YPF SOCIEDAD ANONIMA
Form 6-K
October 11, 2006
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer

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

the Securities Exchange Act of 1934

For the month of October, 2006

Commission File Number: 001-12102

YPF Sociedad Anónima

(Exact name of registrant as specified in its charter)

Av. Pte. R.S. Peña 777 8th Floor

1354 Buenos Aires, Argentina

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file

annual reports under cover of Form 20-F or Form 40-F:

Form 20-F __X__ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ______ No __X__

Indicate by check mark if the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ______ No __X__

Indicate by check mark whether by furnishing the information

contained in this Form, the Registrant is also thereby furnishing the information to the Commission

pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ______ No __X__

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

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

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YPF Sociedad Anónima

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Item 1

English translation of the report originally issued in Spanish, except for the omission of certain disclosures related to formal legal requirements for reporting in Argentina and the addition of the last paragraph   See Note 12 to the primary financial statements

Limited Review Report on Interim Period Financial Statements

To the Board of Directors of

YPF SOCIEDAD ANONIMA:

1. We have reviewed the balance sheet of YPF SOCIEDAD ANONIMA (an Argentine Corporation) as of June 30, 2006, and the related statements of income, changes in shareholders   equity and cash flows for the six-month period then ended. We have also reviewed the consolidated balance sheet of YPF SOCIEDAD ANONIMA and its controlled and jointly controlled companies as of June 30, 2006, and the related consolidated statements of income and cash flows for the six-month period then ended, which are presented as supplemental information in Schedule I. These financial statements are the responsibility of the Company s Management.

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

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

4. In relation to the financial statements as of December 31, 2005 and June 30, 2005, which are presented for comparative purposes, we issued our unqualified auditors   report dated March 8, 2006, and our unqualified limited review report on interim period financial statements dated August 4, 2005, respectively. These financial statements include the effects of the application of the new generally accepted accounting principles in Argentina, as described in Note 1.b to the accompanying primary financial statements.

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5. Certain accounting practices of YPF SOCIEDAD ANONIMA used in preparing the accompanying financial statements conform with generally accepted accounting principles in Argentina, but do not conform with generally accepted accounting principles in the United States of America (see Note 12 to the accompanying financial statements).

Buenos Aires City, Argentina

August 11, 2006

Deloitte & Co. S.R.L.

Ricardo C. Ruiz

Partner

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YPF SOCIEDAD ANONIMA

FINANCIAL STATEMENTS AS OF JUNE 30, 2006 AND COMPARATIVE INFORMATION

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English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA

Avenida Presidente Roque Sáenz Peña 777 Ciudad Autómona de Buenos Aires, Argentina.

FISCAL YEARS NUMBER 30 AND 29

BEGINNING ON JANUARY 1, 2006 AND 2005

FINANCIAL STATEMENTS AS OF JUNE 30, 2006 AND COMPARATIVE INFORMATION

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

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

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

Duration of the Company: through June 15, 2093.

Last amendment to the bylaws: April 19, 2005.

Optional Statutory Regime related to Compulsory Tender Offer provided by Decree No. 677/2001 art. 24: not incorporated.

Capital structure as of June 30, 2006

(expressed in Argentine pesos)

	Subscribed, paid-in and authorized for stock exchange listing (Note 4 to primary financial statements)
Shares of Common Stock, Argentine pesos 10 par value, 1 vote per share	3,933,127,930

ENRIQUE LOCUTURA RUPEREZ
Executive Vicepresident

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English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2006 AND DECEMBER 31, 2005

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006	2005
Current Assets		
Cash	73	122
Investments (Note 2.a)	569	408
Trade receivables (Note 2.b)	2,228	2,212
Other receivables (Note 2.c)	4,388	4,433
Inventories (Note 2.d)	1,775	1,315
Total current assets	9,033	8,490
Noncurrent Assets		
Trade receivables (Note 2.b)	52	53
Other receivables (Note 2.c)	826	1,223
Investments (Note 2.a)	451	495
Fixed assets (Note 2.e)	22,249	21,958
Intangible assets	1	5
Total noncurrent assets	23,579	23,734
Total assets	32,612	32,224
Current Liabilities		
Accounts payable (Note 2.f)	3,037	2,932
Loans (Note 2.g)	351	346
Salaries and social security	123	153
Taxes payable	1,680	1,831
Net advances from crude oil purchasers	96	95
Reserves	259	230
Total current liabilities	5,546	5,587
Noncurrent Liabilities		
Accounts payable (Note 2.f)	1,978	1,915
Loans (Note 2.g)	1,091	1,107
Salaries and social security	47	56
Taxes payable	19	17
Net advances from crude oil purchasers	55	101
Reserves	1,006	1,007

Total noncurrent liabilities	4,196	4,203
Total liabilities	9,742	9,790
Shareholders Equity	22,870	22,434
Total liabilities and shareholders equity	32,612	32,224

Notes 1 to 4 and the accompanying exhibits A and H to Schedule I and the primary financial statements

of YPF, are an integral part of and should be read in conjunction with these statements.

ENRIQUE LOCUTURA RUPEREZ
Executive Vicepresident

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English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006	**2005**
Net sales (Note 4)	12,436	10,664
Cost of sales	(6,890)	(5,223)
Gross profit	5,546	5,441
Administrative expenses (Exhibit H)	(313)	(241)
Selling expenses (Exhibit H)	(892)	(782)
Exploration expenses (Exhibit H)	(154)	(113)
Operating income	4,187	4,305
Income on long-term investments (Note 4)	14	9
Other income (expense), net (Note 2.h)	2	(202)
Financial income (expense), net and holding gains:		
Gains (Losses) on assets		
Interests	164	96
Exchange differences	67	(149)
Holding gains on inventories	304	114
(Losses) Gains on liabilities		
Interests	(88)	(185)
Exchange differences	(91)	100
Income from sale of long-term investments		75
Net income before income tax	4,559	4,163
Income tax	(1,764)	(1,651)
Net income	2,795	2,512
Earnings per share	7.11	6.39

Notes 1 to 4 and the accompanying exhibits A and H to Schedule I and the primary financial statements

of YPF, are an integral part of and should be read in conjunction with these statements.

ENRIQUE LOCUTURA RUPEREZ
Executive Vicepresident

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English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006	2005
Cash Flows from Operating Activities		
Net income	2,795	2,512
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Income on long-term investments	(14)	(9)
Dividends from long-term investments	32	4
Depreciation of fixed assets	1,690	1,310
Income tax	1,764	1,651
Income tax payments	(1,562)	(1,725)
Income from sale of long-term investments		(75)
Consumption of materials and fixed assets retired, net of allowances	135	115
Increase in allowances for fixed assets	45	11
Increase in reserves	90	106
Changes in assets and liabilities:		
Trade receivables	(15)	174
Other receivables	615	492
Inventories	(460)	(165)
Accounts payable	24	(89)
Salaries and social security	(48)	(24)
Taxes payable	(251)	(18)
Net advances from crude oil purchasers	(48)	(131)
Decrease in reserves	(62)	(88)
Interests, exchange differences and others	(57)	98
Net cash flows provided by operating activities	4,673(1)	4,149(1)
Cash Flows from Investing Activities		
Acquisitions of fixed assets	(2,151)	(1,442)
Capital distributions from long-term investments		7
Proceeds from sale of long-term investments		285
Investments (non cash and equivalents)	1	
Net cash flows used in investing activities	(2,150)	(1,150)
Cash Flows from Financing Activities		
Payment of loans	(520)	(282)

Proceeds from loans	470	47
Dividends paid	(2,360)	(3,147)
Net cash flows used in financing activities	(2,410)	(3,382)
Increase (Decrease) in Cash and Equivalents	113	(383)
Cash and equivalents at the beginning of year	515	887
Cash and equivalents at the end of period	628	504

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

(1) Includes (49) and (105) corresponding to interest payments for the six-month periods ended June 30, 2006 and 2005, respectively.

Notes 1 to 4 and the accompanying exhibits A and H to Schedule I and the primary financial statements

of YPF, are an integral part of and should be read in conjunction with these statements.

ENRIQUE LOCUTURA RUPEREZ
Executive Vicepresident

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English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2006 AND COMPARATIVE INFORMATION

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

Under General Resolution No. 368 from the Argentine Securities Commission (CNV), YPF Sociedad Anónima (the Company or YPF) discloses its consolidated financial statements, included in Schedule I, preceding its primary financial statements. Consolidated financial statements are supplemental and should be read in conjunction with the primary financial statements.

a) Consolidation policies:

Following the methodology established by Technical Resolution No. 21 of the Argentine Federation of Professional Councils in Economic Sciences (F.A.C.P.C.E.), the Company has consolidated its balance sheets as of June 30, 2006 and December 31, 2005 and the related statements of income and cash flows for the six-month periods ended June 30, 2006 and 2005, as follows:

Investments and income (loss) related to controlled companies in which YPF has the number of votes necessary to control corporate decisions are substituted for such companies assets, liabilities, net revenues, cost and expenses, which are aggregated to the Company s balances after the elimination of intercompany profits, transactions, balances and other consolidation adjustments.

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

Investments in companies under control and joint control are detailed in Exhibit C to the primary financial statements.

b) Financial statements used for consolidation:

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

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c) Valuation criteria:

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

Fixed assets

Mineral properties on foreign unproved reserves have been valued at cost and translated into pesos as detailed in Note 2.d to the primary financial statements. Capitalized costs related to unproved properties are reviewed periodically by Management to ensure the carrying value does not exceed their estimated recoverable value.

As of June 30, 2006, YPF Holding Inc. has approximately 62 of exploratory drilling costs that have been capitalized for a period greater than one year, representing two projects and four wells. Development of one of these projects is scheduled to begin in 2006, while the other is pending the results of drilling on an adjacent block.

Salaries and Social Security Pensions and other Postretirement and Postemployment Benefits

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

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

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

Recognition of revenues and costs of construction activities

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

Derivative instruments

As of June 30, 2005, Profertil S.A., a jointly controlled company, held a cash flow hedge contract to establish a protection against variability in cash flows due to changes in loans interest rates. Changes in the fair value of cash flow hedges, were initially deferred in shareholders equity and charged to financial expenses of the statement of income as the related transactions were recognized. Fair value of these instruments (interest rate swaps) were included in the Loans account of the balance sheet.

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

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

Consolidated Balance Sheet Accounts as of June 30, 2006 and December 31, 2005

Assets

a) Investments:

	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Short-term investments and government securities	569(1)	4	408(1)	4
Long-term investments		733(2)		802(2)
Allowance for reduction in value of holdings in long-term investments		(286)(2)		(311)(2)
	569	451	408	495

(1) Includes 555 and 393 as of June 30, 2006 and December 31, 2005, respectively, with an original maturity of less than three months.
(2) In addition to the amounts detailed in Exhibit C to the primary financial statements, includes the ownership in Gas Argentino S.A.

b) Trade receivables:

	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Accounts receivable	2,230	52	2,240	53
Related parties	398		352	
	2,628	52	2,592	53
Allowance for doubtful trade receivables	(400)		(380)	
	2,228	52	2,212	53

c) Other receivables:

	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax		352		452
Tax credits and export rebates	521	18	529	18
Trade	60		34	
Prepaid expenses	73	93	66	95
Concessions charges	17	93	17	96
Related parties	3,109(1)	106	3,139(1)	371
Loans to clients	14	65	11	90

From the renegotiation of long-term contracts		15		17
From joint ventures and other agreements	48		1	
Trust contribution under Decree No. 1,882/04	284		273	
Miscellaneous	405	137	484	138
	4,531	879	4,554	1,277
Allowance for other doubtful accounts	(143)		(121)	
Allowance for valuation of other receivables to their estimated realizable value		(53)		(54)
	4,388	826	4,433	1,223

(1) In addition to the amounts detailed in Note 3.c to the primary financial statements, includes 514 as of June 30, 2006, which accrue interest at LIBOR plus a maximum variable spread of 1% and 319 as of December 31, 2005 with Repsol International Finance B.V. (other related party under common control) and 119 as of June 30, 2006 which accrue an interest rate of 4.99% with Repsol Netherlands Finance B.V.

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d) Inventories:

	2006	2005
Refined products	1,002	747
Crude oil	564	409
Products in process	38	19
Raw materials, packaging materials and others	171	140
	1,775	1,315

e) Fixed assets:

	2006	2005
Net book value of fixed assets (Exhibit A)	22,298	22,009
Allowance for unproductive exploratory drilling	(3)	(3)
Allowance for obsolescence and assets to be disposed of	(46)	(48)
	22,249	21,958

Liabilities

f) Accounts payable:

	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Trade	2,142	28	2,071	30
Hydrocarbon wells abandonment obligations		1,490		1,419
Related parties	297		279	
From joint ventures and other agreements	233		200	
Environmental liabilities	60	152	48	200
Miscellaneous	305	308	334	266
	3,037	1,978	2,932	1,915

g) Loans:

	Interest	Principal	2006		2005	
	rates[1]	maturity	Current	Noncurrent	Current	Noncurrent
YPF Negotiable Obligations	7.75 - 10.00%[2]	2007 - 2028	27	1,049	27	1,031
Other bank loans and other creditors[3]	3.80 - 9.00%	2006 - 2007	324	42	319	76
			351	1,091	346	1,107

(1) Annual interest rates as of June 30, 2006.
(2) Fixed interest rates.
(3) Includes 214 which accrue fixed interest at annual rates between 3.80% and 9%, 25 which accrue interest at variable rates between 3.10% and 6.61%, and 119 which accrue interest at LIBOR plus 1.60%.

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Consolidated Statements of Income Accounts as of June 30, 2006 and 2005

h) Other income (expense), net:

	Income (Expense)	
	2006	**2005**
Reserve for pending lawsuits and other claims	(29)	(61)
Environmental remediation	(44)	(16)
Miscellaneous	75	(125)
	2	(202)

3. COMMITMENTS AND CONTINGENCIES IN CONTROLLED COMPANIES

Laws and regulations relating to health and environmental quality in the United States affect nearly all of the operations of YPF Holdings Inc. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances remedial obligations.

YPF Holdings Inc. believes that its policies and procedures in the area of pollution control, product safety and occupational health are adequate to prevent unreasonable risk of environmental and other damage, and of resulting financial liability, in connection with its business. Some risk of environmental and other damage is, however, inherent in particular operations of YPF Holdings Inc. and, as discussed below, Maxus Energy Corporation (Maxus) and TS Solutions, Inc. (TS), controlled companies through YPF Holding Inc., have certain potential liabilities associated with operations of Maxus former chemical subsidiary. YPF Holdings Inc. cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies, could in the future require material expenditures by YPF Holdings Inc. for the installation and operation of systems and equipment for remedial measures, possible dredging requirements and other respects. Also, certain laws allow for recovery of natural resource damages from responsible parties and ordering the implementation of interim remedies to abate an imminent and substantial endangerment to the environment. Potential expenditures for any such actions cannot be reasonably estimated.

As of June 30, 2006, reserves for the environmental contingencies amount to approximately 266. Management believes it has adequately reserved for all environmental contingencies, which are probable and can be reasonably estimated; however, changes in circumstances could result in changes, including additions, to such reserves in the future.

In connection with the sale of Maxus former chemical subsidiary, Diamond Shamrock Chemicals Company (Chemicals) to Occidental Petroleum Corporation (Occidental) in 1986, Maxus agreed to indemnify Chemicals and Occidental from and against certain liabilities relating to the business or activities of Chemicals, including certain environmental liabilities relating to certain chemical plants and waste disposal sites used by Chemicals prior to the selling date.

In addition, under the agreement pursuant to which Maxus sold Chemicals to Occidental, Maxus is obligated to indemnify Chemicals and Occidental for 50% of certain environmental cost incurred on projects involving remedial activities relating to chemical plant sites or other property used in the conduct of the business of

Chemicals as of the selling date and for any period of time following the selling date which relate to, result from or arise out of conditions, events or circumstances discovered by Chemicals and as to which Chemicals provided written notice prior to September 4, 1996, irrespective of when Chemicals incurs and gives notice of such costs, with Maxus aggregate exposure for this cost sharing being limited to US$ 75 million. The obligation under this cost sharing arrangement was satisfied in the first quarter of 2006. TS agreed to assume essentially all of Maxus obligations to Occidental.

Newark, New Jersey. A consent decree, previously agreed upon by the U.S. Environmental Protection Agency (the EPA), the New Jersey Department of Environmental Protection and Energy (the DEP) and Occidental, as successor to Chemicals, was entered in 1990 by the United States District Court of New Jersey and requires implementation of a remedial action plan at Chemicals former Newark, New Jersey agricultural chemicals plant. The approved remedy has been completed and paid for by TS. This project is in the operation and maintenance phase. According to the fulfillment of an assessment of this proyect by the EPA, YPF Holding Inc. has approximately reserved 57 for costs of operating and maintaining such remedy.

Passaic River, New Jersey. Studies have indicated that sediments of the Newark Bay watershed, including the Passaic River adjacent to the former Newark plant, are contaminated with hazardous chemicals from many sources. Maxus, on behalf of Occidental, negotiated an agreement with the EPA under which TS has conducted further testing and studies near the plant site. While some work remains, these studies were substantially completed in 2005. In addition,

- The EPA and other agencies are addressing for the lower Passaic River in a cooperative effort designated as the Lower Passaic River Restoration Project (the PRRP). TS has agreed, along with approximately thirty other entities, to participate in a remedial investigation and feasibility study proposed in connection with the PRRP. The parties are discussing the possibility of further work with the EPA and how the costs of any such work will be allocated among them.

- In 2003, the DEP issued its Directive No. 1 for Natural Resource Injury Assessment and Interim Compensatory Restoration of Natural Resources for the Lower Passaic River. Directive No. 1 was served on approximately sixty six entities, including Occidental and Maxus and certain of their respective related entities, and seeks to address natural resource damages allegedly resulting from almost 200 years of historic industrial and commercial development of the lower of the Passaic River and a part of its watershed. Directive No. 1 asserts that the named entities are jointly and severally liable for the alleged natural resource damages without regard to fault. The DEP has asserted jurisdiction in this matter even though all or part of the lower Passaic River has been designated as a Superfund site and is a subject of the PRRP, a congressional urban rivers restoration initiative designed to address urban rivers such as the Passaic through a joint federal, state, local and private sector cooperative effort. Directive No. 1 calls for the following actions: interim compensatory restoration, injury identification, injury quantification and value determination. Maxus and TS responded to Directive No. 1 setting forth good faith defenses. Settlement discussions between the DEP and the named entities have been held; however, no agreement has been reached or is assured.

- In December 2005, the DEP sued YPF, YPF Holdings Inc., TS, Maxus and several entities, in addition to Occidental, in connection to dioxin contamination allegedly emanating from Chemicals former Newark plant and contaminating the lower portion of the Passaic River, Newark Bay, other nearby surrounding areas. The DEP seeks unspecified damages for injuries to so-called uplands resources and for other matters. The DEP also seeks punitive damages. YPF, YPF Holdings Inc. and its subsidiary, CLH Holdings Inc., have filed papers seeking dismissal of these issues.

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As of June 30, 2006, there is a total of approximately 19 reserved in connection with the foregoing matters related to the Passaic River, the Newark Bay and surrounding area. Studies are ongoing with respect to the Passaic River and the Newark Bay watershed. Until these studies are completed and evaluated, YPF Holdings Inc. cannot estimate what additional costs, if any, will be required to be incurred. However, it is possible that additional work, including interim remedial measures, may be ordered with respect to the Passaic River and/or the Newark Bay. In addition, at such time as more is known about the aforesaid directives and litigation, additional costs may be required to be incurred or additional reserves may need to be established.

Hudson County, New Jersey. Until 1972, Chemicals operated a chromite ore processing plant at Kearny, New Jersey. According to the DEP, wastes from these ore processing operations were used as fill material at a number of sites in and near Hudson County. As a consecuence of the negotiations with the DEP an agreement has been set for investigation and remediation work at certain chromite ore residue sites in Kearny and Secaucus, New Jersey. TS, on behalf of Occidental, is presently performing the work and providing financial assurance in the amount of US$ 20 million for performance of the work. The ultimate cost of remediation is uncertain.

In addition, in May 2005, the DEP took two actions in connection with the chrome sites in Hudson and Essex Counties. First, the DEP issued a directive to Maxus, Occidental and two other chromium manufacturers directing them to arrange for the cleanup of chromite ore residue at three sites in Jersey City and the conduct of a study by paying the DEP a total of US$ 20 million. While YPF Holdings Inc. believes that Maxus is improperly named and there is little or no evidence that Chemicals chromite ore residue was sent to any of these sites, the DEP claims the respondents are jointly and severally liable without regard to fault. Second, the State of New Jersey filed a lawsuit against Occidental and two other entities seeking, among other things, cleanup of various sites where chromite ore residue is allegedly located, recovery of past costs incurred by the State of New Jersey at such sites and, with respect to certain costs at 18 sites, treble damages. The DEP claims that the defendants are jointly and severally liable, without regard to fault, for much of the damages alleged. The parties have engaged in preliminary discussion regarding possible settlement; however, there is no assurance that these discussions will be successful.

As of June 30, 2006, there is a total of approximately 75 reserved in connection with the foregoing chrome-related matters. Soil action levels for chromium in New Jersey have not been finalized, and the DEP is currently reviewing the proposed action levels. The cost of addressing these chrome-related matters could increase depending upon the final soil action levels, the DEP s response to TS s reports and other developments.

Painesville, Ohio. In connection with the operation until 1976 of one chromite ore processing plant (the Chrome Plant), from Chemicals, the Ohio Environmental Protection Agency (the OEPA) ordered to conduct a remedial investigation and feasibility study (the RIFS) at the former Painesville s Plant area. TS has agreed to participate in the RIFS as required by the OEPA. YPF Holdings Inc. has reserved a total of 30 as of June 30, 2006 for its estimated share of the cost to perform the RIFS, the remediation work and other operation and maintenance activities at this site. The scope and nature of any further investigation or remediation that may be required cannot be determined at this time; however, as the RIFS progresses, YPF Holdings Inc. will continuously assess the condition of the Painesville s plants works site and make any changes, including additions, to its reserve as may be required.

Third-Party Sites. Pursuant to settlement agreements with the Port of Houston Authority (the Port) and other parties, TS and Maxus are participating (on behalf of Chemicals) in the remediation at property adjoining Chemicals former Greens Bayou facility where DDT and certain other chemicals were manufactured. As of June 30, 2006, YPF Holding Inc. has reserved 76 for its estimated share of future remediation activities associated with the Greens Bayou facility.

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Chemicals has also been designated as a potentially responsible party (PRP) with respect to a number of third party sites where hazardous substances from Chemicals plant operations allegedly were disposed or have come to be located. At several of these, Chemicals has no known exposure. Although PRPs are typically jointly and severally liable for the cost of investigations, cleanups and other response costs, each has the right of contribution from other PRPs and, as a practical matter, cost sharing by PRPs is usually effected by agreement among them. As of June 30, 2006, YPF Holdings Inc. has reserved approximately 9 in connection with its estimated share of costs related to these sites, while the ultimate cost of other sites can not be actually considered.

Legal Proceedings. In 2002, Occidental sued Maxus and TS in state court in Dallas, Texas seeking a declaration that Maxus and TS have the obligation under the agreement pursuant to which Maxus sold Chemicals to Occidental to defend and indemnify Occidental from and against certain historical obligations of Chemicals, including claims related to Agent Orange and vinyl chloride monomer, notwithstanding the fact that (a) said agreement contains a 12-year cut-off for defense and indemnity obligations with respect to most litigation, and (b) TS is not a party to said agreement. This matter was tried in May 2006. Following trial, judgment was entered against Maxus. The cash component is of approximately US$ 4.9 million. Maxus has filed a motion for new trial and is considering its post-judgment options, including filing of an appeal.

In May 2003, the U.S. Internal Revenue Service (IRS) assessed Maxus (for 1994, 1995 and 1996) and YPF Holdings Inc. (for 1997) an aggregate of approximately US$ 24 million in additional income taxes. Maxus and YPF Holdings Inc. believe that most of these assessments are without substantial merit, and they have protested this assessment. On January 30, 2004, the IRS assessed YPF Holdings Inc. an additional US$ 8 million in withholding taxes the IRS contends should have been withheld from an interest payment to YPF International Ltd. in 1997. YPF Holdings Inc. believes this assessment is without substantial merit and has challenged same. YPF Holdings Inc. has reached tentative agreement to settle all of these matters, with no net payment expected to be due from it. However, no assurance can be given that a settlement will be effectuated until it has been finally documented and approved by the IRS.

In March 2005, Maxus agreed to defend Occidental, as successor to Chemicals, in respect of an action seeking the contribution of costs incurred in connection with the remediation of the Turtle Bayou waste disposal site in Liberty County, Texas. The plaintiffs alleged that certain wastes attributable to Chemicals found their way to the Turtle Bayou site. YPF Holdings Inc. is estimating the potential impact from the lawsuit.

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

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

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4. CONSOLIDATED BUSINESS SEGMENT INFORMATION

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

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

	Exploration and Production	Refining and Marketing	Chemical	Corporate and Other	Consolidation Adjustments	Total
Six-month period ended June 30, 2006						
Net sales to unrelated parties	1,494	8,615	1,055	61		11,225
Net sales to related parties	392	819				1,211
Net intersegment sales	6,851	809	330	132	(8,122)	
Net sales	8,737	10,243	1,385	193	(8,122)	12,436
Operating income (loss)	3,950	187	241	(243)	52	4,187
Income on long-term investments	9	5				14
Depreciation	1,470	159	42	19		1,690
Acquisitions of fixed assets	1,777	271	48	62		2,158
Assets	18,116	9,271	1,851	4,639	(1,265)	32,612
Six-month period ended June 30, 2005						
Net sales to unrelated parties	1,365	7,314	965	44		9,688
Net sales to related parties	280	696				976
Net intersegment sales	5,230	484	116	84	(5,914)	
Net sales	6,875	8,494	1,081	128	(5,914)	10,664
Operating income (loss)	3,086	1,076	276	(203)	70	4,305
Income (loss) on long-term investments	8	6	(5)			9
Depreciation	1,071	184	38	17		1,310
Acquisitions of fixed assets	1,228	171	24	25		1,448
December 31, 2005						
Assets	17,911	8,807	1,658	4,818	(970)	32,224

Export revenues for the six-month periods ended June 30, 2006 and 2005 were 4,544 and 3,943 respectively. Export sales were mainly to the United States of America, Brazil and Chile.

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Schedule I

Exhibit A

English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2006 AND COMPARATIVE INFORMATION FIXED ASSETS EVOLUTION

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

			2006 Cost		
Main account	**Amounts at beginning of year**	**Translation net effect (5)**	**Increases**	**Net decreases and transfers**	**Amounts at end of period**
Land and buildings	2,268			33	2,301
Mineral property, wells and related equipment	43,963	1	7	750	44,721
Refinery equipment and petrochemical plants	8,470		3	60	8,533
Transportation equipment	1,808			13	1,821
Materials and equipment in warehouse	420		468	(367)	521
Drilling and work in progress	2,571	1	1,563	(720)	3,415
Exploratory drilling in progress	188	1	101	(58)	232
Furniture, fixtures and installations	500		3	51	554
Selling equipment	1,273			18	1,291
Other property	351		13	(1)	363
Total 2006	61,812	3	2,158(2)	(221)(1)	63,752
Total 2005	57,752	(4)	1,448(2)	(149)(1)	59,047

	2006						2005	
	Depreciation							
Main account	**Accumulated at beginning of year**	**Net decreases and transfers**	**Depreciation rate**	**Increases**	**Accumulated at end of period**	**Net book value 06-30-06**	**Note book value 06-30-05**	**Net book value 12-31-05**
Land and buildings	1,003	(2)	2%	23	1,024	1,277	1,276	1,265
Mineral property, wells and related equipment	30,410	(37)	(4)	1,449	31,822	12,899(3)	12,623(3)	13,553(3)
Refinery equipment and petrochemical plants	5,472		4-10%	157	5,629	2,904	3,060	2,998
Transportation equipment	1,226		4-5%	24	1,250	571	587	582
Materials and equipment in warehouse						521	370	420
Drilling and work in progress						3,415	2,075	2,571
						232	157	188

Exploratory drilling in progress								
Furniture, fixtures and installations	451		10%	15	466	88	67	49
Selling equipment	959		10%	17	976	315	339	314
Other property	282		10%	5	287	76	63	69
Total 2006	39,803	(39)[1]		1,690	41,454	22,298		
Total 2005	37,135	(15)[1]		1,310	38,430		20,617	22,009

(1) Includes 47 and 19 of net book value charged to fixed assets allowances for the six-month periods ended June 30, 2006 and 2005, respectively.

(2) Includes 7 and 6 corresponding to the future cost of hydrocarbon wells abandonment obligations for the six-month periods ended June 30, 2006 and 2005, respectively.

(3) Includes 1,151, 1,331 and 1,255 of mineral property as of June 30, 2006 and 2005, and as of December 31, 2005, respectively.

(4) Depreciation has been calculated according to the unit of production method.

(5) Includes the net effect of the exchange differences, originated in the translation of net book values at beginning of the year, related to investments in foreign companies.

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Schedule I

Exhibit H

English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 to the primary financial statements in the English translation

YPF SOCIEDAD ANONIMA AND CONTROLLED AND JOINTLY CONTROLLED COMPANIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

EXPENSES INCURRED

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006					2005
	Production costs	Administrative expenses	Selling expenses	Exploration expenses	Total	Total
Salaries and social security taxes	307	68	70	26	471	359
Fees and compensation for services	45	102	11	7	165	123
Other personnel expenses	95	28	13	14	150	111
Taxes, charges and contributions	86	10	110		206	184
Royalties and easements	987		3		990	847
Insurance	38	1	4		43	45
Rental of real estate and equipment	122	2	29	1	154	128
Survey expenses				44	44	57
Depreciation of fixed assets	1,636	18	36		1,690	1,310
Industrial inputs, consumable materials and supplies	246	4	15	4	269	283
Construction and other service contracts	227	7	28	6	268	209
Preservation, repair and maintenance	575	7	17	3	602	425
Contracts for the exploitation of productive areas						129
Unproductive exploratory drillings				45	45	10
Transportation, products and charges	299		451		750	672
Allowance for doubtful trade receivables			49		49	3
Publicity and advertising expenses		39	29		68	37
Fuel, gas, energy and miscellaneous	303	27	27	4	361	266
Total 2006	4,966	313	892	154	6,325	
Total 2005	4,062	241	782	113		5,198

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English translation of the financial statements originally issued in Spanish, except for the inclusion of Note 12 in the English translation

YPF SOCIEDAD ANONIMA

BALANCE SHEETS AS OF JUNE 30 2006 AND DECEMBER 31, 2005

(amounts expressed in millions of Argentine pesos - Note 1)

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006	2005
Current Assets		
Cash	64	53
Investments (Note 3.a)	146	176
Trade receivables (Note 3.b)	2,129	2,085
Other receivables (Note 3.c)	3,936	3,795
Inventories (Note 3.d)	1,593	1,164
Total current assets	7,868	7,273
Noncurrent Assets		
Trade receivables (Note 3.b)	50	51
Other receivables (Note 3.c)	685	1,085
Investments (Note 3.a)	2,318	2,359
Fixed assets (Note 3.e)	20,737	20,495
Total noncurrent assets	23,790	23,990
Total assets	31,658	31,263
Current Liabilities		
Accounts payable (Note 3.f)	2,982	2,853
Loans (Note 3.g)	287	297
Salaries and social security	86	119
Taxes payable	1,530	1,675
Net advances from crude oil purchasers (Note 3.h)	96	95
Reserves (Exhibit E)	192	164
Total current liabilities	5,173	5,203
Noncurrent Liabilities		
Accounts payable (Note 3.f)	1,699	1,639
Loans (Note 3.g)	1,091	1,107
Taxes payable	11	13
Net advances from crude oil purchasers (Note 3.h)	55	101
Reserves (Exhibit E)	759	766
Total noncurrent liabilities	3,615	3,626
Total liabilities	8,788	8,829
Shareholders Equity (per corresponding statements)	22,870	22,434

Total liabilities and shareholders equity	31,658	31,263

Notes 1 to 12 and the accompanying exhibits A, C, E, F, G and H and Schedule I

are an integral part of these statements.

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YPF SOCIEDAD ANONIMA

STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006	**2005**
Net sales (Note 3.i)	11,521	9,980
Cost of sales (Exhibit F)	(6,440)	(4,915)
Gross profit	5,081	5,065
Administrative expenses (Exhibit H)	(270)	(207)
Selling expenses (Exhibit H)	(847)	(744)
Exploration expenses (Exhibit H)	(119)	(95)
Operating income	3,845	4,019
Income (Loss) on long-term investments	205	(9)
Other income (expense), net (Note 3.j)	36	(41)
Financial income (expense), net and holding gains:		
Gains (Losses) on assets		
Interests	139	79
Exchange differences	55	(136)
Holding gains on inventories	292	106
(Losses) Gains on liabilities		
Interests	(77)	(119)
Exchange differences	(85)	82
Income from sale of long-term investments (Note 10)		75
Net income before income tax	4,410	4,056
Income tax (Note 3.k)	(1,615)	(1,544)
Net income	2,795	2,512
Earnings per share (Note 1)	7.11	6.39

Notes 1 to 12 and the accompanying exhibits A, C, E, F, G and H and Schedule I

are an integral part of these statements.

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YPF SOCIEDAD ANONIMA

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

(amounts expressed in millions of Argentine pesos except for per share amounts in Argentine pesos - Note 1)

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006			
	Subscribed Capital	Shareholders Adjustment to Contributions	Contributions Issuance Premiums	Total
Balances at the beginning of year	3,933	7,281	640	11,854
Cumulative effect of changes in accounting principles (Note 1.b)				
Restated balances at the beginning of year	3,933	7,281	640	11,854
Net increase (decrease) in Translation Exchange Differences (Note 2.j)				
As decided by the Ordinary and Extraordinary Shareholders meeting of April 19, 2005:				
- Cash dividends (8 per share)				
As decided by the Ordinary Shareholders meeting of April 28, 2006:				
- Cash dividends (6 per share)				
- Appropriation to Legal Reserve				
- Appropriation to Reserve for Future Dividends				
Net income				
Balances at the end of period	3,933	7,281	640	11,854

	2006					2005
	Legal Reserve	Translation Exchange Differences	Reserve for Future Dividends	Unappropriated Retained Earnings	Total Shareholders Equity	Total Shareholders Equity
Balances at the beginning of year	1,530			9,162	22,546	22,087
Cumulative effect of changes in accounting principles (Note 1.b)		(112)			(112)	(111)
Restated balances at the beginning of year	1,530	(112)		9,162	22,434	21,976
Net increase (decrease) in Translation Exchange Differences (Note 2.j)		1			1	(7)
As decided by the Ordinary and Extraordinary Shareholders meeting of April 19, 2005:						
- Cash dividends (8 per share)						(3,147)
As decided by the Ordinary Shareholders meeting of April 28, 2006:						
- Cash dividends (6 per share)				(2,360)	(2,360)	
- Appropriation to Legal Reserve	267			(267)		
- Appropriation to Reserve for Future Dividends			2,710	(2,710)		
Net income				2,795	2,795	2,512

Balances at the end of period	1,797	(111)	2,710	6,620	22,870	21,334

Notes 1 to 12 and the accompanying exhibits A, C, E, F, G and H and Schedule I

are an integral part of these statements.

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YPF SOCIEDAD ANONIMA

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005

(amounts expressed in millions of Argentine pesos - Note 1)

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

	2006	**2005**
Cash Flows from Operating Activities		
Net income	2,795	2,512
Adjustments to reconcile net income to net cash flows provided by operating activities:		
(Income) Loss on long-term investments	(205)	9
Dividends from long-term investments	303	148
Depreciation of fixed assets	1,639	1,260
Income tax	1,615	1,544
Income tax payments	(1,447)	(1,670)
Income from sale of long-term investments		(75)
Consumption of materials and fixed assets retired, net of allowances	133	116
Increase in allowances for fixed assets	45	11
Increase in reserves	73	87
Changes in assets and liabilities:		
Trade receivables	(43)	128
Other receivables	252	354
Inventories	(429)	(139)
Accounts payable	63	(127)
Salaries and social security	(33)	(10)
Taxes payable	(216)	13
Net advances from crude oil purchasers	(48)	(131)
Decrease in reserves	(52)	(43)
Interests, exchange differences and others	(6)	45
Net cash flows provided by operating activities	4,439(1)	4,032(1)
Cash Flows from Investing Activities		
Acquisitions of fixed assets	(2,052)	(1,393)
Proceeds from sales of long-term investments		6
Investments (non cash and equivalents)	1	285
Net cash flows used in investing activities	(2,051)	(1,102)
Cash Flows from Financing Activities		
Payment of loans	(485)	(104)
Proceeds from loans	439	37
Dividends paid	(2,360)	(3,147)
Net cash flows used in financing activities	(2,406)	(3,214)
Decrease in Cash and Equivalents	(18)	(284)

Cash and equivalents at the beginning of year	214	434
Cash and equivalents at the end of period	196	150

For supplemental information on cash and equivalents, see Note 3.a.

(1) Includes (49) and (50) corresponding to interest payments for the six-month periods ended June 30, 2006 and 2005, respectively.

Notes 1 to 12 and the accompanying exhibits A, C, E, F, G and H and Schedule I

are an integral part of these statements.

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YPF SOCIEDAD ANONIMA

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2006 AND COMPARATIVE INFORMATION

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

(The financial statements as of June 30, 2006 and June 30, 2005 are unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVE INFORMATION

a) Significant accounting policies

The financial statements of YPF Sociedad Anónima have been prepared in accordance with generally accepted accounting principles in Argentina, considering the regulations of the CNV. They also include certain reclassifications and additional disclosures that allow the financial statements to conform more closely to the form and content required by the Securities and Exchange Commission of the United States of America (SEC).

The financial statements for the six-month periods ended June 30, 2006 and 2005 are unaudited, but reflect all adjustments which, in the opinion of Management, are necessary to present the financial statements for such periods on a consistent basis with the audited annual financial statements.

Presentation of financial statements in constant Argentine pesos

The financial statements reflect the effect of changes in the purchasing power of money by the application of the method for restatement in constant Argentine pesos set forth in Technical Resolution No. 6 of the F.A.C.P.C.E. and taking into consideration General Resolution No. 441 of the CNV, which established the discontinuation of the restatement of financial statements in constant Argentine pesos as from March 1, 2003.

Cash and equivalents

In the statements of cash flows, the Company considers cash and all highly liquid investments purchased with an original maturity of less than three months to be cash and equivalents.

Revenue recognition 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.

Joint ventures and other agreements

The Company s interests in oil and gas related joint ventures and other agreements involved in oil and gas exploration and production and electric power generation, have been consolidated line by line on the basis of the Company s proportional share in their assets, liabilities, revenues, costs and expenses (Note 6).

Production concessions and exploration permits

According to Argentine Law No. 24,145 issued in November 1992, YPF s producing fields and undeveloped properties were converted into production concessions and exploration permits under Law No. 17,319. Exploration permits may have a term of up to 17 years and production concessions have a term of 25 years, which may be extended for an additional ten-year term.

Fair value of financial instruments and concentration of credit risk

The carrying value of cash, current investments and trade receivables approximates its fair value due to the short maturity of these instruments. Furthermore, the fair value of loans receivable, which has been estimated based on current interest rates offered to the Company at the end of each year or period, for investments with the same remaining maturity, approximates its carrying value. As of June 30, 2006 and December 31, 2005 the fair value of loans payable estimated based on market prices or current interest rates at the end of the period or year amounted to 1,444 and 1,497, respectively.

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash, current investments, accounts receivable and other receivables. The Company invests cash excess primarily in high liquid investments in financial institutions both in Argentina and abroad with strong credit rating and providing credit to foreign related parties. In the normal course of business, the Company provides credit based on ongoing credit evaluations to its customers and certain related parties. Additionally, the Company accounts for credit losses based on specific information of its clients. Credit risk on trade receivables is limited, as a result of the Company s large customer base.

Since counterparties to the Company s derivative transactions are major financial institutions with strong credit rating, exposure to credit losses in the event of nonperformance by such counterparties is minimal.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses and disclosure of contingencies. Future results could differ from the estimations made by Management.

Earnings per share

Earnings per share have been calculated based on the 393,312,793 shares outstanding during the six-month periods ended as of June 30, 2006 and 2005.

b) Restatement of comparative information

From January 1, 2006, the Company applied new generally accepted accounting principles introduced by Resolution CD No. 93/2005 of the Professional Councils in Economic Sciences of the Autonomous City of Buenos Aires (C.P.C.E.C.A.B.A.) issued to converge the accounting principles in Argentina and which involved the issuance of Resolution No. 312/2005 by the F.A.C.P.C.E. These new accounting principles were adopted by the CNV throughout Resolutions No. 485/2005 and No. 487/2006.

Main changes derived from the application of new generally accepted accounting principles are as follows:

Disclosure of the exchange differences generated by the translation of interests in foreign entities and measurement of changes in effective cash flow hedges of jointly controlled companies

The exchange difference generated by the foreign companies translation and the changes in the fair value of effective cash flow hedges, which previous to the adoption of the new generally accepted accounting principles were included in an intermediate account between liabilities and shareholder s equity, shall be included as a component of the shareholder s equity in the account Translation Exchange Differences . Comparative financial statements were modified and consequently, equity balances as of December 31, 2005 and 2004, were reduced by 112 and 111, respectively. The restatement of comparative finance information does not imply any change to statutory decisions already taken.

Deferred income tax

The difference between the book value of fixed assets restated into constant Argentine pesos and their corresponding historical cost used for tax purposes corresponds to a temporary difference to be considered in deferred income tax computations. However, generally accepted accounting principles in Argentina allow the option to disclose the mentioned effect in a note to the financial statements. The Company adopted this latter criterion (Note 3.k).

2. VALUATION CRITERIA

The principal valuation criteria used in the preparation of the financial statements are as follows:

a) Cash:

Amounts in Argentine pesos have been stated at face value.

Amounts in foreign currencies have been valued at the relevant exchange rates as of the end of each period or year, as applicable. Exchange differences have been credited (charged) to current income. Additional information on assets denominated in foreign currency is disclosed in Exhibit G.

b) Current investments, trade and other receivables and payables:

Amounts in Argentine pesos have been stated at face value, which includes accrued interest through the end of each period or year, if applicable. When required by generally accepted accounting principles, discounted value does not differ significantly from their face value as of the end of each period or year.

Amounts in foreign currency have been valued at face value at the relevant exchange rates in effect as of the end of each period or year, including accrued interest, if applicable. Exchange differences have been credited (charged) to current income. Investments in government securities have been valued at its market value as of the end of each period or year. Additional information on assets and liabilities denominated in foreign currency is disclosed in Exhibit G.

If applicable, allowances have been made to reduce receivables to their estimated realizable value.

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c) Inventories:

Refined products, products in process and crude oil have been valued at replacement cost as of the end of each period or year.

Raw materials and packaging materials have been valued at cost, which does not differ significantly from its replacement cost as of the end of each period or year.

Valuation of inventories does not exceed their estimated realizable value.

d) Noncurrent investments:

These include the Company s investments in companies under control, joint control or significant influence and holdings in other companies. These investments are detailed in Exhibit C and have been valued using the equity method, except for holdings in other companies, which have been valued at its acquisition cost restated as detailed in Note 1.a.

Investments in Gasoducto del Pacífico (Argentina) S.A., Gasoducto del Pacífico (Cayman) Ltd., Oleoducto Trasandino (Argentina) S.A., A&C Pipeline Holding Company and Petróleos Trasandinos YPF S.A., where less than 20% direct or indirect interest is held, are accounted by the equity method since YPF exercises significant influence over these companies in making operation and financial decisions based on its representation on the Boards of Directors and/or the significant transactions between YPF and such companies.

If applicable, allowances have been made to reduce investments to their estimated recoverable value. The main factors for the recognized impairment were the devaluation of the Argentine peso, certain events of debt default and the de-dollarization and freezing of utility rates.

Foreign subsidiaries in which YPF participates have been defined as non-integrated companies as they collect cash and other monetary items, incur expenses, generate income and arrange borrowing abroad. Corresponding assets and liabilities have been translated into Argentine pesos at the exchange rate prevailing as of the end of each period or year. Income statements have been translated using the relevant exchange rate at the date of each transaction. Exchange differences arising from the translation process have been included as a component of shareholder s equity in the account Translation Exchange Differences , which will be maintained until the sale or complete or partial reimbursement of capital of the related investment occur.

Holdings in preferred shares have been valued as defined in the respective bylaws.

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

If necessary, adjustments have been made to conform the accounting principles used by controlled, jointly controlled or under significant influence companies to those of the Company. Main adjustments are related to the application of the general accepted accounting principles in Argentina to foreign related companies financial statements and the elimination of the appraisal revaluation of fixed assets from certain investees.

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The investments in companies under control, joint control or significant influence, have been valued based upon the last available financial statements of these companies as of the end of each period or year, taking into consideration, if applicable, significant subsequent events and transactions, available management information and transactions between YPF and the related company which have produced changes on the latter s shareholders equity.

The Company includes supplemental consolidated financial statements as part of the primary financial statements (Schedule I).

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

e) Fixed assets:

Fixed assets have been valued at acquisition cost restated as detailed in Note 1.a, less related accumulated depreciation. Depreciation rates, representative of the useful life assigned, applicable to each class of asset, are disclosed in Exhibit A. For those assets whose construction requires an extended period of time, financial costs corresponding to third parties financing have been capitalized during the assets construction period.

Oil and gas producing activities

The Company follows the successful effort method of accounting for its oil and gas exploration and production operations. Accordingly, exploratory costs, excluding the costs of exploratory wells, have been charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, have been capitalized pending determination as to whether the wells have found proved reserves that justify commercial development. If such reserves were 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 when drilling is completed. In those cases, the cost of drilling the exploratory well shall continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. If any of the mentioned conditions is not met, cost of drilling exploratory wells is charged to expense.

Intangible drilling costs applicable to productive wells and to developmental dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, have been capitalized.

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

The capitalized costs related to acquisitions of properties with proved reserves have been depreciated by field on the unit-of-production basis by applying the ratio of produced oil and gas to proved oil and gas reserves.

Revisions of crude oil and natural gas proved reserves are considered prospectively in the calculation of depreciation. Revisions in estimates of reserves are performed at least once a year. Additionally, estimates of reserves are audited by independent petroleum engineers at the end of each year.

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On January 26, 2006, YPF announced a downward revision of the proved oil and gas reserves by 509 million barrels of oil equivalent, including 493 million barrels of oil equivalent corresponding to proved developed and undeveloped reserves of YPF and 16 million barrels of oil equivalent corresponding to proved developed and undeveloped reserves of affiliated companies. The Audit and Control Committee of YPF s parent company, Repsol YPF, S.A. (Repsol YPF), undertook an independent review of the facts and circumstances of the reduction in proved reserves with the assistance of an independent counsel, King & Spalding LLP. The Audit Committee of YPF determined to rely on this investigation. On June 15, 2006, the final conclusions of the investigation were presented, recommending the implementation of certain improvements in the reserves estimation process. This downward revision of proved reserves did not have material effects on the unappropriated retained earnings at the beginning of the year.

Future costs related to hydrocarbon wells abandonment obligations are capitalized 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.

Other fixed assets

The Company s other fixed assets have been depreciated using the straight-line method, with depreciation rates based on the estimated useful life of each class of property.

Maintenance and major repairs to the fixed assets have been charged to expense as incurred.

Renewals and betterments that materially extend the useful life and/or increase the productive capacity of properties are capitalized. As fixed assets are retired, the related cost and accumulated depreciation are eliminated from the balance sheet.

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

The carrying value of the fixed asset of each business segment as defined in Note 4 to the consolidated financial statements, does not exceed their estimated recoverable value.

f) Taxes, withholdings and royalties:

Income tax and tax on minimum presumed income

The Company recognizes the income tax applying the liability method, which considers the effect of the temporary differences between the financial and tax basis of assets and liabilities and the tax loss carryforwards and other tax credits, which may be used to offset future taxable income, at the current statutory rate of 35%.

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In the deferred income tax computations, the difference between the book value of fixed assets restated into constant Argentine pesos and their corresponding historical cost used for tax purposes corresponds to a temporary difference to be considered in deferred income tax computations. However, generally accepted accounting principles in Argentina allow the option to disclose the mentioned effect in a note to the financial statements. The Company adopted this latter criterion (Note 3.k).

Additionally, the Company calculates tax on minimum presumed income applying the current 1% tax rate to taxable assets as of the end of each year. This tax complements income tax. The Company s tax liability will coincide with the higher between the determination of tax on minimum presumed income and the Company 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.

The Company expects that the amount to be determined as income tax for the current year will be higher than tax on minimum presumed income, consequently, it has not recorded any charge for this latter tax.

Royalties and withholding systems for hydrocarbon exports

A 12% royalty is payable on the estimated value at the wellhead of crude oil production and the natural gas volumes commercialized. The estimated value is calculated based upon the approximate sale price of the crude oil and gas produced, less the costs of transportation and storage. Royalty expense is accounted for as a production cost.

Law No. 25,561 on Public Emergency and Exchange System Reform, issued in January 2002, established new duties for hydrocarbon exports for five years. Outstanding rates as of June 30, 2006, are 20% for natural gas and liquefied petroleum gas, 5% for gasoline, diesel and other refined products and between 25% and 45% for crude oil according to the West Texas Intermediate price. On July 25, 2006, Resolution N° 534/2006 of the Ministry of Economy and Production entered in force, raising the natural gas withholding rate to 45% and establishing the natural gas import price from Bolivia as the basis for its determination. The Company is negotiating with export clients the incidence of this increase.

Hydrocarbon export withholdings are charged to the Net sales account of the statement of income.

g) Allowances and reserves:

Allowances: amounts have been provided in order to reduce the valuation of trade receivables, other receivables, noncurrent investments and fixed assets based on analysis of doubtful accounts and on the estimated recoverable value of these assets.

Reserves for losses: amounts have been provided for various contingencies which are probable and can be reasonably estimated, based on Management s expectations and in consultation with legal counsels. If required by generally accepted accounting principles, their discounted value at the end of period or year does not differ significantly from the recorded face value.

The activity in the allowances and reserves accounts is set forth in Exhibit E.

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h) Environmental liabilities:

Environmental liabilities are recorded when environmental assessments and/or remediation are probable and can be reasonably estimated. Such estimates are based on either detailed feasibility studies of remediation approach and cost for individual sites or on Company s estimate of costs to be incurred based on historical experience and available information based on the stage of assessment and/or remediation of each site. As additional information becomes available regarding each site or as environmental standards change, the Company revises its estimate of costs to be incurred in environmental assessment and/or remediation matters.

i) Derivative instruments:

Although YPF does not use derivative instruments to hedge the effects of fluctuations in market prices, as of June 30, 2006, the Company maintains a price swap agreement that hedges the fair value of the crude oil future committed deliveries under the forward crude oil sale agreement mentioned in Note 9.c (hedged item). Under this price swap agreement the Company will receive variable selling prices, which will depend upon market prices and will pay fixed prices. As of June 30, 2006, approximately 4 million of barrels of crude oil are hedged under this agreement.

This fair value hedge is carried at fair value and is disclosed in the Net advances from crude oil purchasers account in the balance sheet. Changes in fair value are recognized in earnings together with the offsetting loss or gain from changes in the fair value of the hedged item caused by the risk being hedged. As hedge relationship is effective, changes in the fair value of this derivative instrument and of the hedged item do not have effect on net income.

j) Shareholders equity accounts:

These accounts have been stated in Argentine pesos as detailed in Note 1.a, except for Subscribed Capital account, which is stated at its historical value. The adjustment required to state this account in constant Argentine pesos is disclosed in the Adjustment to Contributions account.

The account Translation Exchange Differences includes the effect generated by the foreign companies translation and the changes in the fair value of effective cash flow hedges of jointly controlled companies.

k) Statements of income accounts:

The amounts included in the income statement accounts have been recorded by applying the following criteria:

Accounts which accumulate monetary transactions at their face value.

Cost of sales has been calculated by computing units sold in each month at the replacement cost of that month.

Depreciation of nonmonetary assets, valued at acquisition cost, has been recorded based on the restated cost of such assets as detailed in Note 1.a.

Holding gains (losses) on inventories valued at replacement cost have been included in the Holding gains on inventories account.

Income (Loss) on long-term investments in which control, joint control or significant influence is held, has been calculated on the basis of the income (loss) of those companies and was included in the Income (Loss) on long-term investments account.

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3. ANALYSIS OF THE MAIN ACCOUNTS OF THE FINANCIAL STATEMENTS

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

Balance Sheet accounts as of June 30, 2006 and December 31, 2005

Assets

a) Investments:

	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Short-term investments and government securities	146(1)(2)		176(1)	
Long-term investments (Exhibit C)		2,489		2,544
Allowance for reduction in value of holdings in long-term investments (Exhibit E)		(171)		(185)
	146	2,318	176	2,359

(1) Includes 132 and 161 as of June 30, 2006 and December 31, 2005, respectively, with an original maturity of less than three months.
(2) Accrue interest at annual fixed rates between 4% and 8.28%.

b) Trade receivables:

	2006		2005	
	Current	Noncurrent	Current	Noncurrent
Accounts receivable	2,016	50	2,008	51
Related parties (Note 7)	503		447	
	2,519(1)	50	2,455	51
Allowance for doubtful trade receivables (Exhibit E)	(390)		(370)	
	2,129	50	2,085	51

(1) Includes 278 in litigation, 49 one to three months past due, 180 in excess of three months past due, 1,976 due within three months and 36 due after three months.

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c) Other receivables:

	2006		2005	
	Current	**Noncurrent**	**Current**	**Noncurrent**
Deferred income tax (Note 3.k)		344		443
Tax credits and export rebates	458	16	496	16
Trade	58		31	
Prepaid expenses	46	83	54	90
Concessions charges	17	93	17	96
Related parties (Note 7)	2,887(3)		2,830	267
Loans to clients	14	65	11	90
From the renegotiation of long-term contracts		15		17
From joint ventures and other agreements	48		1	
Trust contribution under Decree No. 1,882/04	284		273	
Miscellaneous	236	122	201	120
	4,048(1)	738(2)	3,914	1,139
Allowance for other doubtful accounts (Exhibit E)	(112)		(119)	
Allowance for valuation of other receivables to their estimated realizable value (Exhibit E)		(53)		(54)
	3,936	685	3,795	1,085

(1) Includes 98 of less than three months past due, 167 in excess of three months past due and 3,783 due as follows: 2,961 from one to three months, 281 from three to six months, 199 from six to nine months and 342 from nine to twelve months.

(2) Includes 643 due from one to two years, 26 due from two to three years and 69 due after three years.

(3) Includes 974 with Repsol YPF, S.A., which accrue interest at a rate of 3% plus a variable spread, 341 with Repsol International Finance B.V. that accrue variable interest at LIBOR plus 1%, 1,117 with Repsol YPF Brasil S.A. which accrue variable interest at LIBOR plus 1.5% and 392 with YPF Holdings Inc. that accrue variable interest at LIBOR plus 0.4%.

d) Inventories:

	2006	**2005**
Refined products	895	660
Crude oil	545	