

YPF SOCIEDAD ANONIMA

Form 6-K

November 09, 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 November, 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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Form 20-F

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Yes

No

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Yes

No

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**Adj. EBITDA for Q3 2018 was Ps 36.8 billion, 116.0% higher than Q3 2017.**

<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Var.% Q3 18 / Q3 17</b>		<b>Jan-Sep 2017</b>	<b>Jan-Sep 2018</b>	<b>Var.% 2018 / 2017</b>
				<b>Revenues</b>			
66,034	93,034	<b>121,188</b>	83.5%	(Million Ps)	183,199	<b>290,045</b>	58.3%
				<b>Operating income</b>			
3,050	1,746	<b>12,685</b>	315.9%	(Million Ps)	11,027	<b>31,785</b>	188.2%
				<b>Net income</b>			
246	1,508	<b>13,207</b>	5268.7%	(Million Ps)	710	<b>20,701</b>	2815.6%
				<b>Adj. EBITDA</b>			
17,043	24,782	<b>36,821</b>	116.0%	(Million Ps)	50,046	<b>98,095</b>	96.0%
17,043	24,782	<b>36,821</b>	116.0%	<b>Recurring Adj. EBITDA</b>	50,046	<b>86,115</b>	72.1%
				<b>Earnings per share</b>			
0.24	5.08	<b>33.50</b>	14047.5%	(Ps per Share)	0.84	<b>54.05</b>	6335.2%
				<b>Capital Expenditures</b>			
15,903	19,338	<b>27,232</b>	71.2%	(Million Ps)	40,882	<b>61,444</b>	50.3%

Adjusted EBITDA = Operating Income + Depreciation and Impairment of Property, Plant and Equipment and Intangible Assets + Amortization of Intangible Assets + Unproductive Exploratory Drillings.

Recurring Adjusted EBITDA: It is Adjusted EBITDA excluding the profit from the revaluation of YPF S.A.'s investment in YPF Energía Eléctrica (YPF EE) for Ps 12.0 billion in Q1 2018.

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

**1. MAIN MILESTONES AND ECONOMIC MAGNITUDES FOR Q3 2018**

Revenues for Q3 2018 were Ps 121.2 billion, 83.5% higher than Q3 2017.

Operating income for Q3 2018 was Ps 12.7 billion, 315.9% higher than Q3 2017.

Net income for Q3 2018 was a gain of Ps 13.2 billion compared to net income of Ps 0.2 billion recorded for Q3 2017.

Hydrocarbon production for Q3 2018 was 529.1 Kboed, 4.3% lower than Q3 2017.

Refinery processing levels in the Downstream business segment for Q3 2018 were 87.7%, 4.6% lower than Q3 2017.

Capital expenditures in property, plant and equipment for Q3 2018 were Ps 27.2 billion, 71.2% higher than Q3 2017.

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Consolidated Results Q3 2018

**2. ANALYSIS OF RESULTS FOR Q3 2018**

Revenues for Q3 2018 were Ps 121.2 billion, 83.5% higher than Q3 2017, due primarily to the following factors:

Diesel revenues increased Ps 18.6 billion, 89.6% higher than Q3 2017, due to a 74.3% increase in diesel mix average prices and an 8.8% increase in sales volumes. Sales volumes of Infinia Diesel, a premium diesel product, increased by 16.4%;

Gasoline revenues increased Ps 10.4 billion, 69.7% higher than Q3 2017, due to a 64.9% increase in gasoline mix average prices and a 2.9% increase in sales volumes.

Natural gas revenues increased Ps 8.5 billion, 73.8% higher than Q3 2017, due to higher average prices while sales volumes remained stable year over year;

Retail natural gas revenues (residential and small business and companies) increased Ps 3.5 billion, 101.3% higher than Q3 2017, mainly driven by YPF's controlled company Metrogas S.A. ( Metrogas ), which recorded a 122.0% increase in prices, partially offset by a 3.9% decrease in volumes sold through its distribution network;

Fuel oil revenues in the Argentine domestic market decreased Ps 0.7 billion, 85.1% lower than Q3 2017, due to a 91.6% decrease in sales volumes to power generation plants which was partially offset by a 78.0% increase in prices;

Remaining domestic sales increased Ps 9.8 billion, 114.2% higher than Q3 2017. We highlight the higher sales of LPG that increased 153.5%, jet fuel by 127.9%, of petrochemical products by 76.2%, coal by 189.8%, fertilizers by 86.4% and lubricants by 44.1%, in each case mainly due to the higher prices of these products and the larger traded volumes of virgin naphtha;

Export revenues increased by Ps 5.1 billion, 84.5% higher than Q3 2017. This was primarily due to a Ps 2.6 billion or 161.0% increase in jet fuel sales, due to higher average sales prices measured in Argentine pesos of 154.2% and a 2.7% increase in the volumes sold. Exports of petrochemical products increased by Ps 0.9 billion or 110.2% due to higher sales volumes and prices. Petroleum coal exports were also recorded for Ps 0.7 billion, which had not been registered in Q3 2017.



Cost of sales for Q3 2018 was Ps 96.0 billion, 71.1% higher than Q3 2017. This includes a 63.2% increase in production costs, substantially affected by the increase in depreciations, and a 115.5% increase in purchases. Cash costs, which include costs of production and purchases but exclude depreciation and amortization, increased by 84.1%. This increase was driven by the following factors:

*a) Costs of production:*

Depreciation of property, plant and equipment increased Ps 8.8 billion, 66.7% higher than Q3 2017, due to an increase in the value of assets based on their valuation in U.S. dollars, which is the functional currency of the Company;

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Lifting costs increased Ps 5.6 billion, 51.3% higher than Q3 2017, reflecting a 61.2% increase in the unit indicator in Argentine peso terms, weighted by the lower production of the period;

Royalties and other production related costs increased Ps 4.9 billion, 108.5% higher than Q3 2017. Of this increase, Ps 3.7 billion was related to an increase in royalties for crude oil production, and Ps 1.1 billion was related to an increase in royalties for natural gas production, due to higher wellhead values of these products, which are set in U.S. dollars;

Transportation costs increased Ps 1.1 billion, 47.1% higher than Q3 2017, primarily due to increases in rates and higher transported volumes;

Refining costs increased Ps 0.5 billion, 18.5% higher than Q3 2017, due primarily to higher costs for repair and maintenance services, for the consumption of materials, spare parts and other supplies, reflecting a 24.3% increase in the unit indicator in Argentine peso terms, weighted by the lower volumes processed during the period.

*b) Purchases:*

Fuel imports increased Ps 8.1 billion, 722.1% higher than Q3 2017, mainly due to imports of premium diesel and gasoline due to higher volumes and higher international prices of these products, also considering the devaluation occurred during the period;

Crude oil purchases from third parties increased Ps 4.0 billion, 67.7% higher than Q3 2017, due to a 131.4% increase in the average purchase price from third parties in Argentine peso terms. This increase in the purchase price was mainly due to the increase in the international reference price, and considering the devaluation of the Argentine peso against the U.S. dollar, partially offset by a decrease in purchased volumes of approximately 27.5%;

Purchases of natural gas from other producers for resale in the retail distribution segment (residential and small businesses and industries) increased Ps 2.9 billion, 138.0% higher than Q3 2017 due to an increase in the purchase prices of approximately 145.1%, partially offset by a decrease in volumes purchased of 2.9%;

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Biofuel purchases increased Ps 1.7 billion, 37.1% higher than Q3 2017, due to higher FAME and ethanol biofuel prices of 53.3% and 21.2%, respectively, and a 1.7% increase in volumes purchased of ethanol biofuel, partially offset by lower volumes purchased of FAME of 2.3%;

Fertilizer purchases for resale increased Ps 1.3 billion, 204.6% higher than Q3 2017, driven by a 135.6% increase in purchase prices and a 29.3% increase in volumes purchased.

Selling expenses for Q3 2018 were Ps 7.1 billion, 51.9% higher than Q3 2017. This was driven primarily by increases in transport expenses, primarily due to higher volumes sold and higher rates paid for domestic transport of fuels, as well as higher charges for depreciation of fixed assets, higher personnel expenses, higher charges in allowances for bad debt and environmental contingencies and higher taxes on banks debits and credits.

Administration expenses for Q3 2018 were Ps 3.7 billion, 68.8% higher than Q3 2017. The increase was principally due to higher personnel expenses, higher IT costs, many of which are dollarized, higher charges related to institutional advertising and higher depreciation of fixed assets.

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Exploration expenses for Q3 2018 were Ps 1.1 billion, 224.0% higher than Q3 2017 mainly due to higher negative results from unproductive exploratory drilling and higher expenses on geological and geophysical studies.

Other operating results, net, for Q3 2018 was a loss of Ps 0.6 billion, compared to a gain of Ps 0.3 billion for Q3 2017 driven by higher charges in the provision for judicial contingencies, which had recorded certain reversals in Q3 2017.

Financial results for Q3 2018 were a gain of Ps 25.5 billion compared to a loss of Ps 2.5 billion in Q3 2017. This change was primarily driven by a positive foreign exchange effects on net liabilities in Argentine peso terms of Ps 30.0 billion, generated by the depreciation of the Argentine peso in Q3 2018 compared to Q3 2017 when the devaluation of the local currency had been substantially lower. Higher interest expenses of Ps 2.8 billion were also recorded in Q3 2018 due to higher average indebtedness, measured in Argentine pesos, compared to Q3 2017.

Income tax expense for Q3 2018 reached Ps 23.4 billion compared to the resulting expense of Ps 0.8 billion in Q3 2017. This difference is mainly due to the higher negative charge of Ps 22.4 billion for deferred tax recorded in both periods, resulting from the effects of the exchange rate movements in both periods, as previously mentioned.

Net income for Q3 2018 was a gain of Ps 13.2 billion, compared to a gain of Ps 0.2 billion in Q3 2017.

Capital expenditures in property, plant and equipment in Q3 2018 were Ps 27.2 billion, 71.2% higher than Q3 2017.

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**3. ANALYSIS OF OPERATING RESULTS BY BUSINESS SEGMENT FOR Q3 2018****3.1 UPSTREAM**

<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Var. % Q3 18 / Q3 17</b>		<b>Jan-Sep 2017</b>	<b>Jan-Sep 2018</b>	<b>Var. % 2018/2017</b>
				<b>Operating income</b>			
360	2,868	<b>12,215</b>	3293.1%	(Million Ps)	375	<b>17,231</b>	4494.9%
				<b>Revenues</b>			
29,935	46,308	<b>63,466</b>	112.0%	(Million Ps)	84,318	<b>148,478</b>	76.1%
				<b>Crude oil production</b>			
227.2	226.3	<b>227.5</b>	0.1%	(Kbbld)	226.5	<b>227.1</b>	0.3%
				<b>NGL production</b>			
48.6	41.6	<b>26.9</b>	-44.6%	(Kbbld)	51.5	<b>38.4</b>	-25.5%
				<b>Gas production</b>			
44.1	44.0	<b>43.7</b>	-1.0%	(Mm3d)	44.6	<b>43.8</b>	-1.9%
				<b>Total production</b>			
553.2	544.6	<b>529.1</b>	-4.3%	(Kboed)	558.8	<b>541.0</b>	-3.2%
				<b>Exploration costs</b>			
334	464	<b>1,082</b>	224.0%	(Million Ps)	1,760	<b>1,869</b>	6.2%
				<b>Capital Expenditures</b>			
12,499	16,099	<b>22,547</b>	80.4%	(Million Ps)	31,852	<b>51,679</b>	62.2%
				<b>Depreciation</b>			
11,483	19,689	<b>18,946</b>	65.0%	(Million Ps)	31,497	<b>54,935</b>	74.4%
				Realization Prices			
				<b>Crude oil prices in domestic market</b>			
51.4	64.6	<b>64.3</b>	25.0%	Period average (USD/bbl)	52.3	<b>64.6</b>	23.5%
				<b>Average gas price (*)</b>			
4.92	4.89	<b>4.76</b>	-3.3%		4.93	<b>4.80</b>	-2.6%

(USD/Mmbtu)

(\* ) The average price of gas for Q2 2018 has been recalculated. The price for Q3 2018 is preliminary. Operating income for the Upstream business segment for Q3 2018 was Ps 12.2 billion, compared to Ps 0.4 billion in Q3 2017.

Revenues were Ps 63.5 billion for Q3 2018, 112.0% higher than Q3 2017, primarily due to the following factors:

Crude oil revenues totaled Ps 42.7 billion, 131.8% or Ps 24.3 billion higher than Q3 2017. The average realization price for crude oil in Q3 2018 increased by 25.0% to US\$64.3/bbl. Crude oil volumes transferred between segments increased 1.0%, while those sold to third parties decreased by 14.0%;

Natural gas revenues reached Ps 21.0 billion, 79.2% or Ps 9.3 billion higher than Q3 2017. The average realization price for natural gas in Q3 2018 decreased 3.3% to US\$4.76/Mmbtu while natural gas volumes remained stable compared to Q3 2017. However, prices in terms of pesos increased 79.7% YoY, resulting in the increase of revenues.

Hydrocarbon production for Q3 2018 was 529.1 Kboed, 4.3% lower than Q3 2017. Crude oil production for Q3 2018 remained essentially stable at 227.5 Kbbld. Natural gas production for Q3 2018 was 43.7 Mm3d, 1.0% lower than Q3 2017 due to the lower demand in the quarter. NGL production for Q3 2018 was 26.9 Kbbld, 44.6% lower than Q3 2017, negatively affected by the temporary stoppage of Compañía MEGA.

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With respect to development activity, 95 wells were put in production in Q3 2018, including the shale and tight wells mentioned below.

Hydrocarbon production in shale areas, net to YPF, for Q3 2018 totaled 57.5 Kboed, 58.3% higher than Q3 2017. This includes 23.6 Kbbld of crude oil, 4.8 Kbbld of NGL and 4.6 Mm3d of natural gas. During Q3 2018, 19 wells were put in production targeting the Vaca Muerta formation, for a total of 659 wells, including 12 active drilling rigs and 11 workovers.

With respect to tight development, net production in Q3 2018 reached a total of 13.0 Mm3d of natural gas, plus 3.3 Kbbld of NGL and 5.7 Kbbld of crude oil, of which 89.0% comes from YPF operated areas. During Q3 2018, 19 new wells were put into production, 9 in Estación Fernández Oro, 4 in Río Neuquén, 2 in Rincón del Mangrullo, 2 in Aguada Toledo Sierra Barrosa, 1 in Al Norte de la Dorsal, and 1 in Octógono.

Operating costs for Q3 2018 were Ps 49.8 billion, 67.6% higher than Q3 2017 (excluding exploration expenses), mainly due to the following:

Depreciation of property, plant and equipment increased by Ps 7.5 billion, 64.9% higher than Q3 2017, primarily due to an increase in the value of assets based on their valuation in U.S. dollars, which is the functional currency of the Company;

Lifting costs increased Ps 5.6 billion, 51.3% higher than Q3 2017, reflecting a 61.2% increase in the unit indicator in Argentine peso terms, weighted by the lower production of the period;

Royalties and other production related costs increased Ps 4.9 billion, 108.5% higher than Q3 2017. Of this increase, Ps 3.7 billion was related to an increase in royalties for crude oil production, and Ps 1.1 billion was related to an increase in royalties for natural gas production, due to higher wellhead values of these products, which are set in U.S. dollars;

Transportation costs related to production (truck, pipelines and polyducts in deposit) increased Ps 0.5 billion, 61.4% higher than Q3 2017.

It is noteworthy that the exploratory investment for Q3 2018 was 879.1% higher than Q3 2017, totaling Ps 1.5 billion. Exploration expenses for Q3 2018 were Ps 1.1 billion, increasing 224.0% compared to Ps 0.3 billion for Q3 2017. This variation was mainly due to a Ps 0.4 billion increase in negative results from unproductive exploratory wells in Q3 2018 compared to Q3 2017. Expenses for the development of geological and geophysical studies increased by Ps 56 million between Q3 2018 and Q3 2017.

In Q3 2018, the results of this segment also included higher charges in the provision for judicial contingencies, which had recorded certain reversals in Q3 2017.

Unit cash costs in U.S. dollars decreased 3.5% to US\$19.8/boe for Q3 2018 from US\$20.6/boe for Q3 2017, including taxes of US\$6.6/boe and US\$5.8/boe, respectively. In turn, the average lifting cost for YPF in Q3 2018 was US\$10.5/boe, 16.5% lower than US\$12.6/boe for Q3 2017.



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**CAPEX**

Capital expenditures for the Upstream business segment for Q3 2018 were Ps 22.5 billion, 80.4% higher than Q3 2017.

Of these capital expenditures, 71.4% were invested in drilling and workover activities, 20.0% in facilities, 8.2% in exploration and the remaining 0.4% in other activities of the Upstream business segment.

In the Neuquina basin area, activities for Q3 2018 were focused on the development of the Loma Campana, Estación Fernandez Oro, El Orejano, La Amarga Chica, Rincón del Mangrullo, Río Neuquén, Chachahuen, Octógono, Punta Barda, Filo Morado and Loma La Lata blocks. Activity continues with the pilots targeting Vaca Muerta in the following blocks: Rincón del Mangrullo, La Ribera, Bajo del Toro and Aguada de la Arena. Development activities continued at the Cuyana basin, mainly in the Mesa Verde, Ugarteche, Loma Alta Sur, Barrancas, La Ventana and Cerro Fortunoso blocks. In the Golfo San Jorge basin, activity was focused on the following blocks: Manantiales Behr, El Trébol-Escalante, Seco León, Zona Central, Cañadón Yatel, Barranca Baya, Los Perales, Las Heras y Cerro de Piedra.

Exploration activities for Q3 2018 covered the Neuquina, Golfo San Jorge, Austral, Noroeste Argentino and Cuyana basins. In the Neuquina basin, exploratory activity was focused in the Filo Morado, Los Caldenes, Malargüe, Las Manadas, CNQ7 and CNQ7A blocks. In the Golfo San Jorge basin, exploration activity was focused in the Los Perales-Las Mesetas and El Trebol-Escalante blocks. In the Austral basin, exploration activity continues in Cañadón Piedra-Cabo Nombre and Los Chorrillos blocks. As for the Cuyana basin, exploratory activity was carried out in the Mesa Verde block. Additionally, in the Noroeste Argentino basin the activity was concentrated in the Aguaragüe block.

During Q3 2018, 6 (six) exploratory wells were completed: 3 (three) natural gas and 3 (three) crude oil exploratory wells.

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**3.2 DOWNSTREAM**

<b>Q3 2017</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Var.% Q3 18 / Q3 17</b>		<b>Jan-Sep 2017</b>	<b>Jan-Sep 2018</b>	<b>Var.% 2018/2017</b>
3,204	361	<b>-908</b>	N/A	<b>Operating income</b>	10,661	<b>3,462</b>	-67.5%
				(Million Ps)			
9,845	70,273	<b>91,220</b>	83.0%	<b>Revenues</b>	139,636	<b>221,830</b>	58.9%
				(Million Ps)			
4,119	4,048	<b>4,150</b>	0.7%	<b>Sales of refined products in domestic market</b>	12,244	<b>12,109</b>	-1.1%
				(Km3)			
361	393	<b>343</b>	-5.0%	<b>Exportation of refined products</b>	1,069	<b>1,248</b>	16.8%
				(Km3)			
198	208	<b>203</b>	2.5%	<b>Sales of petrochemical products in domestic market (*)</b>	586	<b>618</b>	5.5%
				(Ktn)			
54	138	<b>73</b>	35.2%	<b>Exportation of petrochemical products</b>	149	<b>271</b>	81.8%
				(Ktn)			
294	275	<b>280</b>	-4.6%	<b>Crude oil processed</b>	293	<b>282</b>	-3.8%
				(Kboed)			
92%	86%	<b>88%</b>	-4.6%	<b>Refinery utilization</b>	92%	<b>88%</b>	-3.8%
				(%)			
2,434	2,673	<b>3,660</b>	50.4%	<b>Capital Expenditures</b>	5,648	<b>7,588</b>	34.3%
				(Million Ps)			
1,837	2,596	<b>3,465</b>	88.6%	<b>Depreciation</b>	5,027	<b>8,137</b>	61.9%
				(Million Ps)			
642	634	<b>585</b>	-8.8%	<b>Average domestic market gasoline price (**)</b>	655	<b>637</b>	-2.6%
				(USD/m3)			
602	613	<b>577</b>	-4.1%	<b>Average domestic market diesel price (**)</b>	622	<b>616</b>	-1.0%
				(USD/m3)			

(\*) Fertilizer sales not included.

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

Operating income for the Downstream business segment for Q3 2018 was a loss of Ps 0.9 billion, in comparison to the operating profit of Ps 3.2 MM reported in Q3 2017.

Revenues were Ps 91.2 billion in Q3 2018, 83.0% higher than Q3 2017, primarily due to the following factors:

Diesel revenues increased Ps 18.6 billion, 89.6% higher than Q3 2017 due to a 74.3% increase in diesel mix prices and an 8.8% increase in sales volumes, including a 16.4% increase in sales volumes of Infinia Diesel, a premium diesel product;

Gasoline revenues increased Ps 10.4 billion, 69.7% higher than Q3 2017, due to a 64.9% increase in gasoline mix prices and a 2.9% increase in sales volumes;

Fuel oil revenues in the Argentine domestic market decreased Ps 0.7 billion, 85.1% lower than Q3 2017, due to a 91.6% decrease in sales volumes to power generation plants partially offset by a 78.0% increase in prices;

The remaining revenues in the domestic market increased by Ps 8.1 billion, 109.0% higher than Q3 2017. We highlight the higher sales of LPG by 153.5%, of jet fuel by 127.9%, of petrochemical products by 76.2%, of coal by 189.8%, fertilizers by 86.4% and lubricants by 44.1%, in each case mainly due to the higher prices of these products. In addition, larger traded volumes of virgin naphtha were recorded;

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Export revenues in the Downstream segment increased by Ps 5.1 billion, 84.5% higher than Q3 2017. We highlight the increase in exports of jet fuel of Ps 2.6 billion, 161.0% higher than Q3 2017 due to an increase in average sales prices measured in Argentine pesos of 154.2%, and an increase of 2.7% in volumes sold. Exports of petrochemical products increased by Ps 0.9 billion or 110.2%. Exports of petroleum coal were also recorded for Ps 0.7 billion, which had not been recorded in the previous year.

Cost of sales and operating expenses for Q3 2018 were Ps 85.1 billion with an increase of Ps 43.1 billion, or 102.7%, compared to Q3 2017, primarily due to the following factors:

Crude oil purchases increased Ps 28.5 billion, 118.0% higher than Q3 2017, due to an increase in prices in Argentine peso terms of crude oil purchased of 131.8%, mainly due to the increase in the international reference price. Crude oil volumes purchased from third parties decreased 27.5% while volumes transferred from the Upstream business segment increased 1.0%;

Fuel imports increased Ps 8.1 billion, 722.1% higher than Q3 2017 due to higher imports of diesel and premium gasoline driven by the higher volumes purchased and the higher international prices of these products, considering also the devaluation that occurred in this period;

Biofuel purchases increased Ps 1.7 billion, 37.1% higher than Q3 2017, mainly due to an increase of 53.3% in the price of FAME and 21.2% in the price of ethanol biofuel and the increase in purchased volumes of ethanol biofuel of 1.7%, partially offset by a decrease in purchased volumes of FAME of 2.3%;

Fertilizer purchases for resale of Ps 1.3 billion, 204.6% higher than Q3 2017. This increase was due to an increase in the average price of approximately 135.6% and a 29.3% in the volumes