

YPF SOCIEDAD ANONIMA
Form 20-F
March 17, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission file number: 1-12102

YPF Sociedad Anónima
(Exact name of registrant as specified in its charter)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Macacha Güemes 515

Edgar Filing: YPF SOCIEDAD ANONIMA - Form 20-F

C1106BKK Ciudad Autónoma de Buenos Aires, Argentina

(Address of principal executive offices)

Diego M. Pando

Tel: (011-54-11) 5441-3500

Facsimile Number: (011-54-11) 5441-3726

Macacha Güemes 515

C1106BKK Ciudad Autónoma de Buenos Aires, Argentina

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing one Class D	
Share, par value 10 pesos per share Class D Shares	New York Stock Exchange New York Stock Exchange*

* Listed not for trading but only in connection with the registration of American Depositary Shares.
Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each class of stock of YPF Sociedad Anónima as of December 31, 2015 was:

Class A Shares	3,764
Class B Shares	7,624
Class C Shares	40,422
Class D Shares	393,260,983
	393,312,793

Table of Contents

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board: Other

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Table of Contents

TABLE OF CONTENTS

	<i>Page</i>
<u>Conversion Table</u>	6
<u>References</u>	6
<u>Disclosure of Certain Information</u>	6
<u>Forward-Looking Statements</u>	6
<u>Oil and Gas Terms</u>	7
<u>PART I</u>	9
<u>ITEM 1. Identity of Directors, Senior Managers and Advisers</u>	9
<u>ITEM 2. Offer Statistics and Expected Timetable</u>	9
<u>ITEM 3. Key Information</u>	9
<u>Selected Financial Data</u>	9
<u>Exchange Regulations</u>	11
<u>Risk Factors</u>	12
<u>ITEM 4. Information on the Company</u>	28
<u>History and Development of YPF</u>	28
<u>The Argentine Market</u>	31
<u>History of YPF</u>	32
<u>Business Organization</u>	34
<u>Exploration and Production Overview</u>	35
<u>Downstream</u>	70
<u>Research and Development</u>	83
<u>Competition</u>	84
<u>Environmental Matters</u>	86
<u>Property, Plant and Equipment</u>	90
<u>Insurance</u>	90
<u>Regulatory Framework and Relationship with the Argentine Government</u>	93
<u>ITEM 4A. Unresolved Staff Comments.</u>	120
<u>ITEM 5. Operating and Financial Review and Prospects</u>	120
<u>Overview</u>	121
<u>Presentation of Financial Information</u>	121

<u>Segment Reporting</u>	121
<u>Summarized Statement of Comprehensive Income</u>	121
<u>Factors Affecting Our Operations</u>	122
<u>Critical Accounting Policies</u>	131
<u>Off-Balance Sheet Arrangements</u>	148
<u>Research and Development, Patents and Licenses, etc.</u>	148
<u>ITEM 6. Directors, Senior Management and Employees</u>	148

Table of Contents

<u>Management of the Company</u>	148
<u>Board of Directors</u>	148
<u>Senior Management</u>	154
<u>The Audit Committee</u>	155
<u>Disclosure Committee</u>	157
<u>Compliance with New York Stock Exchange Listing Standards on Corporate Governance</u>	158
<u>Compensation of members of our Board of Directors and Supervisory Committee</u>	159
<u>Supervisory Committee</u>	159
<u>Employee Matters</u>	161
<u>ITEM 7. Major Shareholders and Related Party Transactions</u>	162
<u>Related Party Transactions</u>	163
<u>Argentine Law Concerning Related Party Transactions</u>	164
<u>ITEM 8. Financial Information</u>	164
<u>Financial Statements</u>	164
<u>Legal Proceedings</u>	164
<u>Dividend Policy</u>	185
<u>Significant Changes</u>	185
<u>ITEM 9. The Offer and Listing</u>	185
<u>Shares and ADSs</u>	185
<u>Argentine Securities Market</u>	187
<u>ITEM 10. Additional Information</u>	191
<u>Memorandum and Articles of Association</u>	192
<u>Directors</u>	193
<u>Dividends</u>	194
<u>Amount Available for Distribution</u>	195
<u>Preemptive and Accretion Rights</u>	196
<u>Voting of the Underlying Class D Shares</u>	197
<u>Certain Provisions Relating to Acquisitions of Shares</u>	198
<u>Material Contracts</u>	199
<u>Exchange Regulations</u>	200
<u>Taxation</u>	200
<u>Argentine Tax Considerations</u>	200

<u>United States Federal Income Tax Considerations</u>	202
<u>Available Information</u>	204
<u>ITEM 11. Quantitative and Qualitative Disclosures about Market Risk</u>	204
<u>ITEM 12. Description of Securities Other than Equity Securities</u>	206
<u>PART II</u>	207
<u>ITEM 13. Defaults, Dividend Arrearages and Delinquencies</u>	207
<u>ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	207

Table of Contents

<u>ITEM 15. Controls and Procedures</u>	207
<u>ITEM 16.</u>	208
<u>ITEM 16A. Audit Committee Financial Expert</u>	208
<u>ITEM 16B. Code of Ethics</u>	208
<u>ITEM 16C. Principal Accountant Fees and Services</u>	209
<u>ITEM 16D. Exemptions from the Listing Standards for Audit Committees</u>	209
<u>ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	209
<u>ITEM 16F. Change in Registrant's Certifying Accountant</u>	210
<u>ITEM 16G. Corporate Governance</u>	210
<u>PART III</u>	210
<u>ITEM 17. Financial Statements</u>	210
<u>ITEM 18. Financial Statements</u>	210
<u>ITEM 19. Exhibits</u>	210
<u>SIGNATURES</u>	211

Table of Contents

Conversion Table

1 ton = 1 metric ton = 1,000 kilograms = 2,204 pounds

1 barrel = 42 U.S. gallons

1 ton of oil = approximately 7.3 barrels (assuming a specific gravity of 34 degrees API (American Petroleum Institute))

1 barrel of oil equivalent = 5,615 cubic feet of gas = 1 barrel of oil, condensate or natural gas liquids

1 kilometer = 0.63 miles

1 million Btu = 252 termies

1 cubic meter of gas = 35.3147 cubic feet of gas

1 cubic meter of gas = 10 termies

1,000 acres = approximately 4 square kilometers

References

YPF Sociedad Anónima is a stock corporation organized under the laws of the Republic of Argentina (Argentina). As used in this annual report, YPF, the Company, we, our and us refer to YPF Sociedad Anónima and its controlled companies or, if the context requires, its predecessor companies. YPF Sociedad Anónima refers to YPF Sociedad Anónima only. Repsol refers to Repsol S.A., its affiliates and consolidated companies. We maintain our financial books and records and publish our financial statements in Argentine pesos. In this annual report, references to pesos or Ps. are to Argentine pesos, and references to dollars, U.S. dollars or U.S.\$ are to United States dollars.

Disclosure of Certain Information

In this annual report, references to Audited Consolidated Financial Statements are to YPF's audited consolidated statement of financial position as of December 31, 2015, 2014 and 2013, YPF's audited consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013, YPF's audited consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013, YPF's audited consolidated statements of changes in shareholders' equity for the years ended December 31, 2015, 2014 and 2013 and the related notes thereto.

Unless otherwise indicated, the information contained in this annual report reflects:

for the subsidiaries that were consolidated using the global integration method at the date or for the periods indicated, 100% of the assets, liabilities and results of operations of such subsidiaries without excluding minority interests, and

for those joint operations whose results were consolidated using the proportional integration method, a *pro rata* amount of the assets, liabilities and results of operations for such joint operations at the date or for the periods indicated.

For information regarding consolidation, see Notes 1.a and 1.b.5 to the Audited Consolidated Financial Statements.

Certain monetary amounts and other figures included in this annual report have been subject to rounding adjustments. Any discrepancies in any tables between the totals and the sums of the amounts are due to rounding.

Forward-Looking Statements

This annual report, including any documents incorporated by reference, contains statements that we believe constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include statements regarding the intent, belief or current expectations of us and our management, including statements with respect to trends affecting our financial condition, financial ratios, results of operations, business, strategy, geographic concentration, reserves, future hydrocarbon production volumes and the Company's ability to satisfy our long-term sales commitments from future supplies available to the Company, our ability to pay dividends in the future and to service our outstanding debt, dates or periods in which production is scheduled or expected to come onstream, as well as our plans with respect to capital expenditures, business, strategy, geographic concentration, cost savings, investments and dividends payout policies. These statements are not a guarantee of future performance and are subject to material risks, uncertainties, changes and other factors which may be beyond our control or may be difficult to predict. Accordingly, our future financial condition, prices, financial ratios, results of operations, business, strategy, geographic concentration, production volumes, reserves, capital expenditures, cost savings, WACC (weighted average cost of capital) investments and ability to meet our long-term sales commitments or pay dividends or service our outstanding debt could differ materially from those expressed or implied in any such forward-looking statements. Such factors include, but are not limited to, currency fluctuations, inflation, the price of petroleum products, the domestic and international prices for crude oil, the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, replacement of hydrocarbon reserves, environmental, regulatory and legal considerations, including the imposition of further government restrictions on the Company's business, changes in our business strategy and operations, our ability to find partners or raise funding under our current control, the ability to maintain the Company's concessions, and general economic and business conditions in Argentina, as well as those factors described in the filings made by YPF and its affiliates with the Securities and Exchange Commission, in particular, those described in Item 3. Key Information Risk Factors and Item 5. Operating and Financial Review and Prospects. YPF does not undertake to publicly update or revise these forward-looking statements even if experience or future changes make it clear that the projected results or condition expressed or implied therein will not be realized.

Table of Contents

Oil and Gas Terms

Oil and gas reserves definitions used in this annual report are in accordance with Regulations S-X and S-K, as amended by the U.S. Securities and Exchange Commission's (SEC) final rule, Modernization of Oil and Gas Reporting (Release Nos. 33-8995; 34-59192; FR-78; File No. S7-15-08; December 31, 2008) and relevant guidance notes and letters issued by the SEC's Staff.

The reported reserves contained in this annual report include only our proved reserves and do not include probable reserves or possible reserves.

The following terms have the meanings shown below unless the context indicates otherwise:

acreage : The total area, expressed in acres or km², over which YPF has interests in exploration or production. Net acreage is YPF's interest in the relevant exploration or production area.

basin : A depression in the crust of the Earth formed by plate tectonic activity in which sediments accumulate. Continued sediment accumulation can cause further depression or subsidence.

block : Areas defined by concession contracts or operating contracts signed by YPF.

concession contracts : A grant of access for a defined area and time period that transfers certain entitlements to produce hydrocarbons from the host country to an enterprise. The company holding the concession generally has rights and responsibilities for the exploration, development, production and sale of hydrocarbons, and typically, an obligation to make payments at the signing of the concession and once production begins pursuant to applicable laws and regulations.

crude oil : Crude oil with respect to YPF's production and reserves includes condensate.

field : One or more reservoirs grouped by or related to the same general geologic structural feature or stratigraphic condition.

formation : The fundamental unit of lithostratigraphy. A body of rock that is sufficiently distinctive and continuous that it can be mapped.

gas : Natural gas.

hydrocarbons : Crude oil, natural gas liquids and natural gas.

surface conditions : Represents the pressure and temperature conditions at which volumes of oil, gas, condensate and natural gas liquids are measured for reporting purposes. It is also referred to as standard conditions. For YPF these conditions are 14.7 psi for pressure and 60 degrees Fahrenheit for temperature. All volume units expressed in this report are at surface conditions.

Table of Contents**Abbreviations:**

bbl	Barrels.
bbl/d	Barrels per day.
bcf	Billion cubic feet.
bcf/d	Billion cubic feet per day.
bcm	Billion cubic meters.
bcm/d	Billion cubic meters per day.
boe	Barrels of oil equivalent.
boe/d	Barrels of oil equivalent per day.
cm	Cubic meter.
cm/d	Cubic meters per day.
dam 3	Cubic dekameters (thousand cubic meters).
GWh	Gigawatt hours.
HP	Horsepower.
km	Kilometers.
km2	Square kilometers.
liquids	Crude oil, condensate and natural gas liquids.
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas.
m	Thousand.
mdbl	Thousand barrels.
mdbl/d	Thousand barrels per day.
mcf	Thousand cubic feet.
mcf/d	Thousand cubic feet per day.
mcm	Thousand cubic meters.
mcm/d	Thousand cubic meters per day.
mboe	Thousand barrels of oil equivalent.
mboe/d	Thousand barrels of oil equivalent per day.
mm	Million.
mdbl	Million barrels.
mdbl/d	Million barrels per day.
mmboe	Million barrels of oil equivalent.
mmboe/d	Million barrels of oil equivalent per day.
mmBtu	Million British thermal units.
mmcf	Million cubic feet.
mmcf/d	Million cubic feet per day.
mmcm	Million cubic meters.
mmcm/d	Million cubic meters per day.
mtn	Thousand tons.
MW	Megawatts.
NGL	Natural gas liquids.
psi	Pound per square inch.
WTI	West Texas Intermediate.

Table of Contents**PART I****ITEM 1. Identity of Directors, Senior Managers and Advisers**

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information**Selected Financial Data**

The following tables present our selected financial data. You should read this information in conjunction with our Audited Consolidated Financial Statements, and the information under Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report.

Our Audited Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In this annual report, except as otherwise specified, references to \$, U.S.\$ and dollars are to U.S. dollars, and references to Ps. and pesos are to Argentine pesos. Solely for the convenience of the reader, peso amounts as of and for the year ended December 31, 2015 have been translated into U.S. dollars at the exchange rate quoted by the Argentine Central Bank (*Banco Central de la República Argentina*) (the Central Bank) on December 31, 2015 of Ps. 13.01 to U.S.\$1.00, unless otherwise specified. The exchange rate quoted by the Central Bank on March 15, 2016 was Ps. 14.61 to U.S.\$1.00. The U.S. dollar equivalent information should not be construed to imply that the peso amounts represent, or could have been or could be converted into U.S. dollars at such rates or any other rate. See Exchange Rates.

The financial data contained in this annual report as of and for the years ended December 31, 2015, 2014 and 2013 has been derived from our Audited Consolidated Financial Statements included in this annual report. See Note 20 to the Audited Consolidated Financial Statements. The financial data contained in this annual report as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011 have been derived from our consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 included in our 2013 20-F.

As of and for the year ended December 31,
2015 2014 2013 2012 2011
(in millions of pesos, except for per share

and per ADS data)

Consolidated Statement of Comprehensive Income
Data⁽¹⁾ :

Edgar Filing: YPF SOCIEDAD ANONIMA - Form 20-F

Revenues ⁽²⁾	156,136	141,942	90,113	67,174	56,211
Gross profit	36,599	37,450	22,019	16,907	15,068
Administrative expenses	(5,586)	(4,530)	(2,686)	(2,232)	(1,822)
Selling expenses	(11,099)	(10,114)	(7,571)	(5,662)	(5,438)
Exploration expenses	(2,473)	(2,034)	(829)	(582)	(574)
Other operating results, net	(853)	(1,030)	227	(528)	(46)
Operating income	16,588	19,742	11,160	7,903	7,188
Income on long-term investments	318	558	353	114	685
Interest expense	(10,605)	(7,336)	(3,833)	(1,557)	(1,045)
Other financial income (expense), net	22,762	9,108	6,668	2,105	758
Income before income tax	29,063	22,072	14,348	8,565	7,586
Income tax	(24,637)	(13,223)	(9,269)	(4,663)	(3,141)
Net income	4,426	8,849	5,079	3,902	4,445
Total other Comprehensive income	43,758	16,276	12,031	4,241	1,852
Total comprehensive income	48,184	25,125	17,110	8,143	6,297
Earnings per share and per ADS ⁽⁴⁾	11.68	22.95	13.05	9.92	11.30
Dividends per share and per ADS ⁽⁴⁾ (in pesos)	1.28	1.18	0.83	0.77	14.15
Dividends per share and per ADS ⁽⁴⁾⁽⁵⁾ (in U.S. dollars)	0.14	0.14	0.13	0.16	3.39
Consolidated Statement of Financial Position Data					
Cash	15,387	9,758	10,713	4,747	1,112
Working capital ⁽³⁾	(2,818)	(11,266)	1,706	(2,582)	(7,750)
Total assets	363,453	208,554	135,595	79,949	60,990
Total loans ⁽⁶⁾	105,751	49,305	31,890	17,104	12,198
Shareholders' equity ⁽⁷⁾	120,461	72,781	48,240	31,260	23,420
Other Consolidated Financial Data					
Fixed assets depreciation and intangible assets amortization	27,008	20,405	11,433	8,281	6,499
Cash used in fixed asset acquisitions and intangible assets	63,774	50,213	27,639	16,403	12,156

- (1) The consolidated financial statements reflect the effect of the application on the functional and reporting currency. See Note 1.b.1 to the Audited Consolidated Financial Statements.
- (2) Revenues are net of payments on account of fuel transfer taxes and turnover taxes. Customs duties on hydrocarbon exports are disclosed in taxes, charges and contributions, as indicated in Note 6.n to the Audited Consolidated Financial Statements. Royalties with respect to our production are accounted for as a cost of production and are not deducted in determining revenues. See Note 1.b.15 to the Audited Consolidated Financial Statements.
- (3) Working capital consists of consolidated total current assets minus consolidated total current liabilities as of December 31, 2015, December 31, 2014, December 31, 2013, December 31, 2012 and December 31, 2011.
- (4) Information has been calculated based on our outstanding share capital of 393,312,793 shares. Each ADS represents one Class D share. There were no differences between basic and diluted earnings per share and ADS for any of the years disclosed.
- (5) Amounts expressed in U.S. dollars are based on the exchange rate as of the date of the dividend payment.
- (6) Total loans include non-current loans of Ps. 77,934 million, Ps. 36,030 million, Ps. 23,076 million, Ps. 12,100 million and Ps. 4,435 million as of December 31, 2015, 2014, 2013, 2012 and 2011, respectively, and current loans of Ps. 27,817 million, Ps. 13,275 million, Ps. 8,814 million, Ps. 5,004 million and Ps. 7,763 million as of December 31, 2015, 2014, 2013, 2012 and 2011, respectively. See Note 6.j to the Audited Consolidated Financial Statements.
- (7) Our subscribed share capital as of December 31, 2015 is represented by 393,312,793 shares of common stock and divided into four classes of shares, with a par value of Ps. 10 and one vote per share. These shares are fully subscribed, paid-in and authorized for stock exchange listing. See Item 6. Directors, Senior Management and Employees Compensation of members of our Board of Directors and Supervisory Committee, Item 16E.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers and Note 1.b.10.iii to the Audited Consolidated Financial Statements in relation to shares purchased by YPF and allocated to our employees as part of our employee compensation plans.

Table of Contents*Exchange Rates*

From April 1, 1991 until the end of 2001, the Convertibility Law (Law No. 23,928) established a fixed exchange rate which required the Central Bank to sell U.S. dollars at one peso per U.S. dollar. On January 6, 2002, the Argentine congress enacted the Public Emergency and Foreign Exchange System Reform Law (Law No. 25,561, the Public Emergency Law), formally putting an end to the Convertibility Law regime and abandoning over ten years of U.S. dollar-peso parity. The Public Emergency Law, which has been extended until December 31, 2017 by Law No. 27,200, grants the National Executive Office the power to set the exchange rate between the peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system pursuant to the Public Emergency Law, the peso has been allowed to float freely against other currencies since February 2002, although the government has the power to intervene by buying and selling foreign currency for its own account, a practice in which it engages on a regular basis. The annual rate of devaluation of the peso was approximately 52.1% from December 31, 2014 to December 31, 2015, based on the period-end exchange rates for U.S. dollars as of December 31, 2015 and 2014, and the Argentine peso was subject to a devaluation of approximately 34.2% during December 2015. See Risk Factors Risks Relating to Argentina Our business is highly dependent upon economic conditions in Argentina.

The following table sets forth the annual high, low, average and period-end exchange rates for U.S. dollars for the periods indicated, expressed in nominal pesos per U.S. dollar, based on rates quoted by the Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for Argentine pesos.

	<i>Low</i>	<i>High</i>	<i>Average ⁽¹⁾</i>	<i>Period End</i>
	<i>(pesos per U.S. dollar)</i>			
Year ended December 31,				
2011	3.97	4.30	4.15	