YPF and Argentina

April 17, 2012
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1. Energy Situation in Argentina

2. Evolution of YPF Key Metrics

3. Argentina-USA Comparison

4. Vaca Muerta: The cause of the Pillage?

5. Accounting impact and Valuation

6. Final Considerations
Energy Situation in Argentina
Characteristics of Argentina’s Energy Situation

1. Hydrocarbons-intensive energy matrix.

2. Mature Basins, First Oil in 1907.

3. Country with high inflation, large salary increases and frozen energy prices, far below international prices.

4. Difference between international import prices and domestic rates bridged with increasing subsidies. This policy discourages energy saving and affects public finances.

5. Fall in dollar reserves
Argentina is highly dependent on hydrocarbons, mainly natural gas.
A responsible country plans based on reality and not on desires


Source: BP Statistical Review
Energy Situation in Argentina

Economic evolution in Argentina and demand growth

GDP and demand growth in the period 2002-2010 has been unprecedented

In an environment of high GDP growth, subsidies and frozen prices cause energy demand to rise exponentially, making self-supply unsustainable

Source: INDEC, Secretaría de Energía y Enargas
Energy Situation in Argentina
Natural Gas imports since 2004

Main Highlights

- First LNG imports in the Bahía Blanca port. 6 shipments, 441 Mm3
- LNG imports from May to September. 10 cargoes, 783 Mm3
- LNG imports. Regasification. 23 cargoes in 2010
- LNG imports. Regasification. 50 cargoes in 2011
- Enarsa began an auction for 80 cargoes (aprox. 15 pending) in 2012.

LNG and Bolivia projects

- Escobar LNG: 14 Mm³/d
- Bahía Blanca LNG: 12 Mm³/d

Gas from LNG and Bolivia are already part of Argentina’s energy mix, with the first investments in 2006

Source: YPF
Energy Situation in Argentina

Difference between international import prices and domestic rates leads to growing subsidies

The total amount in subsidies increases:

• because of the difference between import prices and internal rates,

• and because of growing import volumes

<table>
<thead>
<tr>
<th>Año</th>
<th>Exportaciones</th>
<th>Importaciones</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>5.412</td>
<td>548</td>
<td>4.864</td>
</tr>
<tr>
<td>2004</td>
<td>6.195</td>
<td>1.004</td>
<td>5.192</td>
</tr>
<tr>
<td>2005</td>
<td>7.132</td>
<td>1.545</td>
<td>5.587</td>
</tr>
<tr>
<td>2006</td>
<td>7.760</td>
<td>1.729</td>
<td>6.031</td>
</tr>
<tr>
<td>2007</td>
<td>6.919</td>
<td>2.845</td>
<td>4.074</td>
</tr>
<tr>
<td>2008</td>
<td>7.996</td>
<td>4.334</td>
<td>3.662</td>
</tr>
<tr>
<td>2009</td>
<td>6.438</td>
<td>2.626</td>
<td>3.812</td>
</tr>
<tr>
<td>2010</td>
<td>6.401</td>
<td>4.443</td>
<td>1.958</td>
</tr>
<tr>
<td>2011 e</td>
<td>5.657</td>
<td>9.095</td>
<td>-3.438</td>
</tr>
</tbody>
</table>

**Energy Trade Balance**

In Millions of Dolors

**Subsidies**

**Imports of LNG and from Bolivia are at international prices, much higher than prices in the country.**

Source: Secretaría de Energía (Argentina), Ministerio de economía (Argentina), Ministerio de Minas e Energía-ANP (Brazil), Fondo de Compensación y Comisión Nacional de Energía (Chile), EIA (Henry-Hub)
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Since 2006 investment has been higher than earnings. Record investment in 2011.
In 2010, YPF’s reserve replacement ratio was 144% for oil and 100% in gas, higher than the average of other companies.

In 2011 the oil and gas reserve replacement ratio is expected to be 113% (**) .

(*) Adjustment due to reserve writedown in 2005  
(**) SEC criteria
YPF’s production is 34% of the oil produced in the country
Evolution of YPF Key Metrics

*Oil production and reserves*

**Oil Proven Reserves Variation 2007-2010**

- CHEVRON SAN JORGE: -27%
- PAN AMERICAN: 4%
- PETROBRAS: -29%
- SINOPEC: -16%
- PLUSPETROL: -14%
- TECPETROL: -1%
- CNAP SITPETROL: -3%
- WINTERSHALL: 5%
- TOTAL AUSTRAL: 6%
- YPF: 6%
- OTRAS: 5%
- TOTAL PÅS: 4%
YPF’s production is 23% of the natural gas produced in the country
Evolution of YPF Key Metrics

Natural Gas production and Reserves

Natural Gas Proven Reserves Variation
2007-2010

Variación en la Reservas Probadas de Gas Natural
periodo 2007-2011

Variación en la Reservas Probadas de Petroleo
periodo 2007-2010

Fuente: IAPG
Loma La Lata can be considered to have ended its plateau, reaching peak production in 2004.
Evolution of YPF Key Metrics

Loma La Lata: Evolution of production and producing wells to date
YPF has maintained gasoline and middle distillate production in the last few years.

Source: Secretaría de Energía
YPF’s market share went from 44% in gasolines and 51% in diesel in 2002 to 54% in gasolines and 59% in gasoil in 2011.

Note: 2011 preliminary data
Evolution of YPF Key Metrics
Gasoil and gasoline sales

Diesel and Gasolines Sales to Local Market (m3)

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>YPF Sales</td>
<td>6,823,599</td>
<td>6,759,210</td>
<td>7,309,074</td>
<td>8,512,124</td>
<td>9,406,796</td>
<td>10,275,442</td>
<td>10,631,181</td>
<td>10,616,558</td>
<td>11,348,330</td>
<td>12,150,857</td>
</tr>
<tr>
<td>Rest of Competitors</td>
<td>7,124,980</td>
<td>7,196,582</td>
<td>7,510,537</td>
<td>7,424,070</td>
<td>7,785,267</td>
<td>8,548,394</td>
<td>8,737,039</td>
<td>7,898,321</td>
<td>8,703,485</td>
<td>9,035,551</td>
</tr>
<tr>
<td>Total Country</td>
<td>13,948,579</td>
<td>13,955,792</td>
<td>14,819,611</td>
<td>15,936,194</td>
<td>17,192,063</td>
<td>18,823,836</td>
<td>19,368,220</td>
<td>18,514,879</td>
<td>20,051,814</td>
<td>21,186,409</td>
</tr>
</tbody>
</table>

Source: SEN

Increase in Sales since 2002 (m3)

YPF has supplied more than 74% of market growth since 2002

Source: SEN
YPF has the lowest prices in the market. In January 2012 competitors had prices which were 18% and 21% higher than YPF’s in premium gasoline and diesel respectively.
Evolution of YPF Key Metrics
*Taxes paid by YPF*

**Taxes paid by YPF (In Millions of Pesos)**

Note: 2011 preliminary data
Grupo YPF includes personnel from YPF and its affiliates that are consolidated by proportional or global integration, such as: OPESSA, AESA, YPF Servicios Petroleros, Refiner, Profertil, MEGA, Pluspetrol Energy, YPF Holding, YPF Services, etc.

YPF’s workforce has doubled in 10 years.
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Could Argentina replicate U.S. experience?

**Source:** Wood Mackenzie / SEN Argentina

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**Oil Production**

- **Production decline is analogous in both basins**

**Gas Natural Production**

- **Analogous behavior in both basins**

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**Source:** Wood Mackenzie / SEN Argentina
The Shale Gas development in the US has totally changed the energy balance and has eliminated to a large degree the LNG import needs.

Currently 23% of the US natural gas production comes from Shale.

NOTE: 1 m3 is equivalent to 35.31 Cubic Feet
The 2010 production increase in the US was driven by the rise of horizontal shale drilling campaigns, reversing the historic decline tendency the country had.
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### Main shale gas basins

<table>
<thead>
<tr>
<th>Continent</th>
<th>Risked technically recoverable (Tcf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1.931</td>
</tr>
<tr>
<td>South America</td>
<td>1.225</td>
</tr>
<tr>
<td>Europe</td>
<td>624</td>
</tr>
<tr>
<td>Africa</td>
<td>1.042</td>
</tr>
<tr>
<td>Asia</td>
<td>1.404</td>
</tr>
<tr>
<td>Australia</td>
<td>396</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.622</strong></td>
</tr>
</tbody>
</table>

Argentina holds 12% of the worldwide recoverable resources (774 Tcf).

Argentina is ranked third in worldwide shale gas resources according to the EIA report “World Shale Gas Resources”, published in April 2010.

It is estimated that the non conventional natural gas resources worldwide (6.622 Tcf) is equivalent to the conventional natural gas proved reserves (6.609 Tcf)

Source: EIA
## Vaca Muerta
### Story of a Discovery

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Evaluation of Potential and Regional studies</td>
</tr>
<tr>
<td>2008</td>
<td>Drilling of 1st Well</td>
</tr>
<tr>
<td>2009</td>
<td>Acreage 2nd Round</td>
</tr>
<tr>
<td>2010</td>
<td>Discovery of Loma La Lata and Loma Campana areas</td>
</tr>
<tr>
<td>2011</td>
<td>Shale oil Discovery Bajada de Añelo</td>
</tr>
<tr>
<td>2012</td>
<td>Drilling of 1st Horizontal Well</td>
</tr>
<tr>
<td></td>
<td>Extension of exploration to the rest of the Basin</td>
</tr>
<tr>
<td></td>
<td>Start of Development in Loma La Lata norte</td>
</tr>
<tr>
<td></td>
<td>Acreage 3rd Round</td>
</tr>
<tr>
<td></td>
<td>Associations with Exxon / EOG / Total /Apache</td>
</tr>
</tbody>
</table>

### Notes
- **Evaluation of Potential and Regional studies**
- **Drilling of 1st Well**
- **Acreage 2nd Round**
- **Discovery of Loma La Lata and Loma Campana areas**
- **Shale oil Discovery Bajada de Añelo**
- **Drilling of 1st Horizontal Well**
- **Extension of exploration to the rest of the Basin**
- **Start of Development in Loma La Lata norte**
• Total Hydrocarbon Resources and Reserves discovered at the Vaca Muerta formation amounts to 22,807 million barrels of oil equivalent (Mboe).

• These volumes discovered correspond only to 49% of YPF’s acreage in the formation.

The average of analysts gives these resources a net present value (NPV) of USD 1/boe, which means that this portion of YPF’s acreage in Vaca Muerta has a value of approximately 13,700 Million USD.
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Accounting Impact

Greater Exposure in the Financial Expenses: 5,664 M€

% YPF over total Group

2011 P&L:

Operating Income 25.6%

Net Income 21.0%

Investments 33.7%
• In the hypothetical case of an acquisition equal or greater than 15% and as per Articles 7 and 28 of the YPF bylaws, the party acquiring the shares must launch a tender offer for the total shares of the company, which shall be paid in cash, according to the highest price of 4 possible calculation criteria.

• The applicable price which emerges from the calculations consists of the YPF maximum PER of the last two years multiplied by the net income per share share of the last twelve months.

After applying the abovementioned formula, the estimated value comes to us$46.55 per share, resulting in a valuation of us$18,300 million for 100% of the company and us$10,504 million for 57.4%.
### Accounting Impact and Valuation

**Comparaison of Government Calculations vs YPF Data**

<table>
<thead>
<tr>
<th>Government Data (MU$)</th>
<th>YPF REALITY (MU$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Investment 1999 (97.8%)</td>
<td>-13,158</td>
</tr>
<tr>
<td>Dividends to Repsol 1999-2011</td>
<td>15,728</td>
</tr>
<tr>
<td>Divestments</td>
<td></td>
</tr>
<tr>
<td>Income from Petersen Acquisition 25.46%</td>
<td>3,539</td>
</tr>
<tr>
<td>IPO Income 17.09%</td>
<td>2,704</td>
</tr>
<tr>
<td>Net Income</td>
<td>8,813</td>
</tr>
<tr>
<td>Net Share 57.4%</td>
<td>8,766</td>
</tr>
<tr>
<td>Dividends paid 100% YPF</td>
<td>15,124</td>
</tr>
</tbody>
</table>

*Annual average financial profitability since YPF acquisition has been 7-8%, which unfavorably compares to the Argentinean WACC in U$ terms that is 14-16% (*)

(*) Range of WACC used by analysts of Argentinean Markets as of 04/16/2012
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Final Considerations

- Until the end of 2011, the Argentinean Government has made numerous expressions of satisfaction with YPF, publicly praising its management and thanking its commitment to Argentina:

  “because of their investment in the country and being the most important contributor” (Cristina Fernández de Kirchner, septiembre 2010).

  “This Plan that YPF is presenting today reaffirms everything with optimism and hope in the present and in the future”. (Cristina Fernández de Kirchner, presentation of the Strategic Plan 2010 - 2014).

  “The Federal State completely agrees with the activities carried out by the Company”. (Roberto Baratta, November 2011).
In November 2011 Repsol YPF hosted in Argentina a Field Trip in which more than 40 international financial analysts and institutional investors participated. During the Field Trip, they gathered the following comments after the meeting with the Minister of Planning, Julio de Vido:

“One conclusion from the meeting with the Minister of Planning, Julio de Vido, is that there is and will continue to be a continuous dialogue between the government, YPF and Repsol. There is no Argentina without YPF and vice-versa” (ITAU)

“Comments from the government authorities and from management seemed to suggest a clear awareness of the need to provide an economic climate conducive to attracting the investments to realize full potential of the resources” (BoA)

“Regarding natural gas prices, the Minister of Planning and Infrastructure, Julio De Vido, mentioned a price of US$4/mmbtu which does not seem to be enough to encourage the necessary investments in the non conventional fields” (Santander)
Final Considerations

• Repsol considers the announcement:
  • Unlawful
  • Discriminatory
  • Does not justify the public interest pursued
  • Obligations assumed at the time of privatization of YPF by the Argentinean state have been breached
  • Violates the international investment community confidence.

• Consequently, Repsol will take all legal measures to preserve the value of its assets and interests of all shareholders.

The unlawful expropriation of YPF does not affect the growth capacity of any of Repsol’s businesses outside Argentina