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FORMER EMPLOYEES OF ARGENTINE ENERGY GIANT YPF TO SUE

Former workers assert ownership of 35,300,000 Class D shares

NEW YORK, New York, the United States of America; BUENOS AIRES, Argentina, December 9th, 2009. The Federation of Former Employees of YPF (hereinafter, the “Federation”), on behalf of 25,000 former employees of YPF S.A., is getting ready to bring suit against YPF S.A. and Repsol YPF before the Federal Court for the Southern District of New York, requesting the restitution of their 35,300,000 Class D shares, plus unearned dividends from 1991 to 2008, plus interest. The claim is estimated to be worth US \$2.3 billion.

In addition to this, the Federation will file complaints with the Securities and Exchange Commission (SEC), alleging that YPF S.A. and Repsol YPF unlawfully sold shares owned by the former employees of YPF S.A. on the New York Stock Exchange 1997 and 2007; and further, that they have, and continue to, fail to disclose in their balance sheets and annual reports to the SEC the potentially severe liabilities affecting both companies due to the claims filed by the former employees (and successfully adjudicated by the latter in Argentine Courts), and the potential declaration of nullification by the Argentine Courts of Repsol’s purchase of 97.81% of the capital stock of YPF S.A., recently valued by potential purchasers in as US \$17 billion.

The complaint will also assert that YPF S.A. has systematically avoided its duty to disclose, in its balance sheets and annual reports to the SEC, the relevant lawsuits and claims filed against it before Argentine courts, concealing from its shareholders and investors payments made annually due to the loss of lawsuits, and the potential for much larger claims to be required in the future.

Brief background: The Argentine State privatized a considerable number of companies in the 90’s. The mechanisms used were quite complex but one of the most relevant aspects was that all employees who were under an employment relationship with state-owned companies at the time of their privatization were recognized as having a right to hold shares (through the so-called “Joint Ownership Plan”) in the new privatized company.

Privatization was highly controversial, and one of the mechanisms for accomplishing it was by assuring the public that workers in the State owned companies would not be badly damaged. For that reason, the Argentine Congress passed several laws, the most important of which was law 23.686 of 1989 that guaranteed the workers their share in the dividends of the privatized companies, and a proportional representation on the Board of Directors.

At the time of the transition from a State company to a private one, there were approximately 30,000 workers who should have been entitled to shares. The Federation is alleging that the State managed to reduce the number



of beneficiaries of the JOP from 30,000 to 5,000 using illegal resolutions; and further, that it colluded with YPF S.A. to take the Class C shares that had been allocated to the 25,000 disenfranchised employees, and sell them on the New York Stock Exchange. This offering took place in mid 1997, and raised approximately US \$988MM.

[NOTE: YPF S.A. is the Argentine (joint stock) corporation formed when YPF Sociedad del Estado (the state-owned enterprise) privatized. It is a subsidiary of, and controlling interest is held by, Repsol YPF, Spain's largest oil company.]

In order to commit the fraud reported above, the Argentine State passed several laws (some of which were illegal under Argentine law). By way of example, Decree 628/97 that allowed the sale of the shares in 1997, and other resolutions that limited the number of YPF's employees entitled to the benefits of the Joint Ownership Plan, was stricken down as unconstitutional by the Federal Supreme Court of Argentina and sustained as illegitimate by the Bicameral Commission of the Argentine Congress.

Criminal complaints were filed against the Board of Directors of YPF, government officials, bank directors and stock agents, accusing a total of 38 separate people of being involved in the 1997 and 2007 frauds. Initially, the Judge looking into the criminal accusations endeavored to exempt the accused from liability, summoning only 12 of them for examination. But in 2007, the Federal Court of Appeals in Criminal Matters reversed the decision and ordered the judge of the lower court to investigate and resolve upon the following:

- i) whether or not there were officials from the government, YPF, Repsol YPF, banks and stock agents involved in the fraud;
- ii) whether or not the former employees had been the victims of fraud; and
- iii) whether or not the successive sales of shares should have been declared null and void (among them, the sale of the 97.81% of the capital stock of Repsol of Spain).

Once again, in 2007, despite the declaration of unconstitutionality by the Federal Supreme Court of Argentina and the Opinion issued by the Argentine Congress, the Board of Directors of YPF authorized the Argentine State to sell more shares that were owned by the 25,000 former employees of YPF who had filed claims before the Argentine courts.

Succinctly: The resolutions to deprive 25,000 former workers of YPF from their shares have been ruled unconstitutional. Consequently, the legitimacy of the shares tendered or to be tendered to the public (at the New York Stock Exchange) is seriously controversial.

On several occasions YPF S.A. and Repsol YPF negotiated with representatives of the Federation but the meetings yielded no specific results, and simply appear to be maneuvers to delay the outcome. Therefore, the Federation now believes that there is no other choice but to take its claim to New York, as the controversial sales were executed on the US stock market and, hence, are subject to New York laws and SEC regulations.

The lives of thousands of former employees and their families are at stake, many of which are already suffering extreme hardship as a consequence of having been deceived by the Argentine Government, YPF S.A. and Repsol YPF. The implementation of the laws that were passed by the government itself to protect these workers



– laws that at the time were used, in part, to persuade the people of Argentina that the privatizations should go forward – proved inconvenient to the government, and to Repsol YPF.

The Board of Directors of YPF S.A. and Repsol YPF wish these claims to disappear as if it had never existed; but rather than vanish, it is about to be exposed to the New York Courts and the SEC.

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ABOUT THE FEDERATION OF FORMER EMPLOYEES OF YPF IN ARGENTINA: The Federation is a non-profit organization that represents 25,000 former employees of YPF S.A. and is present in 34 cities throughout Argentina by means of adhered Associations. (For more information, please visit the Federation's Web site www.feaypf.com).