPF jointly control YPF EE. Consequently, the Group applied IFRS 11 Joint Arrangements defining such company as a joint venture, and measured it according to the equity method under the IAS 28 Investments in associates and joint ventures .

Some of the main evaluated assumptions are described below:

(i) Any decisions about the relevant activities of YPF EE thereof are to be taken jointly, there being no power of one shareholder over the other in relation to such activities, regardless of the different percentages of equity interests held in YPF EE by each of them. Although the Group owns a 75.00001% stake in YPF EE, according to the shareholders agreement, the following is required for decision-making purposes regarding the relevant activities: the approval of at least one Director appointed by each class of shares at the meeting of the Board of Directors and the approval of each class of shares for the adoption of such decisions at the Shareholders meeting;

(ii) No shareholder has any power, as defined in IFRS 10, to the detriment of any other, independently of the number of Directors or personnel (key or not) appointed by each class of shares, in the management of the Company for its own benefit or to unilaterally modify the variable investment returns or ultimately, to unilaterally direct any of the decisions associated with the relevant activities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
3. ACQUISITIONS AND DISPOSITIONS (Cont.)

Acquisition of strategic assets of Oil Combustibles S.A. (Oil)
On May 11, 2018, Oil s bankruptcy was determined and, by means of a resolution dated June 1, 2018, the intervening judge decided to grant YPF and Destilería Argentina de Petróleo S.A. (DAPSA) the management of Oil in accordance with the terms of the offer presented by both companies, pursuant to which YPF and DAPSA were entitled for a two-month period to use the logistic assets (docks and fuel storage tanks located in the Oil River Terminal on the Paraná River), to exclusively and directly supply fuel to the entire network of Oil gas stations by DAPSA, and to match the best purchase offer made by any third party, whether for the whole or a part of Oil s facilities, and for the exclusive supply of Oil s commercial network as part of the liquidation process of Oil s assets.

On July 27, 2018, YPF and DAPSA filed a brief stating that they were able to continue the management for two additional months under certain conditions, which was accepted by the bankruptcy trustee and the judge.

The hearing for the opening of bids for the parties interested in acquiring Oil s industrial assets, originally scheduled for September 14, 2018, was held on October 1, 2018.

On October 2, 2018, YPF received notice of the decision adopted by the judge in charge of Oil Combustibles S.A. s bankruptcy proceedings, which awarded the industrial assets of the bankrupt company to YPF and DAPSA, pursuant to the local and international bidding process carried out in connection with the sale of Oil Combustibles S.A. s assets.

The total price of the transaction amounted to US$ 85 million, which was paid on November 2, 2018. From such amount, US$ 63 million correspond to net assets acquired by YPF. These, especially the docks and fuel storage tanks located in the Paraná River fluvial terminal, will allow the expansion of YPF s logistics capacity for actual and future business.

YPF requested the unavailability of the funds, which will remain deposited in the judicial account at the order of the court until the conveyance of title and registration of the real estate acquired in favor of YPF.

Additionally, on November 6, 2018, Division D of the Argentine Court of Appeals rejected the appeal filed by some of the former Oil shareholders which challenged the award in favor of YPF and DAPSA under the bidding process described herein.

The acquisition of these assets qualified as a business combination under IFRS 3.

The following table resumes consideration and fair value of the acquired assets and the liabilities assumed on the acquisition date:

	Fair value at the acquisition date
Fair value of identifiable assets and assumed liabilities:	
Property, plant and equipment	2,327
Inventories	445
Provisions	(465)
Total net identifiable assets / Consideration	**2,307**

Agreement for the exploitation of the Aguada Pichana and Aguada de Castro Areas

Once the agreements have been finalized and the corresponding conditions have been fulfilled (see Note 29.b), YPF s interest are as follows:

(i) In the APE area, the interest of YPF is 22.50% (which implied the sale of a 4.77% stake);

(ii) In the APO area, the interest of YPF is 30% (which implied the purchase of a 2.73% stake);

(iii) In the ACA area, the interest of YPF is 30% (which implied the sale of a 20% stake).

Consequently, the Group has recorded a profit of 1,167 included in the item Other net operating results .

47

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
3. ACQUISITIONS AND DISPOSITIONS (Cont.)

Assignment of interest in Bajo del Toro area.
On October 12, 2018, the Province of Neuquén issued Decree No. 1755/18, which approved the assignment in favor of Statoil Holding Netherlands B.V. (Statoil), fulfilling the precedent conditions. On November 23, 2018, YPF received the aforementioned US$ 30 million.

Consequently, the Group has recorded a profit of 871 included in the item Other net operating results .

Assignment of interest in the Aguada de la Arena and Río Neuquén areas
As part of the acquisition by Pampa Energía S.A. (PEPASA) of the total shares of Petrobras Participaciones S.L., which held 67.2% of the capital and voting rights of Petrobras Argentina S.A. (PESA), YPF and PEPASA entered into an agreement subject to certain conditions precedent under which, once the acquisition by PEPASA of shareholding control of PESA had been completed, PESA transferred to YPF its interest in the operating concessions of two areas located in the Neuquén basin with production and high potential for gas development (of the tight and shale type), to be operated by YPF, in the percentages detailed below: (i) 33.33% participation in the Río Neuquén area, located in the Province of Neuquén and in the Province of Río Negro; and (ii) 80% participation in the Aguada de la Arena area, located in the Province of Neuquén.

In order to implement this agreement, PEPASA and YPF signed a Framework Agreement for the Financing and Acquisition of Units and a Loan Agreement under which YPF, on July 25, 2016, granted PEPASA a guaranteed loan for the Indirect acquisition of the aforementioned areas in the amount of US$ 140 million, equivalent to the acquisition price of the aforementioned units, which does not differ from the fair value of the participation in said areas.

On October 14, 2016, the assignment of the interest in the operating concessions between YPF and PESA was consummated, as follows: (i) an interest of 33.33% in the Río Neuquén area for the sum of US$ 72 million; and (ii) an interest of 80% in the Aguada de la Arena area, for the sum of US$ 68 million.

On February 23, 2017, YPF and Petrouruguay S.A. subscribed the definitive agreement for the assignment in favor of YPF of 20% of the interest in the Aguada de la Arena area for US$ 18 million. Thus, YPF increased its participation to 100% in the aforementioned area.

On March 31, 2017, YPF cancelled, 33.33% of its participation in the Río Neuquén area and 80% of its participation in the Aguada de la Arena area through a payment in kind pursuant to an assignment in favor of PESA of its contractual position under the loan contract with PEPASA.

On September 5, 2018 the Province of Neuquén issued Decree No. 1401/18 which authorized the assignment of 33.33% of the Rio Neuquén area in favor of YPF. Besides, on December 17, 2018, by Decree No. 2314/18, the Province of Neuquén approved the assignment of 100% interest in the Aguada de la Arena area to YPF (together with the assignment to YPF of the 20% of the transportation concession of the area).

Assignment agreement of the Cerro Bandera area

YPF and Oilstone Energía S.A. (OESA) entered into an agreement for the assignment of 100% of the exploitation concession of the Cerro Bandera area in the province of Neuquén (the Concession) on November 22, 2017. It should be noted that OESA operates the block since 2011 under the respective operating Agreement subscribed with YPF.

The agreement considers the assignment of the Concession for US$14 million. Moreover, the agreement sets forth that YPF maintains rights, under certain terms and conditions, to (i) the Vaca Muerta and Molles formations, in which it may continue to carry out exploration and potential exploitation works; and (ii) an exploratory project in the northern region of the Concession, and its potential exploitation.

On April 27, 2018, the Executive Power of the Province of Neuquén issued Decree No. 525/18 which authorized the assignment of 100% of the exploitation concession in respect of Cerro Bandera provided for in the assignment agreement.

Based on the above, the Group has recorded a profit of 284 included in the item Other net operating results .

YPF SOCIEDAD ANONIMA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
3. ACQUISITIONS AND DISPOSITIONS (Cont.)

Assignment agreement of the Bajo del Piche, Barranca de Los Loros, El Medanito and El Santiagueño areas

On June 11, 2018, YPF and Petróleos Sudamericanos S.A. (PS) entered into an agreement for the assignment of 100% of the exploitation concessions over the areas known as Bajo del Piche, Barranca de Los Loros, El Medanito and El Santiagueño, located in the provinces of Neuquén and Río Negro for an amount of US$ 22.3 million.

On December 2, 2018, by Decree No. 1677/18, the Province of Río Negro approved the assignment. Also, on December 20, 2018, YPF and PS signed the documents required to execute the assignment.

On January 2, 2019, YPF and PS signed a memorandum whereby from such date PS takes possession of the facilities located in such areas, taking responsibility for the same and releasing YPF from its role as operator of those exploitation concessions.

Therefore, as of December 31, 2018 these areas were classified as assets held for disposal. Besides, liabilities related to the abandonment of these areas were classified as liabilities associated to assets held for disposal.

Assignment agreement of the Al Sur de la Dorsal, Anticlinal Campamento, Dos Hermanas and Ojo de Agua areas

On December 20, 2018, YPF and Oilstone Energía S.A. (OESA) have entered into an agreement for the assignment by YPF to OESA of 100% of the exploitation concessions in respect of the Al Sur del Dorsal, Anticlinal Campamento, Dos Hermanas and Ojo de Agua areas, located in the province of Neuquén.

The agreement sets forth the assignment of the concession for a consideration of US$ 12 million. The effectiveness of the assignments is subject to the compliance with certain precedent conditions, which are mainly related to the authorization by the Executive Power of the Province of Neuquén of the assignments described in the agreements.

Therefore, as of December 31, 2018, these areas were classified as assets held for disposal. Besides, liabilities related to the abandonment of these areas were classified as liabilities associated to assets held for disposal.

4. FINANCIAL RISK MANAGEMENT

The Group s activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, and price risks), credit risk and liquidity risk. Within the Group, risk management functions are conducted in relation to financial risks associated to financial instruments to which the Group is exposed during a certain period or as of a specific date.

This section provides a description of the principal risks that could have a material adverse effect on the Group s strategy in each operations center, performance, results of operations and financial condition. The risks facing the businesses, set out below, do not appear in any particular order of potential materiality or probability of occurrence.

The sensitivity analysis of market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated, for example, changes in interest rate and changes in foreign currency rates.

This sensitivity analysis provides only a limited, point-in-time view. The actual impact on the Group s financial instruments may differ significantly from the impact shown in the sensitivity analysis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
4. FINANCIAL RISK MANAGEMENT (Cont.)

Market Risk management

The market risk to which the Group is exposed is the possibility that the valuation of the Group s financial assets or financial liabilities as well as certain expected cash flows may be adversely affected by changes in interest rates, exchange rates or certain other price variables.

The following is a description of these risks as well as a detail of the extent to which the Group is exposed and a sensitivity analysis of possible changes in each of the relevant market variables.

Exchange Rate Risk

The value of financial assets and liabilities denominated in a currency different from the Company s functional currency is subject to variations resulting from fluctuations in exchange rates. Since YPF s functional currency is the U.S. dollar, the currency that generates the greatest exposure is the Peso (the Argentine legal currency).

The Group does not use derivatives as a hedge against exchange rate fluctuations.

Otherwise, according to the Company s functional currency, and considering the currency exchange process, the fluctuations in the exchange rate related to the financial assets and liabilities   value in Pesos do not have any effect in the Other comprehensive income in Shareholders   equity**.**

The following table provides a breakdown of the effect a variation of 10% in the prevailing exchange rates on the Group s net income, taking into consideration the exposure of financial assets and liabilities denominated in Pesos as of December 31, 2018:

	Appreciation (+) / depreciation (-) of exchange rate of Peso against U.S. dollar	**Income (loss) for fiscal year ended December 31, 2018**

Impact on net income before income tax corresponding to financial assets and liabilities	+10%	2,605
	-10%	(2,605)

Interest Rate Risk

The Group is exposed to risks associated with fluctuations in interest rates on loans and investments. Changes in interest rates may affect the interest income or loss derived from financial assets and liabilities tied to a variable interest rate. Additionally, the fair value of financial assets and liabilities that accrue interests based on fixed interest rates may also be affected.

The table below provides information about the financial assets and liabilities as of December 31, 2018 that accrues interest considering the applicable rate:

	Financial Assets(1)	**Financial Liabilities(2)**
Fixed interest rate	34,771	274,640
Variable interest rate	889	60,438
Total(3)	35,660	335,078

(1) Includes temporary investments. loans with related parties and trade receivables with interest-bearing payment agreements. It does not include the rest of the trade receivables that are mostly non-interest bearing.
(2) Includes only financial loans, does not include accounts payable, which mostly do not accrue interest.
(3) Includes principal and interest.

The variable rate financial loans represent 18% of the total loans as of December 31, 2018, and include NO, pre-financing of exports, financing of imports and financial loans with local and international entities. The portion of the loan, which accrues variable interest rate, is mainly exposed to the fluctuations in LIBOR and BADLAR. Approximately 26,277 accrues variable interest of BADLAR plus a spread between 0% and 10% and 30,879 accrues variable interest of LIBOR plus a spread between 1.25% and 4%.

Approximately 86% (289,569) of the total of the financial loans of the Group is denominated in U.S. dollars, 3% (11,563) is in Swiss francs and the remainder is mainly in Pesos, as of December 31, 2018.

50

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
4. FINANCIAL RISK MANAGEMENT (Cont.)

Financial assets mainly include, in addition to trade receivables, which have low exposure to interest rate risk, bank deposits, fixed-interest deposits and investments in mutual funds such as money market or short-term fixed interest rate instruments.

The Group s strategy to hedge interest rate risk is based on investing funds at a variable interest rate, which partially offset financial loans at a variable interest rate, as well as on maintaining relatively low percentages of debt at a variable interest rate.

The Group does not usually use derivative financial instruments to hedge the risks associated with interest rates.

The table below shows the estimated impact on consolidated statement of comprehensive income that an increase or decrease of 100 basis points in the interest rate would have.

	Increase (+) / decrease (-) in the interest rates (basis points)	**Income (loss) for fiscal year ended December 31, 2018**
Impact on net income after income tax	+100	(248)
	-100	248

Price Risks

The Group is exposed to the own price risk for investments in financial instruments (public securities and mutual funds), which were classified in the statement of financial position as at fair value through profit or loss . The Group continuously monitors the change in these investments for significant movements.

As of December 31, 2018, the aggregate value of financial assets at fair value through profit or loss amounts to 18,733.

The following table shows the effect that a 10% variation in the prices of investments in financial instruments would have on the Group s results as of December 31, 2018:

	Increase (+) / decrease (-) in the prices of investments in financial instruments	Income (loss) for the year ended December 31, 2018
Impact on net income before income tax	+10%	1,873
	-10%	(1,873)

The Group does not use derivative financial instruments to hedge the risks associated with the fluctuation of the price of commodities as well as the risk inherent to investments in public securities and mutual funds.

Likewise, although not considered a financial risk, until recently, the Group was not significantly exposed to commodity price risks, as a result, among other reasons, of the existing regulatory, economic and government policies in force that determined that local prices charged for gasoline, diesel and other fuels were not affected in the short-term by fluctuations in the price of such products in international and regional markets. That is, there was a gap between domestic market prices and international market prices, which was evident in certain periods with price variations in directions (or values) substantially different from those observed in the international market.

However, since the second semester of 2016 a local process was initiated to achieve an orderly transition towards international prices, which implied a gradual decrease in the sales prices of local crude oils (Medanito and Escalante). In the same way, Producers and Refiners entered into new agreements for the above mentioned transition for the purpose of achieving parity with international markets.

The negative domestic macroeconomic conditions that prevailed in 2018 represented a challenge for the new market model, which prevented the full deployment of such conditions over the year. Also, see Note 2.c.

In consequence, the aforementioned price risk exposure has changed and it will depend on the capacity of the Group to transfer to its fuel prices on the local market, the variations in international prices as well as the possibility of adapting its costs to such changes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
4. FINANCIAL RISK MANAGEMENT (Cont.)

Liquidity Risk management

Liquidity risk is associated with the possibility of a mismatch between the need of funds to meet short, medium or long-term obligations.

As mentioned in previous paragraphs, the Group intends to align the maturity profile of its financial debt to be related to its ability to generate enough cash flows for its cancellation, as well as to finance the projected expenditures for each year. As of December 31, 2018 the availability of liquidity reached 46,028, considering cash of 6,678 and other liquid financial assets of 39,350. Uncommitted bank credit lines together with the capital market constitute an important source of funding. Likewise, YPF has the ability to issue additional debt under the negotiable obligations global program originally approved by the Shareholders meeting in 2008 expanded in September 2012, in April 2013, in February 2015, in April 2016 and extended in 2017

The following table sets forth the maturity dates of the Group s financial liabilities as of December 2018:

	December 31, 2018 Maturity date						
	0 - 1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	More than 5 years	Total
Financial liabilities							
Loans	64,826	27,581	55,191	23,124	18,526	145,830	335,078
Other liabilities	722	80	52	35	33	349	1,271
Accounts payable(1)	83,733	2,101	9	1,244			87,087
	149,281	29,762	55,252	24,403	18,559	146,179	423,436

(1) The amounts disclosed are the contractual, undiscounted cash flows associated to the financial liabilities given that they do not differ significantly from their face values

Most of the Group s loans contain usual covenants for contracts of this nature. Approximately 56% of the outstanding loans as of December 31, 2018 are subject to financial covenants related to the average ratio and debt service coverage ratio.

Under the terms of the loan agreements and NO, if the Group breached a covenant or if it could not remedy it within the stipulated period, it would default, a situation that would limit its liquidity and, given that the majority of its loans contain cross default provisions, it could result in an early enforceability of its obligations.

Credit Risk management

Credit risk is defined as the possibility of a third party not complying with its contractual obligations, thus negatively affecting results of operations of the Group.

Credit risk in the Group is measured and controlled on an individual customer basis. The Group has its own systems to conduct a permanent evaluation of credit performance of all of its debtors, and the determination of risk limits with respect to third parties, in line with best practices using for such end internal customer records and external data sources.

Financial instruments that potentially expose the Group to a credit concentration risk consist primarily of cash and cash equivalents, trade receivables and other receivables. The Group invests excess cash primarily in high liquid investments with financial institutions with a strong credit rating both in Argentina and abroad. In the normal course of business and based on ongoing credit evaluations to its customers, the Group provides credit to its customers and certain related parties.

Likewise, the Group accounts for doubtful trade losses in the statement of comprehensive income, based on specific information regarding its clients.

Provisions for doubtful accounts are measured by the criteria mentioned in Note 2.b.18.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
4. FINANCIAL RISK MANAGEMENT (Cont.)

The maximum exposure to credit risk of the Group of December 31, 2018 based on the type of its financial instruments and without excluding the amounts covered by guarantees and other arrangements mentioned below is set forth below:

	Maximum exposure as of December 31, 2018
Cash and cash equivalents	46,028
Other financial assets	124,731

Considering the maximum exposure to the risk of the Other financial assets based on the concentration of the counterparties, credit with the National Government and direct agencies accounts for approximately 34% (36,979), while the Group s remaining debtors are diversified.

Following is the breakdown of the financial assets past due as of December 31, 2018:

	Current trade receivable	Other current receivables
Less than three months past due	19,720	1,262
Between three and six months past due	5,926	48
More than six months past due	3,337	788
	28,983	2,098

At such date, the provision for doubtful trade receivables amounted to 2,776 and the provisions for other doubtful receivables amounted to 619. These provisions are the Group s best estimate of the losses incurred in relation with accounts receivables.

Guarantee Policy

As collateral of the credit limits granted to customers, the Group receives several types of guarantees from its customers. In the gas stations and distributors market, where generally long-term relationships with customers are established, mortgages prevail. For foreign customers, joint and several bonds from their parent companies prevail. In the industrial and transport market, bank guarantees prevail. To a lesser extent, the Group has also obtained other guarantees such as credit insurances, surety bonds, guarantee customer supplier, and car pledges, among others.

The Group has effective guarantees granted by third parties for a total amount of 24,377, 10,789 and 9,300 as of December 31, 2018, 2017 and 2016, respectively.

During the fiscal year ended December 31, 2018, the Group did not execute guarantees. During the fiscal years ended December 31, 2017 and 2016, the Group executed guarantees received for an amount of 2 and 1, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016

5. SEGMENT INFORMATION

The different segments in which the Group is organized take into consideration the different activities from which the Group obtains income and incurs expenses. The aforementioned organizational structure is based on the way in which the highest decision-making authority analyzes the main financial and operating magnitudes for making decisions about resource allocation and performance assessment also considering the Group s business strategy.

Upstream

The Upstream segment carries out all activities relating to the exploration, development and production of oil and natural gas.

Revenue is generated from (i) the sale of produced crude oil to the Downstream segment and, marginally, from its sale to third parties; (ii) the sale of produced gas to the Gas and Power segment.

Gas and Power

The Gas and Power segment generates its revenue from the development of activities relating to: (i) the natural gas commercialization to third parties and the Downstream segment, (ii) the commercial and technical operation of LNG regasification terminals in Bahía Blanca (until October 31, 2018) and Escobar, by hiring two regasification vessels, and (iii) the natural gas distribution.

Additionally, for the years ended December 31, 2017 and 2016, it included revenues derived from the generation of conventional and renewable electricity corresponding to YPF EE. See Note 3.

In addition to the proceeds derived from the sale of natural gas to third parties and the intersegment, which is then recognized as a purchase to the Upstream segment, and including Stimulus Plan for Natural Gas production in force (see Note 30.g), Gas and Power accrues a fee in its favor with the Upstream segment to carry out such commercialization.

Downstream

The Downstream segment develops activities relating to: (i) crude oil refining and petrochemical production, (ii) commercialization of refined and petrochemical products obtained from such processes, (iii) logistics related to the transportation of crude oil and gas to refineries and the transportation and distribution of refined and petrochemical products to be marketed in the different sales channels.

It obtains its income from the marketing mentioned in item (ii) above, which is developed through the Retail, Industry, Agro, LPG, Chemicals and Lubricants and Specialties businesses.

It incurs in all expenses relating to the aforementioned activities, including the purchase of crude oil from the Upstream segment and third parties and the natural gas to be consumed in the refinery and petrochemical industrial complexes from the Gas and Power segment.

Central Administration and Others

It covers other activities, not falling into the aforementioned categories, mainly including corporate administrative expenses and assets and construction activities.

Sales between business segments were made at internal transfer prices established by the Group, which generally seek to approximate market prices.

Operating profit and assets for each segment have been determined after consolidation adjustments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
5. SEGMENT INFORMATION (Cont.)

	Upstream	Gas and Power	Downstream	Central Administration and Others	Consolidation Adjustments(1)	Total
For the year ended December 31, 2018						
Revenues from sales	3,108	91,176	338,042	8,363	(4,869)	435,820
Revenues from intersegment sales	207,480	7,862	1,688	13,186	(230,216)	
Revenues	210,588	99,038	339,730	21,549	(235,085)	435,820
Operating profit / (loss)	22,483	16,786(4)	7,818	(6,055)	2,748	43,780
Income / (loss) from equity interests in associates and joint ventures		4,435	404			4,839
Depreciation of property, plant and equipment	72,052(3)	928	12,285	2,304		87,569
Recovery of property, plant and equipment(2)	2,900					2,900
Acquisition of property, plant and equipment	63,171	1,968	15,632	2,877		83,648
Assets	480,263	129,885	307,312	82,762	(6,206)	994,016
For the year ended December 31, 2017						
Revenues from sales	739	56,805	195,321	2,534	(2,586)	252,813
Revenues from intersegment sales	115,955	4,075	988	7,133	(128,151)	
Revenues	116,694	60,880	196,309	9,667	(130,737)	252,813

Operating profit / (loss)	3,877	3,259	15,813	(4,400)	(2,476)	16,073
Income / (loss) from equity interests in associates and joint ventures		634	794			1,428
Depreciation of property, plant and equipment	45,279[3]	290	6,926	1,017		53,512
Recovery of property, plant and equipment[2]	5,032					5,032
Acquisition of property, plant and equipment	39,411	3,867	8,179	1,639		53,096
Assets	251,525	45,395	158,800	53,934	(3,936)	505,718
For the year ended December 31, 2016						
Revenues from sales	18,745	26,514	162,538	2,303		210,100
Revenues from intersegment sales	95,398	3,212	925	7,447	(106,982)	
Revenues	114,143	29,726	163,463	9,750	(106,982)	210,100
Operating profit / (loss)	(26,845)	2,008	3,093	(1,615)	(887)	(24,246)
Income / (loss) from equity interests in associates and joint ventures	(1)	302	287			588
Depreciation of property, plant and equipment	38,125	290	5,507	830		44,752
Impairment of property, plant and equipment and intangible assets[2]	34,943[3]					34,943
Acquisition of property, plant and equipment	51,396	2,134	9,839	1,679		65,048
Assets	236,173	25,866	125,536	34,739	(1,175)	421,139

(1) Corresponds to the elimination among segments of the YPF Group.
(2) See Notes 2.c. and 8.
(3) Includes depreciation of charges for impairment of property, plant and equipment.
(4) Includes the result for revaluation of the interest in YPF EE. See Note 3.

55

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016

5. SEGMENT INFORMATION (Cont.)

The distribution of revenues by geographic area, according to the markets for which they are intended, for the years ended on December 31, 2018, 2017 and 2016, and property, plant and equipment by geographic area as of December 31, 2018, 2017 and 2016 are as follows:

	Revenues			Property, plant and equipment		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
Argentina	390,892	230,728	193,707	698,222	353,868	307,350
Mercosur and associated countries	20,056	8,694	7,964	865	575	664
Rest of the world	15,711	8,785	6,142			
Europe	9,161	4,606	2,287			
	435,820	252,813	210,100	699,087	354,443	308,014

Intangible assets are mainly geographically located in Argentina.

As of December 31, 2018, no foreign client represents 10% or more of the Group s revenue from its ordinary activities.

6. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables show the financial assets and liabilities by category of financial instrument and a reconciliation to the corresponding line item in the statements of financial position, as appropriate. Since the line items Trade receivables , Other receivables , Accounts payable and Other liabilities contain both financial instruments and non-financial assets and liabilities (such as tax receivables, and receivables and payables in kind, among other) reconciliation is presented in the columns headed Non-financial assets and Non-financial Liabilities .

Financial Assets

	2018				
	Financial Assets at amortized cost	**Financial Assets at fair value through profit or loss**	**Subtotal Financial Assets**	**Non-financial Assets**	**Total**
Other receivables[1]	14,860		14,860	17,250	32,110
Trade receivables[2]	98,930		98,930		98,930
Investment in financial assets		10,941	10,941		10,941
Cash and cash equivalents	38,236	7,792	46,028		46,028
	152,026	18,733	170,759	17,250	188,009

	2017				
	Financial Assets at amortized cost	**Financial Assets at fair value through profit or loss**	**Subtotal Financial Assets**	**Non-financial Assets**	**Total**
Other receivables[1]	6,793		6,793	7,541	14,334
Trade receivables[2]	44,182		44,182		44,182
Investment in financial assets		12,936	12,936		12,936
Cash and cash equivalents	9,687	19,051	28,738		28,738
	60,662	31,987	92,649	7,541	100,190

	2016				
	Financial Assets at amortized cost	**Financial Assets at fair value through profit or loss**	**Subtotal Financial Assets**	**Non-financial Assets**	**Total**
Other receivables[1]	8,277		8,277	9,145	17,422
Trade receivables[2]	34,816		34,816		34,816
Investment in financial assets		15,285	15,285		15,285
Cash and cash equivalents	7,949	2,808	10,757		10,757
	51,042	18,093	69,135	9,145	78,280

(1) Does not include the provision for other doubtful receivables.

(2) Does not include the provision for doubtful trade receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
6. FINANCIAL INSTRUMENTS BY CATEGORY (Cont.)

Financial Liabilities

	2018				
	Financial Liabilities at amortized cost	**Financial liabilities at fair value through profit or loss**	**Subtotal financial liabilities**	**Non-financial liabilities**	**Total**
Loans	335,078		335,078		335,078
Other liabilities	1,271		1,271		1,271
Accounts payable	87,087		87,087	511	87,598
	423,436		423,436	511	423,947

	2017				
	Financial Liabilities at amortized cost	**Financial liabilities at fair value through profit or loss**	**Subtotal financial liabilities**	**Non-financial liabilities**	**Total**
Loans	191,063		191,063		191,063
Other liabilities	2,660		2,660		2,660
Accounts payable	45,638		45,638	458	46,096
	239,361		239,361	458	239,819

	2016
	Total

	Financial Liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Subtotal financial liabilities	Non-financial liabilities	
Loans	154,345		154,345		154,345
Other liabilities	4,726		4,726		4,726
Accounts payable	43,273		43,273	495	43,768
	202,344		202,344	495	202,839

Gains and losses on financial and non-financial instruments are allocated to the following categories:

	2018		
	Financial and non-financial Assets / Liabilities at amortized cost	Financial Assets / Liabilities at fair value through profit or loss	Total
Interest income	3,033		3,033
Interest loss	(28,717)		(28,717)
Net financial accretion	7,627		7,627
Net exchange differences	54,459		54,459
Fair value gains on financial assets at fair value through profit or loss		2,596	2,596
Gains on derivative financial instruments		933	933
Result from net monetary position	1,594		1,594
	37,996	3,529	41,525

	2017		
	Financial and non-financial Assets / Liabilities at amortized cost	Financial Assets / Liabilities at fair value through profit or loss	Total
Interest income	1,598		1,598
Interest loss	(18,385)		(18,385)
Net financial accretion	(3,169)		(3,169)
Net exchange differences	8,950		8,950
Fair value gains on financial assets at fair value through profit or loss		2,208	2,208
	(11,006)	2,208	(8,798)

57

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
6. FINANCIAL INSTRUMENTS BY CATEGORY (Cont.)

	2016		
	Financial and non-financial Assets / Liabilities at amortized cost	Financial Assets / Liabilities at fair value through profit or loss	Total
Interest income	1,472		1,472
Interest loss	(18,109)		(18,109)
Net financial accretion	(3,159)		(3,159)
Net exchange differences	11,611		11,611
Fair value gains on financial assets at fair value through profit or loss		1,826	1,826
Gains on derivative financial instruments		213	213
	(8,185)	2,039	(6,146)

Fair value measurements

IFRS 9 defines the fair value of a financial instrument as the amount for which an asset could be exchanged, or a financial liability settled, between knowledgeable, independent parties in an arm s length transaction. All financial instruments recognized at fair value are allocated to one of the valuation hierarchy levels of IFRS 7. This valuation hierarchy provides for three levels.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets or liabilities that the Group can refer to at the end of the period. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. Financial instruments assigned by the Group to this level comprise investments in listed mutual funds and public securities.

In the case of Level 2, fair value is determined by using valuation methods based on inputs directly or indirectly observable in the market. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The Group has not valued financial instruments under this category.

In the case of Level 3, the Group uses valuation techniques not based on inputs observable in the market. This is only permissible insofar as no market data are available. The inputs used reflect the Group s assumptions regarding the factors, which market players would consider in their pricing. The Group uses the best available information for this, including internal company data. The Group has not valued financial instruments under this category.

YPF s Corporative Finance Division has a team in place in charge of the valuation of financial instruments required to be reported in the financial statements, including the fair value of Level 3 instruments. The team directly reports to the CFO. The CFO and the valuation team discuss the valuation methods and results upon the acquisition of a financial instrument and, if necessary, on a quarterly basis, in line with the Group s quarterly reports.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
6. FINANCIAL INSTRUMENTS BY CATEGORY (Cont.)

The tables below show the Group s financial assets measured at fair value as of December 31, 2018, 2017 and 2016 and their allocation to their fair value levels.

	2018			
Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in financial assets:				
- Public securities	10,941[(1)]			10,941
	10,941			10,941
Cash and cash equivalents:				
- Mutual funds	7,792			7,792
	7,792			7,792
	18,733			18,733

	2017			
Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in financial assets:				
- Public securities	12,936[(1)]			12,936
	12,936			12,936
Cash and cash equivalents:				
- Mutual funds	19,051			19,051
	19,051			19,051

	31,987			31,987

	2016			
Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in financial assets:				
- Mutual funds	53			53
- Public securities	15,232[(1)]			15,232
	15,285			15,285
Cash and cash equivalents:				
- Mutual funds	2,808			2,808
	2,808			2,808
	18,093			18,093

(1) As of December 31, 2018 and 2017, it has been classified as Current. As of December 31, 2016, 7,737 have been classified as Noncurrent and 7,495 has been classified as Current.

The Group has no financial liabilities measured at fair value through profit or loss.

The Group s policy is to acknowledge transfers among the several categories of valuation hierarchies when occurred, or when there are changes in the prevailing circumstances requiring such transfer. During the years ended December 31, 2018, 2017 and 2016, there were no transfers between the different hierarchies used to determine the fair value of the Group s financial instruments.

Fair value of financial assets and financial liabilities measured at amortized cost

The estimated fair value of loans, considering unadjusted listed prices (Level 1) for NO and interest rates offered to the Group (Level 3) for the other financial loans remaining, amounted to 293,972, 200,264 and 157,133 as of December 31, 2018, 2017 and 2016, respectively.

The fair value of other receivables, trade receivables, cash and cash equivalents, accounts payable and other liabilities do not differ significantly from their book value.

59

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016

7. INTANGIBLE ASSETS

The evolution of the Group s intangible assets for the years ended December 31, 2018, 2017 and 2016 is as follows:

	Service concession	Exploration rights	Other intangibles	Total
Cost	9,527	2,990	4,260	16,777
Accumulated amortization	5,553	155	3,710	9,418
Balance as of December 31, 2015	3,974	2,835	550	7,359
Cost				
Increases	642	75	171	888
Translation effect	2,127	612	936	3,675
Decreases and reclassifications	(547)	(584)	127	(1,004)
Accumulated amortization				
Increases	437		280	717
Translation effect	1,245		848	2,093
Decreases and reclassifications		(6)		(6)
Cost	11,749	3,093	5,494	20,336
Accumulated amortization	7,235	149	4,838	12,222
Balance as of December 31, 2016	4,514	2,944	656	8,114
Cost				
Increases	947	8	198	1,153
Translation effect	2,141	513	953	3,607
Decreases and reclassifications	(13)	(149)	185	23
Accumulated amortization				
Increases	615		223	838
Translation effect	1,330		885	2,215
Decreases and reclassifications		(149)	17	(132)
Cost	14,824	3,465	6,830	25,119

Accumulated amortization	9,180		5,963	15,143
Balance as of December 31, 2017	5,644	3,465	867	9,976
Cost				
Increases	1,303	276	765	2,344
Translation effect	15,544	3,414	6,636	25,594
Adjustment for inflation(1)			591	591
Decreases and reclassifications	31	(248)	(100)	(317)
Accumulated amortization				
Increases	1,190		559	1,749
Translation effect	9,740		6,243	15,983
Adjustment for inflation(1)			58	58
Decreases and reclassifications			(4)	(4)
Cost	31,702	6,907	14,722	53,331
Accumulated amortization	20,110		12,819	32,929
Balance as of December 31, 2018	11,592	6,907	1,903	20,402

(1) Corresponds to adjustment for inflation of opening balances of intangible assets in subsidiaries with the Peso as functional currency which was charged to other comprehensive income.

8. PROPERTY, PLANT AND EQUIPMENT

	2018	2017	2016
Net book value of property, plant and equipment	740,103	382,630	345,679
Provision for obsolescence of materials and equipment	(3,955)	(1,652)	(1,380)
Provision for impairment of property, plant and equipment	(37,061)	(26,535)	(36,285)
	699,087	354,443	308,014

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
8. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Changes in Group s property, plant and equipment for the years ended December 31, 2018, 2017 and 2016 are as follows:

and and uildings	Mining property, wells and related equipment	Refinery equipment and petrochemical plants	Transportation equipment	Materials and equipment in warehouse	Drilling and work in progress	Exploratory drilling in progress	Furniture, fixtures and installations	Selling equipment	Infrastructure for natural gas distribution	Electric power generation facilities	Other property
13,949	458,066	69,429	3,650	13,478	76,803	3,647	5,603	10,778	2,931	1,573	8,291
5,920	324,922	41,138	2,392				4,699	6,921	1,181	1,283	5,620
8,029	133,144	28,291	1,258	13,478	76,803	3,647	904	3,857	1,750	290	2,671
140	3,831(4)	1	3	6,968	52,610	1,392	25			2	76
2,975	104,086	16,601	802	2,494	14,602	626	1,260	2,430			1,658
1,365	59,645	26,529	1,096	(8,701)	(91,342)	(3,687)	1,201	1,138	260	187	(60)
360	40,729(4)	4,312	414				668	642	75	111	318
1,257	73,288	9,288	516				1,052	1,558			1,142
(40)	(6,937)	(3)	(37)				(18)	(2)	45		(82)
18,429	625,628	112,560	5,551	14,239	52,673	1,978	8,089	14,346	3,191	1,762	9,965

7,497	432,002	54,735	3,285				6,401	9,119	1,301	1,394	6,998
10,932	193,626[1]	57,825	2,266	14,239	52,673	1,978	1,688	5,227	1,890	368	2,967
49	(4,370)[4]	103	66	7,394	47,453	2,207	20				174
3,028	113,481	19,728	1,032	2,101	8,568	373	1,466	2,744			1,651
(112)	40,614	2,284	965	(7,741)	(49,165)	(1,687)	879	1,698	215	(1,762)[6]	188
437	54,980[4]	5,395	602				717	854	80	87	315
1,303	81,108	9,983	609				1,196	1,684			1,151
13	(1,756)	(953)	16				372	(1)		(1,481)[6]	(18)
21,394	775,353	134,675	7,614	15,993	59,529	2,871	10,454	18,788	3,406		11,978
9,250	566,334	69,160	4,512				8,686	11,656	1,381		8,446
12,144	209,019[1]	65,515	3,102	15,993	59,529	2,871	1,768	7,132	2,025		3,532
425	(10,216)[4]	370	38	19,885	67,264	5,438	59				385
20,845	808,772	138,924	7,400	15,332	61,084	3,851	10,935	20,016			11,468
5,096	152		797	1,107	792		1,371		20,519		6,968
287	30,807	6,482	313	(17,327)	(64,288)	(4,188)	1,898	2,194	243		838
758	82,939[4]	9,517	960				1,561	1,680	677		777
9,356	609,973	73,643	4,639				9,158	12,396			8,127
2,785	141		565				1,309		10,584		5,152
(35)	(27,457)	(25)	(97)				(7)	(35)	(134)		(44)
48,047	1,604,868	280,451	16,162	34,990	124,381	7,972	24,717	40,998	24,168		31,637
22,114	1,231,930	152,295	10,579				20,707	25,697	12,508		22,458
25,933	372,938[1]	128,156	5,583	34,990	124,381	7,972[2]	4,010	15,301	11,660		9,179

(1) Includes 16,154, 10,003 and 9,147 of mineral property as of December 31, 2018, 2017 and 2016, respectively.
(2) As of December 31, 2018, there are 58 exploratory wells in progress. During year ended on such date, 41 wells were drilled, 13 wells were charged to exploratory expense and 5 were transferred to prove properties which are included in the account Mineral property, wells and related equipment.
(3) Includes 60, 7 and 2 of net book value charged to property, plant and equipment provisions for the years ended December 31, 2018, 2017 and 2016, respectively.
(4) Includes (11,710), (4,913) and 2,243 corresponding to hydrocarbon wells abandonment costs and 5,521, 2,258 and 934 of depreciation recovery for the years ended December 31, 2018, 2017 and 2016, respectively.
(5) Includes reductions for the deconsolidation of subsidiaries of 500, net.
(6) Includes 6,772 and 1,790 of cost and accumulated depreciation, respectively, corresponding to the reclassification of assets of YPF EE as held for disposal. See Note 3.
(7) Includes 1,470 and 1,092 of cost and accumulated depreciation, respectively, corresponding to additions for the acquisition of a participation in several areas.
(8) Includes 2,327 corresponding to business combination. See Note 3.
(9) Corresponds to adjustments for inflation of opening balances of property, plant and equipment of subsidiaries with the Peso as functional currency which was charged to other comprehensive income.
(10) Includes 31,800 and 28,673 of cost and accumulated depreciation, respectively, corresponding to the reclassification of certain areas that were reclassified as assets held for disposal. See Note 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
8. PROPERTY, PLANT AND EQUIPMENT (Cont.)

The Group capitalizes the financial cost as a part of the cost of the assets. For the year ended December 31, 2018, 2017 and 2016, the rate of capitalization has been 10.50%, 11.63% and 13.03%, respectively, and the amount capitalized amounted to 660, 707 and 1,234, respectively, for the years mentioned above.

Set forth below is the evolution of the provision for obsolescence of materials and equipment for the years ended December 31, 2018, 2017 and 2016:

	2018	**2017**	**2016**
Amount at beginning of year	1,652	1,380	762
Increase charged to profit/ (loss)	629	11	428
Decreases charged to profit/ (loss)		(45)	
Amounts incurred due to utilization	(60)	(7)	(2)
Translation differences	1,666	248	192
Transfers and other movements	68	65	
Amount at end of year	3,955	1,652	1,380

Set forth below is the evolution of the provision for impairment of property, plant and equipment for 2018, 2017 and 2016:

	2018	**2017**	**2016**
Amount at beginning of year	26,535	36,285	2,455
Increases charged to profit/ (loss)(1)	36,937		36,188
Decreases charged to profit/ (loss) (1)	(39,837)	(5,032)	(1,245)
Depreciation(2)	(10,208)	(9,955)	(2,877)
Translation differences	23,634	5,237	1,869
Deconsolidation of subsidiaries			(105)

Amount at end of year	37,061	26,535	36,285

(1) See Note 2.c).
(2) Included in Depreciation of property, plant and equipment in Note 21.

Set forth below is the cost evolution for the exploratory wells in evaluation stage as of the years ended on December 31, 2018, 2017 and 2016:

	2018	**2017**	**2016**
Amount at beginning of year	1,236	1,475	1,777
Additions pending the determination of proved reserves	2,179	758	1,112
Decreases charged to exploration expenses	(382)	(591)	(700)
Decreases of assets held for disposal			(15)
Reclassifications to mineral property, wells and related equipment with proved reserves	(703)	(581)	(1,004)
Translation difference	1,737	175	305
Amount at end of year	4,067	1,236	1,475

The following table shows the cost for exploratory wells under assessment for a period greater than a year and the number of projects related as of December 31, 2018.

	Amount	Number of projects	Number of wells
Between 1 and 5 years	656	3	8
More than 5 years	375	1	1
Total	1,031	4	9

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018, 2017 AND 2016
9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The following table shows the value of the investments in associates and joint ventures at an aggregate level as of December 31, 2018, 2017 and 2016:

	2018	**2017**	**2016**
Amount of investments in associates	2,374	911	1,478
Amount of investments in joint ventures	30,324	5,146	4,022
Provision for impairment of investments in associates and joint ventures	(12)	(12)	(12)
	32,686	6,045	5,488

The main movements during the years ended December 31, 2018, 2017 and 2016, which affected the value of the aforementioned investments, correspond to:

	2018	**2017**	**2016**
Amount at the beginning of year	6,045	5,488	4,371
Acquisitions and contributions	280	910	448
Income on investments in associates and joint ventures	4,839	1,428	588
Translation differences	3,180	662	601
Distributed dividends	(583)	(328)	(520)
Interest maintained in YPF EE	17,285(1)		
Adjustment for inflation(2)	1,640		
Reclassification of assets held for disposal		(2,117)	
Other movements		2	
Amount at the end of year	32,686	6,045	5,488

