

YPF SOCIEDAD ANONIMA
Form 6-K
March 12, 2018
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

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

of the Securities Exchange Act of 1934

For the month of March, 2018

Commission File Number: 001-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

Macacha Güemes 515

C1106BKK Buenos Aires, Argentina

(Address of principal executive office)

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

Form 20-F

Form 40-F

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

Yes

No

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

Yes

No

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YPF SOCIEDAD ANONIMA

Consolidated Financial Statements

as of December 31, 2017, 2016 and 2015

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

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YPF SOCIEDAD ANONIMA

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CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017, 2016 AND 2015

GLOSSARY OF TERMS

Term	Definition
ADR	American Depositary Receipt
ADS	American Depositary Share
AESA	Subsidiary A-Evangelista S.A.
AFIP	Argentine Tax Authority
Associate	Company over which YPF has significant influence as provided for in IAS 28
BONAR	Argentine Treasury Bonds
CDS	Associate Central Dock Sud S.A.
CGU	Cash-Generating Units
CIMSA	Subsidiary Compañía de Inversiones Mineras S.A.
CNDC	Argentine Antitrust Authority
CNV	Argentine Securities Commission
CSJN	Argentine Supreme Court of Justice
DOP	Deliver or Pay
Eleran	Subsidiary Eleran Inversiones 2011 S.A.U.
ENARGAS	Argentine Gas Regulator
ENRE	Argentine Electricity Regulator
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
Group	YPF and its subsidiaries
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
IDS	Associate Inversora Dock Sud S.A.
Joint venture	Company jointly owned by YPF as provided for in IFRS 11
JO	Joint operation
IPIM	Internal Wholesale Price Index (<i>Índice de Precios Internos al por Mayor</i>)
IVA	Value Added Tax
LGS	Argentine General Corporations Law No. 19,550 (T.O. 1984), as amended
MEGA	Joint Venture Company Mega S.A.
MEM	Wholesale Electricity Market
Metroenergía	Subsidiary Metroenergía S.A.

Metrogas	Subsidiary Metrogas S.A.
MINEM	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.
Profertil	Joint Venture Profertil S.A.
Refinor	Joint Venture Refinería del Norte S.A.
SEC	U.S. Securities and Exchange Commission
Subsidiary	Company controlled by YPF in accordance with the provisions of IFRS 10.
Termap	Associate Terminales Marítimas Patagónicas S.A.
TSEP	Transportation system entry point
US\$	U.S. dollar
US\$/Bbl	U.S. dollar per barrel
Y-GEN I	Joint venture Y-GEN Eléctrica S.R.L.
Y-GEN II	Joint venture Y-GEN Eléctrica II S.R.L.
YPF Brasil	Subsidiary YPF Brasil Comercio Derivado de Petróleo Ltda.
YPF Chile	Subsidiary YPF Chile S.A.
YPF EE	Subsidiary 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
YPF SP	Subsidiary YPF Servicios Petroleros S.A.
YTEC	Subsidiary YPF Tecnología S.A.

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YPF SOCIEDAD ANONIMA

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017, 2016 AND 2015

LEGAL INFORMATION

Legal Domicile

Macacha Güemes 515 Autonomous City of Buenos Aires, Argentina

Fiscal year number 41

Beginning on January 1, 2017

Principal business of the Company:

The Company's purpose will be to perform, directly, 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 will also be the Company's purpose to render, directly, through a subsidiary, or in association with third parties, telecommunications services in all ways 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 of its industrial and commercial business or any activity which may be necessary to attain its purpose. In order to fulfill such purposes, the Company may set up, become associated with or have an interest in any public or private entity, whether domiciled in Argentina or abroad, subject to the restrictions set forth in the Bylaws.

Filing with the Public Registry:

Bylaws filed on February 5, 1991 under No. 404, Book 108, Volume A , Corporations, 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 , Corporations, 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.

Optional Statutory Regime related to Compulsory Tender Offer provided by Decree No. 677/2001 art. 24:

Not incorporated (modified by Law No. 26,831).

Capital structure

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

Subscribed, paid-in and authorized for stock exchange listing

3,933,127,930

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YPF SOCIEDAD ANONIMA**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS OF DECEMBER 31, 2017, 2016 AND 2015**

(Amounts expressed in millions of Argentine Pesos)

	Notes	2017	2016	2015
ASSETS				
Noncurrent Assets				
Intangible assets	7	9,976	8,114	7,279
Property, plant and equipment	8	354,443	308,014	270,905
Investments in associates and joint ventures	9	6,045	5,488	4,372
Assets held for disposal	3	8,823		
Net deferred income tax assets	15	588	564	954
Other receivables	11	1,335	3,909	2,501
Trade receivables	12	2,210	87	469
Investment in financial assets	6		7,737	
Total noncurrent assets		383,420	333,913	286,480
Current Assets				
Inventories	10	27,291	21,820	19,258
Other receivables	11	12,684	13,456	19,413
Trade receivables	12	40,649	33,645	22,111
Investment in financial assets	6	12,936	7,548	804
Cash and cash equivalents	13	28,738	10,757	15,387
Total current assets		122,298	87,226	76,973
TOTAL ASSETS		505,718	421,139	363,453
SHAREHOLDERS' EQUITY				
Shareholders' contributions		10,402	10,403	10,349
Reserves, other comprehensive income and retained earnings		141,893	108,352	110,064
		152,295	118,755	120,413

Shareholders equity attributable to shareholders of the parent company

Non-controlling interest	238	(94)	48
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TOTAL SHAREHOLDERS EQUITY	152,533	118,661	120,461
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LIABILITIES**Noncurrent Liabilities**

Provisions	14	54,734	47,358	39,623
Liabilities associated with assets held for disposal	3	4,193		
Net deferred income tax liabilities	15	37,645	42,465	44,812
Taxes payable		220	98	207
Loans	16	151,727	127,568	77,934
Other liabilities	17	277	336	340
Accounts payable	18	1,655	2,187	285

Total noncurrent liabilities	250,451	220,012	163,201
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Current Liabilities

Provisions	14	2,442	1,994	2,009
Income tax liability		191	176	1,487
Taxes payable		6,879	4,440	6,047
Salaries and social security		4,132	3,094	2,452
Loans	16	39,336	26,777	27,817
Other liabilities	17	2,383	4,390	413
Accounts payable	18	47,371	41,595	39,566

Total current liabilities	102,734	82,466	79,791
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TOTAL LIABILITIES	353,185	302,478	242,992
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TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	505,718	421,139	363,453
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Accompanying notes are an integral part of consolidated financial statements

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YPF SOCIEDAD ANONIMA**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

(Amounts expressed in millions of Argentine Pesos)

	Notes	2017	2016	2015
Revenues	19	252,813	210,100	156,136
Costs	20	(211,812)	(177,304)	(119,537)
Gross profit		41,001	32,796	36,599
Selling expenses	21	(17,954)	(15,212)	(11,099)
Administrative expenses	21	(8,736)	(7,126)	(5,586)
Exploration expenses	21	(2,456)	(3,155)	(2,473)
Recovery / (Impairment) of property, plant and equipment and intangible assets	2.c and 8	5,032	(34,943)	(2,535)
Other net operating results	22	(814)	3,394	1,682
Operating profit/(loss)		16,073	(24,246)	16,588
Income from equity interests in associates and joint ventures	9	1,428	588	318
Financial income	23	17,623	16,759	27,263
Financial loss	23	(28,629)	(24,944)	(16,016)
Other financial results	23	2,208	2,039	910
Net financial results	23	(8,798)	(6,146)	12,157
Net profit / (loss) before income tax		8,703	(29,804)	29,063
Income tax	15	3,969	1,425	(24,637)
Net profit / (loss) for the year		12,672	(28,379)	4,426
Net profit / (loss) for the year attributable to:				
Shareholders of the parent company		12,340	(28,237)	4,579

Non-controlling interest		332	(142)	(153)
Profit/(loss) per share attributable to shareholders of the parent company basic and diluted	26	31.43	(72.13)	11.68
<u>Other comprehensive income</u>				
Actuarial results Pension plans ⁽¹⁾				6
Exchange differences from investments in subsidiaries ⁽²⁾				(189)
Translation differences from Assets held for disposal		(499)		
Translation differences from investments in subsidiaries, associates and joint ventures ⁽³⁾		(641)	(938)	(1,466)
Translation differences from YPF ⁽⁴⁾	23,057	28,352	45,407	
Total other comprehensive income for the year⁽⁵⁾	21,917	27,414	43,758	
Total comprehensive income / (loss) for the year	34,589	(965)	48,184	

(1) Immediately reclassified to retained earnings.

(2) Exchange differences as recognized by the indirect subsidiary merged Gas Argentino S.A. in its statement of comprehensive income, which was reclassified by YPF as other comprehensive income upon the acquisition of the NO of said subsidiary.

(3) Will be reversed to net income at the moment of the sale of the investment or full or partial reimbursement of the capital.

(4) Will not be reversed to net income.

(5) Entirely assigned to the parent company's shareholders.

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YPF SOCIEDAD ANONIMA**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

(Amounts expressed in millions of Argentine Pesos)

	2017								
	Shareholders' contributions		Share-based		Acquisition		Share		
	Adjustment	Adjustment	to	based	cost of	Share	Issuance		
	Subscribed to	Treasury	treasury	benefit	treasury	trading	premiums	Total	
	capital	shares	shares	plans	shares	premium			
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 ⁽⁴⁾					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 ⁽³⁾									
As decided by the Board of Directors on June 8, 2017, July 9, 2017 and December 14, 2017 ⁽³⁾									
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		Purchase of treasury shares		Initial IFRS adjustment	Other comprehensive income	Retained earnings	Equity attributable to Shareholders of the company	Total Shareholders' equity
	Legal	Future dividends	Investments	shares				Non-controlling interest	
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 ⁽⁴⁾								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 ⁽³⁾		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 ⁽³⁾		(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 withholding related to the share-based benefit plans.

(3) See Note 25.

(4) See Note 32.

MIGUEL ANGEL GUTIERREZ

President

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YPF SOCIEDAD ANONIMA**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015 (Cont.)**

(Amounts expressed in millions of Argentine Pesos)

	2016								
	Shareholders' contributions		Adjustment to treasury shares		Share-based benefit plans	Acquisition cost of treasury shares	Share trading premium	Issuance premiums	Total
	Subscribed capital	Adjustment to contributions	Treasury shares	to treasury shares					
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 Ordinary and Extraordinary Shareholders meeting of April 29, 2016									
As decided by the Board of Directors of June 9, 2016									
Other comprehensive income									
Net loss									

2015										
Balance at the end of the fiscal year	3,923	6,085	10	16	61	(152)	(180)	640	10,403	
2016										
	Legal	Future dividends	Reserves	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	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 Ordinary and Extraordinary 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.

MIGUEL ANGEL GUTIERREZ

President

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YPF SOCIEDAD ANONIMA**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015 (Cont.)**

(Amounts expressed in millions of Argentine Pesos)

	2015								
	Shareholders' contributions								
	Adjustment to Share-Acquisition								
	Adjustment	to	based	cost of	Share	trading	Issuance		
	Subscribed to	Treasury	treasury	benefit	treasury	premium	premiums	Total	
	capital	contributions	shares	shares	plans	shares	premium	premiums	Total
Balance at the beginning of the fiscal year	3,922	6,083	11	18	51	(310)	(15)	640	10,400
Accrual of share-based benefit plans ⁽⁴⁾					124				124
Repurchase of treasury shares	(4)	(6)	4	6		(120)			(120)
Settlement of share-based benefit plans ⁽³⁾	4	6	(4)	(6)	(108)	153	(100)		(55)
Contributions of non-controlling interest									
As decided by Ordinary and Extraordinary Shareholders meeting of April 30, 2015									
As decided by the Board of Directors of June 8, 2015									

Actuarial gains
reclassification
Pension Plan ⁽²⁾
Other
comprehensive
income
Net income

**Balance at the
end of the
fiscal year**

3,922 6,083 11 18 67 (277) (115) 640 10,349

2015

	Reserves		Purchase of treasury shares		Initial IFRS adjustment	Other comprehensive income	Retained earnings	Equity attributable to Shareholders of the company		Total Shareholders equity
	Legal	Future dividends	Investments	share	ad			paren	Non-controlling interest	
Balance at the beginning of the fiscal year	2,007	5	12,854	320	3,648	34,363	9,033	72,630	151	72,781
Accrual of share-based benefit plans ⁽⁴⁾								124		124
Repurchase of treasury shares								(120)		(120)
Settlement of share-based benefit plans ⁽³⁾								(55)		(55)
Contributions of non-controlling interest									50	50
As decided by Ordinary and Extraordinary Shareholders meeting of April 30, 2015		503	8,410	120			(9,033)			
As decided by the Board of Directors of June 8, 2015		(503)						(503)		(503)
Actuarial gains reclassification Pension Plan ⁽²⁾						(6)	6			
Other comprehensive income						43,758		43,758		43,758

Net income							4,579	4,579	(153)	4,426
Balance at the end of the fiscal year	2,007	5	21,264	440	3,648	78,115 ⁽¹⁾	4,585	120,413	48	120,461

(1) Includes 80,982 corresponding to the effect of the translation of the financial statements of YPF and (2,867) 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) Pension plans of investments in subsidiaries.

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

(4) See Note 32.

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MIGUEL ANGEL GUTIERREZ

President

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YPF SOCIEDAD ANONIMA**CONSOLIDATED STATEMENTS OF CASH FLOW****FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

(Amounts expressed in millions of Argentine Pesos)

	2017	2016	2015
Cash flows from operating activities			
Net income	12,672	(28,379)	4,426
<i>Adjustments to reconcile net income to cash flows provided by operating activities:</i>			
Result on interest in associates and joint ventures	(1,428)	(588)	(318)
Depreciation of property, plant and equipment	53,512	44,752	26,685
Amortization of intangible assets	838	717	323
Consumption of materials and retirement of property, plant and equipment and intangible assets	4,592	5,791	3,773
Charge on income tax	(3,969)	(1,425)	24,637
(Recovery) / Impairment of plant and equipment and intangible assets	(5,032)	34,943	2,535
Net increase in provisions	4,924	6,040	3,598
Exchange differences, interest and other ⁽¹⁾	7,611	3,298	(13,449)
Share-based benefit plans	162	153	124
Accrued insurance	(206)		(1,688)
Income on deconsolidation of subsidiaries		(1,528)	
<i>Changes in assets and liabilities:</i>			
Trade receivables	(8,073)	(16,079)	(8,031)
Other receivables	895	5,406	(6,143)
Inventories	(1,686)	1,469	101
Accounts payable	6,408	(1,133)	6,676
Taxes payables	2,550	(1,776)	4,544
Salaries and social security	1,065	784	549
Other liabilities	(717)	190	(465)
Decrease in provisions due to payment/use	(1,388)	(1,753)	(1,758)
Dividends received	328	420	180
Proceeds from collection of lost profit insurance		607	2,036
Income tax payments	(1,084)	(2,726)	(6,931)
Net cash flows from operating activities	71,974	49,183	41,404

Investing activities:⁽²⁾

Acquisition of property, plant and equipment and intangible assets	(59,618)	(64,160)	(63,774)
Contributions and acquisitions of interests in associates and joint ventures	(891)	(448)	(163)
Proceeds from sales of financial assets	4,287	1,072	
Acquisition of financial assets		(3,476)	(324)
Proceeds from collection of damaged property's insurance		355	212
Interests received from financial assets	980	483	

Net cash flows used in investing activities	(55,242)	(66,174)	(64,049)
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Financing activities:⁽²⁾

Repayment of loans	(36,346)	(73,286)	(24,090)
Payments of interest	(17,912)	(16,330)	(6,780)
Proceeds from loans	54,719	101,322	55,158
Repurchase of treasury shares	(100)	(50)	(120)
Contributions of non-controlling interests		50	
Dividends paid	(716)	(889)	(503)

Net cash flows provided by financing activities	(355)	10,817	23,665
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Translation differences provided by cash and cash equivalents	1,665	1,692	4,609
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Reclassification of assets held for disposal	(61)		
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Deconsolidation of subsidiaries		(148)	
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Net increase/(decrease) in cash and cash equivalents	17,981	(4,630)	5,629
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Cash and cash equivalents at the beginning of year	10,757	15,387	9,758
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Cash and cash equivalents at the end of year	28,738	10,757	15,387
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Net increase/(decrease) in cash and cash equivalents	17,981	(4,630)	5,629
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(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:

	2017	2016	2015
Acquisition of property, plant and equipment and concession extension easements not paid	6,019	6,559	6,799
Net increases (decreases) related to hydrocarbon wells abandonment obligation costs	(4,913)	2,243	(1,281)
Contributions in joint ventures	19		
Dividends to collect		100	100
Increase in investments in financial assets through a decrease in trade receivables and other receivables		9,918	
Decrease of loans by El Orejano agreement			2,373
Contributions of non-controlling interests			50

Accompanying notes are an integral part of consolidated financial statements.

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YPF SOCIEDAD ANONIMA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017, 2016 AND 2015

(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, 2017:

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

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

Organization of the business

As of December 31, 2017, 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 equity interests in exploratory and production areas in Chile and in 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, 2017 are presented in accordance with IFRS, as issued by IASB.

Additionally, some additional issues required by the LGS and/or CNV's regulations have been included. This information is contained in the Notes to these consolidated financial statements, with the purpose of fulfilling of these regulatory requirements.

The amounts and other information corresponding to the years ended on December 31, 2016 and 2015 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 2, 2018.

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.

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. Actual future results might differ from the estimates and assessments made at the date of preparation of these consolidated financial statements.

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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 in which the Group holds control. 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 exclusively, obtained by the ownership, direct or indirect, of more than 50% of the voting shares of a company.

Interest in JO and other agreements which give 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 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, on a pro rata consolidation basis.

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 in which YPF holds control, taking into consideration, where necessary, significant subsequent events and transactions, information available to the Company's management and transactions between YPF and such 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

IAS 29 Financial reporting in hyperinflationary economies requires the financial statements of an entity whose functional currency is that of a hyperinflationary economy to be expressed in terms of the current measurement unit as of the closing date of the reporting fiscal year, regardless of whether they are based on the historical cost method or the current cost method. For such purpose, in general terms, inflation that has occurred from the date of acquisition or from the revaluation date, as appropriate, is to be computed in non-monetary items. In order to conclude on the existence of a hyperinflationary economy, such standard describes in detail a number of quantitative and qualitative factors to be taken into account including an accumulated inflation rate during a three year period that amounts to or exceeds 100%.

As of December 31, 2017, taking into account the decreasing inflation trend, the inconsistency of the published inflation data in previous years, and the fact that the rest of the indicators do not lead to a definitive conclusion, the Management of the Company understands that there is not enough evidence for Argentina to be considered a country with a hyperinflationary economy. This conclusion is in line with that expressed by the International Practices Task Force of AICPA (American Institute of Certified Public Accountants) which did not consider Argentina as a country with a hyperinflationary economy. Therefore, the criteria for restatement of information established under IAS 29 in the current year have not been applied.

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

However, in recent years, certain macroeconomic variables affecting the business of these companies, such as wages, prices of main raw materials and inputs and services, have undergone variations of some importance. This circumstance must be considered in the evaluation and interpretation of the financial condition and the results of these companies in the financial statements.

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 cancellation, 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 U.S. dollar are recorded as Other comprehensive income in the Consolidated Statement of Comprehensive Income.

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 at 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.

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.

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AS OF DECEMBER 31, 2017, 2016 AND 2015

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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 capital and interest.

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.

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. Impairment losses are recognized only if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the assets and such impairment may be reliably measured.

Evidence of impairment include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and when observable information indicates that there is a measurable decrease in the estimated future cash flows.

The impairment amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount or the loss is recognized in the statement of comprehensive income. For practical purposes, the Group may measure impairment based on an instrument's fair value, using an observable market price. If, in a subsequent period, the amount the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statements of comprehensive income.

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.

2.b.3) Inventories

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

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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.

In connection with the foregoing, the Privatization Law granted the Company 35-year transportation concessions for the transportation facilities operated by Yacimientos Petrolíferos Fiscales 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 at Management of the Company'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 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.

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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, 2017, 2016 and 2015.

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 Result from participation 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%.

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 'Result from participation 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.

As from the effective date of Law No. 25,063, dividends, either in cash or in kind, that the Group receives from investments in other companies and which are in excess of the accumulated income that these companies carry upon distribution will be subject to a 35% income tax withholding as a sole and final payment. The Group has not recorded any charge for this tax since it has estimated that dividends from earnings recorded by the equity method will not be subject to such tax. However, according to the aforementioned Argentine Tax Reform Law No. 27,430, this tax is eliminated for income accrued as of 2018 (see Note 30.1).

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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.

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.

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2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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.

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 on a field-by-field basis or other external available information if abandonment obligations were not performed. Due to the number of wells in operation and/or not abandoned and 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.

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.

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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.

Provisions are measured at their current value of cash flows estimated to satisfy the obligation, applying a pre-tax rate that reflects the market valuations of the time value of money and the specific risks of the obligation. The increase in the provision due to the passage of time is recognized in the statement of comprehensive income.

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

Except for provisions for hydrocarbon wells abandonment obligations, where the timing of settlement is estimated on the basis of the work plan of the 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.

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CGU Oil;

CGU Gas Neuquina Basin;

CGU Gas Noroeste Basin;

CGU Gas Austral Basin;

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

As of December 31, 2015, there was the Petroleum CGU YPF Holdings, which was deconsolidated during 2016.

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 Note 3.

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

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

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 capital cost 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.

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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 use value, based on expected future cash flows from the use of such assets, discounted at a rate that reflects the weighted average cost of the allocated principal amount, 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.

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.

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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

General criteria

Revenue is recognized on sales of crude oil, refined products and natural gas, in each case, when title and risks are 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.

Revenue recognition related to Government incentive programs

Incentives for the additional injection of natural gas and for the production of crude oil granted by the Planning and Strategic Coordination Commission of the National Plan of Hydrocarbons Investment by Resolutions No. 1/2013 and No. 14/2015, respectively (see Note 30), fall within the scope of the IAS 20 Accounting for Government grants and disclosure of government assistance, because they constitute economic compensation for the companies committed to increasing their respective production. Incentives have been included in Revenues in the consolidated statement of comprehensive income.

Likewise, these regulations also apply to the temporary economic assistance by Metrogas (see Note 30), as enacted by the MINEM under Resolution No. 312-E/1016 and by the former Argentine Energy Secretariat under Resolution No. 263/2015, as its purpose is 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 is concluded. The incentives have been included in the item Other net operating results in the consolidated statement of comprehensive income.

In addition, Argentine tax authorities provide a tax incentive for investment in capital goods, computers and telecommunications for domestic manufacturers 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 No. 379/2001, 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 this income is made at its fair value when there is a reasonable certainty that incentives will be received and that regulatory requirements related therewith have been fulfilled.

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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.

The table below details information related to the construction contracts as of December 31, 2017, 2016 and 2015:

	Revenues for the	Costs incurred plus accumulated	Contracts in progress	
	year	recognized profits	Advances received	Retentions
2017	710	1,398	61	
2016	778	1,236		
2015	455	577		

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 has not entered into any significant leases with third parties.

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.

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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 and loans.

2.b.15) Taxes, withholdings and royalties

Income tax and tax on minimum presumed income

The Group recognizes income tax applying the liability method, which considers the effect of temporary differences between the financial and tax bases of assets and liabilities and the tax loss carry forwards 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.

According to the latest amendments introduced by the Argentine Tax Reform Law No. 27,430 published in the Official Gazette on December 29, 2017 (see Note 30.1), the general tax rate is reduced from 35% currently in force 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 accrued as of December 31, 2017, 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 tax 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 35% 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.

In relation to the minimum presumed income tax, it is worth mentioning that it was overruled for the years beginning on January 1, 2019, as established by Law No. 27,260.

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Under Law No. 25,063, dividends distributed, either in cash or in kind, in excess of accumulated taxable income as of the end of the year immediately preceding the dividend payment or distribution date, will be subject to a 35% income tax withholding as a sole and final payment, except for those distributed to shareholders residing in countries benefited from treaties for the avoidance of double taxation, which will be subject to a minor tax rate. However, according to the aforementioned Tax Reform Law No. 27,430, this tax is eliminated for those incomes accrued as of 2018 (See Note 30.1).

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 will apply 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. In addition, and 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).

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

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 Argentine 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 in constant peso (Adjustment to Contributions) of shares issued and repurchased by YPF in market transactions, as is required by the CNVs regulations in force.

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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, 2017, 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.

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 may not be used in distributions in cash or in kind to the shareholders or owners of YPF and may be reversed only for capitalization or absorption of an eventual negative balance on the Retained earnings account according to the aforementioned Resolution.

Such reserve was disaffected in the fiscal year ended December 31, 2017. See Note 25.

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.

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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 as of December 31, 2017, the Group did not use derivative financial instruments. During the fiscal years ended December 31, 2016, and 2015, the Group has not applied hedge accounting to its derivative financial instruments. Gains or losses from these derivative financial instruments are classified as Net financial results, in the statement of comprehensive income.

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.

During the fiscal year ended December 31, 2017, the Group did not use derivative financial instruments. During the fiscal years ended December 31, 2016 and 2015, the Group only used derivative financial instruments traded on active markets (futures contracts in dollars).

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.

A provision for bad debt is created where there is objective evidence that the Group may not be able to collect all receivables within the original payment terms. Indicators of bad debts include significant financial distress of the debtor, the debtor potentially filing a petition for reorganization or bankrupt, or any event of default or past due account.

In the case of larger non-homogenous receivables, the impairment provision is calculated on an individual basis. When assessed individually, the Group records a provision for impairment which amounts to the difference between the value of the discounted expected future cash flows of the receivable and its carrying amount, taking into account existing collateral, if any. This provision takes into consideration the financial condition of the debtor, the resources, payment track record and, if applicable, the value of collateral.

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 . Subsequent recoveries of amounts previously written off are also credited against Selling expenses in the statement of comprehensive income.

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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.

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 (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), 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 are 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 at 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

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 these assets (or groups of assets) and such transaction must be highly probable.

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 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.

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Noncurrent 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 the closing of these consolidated financial statements, the Group classified the investment in the subsidiary YPF EE as an asset held for disposal. See Note 3.

2.b.25) New standards issued

As required by IAS 8 Accounting policies, changes in accounting estimates and errors , we detail below 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.

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.

Amendments to IAS 7 Information disclosure initiative

In January 2016, the IASB amended IAS 7 and such amendments are to be applied to fiscal years beginning on or after January 1, 2017, though they may be implemented in advance.

The Disclosure Initiative was amended for the purpose of disclosing information that allows users of financial statements to evaluate the changes in liabilities (and certain assets) that have occurred during a period, derived from financing activities.

The explanation for the changes must differentiate those changes from cash flows deriving from financing from those changes other than cash .

Also, when explaining changes other than cash, the following sources of changes should be differentiated, to the extent necessary to meet the purpose: (i) changes resulting from the acquisition or loss of control of subsidiaries and other businesses; (ii) the effect of foreign exchange rate changes; (iii) changes in fair value; and (iv) other changes (by

separately identifying any variance deemed relevant).

The IASB defines liabilities arising from financing activities as liabilities for which cash flows were or will be classified in the statement of cash flows as cash flows deriving from financing activities. Additionally, it emphasizes that new disclosure requirements also relate to changes in financial assets (for example, assets covering liabilities arising from financing activities) if they meet the same definition.

Finally, the amendments set forth that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The adoption of such amendments did not have any effects on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of deferred tax assets for unrealized losses

In January 2016, the IASB amended IAS 12 and such amendments are to be applied to fiscal years beginning on or after January 1, 2017, though they may be implemented in advance.

The amendment to IAS 12 provides that when an entity assesses whether the taxable profit against which a deductible temporary difference may be available, it will consider whether the tax legislation restricts the sources of taxable income against which it may make deductions at the time of the reversal of that temporary deductible difference. If the tax law does not impose those restrictions, an entity will evaluate a deductible temporary difference in combination with all others. However, if the tax law restricts the use of losses to be deducted against income of a specific type, a deductible temporary difference will be evaluated in combination only with the appropriate rate.

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

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Amendments to IFRS12 Disclosure of interests in other entities

The amendment made in compliance with the annual improvements to IFRS 2014-2016, applicable to those fiscal years beginning on or after January 1, 2017, introduces a change in the scope of this standard, considering that an entity does not need to provide summarized financial information for those equity interests in subsidiaries, associates or joint ventures which are classified (or included in a the held-for-sale group which is classified) as held for disposal. The amendments clarify that this is the only concession of the disclosure requirements of IFRS 12 for such equity interests.

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

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.

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.

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 capital and interest payments on the amount of outstanding capital, for they 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, based on the analysis of the Group's financial assets and liabilities as of December 31, 2017, and based on the facts and circumstances that exist on that date.

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Impairment Methodology

The impairment model in accordance with IFRS 9 reflects expected credit losses, as opposed to credit losses incurred under IAS 39. In the scope of 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.

During fiscal year 2017, the Group has analyzed the calculation model of the impairment of its commercial loans and other receivables, based on the simplified approach indicated by such standard. Moreover, it has evaluated the necessary changes in the systems and processes to record the expected credit losses, since until now the calculation contemplated the impairment due to the incurred loss.

The Group has prepared a matrix, based on certain special characteristics indicating of the ability to repay the loan, such as i) payments in arrears, ii) existence of guarantees, iii) existence of a legal proceeding, among others; and it has also assigned an expected uncollectibility rate based on historical default rates adjusted to future economic conditions.

After the analysis, the Group considers that the application of the model will not have a significant effect on the financial statements for the period beginning on January 1, 2018.

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 Group does not anticipate that the application of this part of the standard will have a significant effect on its financial statements because it has not carry out this type of transactions at the end of the fiscal year ended

December 31, 2017.

Additionally, during October 2017, a modification related to the early cancellation with negative compensation was introduced, for which the lender (i.e., the holder) could be forced to accept the payment for the early cancellation, of an amount substantially less than the unpaid amounts of principal and interest. In these cases, the amendment proposes that financial assets with these characteristics be measured at amortized cost or at fair value with changes in other comprehensive income.

The Group estimates that the application of this latest amendment, effective as of January 1, 2019 with the possibility of being applied before such date, will not have a significant effect on its financial statements because it has not carried out transactions with these characteristics.

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).

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IFRS 15 establishes an extensive and detailed model to be used by entities at the time of accounting for income from contracts entered into with their customers. It will replace the following Income Standards and Interpretations after the effective date:

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.

As stated in the heading of the new income standard, IFRS 15 will only cover income from contracts entered into with clients. Under IFRS 15, a customer of an entity is a party that has executed a contract with such entity for the provision of goods and services that are the product of ordinary business activities in exchange for consideration. Unlike the scope of the IAS 18, the recognition and measurement of income from interest and dividends on the debt and investments in shareholders' equity are not contemplated under the scope of IFRS 15. Conversely, they are contemplated under the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if such IFRS is adopted in advance).

As mentioned above, the new income standard relies upon a detailed model to explain income from contracts entered into with customers. Its fundamental principle is that an entity should recognize income 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 those goods or services.

The new income recognition standard adds a five-step approach to income recognition and measurement:

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.

The new revenue standard has introduced many indications that are more prescriptive:

If the contract (or combination of contracts) contains or does not contain more than one of the promised goods or services and, if so, when and how the goods or services should be delivered or provided.

If the transaction price distributed to each performance obligation should be recognized as income over time or at a specific time. Under IFRS 15, an entity recognizes income when the obligation is satisfied, that is, when the control of the goods and services underlying a particular obligation is transferred to the customer. Unlike IAS 18, the new model does not include separate guidelines for the sale of goods and the provision of services ; instead, it requires entities to assess whether income should be recognized over time or at a specific time, regardless of whether such income includes the sale of goods or the provision of services .

When the transaction price includes an element of estimation of variable payments, the way in which it will affect the amount and the time for the recognition of the income. The concept of variable payment estimation is broad. A transaction price is considered as a variable for discounts, refunds, credits, price concessions, incentives, performance bonds, penalties and contingency agreements. The new model introduces a material condition for variable consideration to be recognized as income: only until it is very unlikely that a significant change in the amount of accumulated income will occur when the uncertainties inherent in the variable payment estimate have been resolved.

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When the execution costs of an agreement and the performance costs thereof may be recognized as an asset. During fiscal year 2017, the Group has carried out tasks aimed at a preliminary evaluation of the impact generated by the application of this standard. In this process, the unique model of five-step income recognition, described in previous paragraphs, has been taken as the basis for analysis, and it has been applied to the following main income from contracts with customers:

Contracts for the sale of fuels under the consigned pattern;

Contracts for the direct sale of fuels;

Contracts for the sale of natural gas;

Contracts and sales agreements of other refined products;

Construction contracts.

In the first four types of contracts, related to the sale of goods, income is recognized when ownership and risks of the goods are transferred to the customer. Even in the case of contracts under the consigned pattern, income is not recognized until the good is sold to the intermediary's customer. It is emphasized that in these contracts there are no separate performance obligations nor different from the delivery of goods.

In the case of the construction contracts, income 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 the physical progress thereof. In this type of contract, there are performance obligations that are fulfilled over time.

From such analysis, 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; (iv) the accrual of income accounts; with respect to the income recognition criteria that are being applied and which are described in the foregoing paragraphs.

On the contrary, in accordance with the introduced requirements the need has been identified to make new disaggregations of the information to be disclosed. To such effect, the Group has evaluated to make such disaggregations based on the analysis carried out by the Board of Directors on this item; consequently, it is expected that a breakdown of the income reported in note 19 will be incorporated by (i) type of good or service and target market, and (ii) sales channels. In addition, the Group has reviewed and adapted its information, management and reporting systems.

IFRS 16 Leases

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

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 accounting of tenants. It will replace the following Standards and Interpretations after the effective date thereof:

IAS 17 Leases ;

IFRIC 4 Determination whether an agreement contains a lease ;

SIC 15 Operating leases-incentives ; and

SIC 27 Evaluating the substance of transactions involving the legal form of a lease .

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;

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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 enjoyed 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 new leasing rule has introduced many other prescriptive indications:

Measurement of the asset by right of use

The cost of the right to use the assets includes the following items:

- (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 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 to use the 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

A lessee will measure the lease liability 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 incremental rate for the lessee's loans.

Lease liabilities must include the following items:

- (a) fixed payments (including essentially 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 exercise price of a call 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 be increasing the liability for the lease to reflect the accrued interest (and recognized in the profit and loss account), 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 installments.

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Revision of the lease liability

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 call option of the underlying asset.

Lessor's accounting

IFRS 16 requires the lessor to classify the lease as operational or financial. 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.

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.

Sale and Leaseback Transactions

This type of transaction is dealt with from the point of view of the lessee-seller as lessor-buyer. The fundamental aspect of dealing with such transactions depends on whether the transfer of the relevant asset meets the criteria of IFRS 15 Revenue from contracts with customers , to be recognized as a sale.

The Group is still in the process of assessing the full impact of the IFRS 16 application on its financial statements and does not intend to apply such standard in advance.

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.

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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 Group does not anticipate that the application of the amendments to the standard will have a significant effect on its financial statements.

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 Group does not anticipate that the application of the interpretation of the standard will have a significant effect on its financial statements.

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 Group does not anticipate that the application of the amendments to the standard will have a significant effect on its financial statements.

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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 Group does not anticipate that the application of the amendments to the abovementioned standards will have a significant effect on its financial statements.

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 return.

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 return. 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 is in the process of evaluating the impact of this modification on its financial statements.

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. It is recommended to apply this modification simultaneously with the application of IFRS 9 for the first time.

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 the financial statements of the Company.

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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, 2017, 2016 AND 2015

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

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 reasonable 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 Loan 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 does not anticipate that the application of the amendments to the mentioned standards will have a significant effect on its financial statements.