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Tecpetrol Sociedad Anónima

CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2017
and for the year ended December 31, 2017

Tecpetrol Sociedad Anónima

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TECPETROL SOCIEDAD ANONIMA

To the Shareholders:

In compliance with the legislation and the bylaws, the Board of Directors of the Company submits for the consideration of the Annual General Meeting of Shareholders the Annual Report, the Financial Statements, both Consolidated and Separate, for the 38th fiscal year that commenced on January 1, 2017 and ended on December 31, 2017. Such Financial Statements comprise the corresponding Income Statements, Statements of Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Cash Flow Statements and related Notes. The independent auditor's report and the report issued by the Shareholders' Committee for Corporate Control, together with all additional information required pursuant to Section 12, Chapter 3, Title 4 of the regulations of the National Securities Commission for Argentina are also submitted for consideration.

ANNUAL REPORT

1 – DESCRIPTION OF THE BUSINESS

I. COMPANY INFORMATION

Tecpetrol S.A. (hereinafter referred to as the "Company") carries out oil and gas exploration and exploitation activities in Argentina.

The Company has a strong presence in Vaca Muerta area, through unconventional exploitation concessions in the areas Fortín de Piedra and Punta Senillosa, and the exploration permission in Loma Ancha area.

In addition, the Company operates in conventional hydrocarbon areas in Neuquina and Noroeste - San Jorge basins; main areas are Los Bastos and Agua Salada (Neuquina basin), El Tordillo (San Jorge basin) and Aguaragüe (Noroeste basin). The Company also holds a stake as a non-operating partner in Ramos area in the Noroeste basin.

At December 31, 2017, proven oil and gas reserves according to the Company's interest reached 29.9 million m^3 of oil equivalent.

Production in areas operated by Tecpetrol S.A. reached 2,037 m^3/day of oil and 4,213 thousand m^3/day of gas; of which 1,135 m^3/d and 2,348 thousand m^3/d, respectively, correspond to the Company.

II. OIL AND GAS MARKET

Oil

During fiscal year 2017, 86% of crude oil production was sold to local market refineries, and the remaining 14% was exported to China.

In order to avoid a decline in oil and gas exploration and production activities, in January 2017, the Argentine Government offered incentives, through agreements between certain oil and gas producers and refiners, aiming at gradually match local sale prices of fuel and crude oil with international values throughout the fiscal year 2017. Even though the Company was not a party to such agreement, Medanito crude was sold at similar prices as those agreed; whereas sales of Escalante crude were closed at export parity prices.

The increase in the benchmark crude oil price *"Brent"* in the last quarter led to the convergence of local market prices and international values, and to the termination (in October 2017) of the agreement promoted by the Government. Therefore, as from November sale prices of crude oil were freely agreed upon between producers and refiners, tending to align with international values.

On the other hand, during fiscal year 2017 and up to the date hereof, the Company collected USD 3.6 million in relation to certain reimbursements requested pursuant to Law No. 23.018 for exports carried out in the port of Caleta Córdova in the province of Chubut during fiscal years 2015 and 2016; part of such reimbursements have not yet been collected.

Regarding national regulations, it should be noted that on January 6, 2017 export duties levied on exports of hydrocarbons lapsed; consequently, exports carried out thereafter were not affected by this tax.

Gas

In terms of the natural gas market, 70% of revenue in 2017 came from sales to industrial users, 20% from sales to electric power generators, 8% from sales to the compressed natural gas (CNG) station segment and 2% from sales to distribution service licensees.

It is important to highlight the relevant milestones concerning the regulatory framework:

- Energy Secretariat (SE) Resolution No. 172/11, which extended the allocation rules and criteria established by Energy Secretariat (SE) Resolution No. 599/07 for an indefinite period, remains in force. This resolution ratified the agreement with natural gas producers for the supply of natural gas to the domestic market between 2007 and 2011 in order to satisfy domestic demand.

- In January 2013, Resolution 1/13 of the Strategic Planning and Coordination Commission of the National Plan for Hydrocarbon Investments was published, creating the "Program to Promote the Surplus Injection of Natural Gas." In November 2013, Resolution 60/13 of the same Commission extended the "Program for Companies with a Reduced Injection." In March 2014, the adhesion of Tecpetrol S.A. to said program was approved.

  Although the Company received compensations for the 1st quarter of 2014, it did not receive compensation in the subsequent quarters given that the average price of sales was higher than the price established by the aforementioned program. This situation was reversed towards the end of the 2017 fiscal year; therefore, the corresponding steps have been taken to collect said compensations.

- By means of Resolution 4502/17, ENARGAS approved the "Procedure for the Administration of the Office in the Emergency Executive Committee," by means of which it establishes the mechanism for convening an Emergency Executive Committee in the event of a supply crisis of the priority demand and it also establishes a matrix with the injection per basin and producer for the purposes of a prorrata calculation when necessary to cover gas shortages.

- On February 15, 2017, a public hearing was held in order to establish new prices for the entry to the natural gas transport system (punto de ingreso al sistema de transporte, PIST) for users who purchase natural gas through service providers distributing natural gas by pipeline networks (Distributors) and to supply CNG stations, valid for all volumes purchased as from April 1, 2017. Subsequently, on March 31, 2017, Ministry of Energy and Mining Resolution No. 74-E/2017 was published, establishing new PIST prices for natural gas sold to users purchasing through distributors and regulating the supply to CNG stations, valid for all volumes purchased as of April 1, 2017.

- In March 2017, the Ministry of Energy and Mining published Resolution 46-E/2017 through which it created the "Program to Stimulate Investments in Natural Gas Production Projects in Unconventional Reservoirs," in order to stimulate investment in the production of hydrocarbons in unconventional reservoirs in Neuquina Basin. In November 2017, the Ministry of Energy and Mining amended the program by means of Resolution No. 419/2017. Subsequently, said Ministry approved the adhesion of Tecpetrol S.A. to the aforementioned Program as from January 1, 2018, which guarantees a price range of USD 7.5 - USD 6 from 2018 up to 2021. This is the fundamental milestone that makes the larger investment program and the quantitative and qualitative growth of the Company possible.

- Furthermore, on November 15, 2017, another Public Hearing (Resolution No. 400-E/2017) was held to establish new PIST prices for natural gas supplied through networks and to regulate the supply of CNG stations, effective as from December 2017. Subsequently, on November 30, 2017, Resolution No. 474-E/2017 of the Ministry of Energy and Mining (MINEM) was published, establishing the new PIST prices.

- Finally, at the end of November 2017, an agreement driven by the MINEM to supply the priority demand was signed between natural gas production companies, Energía Argentina S.A. (ENARSA), and licensees distributing natural gas by pipeline networks. The aim of said agreement is to begin the process of standardizing the gas sector and rebuilding the system of prices and tariffs. This agreement establishes the basic guidelines that guarantee an adequate supply of natural gas to distribution service licensees, thus ensuring its supply to end consumers, effective as from January 2018.

III. COMMENTS ON THE BUSINESS CONDUCT

i. EXPLORATION AND PRODUCTION

In July 2016, Tecpetrol S.A. obtained an unconventional exploitation concession for the area of Fortín de Piedra located in the formation of Vaca Muerta (province of Neuquén), a world-class reservoir of high productivity in multi-fractured horizontal wells.

Tecpetrol ranks second among production companies in terms of its own *acreage* in the Vaca Muerta wet gas window, and fourth in terms of total *acreage*. Gas development from Vaca Muerta generates activity across the goods and services value chain associated with hydrocarbon production, and will provide energy under competitive conditions, favoring the economic and industrial development of Argentina and contributing to energy self-sufficiency.

Faced with this new reality and given the new framework set by the agreement with oil unions, and the announcement by the Government of the gas pricing incentives program (both occurred at the beginning of 2017); together with the availability of teams and qualified workforce, the Company was encouraged to launch investment plans of major importance for forthcoming years. Thus, the Company estimates to make investments for approximately USD 2,300 million up to 2019 in the first phase of the development of Fortín de Piedra area, including the drilling of 150 wells and installations of gas treatment and transport. It should be noted that at December 31, 2017 investments in Fortín de Piedra reached USD 585.3 million.

The main events occurred during the period are disclosed below:

- In Fortín de Piedra area 23 wells were drilled (3 wells in a depth close to 4,750 meters, with horizontal branches of 1,500 meters, and 20 wells in a depth close to 5,200 meters, with branches of 2,000 meters.) As from August and up to the date hereof, 6 drilling rigs are being used.

- Additionally, progress was made in the construction of the *Central Production Facilities* (CPF) Phase 1 intended for the treatment of up to 5 MMm^3/d and the system of transfer of fracture water, batteries and ducts.

- It should be noted that in February 2018 the expansion of the gas dehydration plant in Fortín de Piedra was inaugurated, which will allow for the processing of 6.5 million m^3/day of gas from Vaca Muerta formation.

- In August 2017, a commercial agreement was executed for the purposes of taking part in the project of Loma Campana - Lago Pellegrini oil pipe, which will enable the transport of liquid production from Fortín de Piedra to the terminal facilities.

- In Loma Ancha area (province of Neuquén), a horizontal branch exploratory well of 2,000 meters was drilled, pending termination.

- Likewise, as part of the commitments assumed in the extension of the concession in 2014, in Agua Salada area (province of Río Negro) two wells were drilled in Aguada de los Indios Sur zone, and another two exploratory wells were drilled (Loma Cortada and Chañaral Redondo).

- In Punta Senillosa area (province of Neuquén), 9 tight gas wells were drilled as part of the assessment of the area and depending upon the outcomes the development plan is to be determined.

- In Aguaragüe (province of Salta), after an agreement with the province's authorities, the Company will invest USD 30 million through the drilling of three wells. In November, the first development well was drilled and it is expected that in the following fiscal year the second development well and an exploratory well will be drilled. The aim is to increase production and identify new reserves.

- In El Tordillo and La Tapera - Puesto Quiroga areas (province of Chubut) the main operations conducted during the fiscal year consisted in the renegotiation of labor agreements and the adjustment of operating costs in order to maintain the sustainability of the fields. Besides, in May and June several works were carried out in order to recover the fields after the severe storm which affected the area in April. The adjustment of the operations to the current context of the industry and the improvements in productivity and efficiency permitted to restart the operations in the fields in January 2018.

- Lastly, in October 2017, the Company's interest in the exploratory area Río Atuel (in the province of Mendoza) was sold for USD 1.75 million.

ii - STAFF AND COMMUNITY RELATIONS

Human Resources

It is the Company’s priority to consolidate its growth by developing qualified and committed human resources with broad expertise in the different businesses in which the Company operates. The training of human resources is a key and permanent aspect. The Company has several training programs for contributors through which it promotes a continuous update and the incorporation of the best practices of the industry.

In fiscal year 2017, Tecpetrol finished a complex process aimed at adjusting each of its projects to a new context of partial recovery from the crisis that heavily affected the oil industry in previous years. Goals and strategies were adjusted, processes were analyzed to make them more efficient and the way of working was revised. The structure of human resources was also adapted to guarantee the dynamism needed for this new context. In March 2017, Tecpetrol put all its efforts into the mass development of unconventional gas in the field of Fortín de Piedra, located in Vaca Muerta. This way, Tecpetrol started the stage of execution and implementation of its plans. With big technical, logistic and financial challenges ahead, this turning point brought with it a huge human challenge: in a short time period, the Company formed a team of over 200 compromised people with technical soundness and management abilities, values that accompany Tecpetrol since the very beginning. For these purposes, the support of other Company operations was needed; moreover, professionals with specific knowledge and expertise in the development of unconventional resources were incorporated.

During the year, key training activities were conducted, such as the Program *Tecpetrol University Induction Camp* (TUIC), the Leadership Program, the Intense Training of Managers Program and the Entrepreneurs Program. Additionally, during the year a series of technical talks was launched, aimed at training the personnel in industry-related topics.

Health, Safety and Environment

Tecpetrol S.A's primary goal is to conduct its business protecting the physical integrity of its employees and third parties while achieving, in compliance with applicable law, an appropriate conservation of the environment and implementing the best practices to benefit the communities, the employees and the Company.

Tecpetrol's Health, Safety, and Environment Policy (hereinafter referred to as "HSE") is based on leadership and commitment and it comprises prevention programs, accident and incident investigation, risk management, improvement plans and safety and environmental care initiatives, preventive observations, and inspections of operating activities, among many others.

The purpose of the HSE management system is to provide a minimum compulsory conduct framework for the management of every operating area in the Company, from the exploration stage to the decommissioning and restoration of assets throughout the whole value chain and the life cycle of businesses. It is designed to help operations in the establishment and achievement of performance and benefits goals for stakeholders through the management of risks and impacts associated to said activities, as well as helping the introduction of appropriate operational controls.

The results of indicators are monitored through an HSE dashboard, in which the Company can observe the evolution of accident rates, as well as the progress of the different proactive and prevention tools (preventive observations like STOP, field inspections, closing of investigations and compliance with the annual training program, among others.)

During 2017, the implementation of HSE Management System continued, with the standardization of its corporate rules and procedures and with the regular review of such rules and procedures. Additionally, work continues in the preparation of new standard procedures for contractor management, sociocultural aspects and emergency response.

In the area Fortín de Piedra, work was done to get, before the corresponding enforcement authorities, the environmental licenses needed to start the development projects in the area. Together with the main contractors, the Company carried out the planning, implementation and monitoring of applicable safety tools, for the purpose of reducing accident risks during the development of the project.

Additionally, the operations of the Company are subject to a great variety of laws and regulations related to the potential impact its operations might have on the environment, the elimination or remediation of contaminated soil and water with hazardous or toxic waste, specifications regarding gas emissions and waste disposal of industrial liquids and the effect of the environment on health and safety. The Company developed and will continue to develop activities to abide by all applicable regulations.

Social Development

Tecpetrol S.A actively collaborates with the communities close to the areas in which it operates, contributing to the sustainable development of the population and its institutions in the areas of education, health, sports, culture and social advancement. In this spirit, the Company carries out and supports social development programs in low income rural and urban areas, communities and schools near its fields, engaging both its staff and local populations in the development of such programs. The social management plan mainly includes several education, sustainable development, cultural appreciation, labor training and health programs. All these programs are planned following a detailed diagnosis of the circumstances to be improved, and in line with a clear and efficient technical design.

2 – STRUCTURE AND ORGANISATION OF THE COMPANY AND ITS ECONOMIC GROUP

The Company is controlled by Tecpetrol Internacional S.L.U., based in Spain, which has subsidiaries that develop, invest and run businesses in oil and gas production, transportation, and distribution in Argentina, Bolivia, Ecuador, Mexico, Peru and Venezuela.

The table below presents a summary description of the parent company and equity interests in companies of Tecpetrol S.A.:

Parent Company	**Principal line of business**	**Country**	**% 2017**	**% 2016**
Tecpetrol Internacional S.L.U.	Investments and interest in companies	Spain	95.98	95.98
Subsidiaries and other equity investments	**Principal line of business**	**Country**	**% 2017**	**% 2016**
Dapetrol S.A. (1)	Exploration, exploitation and sale of hydrocarbons	Argentina	97.50	97.50
Tecpetrol de Bolivia S.A. (2)	Exploration, exploitation and sale of hydrocarbons	Bolivia	-	98.05
GEA – Geo Energy Alternatives S.A. (3)	Advisory services.	Argentina	-	70.00
Terminales Marítimas Patagónicas S.A.	Transport concessions of terminals Caleta Córdova and Caleta Olivia	Argentina	4.2	4.2
Oleoducto del Valle S.A.	Transport concession from oil pipes to Allen and from Allen oil pipes - Puerto Rosales	Argentina	2.10	2.10
Tecpetrol del Perú S.A.C.	Exploration, exploitation and sale of hydrocarbons	Peru	2.00	2.00
Tecpetrol Bloque 56 S.A.C.	Exploration, exploitation and sale of hydrocarbons	Peru	2.00	2.00
Tecpetrol de México S.A. de C.V.	Provision of services to the hydrocarbon industry	Mexico	1.77	1.77
Burgos Oil Services S.A. de C.V.	Provision of services to the hydrocarbon industry	Mexico	0.937	0.937
Norpower S.A. de C.V.	Provision of services to the hydrocarbon industry	Mexico	0.60	0.60
Tecpetrol Colombia S.A.S.	Exploration, exploitation and sale of hydrocarbons	Colombia	0.1574	0.1574
Tecpetrol de Venezuela S.A.	Provision of services to the hydrocarbon industry	Venezuela	0.03	0.03
Pardaliservices S.A.	Provision of hydrocarbon exploration, evaluation and development services.	Ecuador	0.0000054	0.0000054
Tecpeservices S.A.	Provision of design, engineering and construction services relating to works in oilfields or any other oil infrastructure.	Ecuador	0.0063	0.0063
Tecpecuador S.A.	Provision of services to the hydrocarbon industry	Ecuador	0.0000002	0.0000002

(1) On February 27, 2018 the Shareholders of Dapetrol S.A. at an Extraordinary Meeting approved its early dissolution taking into account that on December 28, 2017 the Oil Mine 'Jose Segundo', main asset of Dapetrol S.A., was sold.
(2) In May 2017, the Company sold its interest in Tecpetrol de Bolivia S.A to Tecpetrol Internacional S.L.U.
(3) In April 2017, GEA-GEO Energy Alternatives S.A. was sold to Techint Inversiones S.A.I.F.

Transactions and balances with related parties are disclosed in Note 32 to these Consolidated Financial Statements.

On January 24, 2018 a company under the name "Oleoducto Loma Campana – Lago Pellegrini S.A." was created; aiming at the construction and exploitation of a gas pipe in Argentina. Tecpetrol S.A. holds a 15% interest in the capital stock of said company.

At the date of issuance of this Annual Report, the Board of Directors of the Company and the Directors of Americas Petrogas Argentina S.A. (hereinafter referred to as "APASA") (both companies are directly controlled by Tecpetrol Internacional S.L.U.) and in consideration of the negotiations held, agree that the unification and consolidation by means of merger by absorption of APASA and thus, the concentration in a single operating unit (Tecpetrol S.A. as the continuing company) aims at the optimization of all administrative, functional, financial and operating structures, for the benefit of the continuing company and the economic group as a whole, improving profits and reducing costs. Such reorganization shall be addressed for approval by the shareholders of both companies.

3 - INFORMATION ON THE FINANCIAL SITUATION

This section shall be read together with the Summary of Information at December 31, 2017.

The profit / (loss) for the year 2017 resulted in a loss of $786.9 million compared with the loss of $567.8 million in the previous year.

Net sales for the year ended 31 December, 2017 reached $4,956.3 million, representing a 35% increase in comparison with 2016.

The contribution made by gas sales coming from Fortín de Piedra is highlighted. However, the gross margin decreased, mainly as a result of the impairments of assets in El Tordillo and Punta Senillosa areas and the sale of Rio Atuel area.

During the year, the Company used cash flows from external financing obtained through the issuance of negotiable obligations in December 2017 with a par value of USD 500 million accruing interest at a fixed rate of 4.875% and with maturity in December 2022. Moreover, the Company used cash flows obtained through bank borrowings and loans granted by related companies. Such financing was obtained at similar interest rates to those applied to other companies in the Argentine market considering comparable factors of solvency, liquidity, cash generation and risk.

The shareholders of Tecpetrol S.A. have also contributed $2,776 million for the purposes of strengthening the financial situation of the Company and providing a financial structure which allows a better development of its business.

Investments in property, plant and equipment during the year reached $10,577 million, mainly due to the development in Fortín de Piedra area.

4 - ADDITIONAL INFORMATION

In accordance with article 10 of the by-laws, the Management of the Company is vested in a Board of Directors comprised of a minimum of 3 and a maximum of 5 Regular Directors. At December 31, 2017 the Board consisted of 5 Regular Directors and 3 Alternate Directors appointed by the Shareholders at an Annual General Meeting held on May 15, 2017.

Decisions and policies, both strategic and administrative, are submitted to the Board of Directors for approval, including all decisions and policies related to investments and disinvestment in both industrial and financial assets. Operating decisions are adopted by the General Manager and his or her team of managers who are responsible for different business areas.

Moreover, the officers periodically monitor the internal control system in force, considering the effects the changes in the systems and processes might cause.

The bylaws of the Company provide for a Shareholders' Committee for Corporate Control formed by a minimum of three regular members upon whom the responsibilities as set forth under Companies Law No. 19.550 are imposed.

The remuneration of all Directors and members of the Shareholders' Committee for Corporate Control is determined considering their responsibilities, time of service, competence and professional reputation, and the value of their services in the market.

The remuneration of the managers consists of a fixed component and a variable component based upon performance; such remuneration is in line with the market values.

The Company offers ongoing benefit programs such as "unfunded defined benefits" and "other long-term benefits" that, under certain established conditions, are granted after retirement and during an employee's working life, and are recorded according to current accounting standards. Additionally, Tecpetrol International S.A. (indirect parent company of Tecpetrol S.A.) adopted an employee retention and long-term incentive program for certain executives of some subsidiaries. According to this program, the beneficiaries will be granted a number of equity units valued at carrying value per share of Tecpetrol International S.A. (excluding non-controlling interests). The Company does not offer stock option plans as part of the remuneration of Directors or Managers.

The Company does not have a specific dividend policy. The distribution of dividends depends upon, among other things, the profits or losses of the Company, the investment requirements, the possibilities and costs of investment projects financing, the settlement of obligations, statutory and contractual restrictions in force, future perspectives and any other factor which the Board of Directors deems relevant. The Board submits the Financial Statements of the Company for the previous fiscal year (together with the related report issued by the Controlling Committee) for consideration and approval of the Shareholders at an Annual General Meeting. Within a 120-day period following the closing of the fiscal year, an Annual General Meeting of Shareholders shall be held in order to approve the financial statements and decide on the use of the profit (loss) for the year.

5 - PROSPECTS

The consolidation of a partial improvement in the conditions of the international oil market after one of the worst crisis ever experienced in the industry, the implementation of an adjustment program regarding the operations which were most affected by the crisis and the change in the contractual or statutory framework of some of our projects have altered the investment conditions enabling the Company to focus on the execution of each of its projects.

In 2018, focus will continue to be put upon the execution of our projects, the productivity, the concern for safety and the value of our commitment to the environment and the quality, consolidating a leadership position in fields we pioneered.

The main and most ambitious project of the Company is the exploitation of the unconventional field in Vaca Muerta (in Neuquina basin) where approximately USD 2,300 million will be invested. Beyond the extraction of shale, for the Company it also involves considering projects such as the storage, the provision of sand and a hard work to reduce investment costs. It might also lead to an endless number of other possibilities for the country's economy if progress is made in an energy matrix based on gas.

In El Tordillo, the adjustments in all operations and the improvements in the project productivity and efficiency made possible the restart of the drilling activities in the first months of 2018 after two years of discontinuation. The challenge is to achieve drilling costs which allow to conduct the activity over time.

After the agreement with the government of the province of Salta, Tecpetrol started to drill two development wells in Campo Durán field in the area of Aguaragüe, which, if successful, will lead to the drilling of another well next year.

Regarding sale prices, it is expected that for 2018 oil prices for the domestic market will be negotiated considering import parity prices for Medanito crude and export parity prices in the case of Escalante crude. As regards gas, deliveries to the different segments are estimated in similar proportions as those of last year, with a significant influence of the production of Fortín de Piedra and the regulatory framework of Resolution No. 46-E/2017 and its amendments.

The human resources strategy of the Company for the next fiscal year is to continue training teams in order to satisfy the needs of every business so as to comply with the objectives defined.

6 - DISTRIBUTION OF DIVIDENDS

Pursuant to the Income Statement, there was a net loss attributable to the shareholders of the Company of $785,121 thousand. The Board of Directors of Tecpetrol S.A. suggests to the Shareholders at a Meeting to report this loss as Retained Earnings as the amount does not exceed the limit established in Section 206 of Companies Law No. 19.550.

Considering that the Company registered a loss, no allocation is proposed to the Legal Reserve.

A provision was made in the Consolidated Financial Statements for the fiscal year ended December 31, 2017, for $2,380 thousand in respect of the estimated fees of the members of the Board of Directors and the members of the Shareholders' Committee for Corporate Control, which requires the approval of the Shareholders at a Meeting. During such Meeting this Annual Report and the Consolidated Financial Statements shall also be addresses.

The Board of Directors thanks all the staff for their dedication and efforts throughout the year.

City of Buenos Aires, March 9, 2018.

TECPETROL SOCIEDAD ANÓNIMA

SUMMARY OF INFORMATION

In accordance with the regulations issued by the National Securities Commission for Argentina (Comisión Nacional de Valores, CNV), the Board of Directors of the Company has approved this summary of information for the twelve-month period which commenced on January 1, 2017 and ended on December 31, 2017.

1. Activity of the Company

The operating result of the Company are principally affected by production levels, sale prices, the market demand for oil, gas and derivative products, fluctuations in operating costs, the economic conditions in Argentina and government regulations.

Fourth quarter of 2017 analysis

During fourth quarter 2017, net sales totaled $1,657.0 million, representing an 85% increase in relation to the same period of the previous year. Such increase was mainly caused by a significant rise in gas production accompanied by a slight increase in gas sale prices and the effect of the devaluation of the Argentine peso (ARS) with respect to the US dollar (USD).

In the fourth quarter 2017, oil production volumes amounted to 125 thousand m^3 (56% of which corresponded to escalante crude oil and the remaining 44% to medanito crude oil), representing a 5% increase with respect to the fourth quarter 2016 in which the oil production totaled 119 thousand m^3. In the fourth quarter 2017, the whole crude oil production was used in the domestic market, whereas in the fourth quarter 2016, 74% of the production was exported.

Gas production rose up to 258 million m^3, representing an increase of 68% in relation to fourth quarter 2016 which was of 154 million m^3. In both periods gas production was sold to the domestic market.

As regards escalante crude oil, revenues from sales were increased by $85.1 million, mainly due to the increase in sale prices and the effect of the devaluation of the ARS with respect to the USD. Such increase is partially offset by the reduction in the production of the abovementioned period.

Revenues from medanito crude oil sales increased by $102.0 million compared to fourth quarter 2016, as a result of an increase in the production of the period, an increase in sales prices and the effect of the devaluation of the ARS against the USD.

Revenues from gas sales increased $573.1 million, because of the significant increase in production, primarily in Fortín de Piedra and Punta Senillosa fields, both located in Neuquina basin; and due to a 29% increase in sale prices in relation to the same period of 2016.

In the fourth quarter of 2017, operating costs totaled $1,395.7 million, representing an increase of 87% compared to the $746.2 million recorded in the fourth quarter of 2016. Such increase was mainly caused by the increase in depreciations and impairments of property, plant and equipment, recognized in Punta Senillosa area during the fourth quarter of 2017; the increase in labor costs mainly due to the payroll increase; and the increase in the royalties expenses related to the increase in the production of the period.

Selling and administrative expenses during the fourth quarter of 2017 amounted to $220.5 million, representing a 15% increase in comparison with an amount of $192.5 million recorded in the fourth quarter of 2016. Such increase is principally caused by the increase in labor costs and tax charges which is related to the biggest volume of operations during the fourth quarter of 2017. Such increase was partially offset by the reversal of the allowance for doubtful accounts.

Net financial profits (losses) showed a loss of $141.0 million in the fourth quarter of 2017, compared to the loss of $62.4 million recorded in the fourth quarter of 2016. The variation in the financial profits (losses) for the period mainly occurred because of the increase in the exchange difference loss, generated by the exchange fluctuation of the ARS against the USD. Such situation was slightly offset by the increase in dividend income as well as the decrease in interest cost caused by the decrease in average borrowings.

During the fourth quarter of 2017, profit / (loss) from discontinued operations recorded a profit of $84.2 million, while in the fourth quarter of 2016, profit / (loss) from discontinued operations showed a loss of $99.8 million. Profit from discontinued operations of the fourth quarter of 2017 was generated by the profits / (losses) from the operations of Dapetrol S.A., deemed as discontinued operation due to the sale of José Segundo Oil Mine, its main asset, in December 2017; while in the fourth quarter of 2016 the loss from discontinued operations was mainly generated by the operations of Tecpetrol de Bolivia S.A. and Dapetrol S.A.

The net profit / (loss) for the fourth quarter of 2017 recorded a profit of $133.2 million, while in the fourth quarter of 2016 the net profit / (loss) was a loss of $261.2 million.

Fiscal Year 2017 analysis

Net sales during 2017 totaled $4,956.3 million, representing a 35% increase with respect to 2016.

During 2017, crude oil production volumes amounted to 415 thousand m^3 (62% of which corresponded to escalante crude oil and the remaining 38% to medanito crude oil) representing a 19% decrease with respect to crude oil production of 2016, which was 515 thousand m^3. In 2017, 14% of oil production was exported; while in 2016, 48% of oil production was exported.

Regarding gas production, it amounted to 877 million m^3, representing a 46% increase in relation to 2016, which reached 599 million m^3. In 2017 and 2016, gas production was entirely used in the domestic market.

Revenues from escalante crude oil sales decreased by $141.3 million, mainly due to a decrease in production in Golfo San Jorge basin. Such effect was partially offset by an increase in sales price and the exchange rate fluctuation of the ARS against the USD.

As regards revenues from medanito crude oil sales, the increase in production offset the effect of the decrease in sales prices in the domestic market, which dropped from an average of USD 62 per barrel in 2016 to USD 56 in 2017. Said tendency in sales prices arose from the gradual convergence of such prices to international values during 2017.

Revenues from gas sales increased by $1,450.4 million, due to a significant increase in production mainly from Fortín de Piedra area in Neuquina basin, which corresponded to the development of the area; and a 17% increase in the average sale prices compared to 2016.

Operating costs totaled $4,575.8 million in 2017, representing an increase of $1,711.8 million compared to the amount of $2,863.9 million recorded in 2016. This increase was mainly caused by: i) an increase in the depreciation of property, plant and equipment due to more investments made during the year, especially because of the development of Fortín de Piedra area; ii) recognition of an impairment charge on production and development assets and equipment in El Tordillo area, mainly caused by the international price of oil, which turned certain activities impractical as the field is mature, and an impairment charge on production and development assets and equipment in Punta Senillosa area as during the year the Company developed a drilling plan in such area in order to determine the potential of the field and the outcomes indicated that certain fields had a lower production than expected; iii) increase in well maintenance and service operations, mainly in Agua Salada, Fortín de Piedra and El Tordillo; and iv) increase in labor costs as a result of an increase in the payroll and salaries.

Selling and administrative expenses during 2017 amounted to $960.2 million, that is, a higher amount than the one reported in 2016, which was $821.8 million. This increase was mainly generated by the increase in labor costs and taxes, originated by the boost to the operations volume, which was partially offset by the recovery of the allowance for doubtful accounts.

Net financial profits (losses) resulted in a loss of $331.3 million in 2017, compared to a loss of $224.3 million in 2016. The variation in financial profits (losses) was mainly caused by the exchange differences (loss) generated by the effect of the devaluation of the ARS against the USD; situation which was partially offset by a lower charge of interest cost, as a result of a lower level of borrowings during 2017 (compared to 2016.)

Profits / (losses) from discontinued operations in 2017 recorded a loss of $108.4 million compared to the loss of $303.7 million recorded in 2016. In both periods, the loss mainly arose from the profits or losses from the operations carried out by Tecpetrol de Bolivia S.A. and Dapetrol S.A.

Consolidated net loss for 2017 was $786.9 million, exceeding by $219.1 million the consolidated net loss for 2016, which was $567.8 million.

Liquidity and cash flows

Net cash generated by operating activities in 2017 was $2,892.2 million.

During 2017, the Company received funds from borrowings of banks and related companies. These borrowings were obtained at similar interest rates as those of other companies in the Argentine market, considering comparable solvency, solidity, fund generation and risk characteristics.

Moreover, in December 2017, the Company issued negotiable obligations with a par value of USD 500 million accruing interest at a 4.875% fixed rate and maturing on December 12, 2022. Funds obtained from the issuance of such negotiable obligations will be mainly used to invest in fixed assets in Fortín de Piedra area in Vaca Muerta formation, located in the province of Neuquén. The negotiable obligations of the Company are unconditionally and irrevocably guaranteed by the Parent Company, Tecpetrol Internacional S.L.U.

Furthermore, Tecpetrol S.A. received capital contributions from its shareholders for an amount of $2,776 million for the purposes of strengthening its financial situation and providing the Company with a better financial structure that allows the development of its operations.

At December 31, 2017, the Company's borrowings totaled $15,691.9 million and the equity totaled $4,733.9 million.

Investments in property, plant and equipment during 2017 (net of unpaid acquisitions at year-end) amounted to $7,290.1 million, corresponding mainly to the development of Fortín de Piedra area.

2. **Structure of Consolidated Financial Position** (comparative at December 31, 2016 – amounts stated in thousands of pesos)

	At December 31,	
	2017	**2016**
Non-current assets	16,193,566	10,436,099
Current assets	11,010,955	1,932,941
Total Assets	**27,204,521**	**12,369,040**
Equity attributable to Owners of the parent	4,731,741	1,068,119
Non-controlling interest	2,117	(15,729)
Total Equity	**4,733,858**	**1,052,390**
Non-current liabilities	17,284,349	6,511,388
Current liabilities	5,186,314	4,805,262
Total Liabilities	**22,470,663**	**11,316,650**
Total Equity and Liabilities	**27,204,521**	**12,369,040**

3. **Structure of Consolidated Income and Comprehensive Income** (comparative with the same year ended at December 31, 2016 – amounts stated in thousands of pesos)

	Year ended December 31	
	2017	**2016**
Operating loss	(517,073)	(87,876)
Net financial profits / (losses)	(331,329)	(224,273)
Profit / (loss) from equity-accounted investments	15,310	(3)
Loss before taxes	**(833,092)**	**(312,152)**
Income tax	154,599	48,031
Loss from continuing operations	**(678,493)**	**(264,121)**
Loss from discontinued operations	(108,447)	(303,698)
Loss for the year	**(786,940)**	**(567,819)**
Consolidated Statement of Comprehensive Income		
Loss for the year	(786,940)	(567,819)
Other comprehensive income from continuing operations	651,426	385,720
Other comprehensive income from discontinued operations	126,059	(114,331)
Comprehensive income for the year	**(9,455)**	**(296,430)**

4. **Consolidated Cash Flow Structure** (comparative with the same year ended December 31, 2016 – amounts stated in thousands of pesos)

	Year ended December 31	
	2017	**2016**
Cash (used in) / generated by operating activities	(394,732)	634,738
Cash used in investment activities	(7,214,302)	(1,923,960)
Cash generated by financing activities	14,922,909	1,674,126
Total cash generated during the year	**7,313,875**	**384,904**

5. **Consolidated Statistical Data** (comparative information with the same year ended December 31, 2016 – amounts stated in thousands of m^3)

	Year ended December 31	
	2017	**2016**
Production volume (*)		
Total production in equivalent units	1,292	1,114
Domestic market	1,232	869
Exports	60	245
Oil production	415	515
Gas production	877	599

(*) Caloric equivalence (1,000 m^3 gas = 1 m^3 oil)

6. Consolidated Indicators (comparative at December 31, 2016)

	At December 31	
	2017	**2016**
Liquidity (1)	2.12	0.40
Solvency (2)	0.21	0.09
Locked-up capital (3)	0.60	0.84
Profitability (4)	(0.27)	(0.47)

(1) Liquidity: Current assets/Current liabilities

(2) Solvency: Total Equity/Total liabilities

(3) Locked up capital: Non-current assets/Total assets

(4) Loss for the year (other comprehensive income not included)/Average total Equity

7. Perspectives

During the first quarter of 2018 and throughout the year, Tecpetrol estimates a level of crude oil sales similar to the level reached in the fourth quarter of the year, assigning the production mainly to the domestic market.

After having reached an agreement with the authorities of the province of Salta, the Company will invest USD 30 million in Aguaragüe, through the drilling of three wells. Drilling activities for the first development well started in November 2017, and it is expected that in the following year the second development well and one exploratory well will be drilled. The aim is to boost production and identify new reserves.

In El Tordillo, the adjustment of the operations and the improvements in productivity and project efficiency made it possible to restart the drilling activities in the first months of 2018, after two years of discontinuation. The challenge is to attain drilling costs which allow for the continuance of the activities over time.

Regarding gas production and net sales, an increase is expected in the first quarter of 2018 and throughout the year, due to the commencement of production in wells currently going through the drilling phase in Fortín de Piedra area, and because of the incentives provided for in Resolution No. 46/2017 issued by the Energy and Mining Ministry. This situation will allow for an increase in the operating margin in the next quarters.

In Fortín de Piedra area, progress was made in the construction of the Central Production Facilities (CPF) Phase 1 intended for the treatment of up to 5 million m^3/d and the system of transfer of fracture water, batteries and ducts. It should be noted that in February 2018 the expansion of the gas dehydration plant in Fortín de Piedra was inaugurated, which will allow for the processing of 6.5 million m3/day of gas from Vaca Muerta formation. Additionally, drilling activities will continue, together with ground-level infrastructure work in order to boost the treatment and delivery capacity of gas in the area. It is expected that gas development from Vaca Muerta formation will continue to generate activity across the goods and services value chain associated with hydrocarbon production, and will provide energy under competitive conditions, favoring the economic and industrial development of Argentina and contributing to energy self-sufficiency.

Likewise, on January 24, 2018 Tecpetrol S.A. and YPF S.A. created a company named "Oleoducto Loma Campana - Lago Pellegrini S.A.", aiming at the construction and exploitation of an oil pipe in Argentina which will enable the transport of liquid production from Fortín de Piedra to the terminal facilities. Tecpetrol S.A. holds a 15% interest in the capital stock of said company.

Committed bank loan

On September 18, 2017 Tecpetrol S.A., together with Tecpetrol del Perú S.A.C. and Tecpetrol Bloque 56 S.A.C., as co-borrowers, have entered into a credit facility agreement for up to USD 200 million with a pool of banks comprising BANCO DE CRÉDITO DEL PERÚ S.A., BBVA BANCO CONTINENTAL, CITIBANK N.A. y J.P. MORGAN CHASE BANK, N.A. The agreed quarterly interest rate is LIBO rate plus 150 bps per year; repayment of the loan shall commence the twenty-fourth month (24) following the request date and shall be cancelled in thirteen (13) consecutive and quarterly installments. The remaining terms and conditions are the ones regularly used for similar financing processes. The Company estimates it will disburse such funds before March 18, 2018.

Early dissolution of Dapetrol S.A. (subsidiary company)

On February 27, 2018, after the sale of Oil Mine “José Segundo”, main asset of Dapetrol S.A., the shareholders of Dapetrol S.A. at an Extraordinary Meeting approved the early dissolution of such company.

Merger with América Petrogas Argentina S.A.

At the date of issuance of this Summary of Information, the Board of Directors of the Company and the Directors of Americas Petrogas Argentina S.A. (hereinafter referred to as "APASA") (both companies are directly controlled by Tecpetrol Internacional S.L.U.) and in consideration of the negotiations held, agree that the unification and consolidation by means of merger by absorption of APASA and thus, the concentration in a single operating unit (Tecpetrol S.A. as the continuing company) aims at the optimization of all administrative, functional, financial and operating structures, for the benefit of the continuing company and the economic group as a whole, improving profits and reducing costs. Such reorganization shall be addressed for approval by the shareholders of both companies.

Buenos Aires city, March 9, 2018.

INDEPENDENT AUDITORS' REPORT

To the Shareholders, President and Directors of
Tecpetrol Sociedad Anónima
Legal address: Pasaje Della Paolera 297/299 - 16th floor
Autonomous City of Buenos Aires
Tax Code No. 30-59266547-2

Introduction

We have audited the accompanying consolidated financial statements of Tecpetrol Sociedad Anónima (hereinafter, "the Company"), which comprise the consolidated statement of financial position at December 31, 2017, the consolidated statements of income, of comprehensive income, of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to the year 2016 are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these consolidated financial statements.

Board's responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE, for its Spanish acronym) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV, for its Spanish acronym), as adopted by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of internal control that it deems necessary to prepare consolidated financial statements free from material misstatements due to errors or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We performed our audit in accordance with International Auditing Standards (IAS) as adopted by the FACPCE through Technical Pronouncement No. 32 and its respective Adoption Memoranda. Those standards require that we comply with ethical requirements, and that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements.

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An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements due to fraud or error. When performing this risk assessment, the auditor must consider the internal control system relevant to the preparation and fair presentation of the consolidated financial statements of the Company in order to design the audit procedures that are appropriate in the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements mentioned in the first paragraph of this report, present fairly, in all material respects, the consolidated financial position of Tecpetrol Sociedad Anónima at December 31, 2017, the consolidated comprehensive income and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Report on compliance with current regulations

In accordance with current regulations, we report, regarding Tecpetrol Sociedad Anónima, that:

a) the consolidated financial statements of Tecpetrol Sociedad Anónima are transcribed into the “Inventory and Balance Sheet” book and, as regards those matters that are within our competence, comply with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;

b) the consolidated financial statements of Tecpetrol Sociedad Anónima arise from accounting records kept in all formal respects in conformity with legal regulations, which maintain the security and integrity conditions based on which they were authorized by the National Securities Commission;

c) we have read the supplementary information presented with the consolidated financial statements in accordance with article 12, Chapter III, Title IV of the regulation of the National

Securities Commission, on which, as regards those matters that are within our competence, we have no observations to make;

d) as of December 31, 2017, the debt of Tecpetrol Sociedad Anónima accrued in favor of the Argentine Integrated Social Security System arising from the Company's accounting records amounted to $ 26,089,762, none of which was claimable at that date;

e) in accordance with article 21, paragraph b) Chapter III, Section VI, Title II of the regulation of the National Securities Commission, we report that the total fees for auditing and related services invoiced to the Company for the year ended December 31, 2017 account for:

- e.1) 100 % of the total fees for services invoiced to the Company for all concepts in that year;
- e.2) 84 % of the total fees for audits and related services invoiced to the Company, its parent companies, subsidiaries and related parties in that year;
- e.3) 84 % of the total fees for services invoiced to the Company, its parent companies, subsidiaries and related parties for all concepts in that year;

f) we have applied the anti-money laundering and financing of terrorism procedures for Tecpetrol Sociedad Anónima comprised in the professional standards issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires, March 9, 2018

PRICE WATERHOUSE & CO. S.R.L.

by (Partner)

Alejandro J. Rosa

Tecpetrol Sociedad Anónima
Consolidated Financial Statements at December 31, 2017

LEGAL INFORMATION
Consolidated Financial Statements at December 31, 2017

Legal domicile:	Pasaje Della Paolera 299/297 – 16th floor - Buenos Aires city
Reported fiscal year:	No. 38
Company's main line of business:	Exploration, exploitation and development of hydrocarbon fields; transport, distribution, transformation, distillation and industrial use of hydrocarbons and by-products and hydrocarbons trade; electric power generation and commercialization through the construction, operation and exploitation in any manner of power plants and equipment for the generation, production, self-generation and/or co-generation of electric power.
Registration dates with the Companies Registration Office:	By-laws: registered under No. 247 of Book 94, Volume of Companies by Shares, on June 19, 1981. Amendments to by-laws: March 25, 1983, October 16, 1985, July 1, 1987, February 24, 1989, December 12, 1989, August 18, 1992, December 21, 1992, April 6, 1993, December 14, 1995, October 30, 1997, October 13, 2000, September 14, 2005, November 16, 2007, March 23, 2009, September 20, 2010, March 2, 2016, November 25, 2016, and September 28, 2017.
Date of expiry of Company's by-laws:	June 19, 2080.
Correlative registration number with the Companies Controlling Office (Inspección General de Justicia, IGJ):	802.207
Name of Parent Company:	Tecpetrol Internacional S.L.U.
Legal domicile of Parent Company:	Calle García de Paredes 94, 1st floor, apartment A, 28010 Madrid, Spain.
Parent Company's main line of business:	Investment
Equity interest held by Parent Company:	95.98%
Percentage of votes of Parent Company:	98.3346%

		At December 31, 2017
Capital status (Note 2.9.b)	**Type of shares**	**Total subscribed, paid-up and registered**
	Book-entry shares	**$**
	Class A common shares of $1 par value -1 vote per share	2,459,102,936
	Class B common shares of $1 par value -5 votes per share	1,340,897,064
		3,800,000,000

Tecpetrol Sociedad Anónima
Consolidated Financial Statements at December 31, 2017

CONSOLIDATED INCOME STATEMENT
for the years ended December 31, 2017 and December 31, 2016
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Year ended December 31, 2017	2016
Continuing operations			
Net sales	**7**	4,956,251	3,670,800
Operating costs	**8**	(4,575,772)	(2,863,929)
Gross margin		**380,479**	**806,871**
Selling expenses	**9**	(98,482)	(183,289)
Administrative expenses	**10**	(861,686)	(638,493)
Exploration costs		(931)	(60,313)
Other operating income	**12**	76,422	2,924
Other operating expenses	**12**	(12,875)	(15,576)
Operating loss		**(517,073)**	**(87,876)**
Financial income	**13**	55,878	39,511
Financial costs	**13**	(247,408)	(243,203)
Other net financial losses	**13**	(139,799)	(20,581)
Loss before profit (loss) of equity-accounted investments and before income tax		**(848,402)**	**(312,149)**
Profit (loss) from equity-accounted investments	**16**	15,310	(3)
Loss before income tax		**(833,092)**	**(312,152)**
Income tax	**14**	154,599	48,031
Loss for the year from continuing operations		**(678,493)**	**(264,121)**
Discontinued operations			
Loss for the year from discontinued operations	**34**	(108,447)	(303,698)
Loss for the year		**(786,940)**	**(567,819)**
Loss attributable to:			
Owners of the parent		(785,121)	(561,886)
Non-controlling interest		(1,819)	(5,933)
Basic and diluted loss per share attributable to the shareholders of the Parent Company ($ per share)	**23**	(0.32)	(0.55)
Basic and diluted loss per share of continuing operations attributable to the shareholders of the Parent Company ($ per share)	**23**	(0.28)	(0.26)

The accompanying Notes 1 to 35 form an integral part of these Consolidated Financial Statements.

Tecpetrol Sociedad Anónima
Consolidated Financial Statements at December 31, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended December 31, 2017 and December 31, 2016
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Year ended December 31, 2017	2016
Loss for the year		**(786,940)**	**(567,819)**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Continuing operations			
Changes in the fair value of available-for-sale financial assets	**18**	56,238	(6,380)
Income tax related to components of other comprehensive income (i)	**28**	8,938	730
Discontinued operations			
Currency translation differences		126,059	(114,331)
Items that will not be reclassified to profit or loss:			
Continuing operations			
Currency translation differences - Tecpetrol S.A.		642,495	378,846
Remeasurement of post-employment benefit obligations	**25**	(74,994)	19,267
Income tax related to components of other comprehensive income (ii)	**28**	18,749	(6,743)
Total other comprehensive income for the year		**777,485**	**271,389**
Total comprehensive income for the year		**(9,455)**	**(296,430)**
Comprehensive income attributable to:			
Owners of the parent		(10,319)	(288,279)
Non-controlling interest		864	(8,151)
		(9,455)	**(296,430)**
Comprehensive income attributable to the Owners of the parent			
Continuing operations		(27,270)	121,632
Discontinued operations		16,951	(409,911)
		(10,319)	**(288,279)**

(i) Generated by changes in the fair value of available-for-sale financial assets.
(ii) Generated by remeasurement of post-employment benefit obligations.

The accompanying Notes 1 to 35 form an integral part of these Consolidated Financial Statements.

Tecpetrol Sociedad Anónima
Consolidated Financial Statements at December 31, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at December 31, 2017 and December 31, 2016
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	December 31, 2017	December 31, 2016	January 1, 2016
ASSETS				
Non-current assets				
Property, plant and equipment. Exploration, evaluation and development assets	**15**	15,376,138	9,507,575	6,964,320
Investments in entities accounted for using the equity method	**16**	-	1,190	913
Available-for-sale financial assets	**18**	317,549	219,043	185,408
Deferred tax asset	**28**	335,424	104,832	45,138
Other receivables and prepayments	**19**	85,245	570,726	433,861
Income tax credit		79,210	32,733	23,032
Total Non-current assets		**16,193,566**	**10,436,099**	**7,652,672**
Current assets				
Inventories	**21**	255,961	271,129	227,550
Other receivables and prepayments	**19**	1,665,561	788,586	771,557
Income tax credit		-	22,290	60,049
Trade receivables	**20**	622,647	632,295	278,735
Cash and cash equivalents	**22**	8,466,786	218,641	196,342
Total Current assets		**11,010,955**	**1,932,941**	**1,534,233**
Total Assets		**27,204,521**	**12,369,040**	**9,186,905**
EQUITY AND LIABILITIES				
Equity				
Share capital		3,800,000	1,024,000	1,024,000
Legal reserve		-	-	74,800
Reserve for future dividends		-	-	14,408
Capital contributions		897,941	-	-
Special reserve		435,751	435,751	435,751
Other reserves		1,048,409	273,607	-
Retained earnings		(1,450,360)	(665,239)	(192,561)
Total equity attributable to Owners of the parent		**4,731,741**	**1,068,119**	**1,356,398**
Non-controlling interest		2,117	(15,729)	(7,578)
Total Equity		**4,733,858**	**1,052,390**	**1,348,820**
Non-current liabilities				
Borrowings	**24**	15,545,770	5,102,686	4,686,006
Employee benefits programs	**25**	448,984	304,040	255,180
Provisions	**26**	1,289,072	1,103,837	679,247
Trade and other payables	**27**	523	825	1,888
Total Non-current liabilities		**17,284,349**	**6,511,388**	**5,622,321**
Current liabilities				
Borrowings	**24**	146,155	3,464,918	1,342,153
Employee benefits programs	**25**	30,916	-	-
Provisions	**26**	63,970	43,057	46,810
Trade and other payables	**27**	4,945,273	1,297,287	826,801
Total Current Liabilities		**5,186,314**	**4,805,262**	**2,215,764**
Total Liabilities		**22,470,663**	**11,316,650**	**7,838,085**
Total Equity and Liabilities		**27,204,521**	**12,369,040**	**9,186,905**

The accompanying Notes 1 to 35 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the years ended December 31, 2017 and December 31, 2016
(Amounts stated in thousands of pesos, unless otherwise specified)

		Attributable to the Shareholders of the Company							
		Shareholders' contributions		Accumulated profits (losses)					
		Share capital		Reserved earnings					
	Notes	Subscribed capital	Capital contributions	Special reserve (i)	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Balances at December 31, 2016		**1,024,000**	**-**	**435,751**	**273,607**	**(665,239)**	**1,068,119**	**(15,729)**	**1,052,390**
Loss for the year		-	-	-	-	(785,121)	(785,121)	(1,819)	(786,940)
Currency translation differences		-	-	-	766,074	-	766,074	2,480	768,554
Changes in the fair value of available-for-sale financial assets	**18**	-	-	-	56,035	-	56,035	203	56,238
Remeasurement of post-employment benefit obligations	**25**	-	-	-	(74,994)	-	(74,994)	-	(74,994)
Income tax related to components of other comprehensive income	**28**	-	-	-	27,687	-	27,687	-	27,687
Other comprehensive income for the year		**-**	**-**	**-**	**774,802**	**-**	**774,802**	**2,683**	**777,485**
Total comprehensive income for the year		**-**	**-**	**-**	**774,802**	**(785,121)**	**(10,319)**	**864**	**(9,455)**
Effect from transfer of subsidiary's share interest (ii)		-	897,941	-	-	-	897,941	-	897,941
Deconsolidation of non-controlling interest in subsidiaries		-	-	-	-	-	-	16,794	16,794
Non-controlling interest increase		-	-	-	-	-	-	188	188
Resolutions of the Extraordinary Shareholders' Meeting held on June 26, 2017:									
- Share capital increase		2,776,000	-	-	-	-	2,776,000	-	2,776,000
Balances at December 31, 2017		**3,800,000**	**897,941**	**435,751**	**1,048,409**	**(1,450,360)**	**4,731,741**	**2,117**	**4,733,858**

(i) Corresponds to General Resolution No. 609/12 of the CNV. See Note 31.
(ii) Corresponds to the effect of the transfer of share interest in Tecpetrol de Bolivia S.A. to Tecpetrol Internacional S.L.U. (See Note 34).

The accompanying Notes 1 to 35 form an integral part of these Consolidated Financial Statements.

Tecpetrol Sociedad Anónima
Consolidated Financial Statements at December 31, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the years ended December 31, 2017 and December 31, 2016 (Cont'd)
(Amounts stated in thousands of pesos, unless otherwise specified)

		Attributable to the Shareholders of the Company								
		Shareholders' contributions	Accumulated profits (losses)							
		Share capital	Reserved earnings							
	Notes	Subscribed capital	Legal reserve	Reserve for future dividends	Special reserve (i)	Other reserves	Retained earnings	Total	Non-controlling interest	Total
Balances at January 1, 2016		**1,024,000**	**74,800**	**14,408**	**435,751**	**-**	**(192,561)**	**1,356,398**	**(7,578)**	**1,348,820**
Loss for the year		-	-	-	-	-	(561,886)	(561,886)	(5,933)	(567,819)
Currency translation differences		-	-	-	-	266,701	-	266,701	(2,186)	**264,515**
Changes in the fair value of available-for-sale financial assets	**18**	-	-	-	-	(6,348)	-	(6,348)	(32)	**(6,380)**
Remeasurement of post-employment benefit obligations	**25**	-	-	-	-	19,267	-	19,267	-	**19,267**
Income tax related to components of other comprehensive income	**28**	-	-	-	-	(6,013)	-	(6,013)	-	**(6,013)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**273,607**	**-**	**273,607**	**(2,218)**	**271,389**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**273,607**	**(561,886)**	**(288,279)**	**(8,151)**	**(296,430)**
Distribution of retained earnings according to the decision adopted during the Annual General Meeting of Shareholders held on June 3, 2016:										
- Reserve for future dividends and legal reserve		-	(74,800)	(14,408)	-	-	89,208	-	-	**-**
Balances at December 31, 2016		**1,024,000**	**-**	**-**	**435,751**	**273,607**	**(665,239)**	**1,068,119**	**(15,729)**	**1,052,390**

(i) Corresponds to General Resolution No. 609/12 of the CNV. See Note 31.

The accompanying Notes 1 to 35 form an integral part of these Consolidated Financial Statements.

Tecpetrol Sociedad Anónima
Consolidated Financial Statements at December 31, 2017

CONSOLIDATED CASH FLOW STATEMENT

for the years ended December 31, 2017 and December 31, 2016

(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Year ended December 31, 2017	2016
OPERATING ACTIVITIES			
Loss for the year		(786,940)	(567,819)
Adjustments for: (*)			
Depreciation of property, plant and equipment	**15**	1,746,043	1,114,049
Impairment of property, plant and equipment	**15**	264,942	16,035
Profit from the sale of property, plant and equipment		3,962	(1,233)
Exploration costs		931	29,395
Income tax	**14**	(154,599)	(48,031)
Accrued and unpaid interest		170,283	62,682
Dividend income	**13**	(26,396)	(3,242)
Allowances and provisions		(97,073)	143,490
Profit from the sale of equity interest in subsidiaries and associates		(15,394)	-
Loss from equity-accounted investments	**16**	60	3
Loss from employee benefits programs	**11**	100,695	47,992
Changes in operating assets and liabilities:			
Increase in trade and other receivables		(1,345,706)	(712,704)
Decrease (increase) in inventories		15,168	(43,579)
Increase in trade and other payables		451,234	516,550
Others, including currency translation differences		(660,576)	152,744
Payment of employee benefit programs	**25**	(35,283)	(42,399)
Payment of income tax		(26,083)	(29,195)
Cash (used in) / generated by operating activities		**(394,732)**	**634,738**
INVESTING ACTIVITIES			
Investments in property, plant and equipment		(7,290,084)	(1,929,419)
Collection from the sale of property, plant and equipment		44,221	2,496
Contributions to associated companies	**16**	(100)	(279)
Proceeds from the sale of equity in subsidiaries		5,265	-
Collected dividends		26,396	3,242
Cash used in investing activities		**(7,214,302)**	**(1,923,960)**
FINANCING ACTIVITIES			
Proceeds from borrowings		7,303,976	7,567,329
Issuance of negotiable obligations, after deducting issuance costs		8,700,599	-
Payment of borrowings		(3,080,646)	(5,996,907)
Funds received from capital increases of the year		1,987,294	-
Funds received from capital increases of previous years		11,498	103,704
Non-controlling interest increase		188	-
Cash generated by financing activities		**14,922,909**	**1,674,126**
Increase in cash and cash equivalents		**7,313,875**	**384,904**
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year/ (Current account overdrafts)		216,288	(210,270)
Increase in cash and cash equivalents		7,313,875	384,904
Deconsolidation of subsidiaries		(20,531)	-
Currency translation differences		957,154	41,654
Cash and cash equivalents at year-end		**8,466,786**	**216,288**
Cash and cash equivalents	**22**	8,466,786	218,641
Current account overdrafts	**24**	-	(2,353)
Cash and cash equivalents at year-end		**8,466,786**	**216,288**
Non-cash transactions			
Debt capitalization with Parent Company		788,706	-
Contributions in kind from capital increases of previous years		274,798	-
Deconsolidation of borrowings due to the sale of subsidiaries		5,785,157	

(*) There is no significant difference between interest earned and interest collected.

The accompanying Notes 1 to 35 form an integral part of these Consolidated Financial Statements.

Table of contents of Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements at December 31, 2017

(Amounts stated in thousands of pesos, unless otherwise specified)

1. General Information

Tecpetrol S.A. (hereinafter referred to as the "Company") was incorporated on June 5, 1981 and its main activity consists in the exploration and exploitation of oil and gas in Argentina.

The Company has an important presence in Vaca Muerta area, through (i) unconventional exploitation concessions in the areas of Fortín de Piedra and Punta Senillosa, which were granted in July, 2016 for a period of 35 years and over which the Company holds all rights and obligations; and (ii) the exploration permission in Loma Ancha area.

In addition, the Company operates in conventional hydrocarbon areas in Neuquina and Noroeste - San Jorge basins through joint operations (see Note 33) and holds all exploitation rights of the area Los Bastos in the province of Neuquén.

Reference to "Tecpetrol" in these Financial Statements includes Tecpetrol S.A. and its consolidated subsidiaries.

The Company is incorporated and domiciled in Argentina. Its legal domicile is Pasaje Della Paolera 299/297, 16th floor, city of Buenos Aires.

The Consolidated Financial Statements were approved for issuance by the members of the Board of Directors on March 9, 2018.

2. Summary of significant accounting policies

The main accounting policies applied in the preparation of these Consolidated Financial Statements are set out below:

2.1 Basis for preparation

These Consolidated Financial Statements of the Company and its subsidiaries are the first annual financial statements to be prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), under a historical cost convention, modified by the revaluation of financial assets and liabilities at fair value.

The National Securities Commission for Argentina (Comisión Nacional de Valores, CNV) by means of General Resolution No. 622/13, has established the application of Technical Resolutions No. 26 and 29 issued by the Argentine Federation of Professional Councils in Economic Sciences (Federación Argentina de Consejos Profesionales de Ciencias Económica, FACPCE) which adopt IFRS issued by the IASB, for entities included in the public offering regime under Law No. 17811 and amendments, either due to their capital stock or negotiable obligations, or because they have requested authorization to be included in such regime.

These Consolidated Financial Statements are disclosed in thousands of Argentine pesos, unless otherwise stated.

Pursuant to the IFRS, the preparation of these Consolidated Financial Statements requires the management of the Company to make certain estimates that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the income and expense figures for the reported years. Actual profits or losses might differ from these estimates.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.1 Basis for preparation (Cont'd)

If applicable, some figures from the Consolidated Financial Statements for the year ended December 31, 2016 have been reclassified in order to present comparative information in respect of the current Consolidated Financial Statements.

2.2 First-time adoption of IFRS

Pursuant to IFRS 1 First-time Adoption of International Financial Reporting Standards, the transition date to IFRS is January 1, 2016. The Company has prepared its opening Consolidated Statement of Financial Position under IFRS at that date, which is presented for comparative purposes.

Exemptions and exceptions under IFRS 1 are included below, which were used in the conversion from accounting standards in force in Argentina to IFRS:

Optional exemptions to IFRS

Under IFRS 1, first-time adopters are allowed some exemptions relating to the retrospective application of IFRS in force at the date of adoption of IFRS. These exemptions are permitted by the IASB to make the first application easier.

The optional exemptions adopted by the Company under IFRS 1 are detailed below:

1. Fair value as deemed cost: At the date of transition to IFRS of the Parent Company, the Company opted to measure its items of property, plant and equipment at fair value and has used fair value as deemed cost at that date.

2. Cumulative translation differences: All cumulative translation profits and losses are reset to zero at the date of transition to IFRS.

Mandatory exceptions to IFRS

In preparing these financial statements, the Company has applied mandatory exceptions established by IFRS 1.

Reconciliation between IFRS and Argentine accounting standards

a) Reconciliation between equity reported under the Argentine accounting standards detailed in the Technical Resolutions issued by the FACPCE and approved by the Professional Council in Economic Sciences for the city of Buenos Aires (Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires, CPCECABA) and equity pursuant to the related IFRSs at December 31, 2016 and January 1, 2016:

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.2 First-time adoption of IFRS (Cont'd)

Reconciliation between IFRS and Argentine accounting standards (Cont'd)

	31.12.2016	01.01.2016
Total Equity under Argentine accounting standards (including non-controlling interest)	1,418,887	1,313,359
Effect of transition to IFRS		
Value of property, plant and equipment	(647,206)	8,360
Value of materials and spare parts	35,176	56,272
Value of available-for-sale financial assets	209,396	175,761
Value of employee benefit programs and other liabilities	73,712	28,300
Tax effect of IFRS adjustments	(37,575)	(233,232)
Total Equity under IFRS (including non-controlling interest)	**1,052,390**	**1,348,820**

Explanations of adjustments

- Value of Property, plant and equipment includes the following effects:
  - (i) difference between the fair value of Property, plant and equipment item determined at the date of transition to IFRS of the Parent Company and the value of such item under Argentine accounting standards;
  - (ii) difference generated by the functional currency used by the Company and its subsidiaries (US Dollar) and the currency used under Argentine accounting standards (Argentine peso);
  - (iii) difference generated by the recognition of the inflation adjustment under Argentine accounting standards for the subsidiary Tecpetrol de Bolivia S.A.
- Value of materials and spare parts: mainly due to differences generated by the different functional currencies (US Dollar under IFRS and Argentine peso under Argentine accounting standards.)
- Value of available-for-sale financial assets: arising from the difference between measurement at fair value of available-for-sale financial assets under IFRS and historical cost measurement of assets under Argentine accounting standards.
- Value of employee benefit programs and other liabilities: arising from the difference between the recognition of actuarial gains and losses under IFRS in Other comprehensive income and the cost of services disclosed in the Income Statement.
- Tax effect of adjustments to IFRS: it shows the impact of the deferred income tax on the IFRS adjustments mentioned above and the effect on the deferred tax arising from the different functional currencies used by the Company.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.2 First-time adoption of IFRS (Cont'd)

b) Reconciliation between profits and losses determined under Argentine accounting standards contained in the Technical Resolutions issued by the FACPCE, as approved by the CPCECABA, and comprehensive income determined under IFRS for the fiscal year ended December 31, 2016:

	31.12.2016
Total loss under Argentine accounting standards (including non-controlling interest)	(553,495)
Effect of transition to IFRS	
Value of Property, plant and equipment - depreciation	(103,194)
Value of available-for-sale financial assets	(6,380)
Value of employee benefit programs	19,267
Deferred tax adjustment	(181,738)
Effect of different functional currency	529,110
Total comprehensive income under IFRSs (including non-controlling interest)	**(296,430)**

c) Reconciliation between cash flows under Argentine accounting standards and under IFRS:

In the statement of cash flows prepared under IFRS, cash and cash equivalents includes current account overdrafts while under Argentine standards current account overdrafts are considered financing activities.

There are no other significant adjustments or reclassifications in the statement of cash flows arising from the difference between Argentine accounting standards and IFRS at December 31, 2016 and January 1, 2016.

2.3 Basis for consolidation

(a) Subsidiaries

Subsidiaries are all the entities over which the Company exerts control, either directly or indirectly. The Company controls an entity when it is exposed to, or has rights to, the variable returns from its investment in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated as from the date on which control is exercised by Tecpetrol and are no longer consolidated from the date on which such control ceases.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.3 Basis for consolidation (Cont'd)

The Company applies the acquisition method to report business combinations. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and obligations assumed at the acquisition date. Acquisition related costs are reported as incurred. Identifiable assets acquired, debts and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. Any non-controlling interest in the acquiree is measured either at the fair value at the acquisition date or at the non-controlling interest proportionate share of the net assets acquired. The excess of the cost of acquisition and the amount of any non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired is recorded as goodwill. If this amount is less than the fair value of the net assets acquired, the difference is recognized directly in the Consolidated Income Statement.

Inter-company transactions and balances, and unrealized profits (losses) on transactions among subsidiaries are eliminated for consolidation purposes. As the functional currency of some subsidiaries is their respective local currency, some financial profits (losses) arising from inter-company transactions are generated. These are included under *Other net financial profit (loss)* in the Consolidated Income Statement.

The accounting policies of the subsidiaries have been modified where necessary to ensure consistency with the accounting policies adopted by the Company.

The companies whose Financial Statements have been included in these Consolidated Financial Statements are mentioned below:

Company	Main line of business	Country	% interest	
			Dec-17	Dec-16
Dapetrol S.A. (i) (ii)	Exploration, discovery, exploitation and sale of gas and liquid hydrocarbons	Argentina	97.5%	97.5%
Tecpetrol de Bolivia S.A. (i)	Exploration, exploitation, production and sale of oil and gas	Bolivia	-	98.05%
GEA-GEO Energy Alternatives S.A. (i)	Operation of gas pipes and oil pipes; transport and distribution	Argentina	-	70%

(i) Included as discontinued operations (see Note 34).

(ii) See Note 35.

Through its subsidiaries, the Company participates in the following projects of hydrocarbon field exploration and exploitation:

Area	Interest (1)		Country	Operator
	Dec 2017	Dec 2016		
José Segundo (2)	-	100%	Argentina	Dapetrol S.A.
Ipati (3)	-	20.00%	Bolivia	Total Exploration & Production Bolivie
Aquio (3)	-	20.00%	Bolivia	Total Exploration & Production Bolivie

(1) Direct interest of the subsidiaries in each area.

(2) José Segundo area is a mining concession. On December 28, 2017 Dapetrol S.A. transferred its rights over "José Segundo" oil mine. The amount and result of such transaction totaled USD 491,000 and USD 0.4 million (loss), respectively.

(3) Joint transaction of Tecpetrol de Bolivia S.A. On May 23, 2017, the Company sold its interest in Tecpetrol de Bolivia S.A. to its controlling company Tecpetrol Internacional S.L.U. See Note 34.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.3 Basis for consolidation (Cont'd)

(b) Associates

Associates are all entities over which the Company has significant influence but not control; it is generally a shareholding of 20-50% of all voting rights. Investments in associates are initially recognized at cost, and subsequently valued according to the equity method.

Investments in associated companies are recognized as *Investments in entities accounted for using the equity method* in the Consolidated Statement of Financial Position. Share of earnings and of other comprehensive income of associates is reported as *Profit (loss) on equity-accounted investments* and *Other comprehensive income of equity-accounted investments* in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, respectively.

Unrealized profits (losses) on transactions between Tecpetrol and its associates are eliminated to the extent of Tecpetrol's interest in such companies.

The accounting policies of the associated companies have been modified when necessary to ensure consistency with the accounting policies adopted by the Company. Additionally the Company includes, where significant, subsequent operations when financial statements at different reporting dates are used to calculate the equity method of accounting.

Investments in associated companies, each of which is considered a Cash Generating Unit ("CGU"), are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable; and, if appropriate, an impairment loss is recorded.

(c) Participation in joint arrangements

A joint arrangement is an agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activities require the unanimous consent of the parties involved.

Investments whereby two or more parties have joint control are classified as *"joint operations"* when the parties have rights over the assets and obligations in relation to the liabilities of the joint arrangement. Joint operations are consolidated line by line with Tecpetrol's investment.

Accounting policies of joint operations have been modified where necessary to ensure consistency with the policies adopted by the Company.

Joint operations are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable and, if appropriate, an impairment loss is recorded.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.4 Foreign currency translation and balances in foreign currency

(a) Functional and presentation currency

Items included in these Consolidated Financial Statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the United States Dollar ("USD").

The presentation currency of the Consolidated Financial Statements is the Argentine peso ("ARS").

The functional currency of the main subsidiaries is the USD, since this is the currency which best reflects the economic substance of the transactions. Sales and main drilling costs are negotiated, denominated and settled in USD or considering the fluctuations of the exchange rate in relation to the USD.

(b) Transactions in currency other than the functional currency

Transactions carried out in currencies other than functional currency are translated into functional currency using the exchange rates in force at the dates of the transaction or valuation. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the Consolidated Income Statement, except when deferred to Other comprehensive income as cash flow hedges. Translation differences on non-monetary balances, such as equity instruments held at fair value through profit or loss, are recognized in the Consolidated Income Statement as part of either the profit or loss due to changes in the fair value. Translation differences on non-monetary financial assets and liabilities, such as investments classified as available-for-sale financial assets are reported under Other comprehensive income. Share capital is translated at the exchange rate in force at the date of each capital contribution. The legal reserve is translated at the exchange rate in force at the date on which it is provided by the shareholders.

(c) Translation of financial statements

Financial statements prepared using the functional currency of the Company and all financial statements of Tecpetrol's subsidiaries whose functional currency is different from the presentation currency are translated into the presentation currency pursuant to the following:

(i) assets and liabilities are translated at the closing exchange rate at each reporting date; profits and losses are translated at the average exchange rate of the year;

(ii) resulting currency translation differences are reported under Other comprehensive income as currency translation differences. When a subsidiary is dissolved or disposed of, accumulated currency translation differences are reported as profit or loss upon sale or disposal.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.5 Property, plant and equipment. Exploration, evaluation and development assets

Exploration and exploitation rights over areas relating to proven reserves are capitalized.

Acquisition costs related to rights and concessions of probable and possible reserves are initially capitalized; then; if upon completion and evaluation, exploratory results are determined to be unsuccessful, such costs are charged to expense in the period in which the lack of reserves is definitively confirmed by studies, technical reports or additional drillings.

Exploration and evaluation costs are initially capitalized and accumulated on a field-by-field basis. In the case of exclusively exploratory fields, exploration and evaluation costs include geological studies and other costs directly attributable to this activity. Subsequently, if upon field commercial evaluation results are determined to be unsuccessful, these costs are charged to expense in the period in which the lack of reserves is definitively confirmed by studies and technical reports.

Drilling costs of exploratory wells are initially capitalized until it is confirmed that proven reserves are found that justify their commercial development. During this period, and subject to the existence of production associated to such exploratory wells, investment costs are reduced by the net profit (loss) of the sale of that production. If such proven reserves are not found, drilling costs are charged to expense in the period in which this determination is definitively confirmed. Occasionally, an exploratory well may determine the existence of reserves, but they might not be classified as proven reserves once the drilling is completed. In this case, these costs remain capitalized provided that the well had a sufficient quantity of reserves in order to justify its completion as a productive well and that the Company makes sufficient progress in assessing the economic and operational viability of the project.

No depreciation is charged during the exploration and evaluation phase.

Field development costs are capitalized as *Property, plant and equipment. Exploration, evaluation and development assets*. Said costs include the acquisition and installation of production facilities, development drilling costs and project-related engineering.

Wells drilled in productive fields for the purposes of developing proven reserves are considered development wells; wells which are neither development wells nor service wells are considered exploratory wells.

Work-overs carried out to develop reserves and/or increase production are capitalized and depreciated on the basis of their estimated average useful life. Maintenance costs are charged to expense when incurred.

Asset retirement obligation costs are calculated pursuant to the guidelines detailed in Note 2.13.

From time to time the Company re-evaluates the remaining useful lives of its assets, their residual value and the depreciation method; and adjusts them, if necessary.

Depreciation of wells, machinery, equipment and installations is calculated using the depletion method over the total proven developed reserves of each field as from the month production starts.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.5 Property, plant and equipment. Exploration, evaluation and development assets (Cont'd)

Depreciation of exploration and exploitation rights related to proven reserves is calculated using the depletion method over the total proven reserves of each field.

Depreciation of the remaining Property, plant and equipment is calculated using the straight line method by applying such annual rates as required to write-off their value at the end of their estimated useful lives, pursuant to the following detail:

– Vehicles	up to 5 years
– Furniture and office equipment	up to 5 years

Profits and losses resulting from sales are determined by comparing the purchase price and the carrying value of the asset at the date of sale, and are reported under *Other operating income and expenses*, as applicable, in the Consolidated Income Statement.

The carrying value of both production and development field assets and assets related to probable and possible reserves is reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. Impairment losses are reported when the carrying amount of the assets is higher than their recoverable amount. The recoverable amount is the higher of the assets' fair value less direct costs of disposal and their value in use. The value in use is determined on the basis of the present value of net future cash flows expected to arise from the remaining commercial reserves.

Assets which have suffered impairment losses in previous periods are reviewed at each reporting date in order to assess if the conditions which gave rise to the impairment loss have changed and, if appropriate, to reverse such impairment loss.

2.6 Inventories

Hydrocarbon inventories are valued at their net realizable value at the end of each fiscal year.

Supplies and spare parts are mainly valued at cost, using weighted average cost formula. Upon each closing date an analysis is carried out to assess recoverable amounts and, if appropriate, an allowance for impairment losses is recognized in the Consolidated Income Statement.

2.7 Trade and other receivables

Trade and other receivables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts, if necessary. An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect the amounts within the stipulated deadlines. Indicators that trade and other receivables may be not collected include debtors experiencing significant financial difficulties, the probability that the debtor will file for bankruptcy or will be subject to insolvency proceedings, and default or significant delays in payments. Furthermore, this allowance is adjusted periodically based on the aging of the receivables. The asset's carrying amount is reported net of allowances, if applicable. The allowance expense is recognized in the Consolidated Income Statement under *"Selling expenses".*

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.8 Cash and cash equivalents

Cash and cash equivalents are carried at fair value or at historical cost, since the latter approximates the fair value. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents include cash in hand, bank deposits, highly liquid investments with original maturities of less than three months and which are readily convertible to cash, and current account overdrafts.

In the Consolidated Statement of Financial Position, current account overdrafts are shown under *Borrowings* in current liabilities.

2.9 Equity

(a) Equity components

The Consolidated Statement of Changes in Equity includes share capital, capital contributions, the legal and the special reserves, other reserves, retained earnings and non-controlling interests.

(b) Share capital

Common shares are classified as Equity.

On June 26, 2017, the shareholders at an Extraordinary Meeting approved a capital increase of $2,776,000 raising the capital stock to $3,800,000, which is subscribed, paid-in and registered with the Companies Registration Office as of the date of these Financial Statements.

At December 31, 2017 and December 31, 2016, the Company's subscribed capital amounts to $3,800,000 and $1,024,000, respectively; and is represented by 3,800,000,000 and 1,024,000,000 common shares respectively, carrying a nominal value of $1 each.

(c) Distribution of dividends

Dividends distributed to the Company’s shareholders are based on the Separate Financial Statements and not on the Consolidated Financial Statements. Distribution of dividends is recognized as a liability in the Consolidated Financial Statements in the period in which those dividends are approved by the shareholders at a Meeting.

(d) Capital contributions

General Resolution No. 562/09 of the CNV establishes that there are certain transactions carried out by an entity with its parent company that, depending on the economic aspect of the transaction, are similar to contributions or withdrawals of capital or profits, and therefore its effects must be directly recognized in Equity. When items with a credit balance are generated, they are treated as capital contributions and are disclosed in Equity in a separate account named "Capital Contributions."

(e) Legal reserve

In accordance with Companies Law, the Company’s by-laws and CNV General Resolution No. 622/13, 5% of the net profit for the year less accumulated losses, if any, must be transferred to a legal reserve until such reserve equals 20% of the adjusted capital.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.9 Equity (Cont'd)

(f) Special reserve

CNV General Resolution No. 609/12 sets forth that the difference between the initial balance of retained earnings disclosed in the financial statements of the first year-end under IFRS implementation and the final balance of retained earnings at the end of the last fiscal year under the previous accounting standards then in force shall be allocated to a Special Reserve. Such reserve shall not be used for distribution (whether in cash or in kind) among shareholders or owners of the entity and shall only be used for capitalization purposes or to compensate potential negative balances under "Retained earnings." The shareholders at an Annual General Meeting must discuss the setting up of this reserve and the restrictions upon its use.

(g) Other reserves

Other reserves include the effect of foreign currency translation, changes in the fair value of available-for-sale financial assets, interest in other comprehensive income of equity-accounted investments, net actuarial profits (losses) generated by employee benefit programs and income tax related to components of other comprehensive income.

There follows the breakdown of Other reserves at December 31, 2017 and December 31, 2016:

	Currency translation reserve	Reserve for available-for-sale financial assets	Reserve for employee benefit programs	Total
Balances at December 31, 2016	266,701	(5,618)	12,524	273,607
Other comprehensive income for the year	766,074	56,035	(74,994)	747,115
Income tax related to components of other comprehensive income	-	8,938	18,749	27,687
Balances at December 31, 2017	**1,032,775**	**59,355**	**(43,721)**	**1,048,409**

	Currency translation reserve	Reserve for available-for-sale financial assets	Reserve for employee benefit programs	Total
Balances at January 1, 2016	-	-	-	-
Other comprehensive income for the year	266,701	(6,348)	19,267	279,620
Income tax related to components of other comprehensive income	-	730	(6,743)	(6,013)
Balances at December 31, 2016	**266,701**	**(5,618)**	**12,524**	**273,607**

2.10 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred; and subsequently, they are valued at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless Tecpetrol has an unconditional right to defer payments of debts for at least 12 months following the reporting date of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.11 Income tax and minimum notional income tax

The income tax expense for the year comprises current and deferred tax. Such tax is recognized in the Consolidated Income Statement, except in those cases where income tax relates to items recognized under Other comprehensive income. In this case, income tax is directly reported under Other comprehensive income.

Current income tax expense is calculated according to all applicable taxation laws. Tecpetrol periodically evaluates its tax returns regarding situations where tax legislation is subject to certain interpretation and reports allowances when considered appropriate.

Deferred income tax is recognized applying the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values. The main temporary differences arise from the effect of the difference on functional currency, depreciation of property, plant and equipment, losses, valuation of inventories, allowances and provisions. Deferred assets and liabilities are measured at the tax rates that are expected to apply in the period in which the related tax asset is realized or the liability is settled, based on tax laws promulgated at year-end.

Tax losses are recognized as deferred assets provided that it is probable that future taxable income will be generated. At each closing date Tecpetrol assesses unrecognized deferred assets and reports a previously unrecognized deferred asset to the extent that it is probable that future taxable income will allow the deferred asset to be recovered.

Deferred tax assets and liabilities are offset at the level of each legal entity, when there is a legally enforceable right to offset current tax assets and liabilities, and when deferred income tax is levied by the same taxation authority.

Minimum notional income tax is levied on the potential income arising from certain productive assets at a 1% rate and is complementary to income tax, in such a way that the tax liability of the Company will equal the higher of the two. Legislation allows treating said tax as payment on account of the income tax surplus over minimum notional income tax. However; if in a given fiscal year, minimum notional income tax exceeds income tax, the surplus may be reported as a payment on account of the income tax surplus over the amount of minimum notional income tax which might exist in any of the next ten fiscal years. At December 31, 2017 and December 31, 2016, the Company reported a minimum notional income tax balance of $40.0 million and $32.7 million, respectively, under Income tax credit.

2.12 Employee benefit programs

(a) Retirement benefit programs and other plans

The Company offers ongoing benefit programs such as "unfunded defined benefits" and "other long-term benefits" that, under certain established conditions, are granted after retirement and during an employee’s working life, and are recorded according to current accounting standards.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.12 Employee benefit programs (Cont'd)

The liability provision for such benefits is recorded at the present value of the defined benefit obligation at the end of the reporting period, which is calculated at least once a year by independent actuaries using the "projected unit credit" method.

For unfunded defined benefits, actuarial profits and losses arising from past events adjustments and changes in actuarial assumptions are recognized under Other comprehensive income in the year in which they arise. Previous service costs are recognized immediately in the Consolidated Income Statement.

Actuarial gains and losses related to other long-term benefits are recognized immediately in the Consolidated Income Statement.

(b) Employee retention and long-term incentive program

Tecpetrol International S.A. (indirect parent company of Tecpetrol S.A.) has an employee retention and long-term incentive program for certain executives of some subsidiaries. According to this program, the beneficiaries will be granted a number of equity units valued at carrying value per share of Tecpetrol International S.A. (excluding non-controlling interests). The units will be vested over a period of four years and the corresponding subsidiaries will redeem them after a period of 10 years from the day they were granted; the employee shall have the right to request payment as from the seventh year onwards or when employment relationship with the payor subsidiary ceases, at equity carrying value per share attributable to Tecpetrol International S.A. shareholders upon payment. The beneficiaries of this program will also receive cash payments equivalent to the dividend paid per share, each time Tecpetrol International S.A. pays a cash dividend to its shareholders. Considering that the payment under the program is related to the carrying value of Tecpetrol International S.A. shares, the Company values the program as "Other long-term benefits", as required by IAS 19.

The total value of the units granted under this program, considering both the number of units and the carrying value per share of Tecpetrol International S.A. amounts to USD 9 million and USD 8 million at December 31, 2017 and December 31, 2016, respectively. Pursuant to calculations carried out by independent actuaries, as of December 31, 2017 and December 31, 2016, the Company has reported liabilities of $191.6 million and $120.3 million and an expense of $58.5 million and $9.5 million, respectively (see Note 25).

2.13 Provisions

Provisions are recognized when a) the Company has a present obligation, whether legal or constructive, as a result of past events; b) it is highly probable that an outflow of resources will be required to settle the obligation; and c) the amount can be estimated reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using an appropriate discount rate.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.13 Provisions (Cont'd)

The provision for asset retirement obligations is calculated by establishing the present value of future costs related to the decommissioning and restoration of each field. When the liability is initially reported, the Company capitalizes these costs by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value during each period, and the initially capitalized cost is depreciated over the estimated useful life of the related asset, as detailed in Note 2.5. The Company periodically re-evaluates the future costs of asset retirement obligations, based upon changes in technology and variations in restoration costs necessary to protect the environment. The effects of these re-calculations are included in the Consolidated Financial Statements in which they are determined and are disclosed as an adjustment to the provision and to *Property, plant and equipment. Exploration, evaluation and development assets*.

2.14 Trade and other payables

Trade and other payables are recognized at fair value and subsequently re-measured at amortized cost, using the effective interest method. Trade and other payables are classified as current liabilities unless the Company has the right to defer settlement of the liability for at least 12 months following the reporting date of the Consolidated Financial Statements.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services to third parties net of value-added tax, withholding taxes and discounts. Revenue from the sale of hydrocarbons and other assets is recognized upon transfer to the buyer of all significant risks and rewards of ownership, at the fair value of the consideration received or receivable.

Other revenues are recognized on an accrual basis.

Revenues from interest are recognized on an accrual basis, using the effective interest method.

2.16 Operating costs

Operating costs are recognized in the Consolidated Income Statement on an accrual basis of accounting.

2.17 Financial instruments

Financial assets and liabilities are recognized and derecognized on their settlement date.

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.17 Financial instruments (Cont'd)

The Company classifies its non-derivative financial instruments into the following categories: at fair value through profit or loss, loans and other receivables, available-for-sale financial assets and other financial liabilities. Such classification depends upon the nature of the financial instruments and the purpose for which they were acquired. The Company determines the classification of its financial instruments upon initial recognition, and reassesses their designation at each Financial Statements presentation date.

(a) Financial assets at fair value through profit or loss

A financial asset is classified under this category if it is held for trading in the short term or if it is so initially designated by the Management. This category mainly includes investments in debt instruments, fixed-income securities and mutual funds.

(b) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments which are not listed on an active market. This category mainly includes cash, trade receivables and other receivables. In general, they are classified as current assets except for those with maturities greater than 12 months following the Consolidated Financial Statements reporting date.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are not classified under any of the abovementioned categories. They are classified as non-current assets unless management intends to sell the investment within a twelve-month period as from the Consolidated Financial Statements date. Available-for-sale financial assets are valued at fair value and their variations are recognized under Other comprehensive income.

The Company evaluates at each Consolidated Financial Statements reporting date whether there are impairment indicators. In the case of equity instruments classified as available-for-sale, it is considered that any significant or prolonged decline in their fair value below their cost is an impairment indicator. If appropriate, the accumulated losses in Other comprehensive income are reclassified to the Consolidated Income Statement. Such loss may not be reversed in subsequent periods.

(d) Other financial liabilities

This category includes borrowings and trade and other payables.

2.18 Derivative financial instruments and hedging activities

Derivative financial instruments are recognized at their fair value. For the purposes of calculating the fair value of each instrument, specific tools are used, which are tested for consistency on a regular basis. Market rates are used for all pricing operations. These include exchange rates, interest rates and other discount rates which mitigate the nature of the underlying risk.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.18 Derivative financial instruments and hedging activities (Cont'd)

The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument, and if so, on the nature of the item being hedged. Changes in the fair value of derivative financial instruments that are not designated as hedging instruments are immediately recognized in the Consolidated Income Statement, as "*Other net financial profit (loss)*".

The fair value of a derivative financial instrument considered a hedging instrument is classified as a non-current asset or liability if the item being hedged has a maturity greater than 12 months; and as a current asset or liability, if the maturity of the remaining hedged item is less than 12 months. Derivatives not considered hedging instruments are classified as current assets or liabilities.

Cash flow hedges

When a derivative financial instrument is designated as a hedging instrument, the Company documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its objectives and the risk management strategy defined by the management for undertaking various hedge transactions.

Upon hedge inception and on an ongoing basis, the Company also assesses the effectiveness of the derivative financial instruments designated as hedge to offset cash flows of hedged items.

The effective portion of changes in the fair value of derivatives financial instruments that are designated as cash flow hedges is recognized under Other comprehensive income. The profit or loss relating to the ineffective portion is recognized immediately in the Consolidated Income Statement under "*Other net financial profit (loss)*".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative profit or loss previously reported under Other comprehensive income remains in Other comprehensive income and is reclassified to the Consolidated Income Statement when the hedged transaction takes place. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in Other comprehensive income is immediately reclassified to the Consolidated Income Statement.

2.19 Earnings per share

Earnings per share are calculated by dividing the net earnings attributable to the shareholders of the Company by the daily weighted average number of outstanding common shares during the fiscal year.

2.20 Segment information

The Company has identified the different oil and gas fields in which it participates as operating segments; such segments are added in two reportable segments: Neuquina and Noroeste - San Jorge Basins. Each reportable segment is managed by an officer in charge, who is directly responsible for managing the operations in the oil fields of each basin.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

2.20 Segment information (Cont'd)

The decision-making authority is the group of directors composed of the Chairman, the General Operations Director, the General Business Development Director and the General Corporate Areas Director, who hold periodical meetings with the officers in charge of the different areas to assess the performance of each oil field and to allocate resources.

Neuquina basin includes Company operations in the following oil and gas fields: Fortín de Piedra, Punta Senillosa, Loma Ancha, Los Bastos and Agua Salada, where medanito crude and gas are produced.

Noroeste - San Jorge Basin includes Company operations in the following fields: Aguaragüe and Ramos in Salta, Tordillo and Tapera in Chubut and Lago Argentino in Santa Cruz. These are mature fields, with secondary and tertiary productions, mainly of escalante crude oil and gas.

3. New accounting standards

(a) New standards, interpretations and amendments to published standards effective as from year ended December 31, 2017:

- *IAS 12 "Income tax" (Amendments)*

In January, 2016; the IASB amended IAS 12 "Income Tax" for the purpose of clarifying the accounting of deferred assets in case an asset is valued at its fair value and such value is lower than its tax base. These amendments explain, among other aspects, that when estimating future taxable profit, an entity can estimate the recovery of the asset for a value higher than its carrying value.

The application of the amendments to IAS 12 did not have a material impact on these Consolidated Financial Statements.

- *IAS 7 "Cash Flow Statement" (Amendments)*

In January 2016; the IASB amended IAS 7 "Cash Flow Statement", requiring greater disclosures of the changes in liabilities arising from financing activities, for the purposes of providing the necessary information so that the financial statements' users can assess the evolution throughout the year, including changes arising from cash flows (e.g. drawdowns and repayments of borrowings), changes in liabilities related to obtaining or losing control in subsidiaries or other business, the exchange difference effect, changes in fair values and other changes.

The application of the amendments to IAS 7 did not have a material impact on these Consolidated Financial Statements.

The management assessed the importance of other new standards, interpretations and amendments in force as from the year ended December 31, 2017 and concluded that they are irrelevant for the Company.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

3. New accounting standards (Cont'd)

(b) New standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted:

- *IFRS 9 "Financial instruments"*

IFRS 9 "Financial Instruments" was issued in July, 2014; replaces the current IAS 39 "Financial Instruments"; introduces principles for the classification and measurement of financial instruments; and simplifies its valuation in three main categories: amortized cost, fair value with changes in Other comprehensive profit (loss) and fair value with changes in profit or loss. Additionally, IFRS 9 simplifies the requirements related to the measurement of the effectiveness in hedge accounting and introduces a new model for the impairment of financial assets. This standard is applicable to all periods commencing on or after January 1, 2018. Comparative figures from previous years shall not be restated.

The Management has assessed the impact of the application of IFRS 9 on the Consolidated Financial Statements and concluded that such impact is not significant.

- *IFRS 15 "Revenue from contracts with customers"*

In May 2014; the IASB issued IFRS 15 *"*Revenue from contracts with customers", which sets forth principles of disclosure of information related to revenue recognition and requirements for the accounting of revenue arising from contracts with customers based on the principle that revenues are recognized when the control of goods or services is transferred to the client. IFRS 15 is applicable to all periods commencing on or after January 1, 2018.

The Management has assessed the impact of the application of IFRS 15 on the Consolidated Financial Statements and concluded that such impacts are not significant.

- *IFRS 16 "Leases"*

In January 2016, the IASB issued IFRS 16 *"Leases"*, which modifies the accounting of these operations, basically by removing the distinction between operating and financial leases. This modification will entail changes for most lease agreements both in assets recognition, given the right to use the leased item; and in liabilities, due to the payment of the lease. There is an optional exemption for short-term and low value leases. IFRS 16 is applicable to all periods commencing on or after January 1, 2019.

The Management has not yet estimated the potential impact the application of IFRS 16 will have on the Consolidated Financial Statements.

The Management assessed the importance of other new standards, interpretations and amendments not yet effective and concluded that they are irrelevant for the Company.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

4. Financial risk management

4.1 Financial risk factors

Due to their activities, the Company and its subsidiaries are exposed to a series of financial risks, mainly related to market risks (including fluctuations in exchange rates, interest rates and prices), credit risk concentration, liquidity risk and capital risk.

The risk management program is focused on the unpredictability of financial markets and aims at minimizing the potential adverse effects on its financial performance.

(i) Exchange rate risk of foreign currency

The Company and its subsidiaries are exposed to fluctuations in exchange rate for those transactions conducted in a currency other than the functional currency. As the functional currency of the Company is the USD, the purpose of the exchange rate hedge program of the Company is to reduce the risk related to fluctuations in the exchange rate of other currencies against the USD.

Exposure to fluctuations in foreign exchange rate is reviewed periodically. The Company intends to counteract the potentially negative impact of variations in the value of other currencies with respect to its functional currency, using derivative financial instruments, if necessary.

Exposure to the Argentine peso at December 31, 2017 and December 31, 2016, stated in thousands of USD, was 837 (liabilities) and 6,042 (liabilities), respectively.

Tecpetrol estimates that the impact of a favorable variation (depreciation of the Argentine peso against the USD) / unfavorable (revaluation of the Argentine peso against the USD) of 1% in the exchange rate would result in a profit / (loss) of USD 8 thousand and USD 60 thousand at December 31, 2017 and December 31, 2016, respectively.

(ii) Interest rate risk

Tecpetrol is exposed to cash flows risks generated by the volatility of the interest rate, mainly related to short-term investments and borrowings.

The table below shows the percentages of fixed-rate and floating-rate debt at the closing date of each year:

	December 31, 2017		December 31, 2016	
	Amount	Percentage	Amount	Percentage
Fixed rate	10,768,474	69%	8,418,797	98%
Floating rate	4,923,451	31%	148,807	2%

If interest rates on the accumulated nominal average of borrowings held during the year had been 50 basis points higher with all other variables remaining constant, net income would have been $12.7 million less at December 31, 2017 ($2.1 million less at December 31, 2016). Note 24 includes information concerning the interest rate applicable to main borrowings.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

4.1 Financial risk factors (Cont'd)

(iii) Credit risk concentration

Tecpetrol's financial assets which are potentially exposed to concentrations of credit risk consist mainly in deposits in financial institutions and trade receivables.

As regards deposits in financial institutions, the Company reduces its exposure to significant concentrations of credit risk maintaining its deposits and placing its cash investments with top-class financial institutions, either directly or through a related company which acts as a financial agent.

With regard to trade receivables, the Company implements policies to ensure that products are sold only to customers with an appropriate credit history, or, if not available, letters of credit. Tecpetrol actively monitors the credit history of its customers, determining individual credit lines which are reviewed periodically and identifying cases where insurance, credit letters or other instruments designed to mitigate credit risks are necessary. For the credit analysis, the Company uses internal information about the performance of its customers as well as external sources.

At December 31, 2017, Trade receivables are guaranteed with credit insurance for $178,218 and guarantees for $55,947; whereas at December 31, 2016 credit insurance equaled $84,391.

At December 31, 2017, 34% of Tecpetrol' Trade receivables arise from transactions with YPF S.A., and 16% with CAMMESA, whereas at December 31, 2016, 42% arose from transactions with Vitol Inc and 19% with Shell.

(iv) Liquidity risk

The financial strategy seeks to maintain adequate financial resources and access to credit facilities to finance the operations of the Company. During the year, Tecpetrol used cash flows generated by its own operations as well as external financing and borrowings granted by related companies.

Tecpetrol has a conservative strategy as regards liquidity management, which consists in maintaining a substantial portion of its funds in cash, liquid funds and short-term investments with a maturity of not more than three months from the purchase date.

There follows a table presenting an analysis of the Company's financial liabilities including contractual due dates:

	Less than one year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2017			
Borrowings	146,155	73,646	15,472,124
Trade and other payables	4,735,518	-	-
Interest on borrowings not yet accrued	531,888	521,370	1,762,442
Total	**5,413,561**	**595,016**	**17,234,566**

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

4.1 Financial risk factors (Cont'd)

(iv) Liquidity risk (Cont'd)

	Less than one year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2016			
Borrowings	3,464,918	-	5,102,686
Trade and other payables	1,154,915	-	-
Interest on borrowings not yet accrued	99,794	53,037	601,416
Total	**4,719,627**	**53,037**	**5,704,102**

(v) Price risk

The Company is exposed to the variation in the international prices of crude oil, given that it exports part of its production and the sales prices agreed in the domestic market have gradually converged during the year 2017 to international values. A USD 1 variation in the reference price of the barrel of crude oil would imply an impact on the profits (losses) of Tecpetrol of USD 2.4 million and USD 1.8 million at December 31, 2017 and December 31, 2016, respectively.

As regards gas prices, the Company is not significantly exposed to price risk due to the compensations granted by the Argentine government for the sale of the production of Fortín de Piedra area, the main gas producing area of the Company.

These sensitivity analyses consider the current context of the markets in which Tecpetrol S.A. operates.

At December 31, 2017 and December 31, 2016 the Company does not have derivative financial instruments to mitigate price risk.

(vi) Capital risk

The Company seeks to maintain an adequate level of indebtedness over total equity considering the industry and the markets in which it operates. The annual debt/total equity ratio ("debt" comprises all financial borrowings and "total equity" is the aggregate of financial borrowings and equity) is 0.77 at December 31, 2017, compared with 0.89 at December 31, 2016. The Company is not obliged to comply with external capital requirements.

4.2 Financial instruments by category

Financial instruments by category are shown below:

At December 31, 2017	At fair value through profit or loss	Loans and other receivables	Available-for-sale	Total
Assets				
Available-for-sale financial assets	-	-	317,549	317,549
Other receivables	-	385,783	-	385,783
Trade receivables	-	622,647	-	622,647
Cash and cash equivalents	22,012	8,444,774	-	8,466,786
Total	**22,012**	**9,453,204**	**317,549**	**9,792,765**

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

4.2 Financial instruments by category (Cont'd)

At December 31, 2017	**Other financial liabilities**	**Total**
Liabilities		
Borrowings	15,691,925	15,691,925
Trade and other payables	4,735,518	4,735,518
Total	**20,427,443**	**20,427,443**

At December 31, 2016	**At fair value through profit or loss**	**Loans and other receivables**	**Available-for-sale**	**Total**
Assets				
Available-for-sale financial assets	-	-	219,043	219,043
Other receivables	-	644,768	-	644,768
Trade receivables	-	632,295	-	632,295
Cash and cash equivalents	77,816	140,825	-	218,641
Total	**77,816**	**1,417,888**	**219,043**	**1,714,747**

At December 31, 2016	**Other financial liabilities**	**Total**
Liabilities		
Borrowings	8,567,604	8,567,604
Trade and other payables	1,154,915	1,154,915
Total	**9,722,519**	**9,722,519**

4.3 Fair value estimate

Fair value hierarchies

Financial instruments measured at fair value can be classified into any of the following hierarchical levels, depending on how the fair value is estimated:

Level 1 – Based on quoted prices in active markets for identical assets and liabilities. The fair value of financial instruments traded in active markets is based on the market quoted price at the end of the reporting fiscal year. A market is considered active when the quoted prices are available and such prices represent transactions regularly conducted between independent parties.

Level 2 – Based on market inputs (other than quoted market prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. For the estimates of fair value, the Company applies a series of methods and assumptions based on the market conditions existing at the date of presentation of the Consolidated Financial Statements. The fair value of financial instruments that are not traded in an active market is determined by means of standard valuation techniques which maximize the use of observable market data.

Level 3 – Based on information not observable in the market (for example, discounted cash flows).

4.3 Fair value estimate (Cont'd)

The following table presents the financial assets and liabilities measured at fair value by hierarchy level at December 31, 2017 and December 31, 2016:

At December 31, 2017	Level 1	Level 3
Assets		
Available-for-sale financial assets	-	317,549
Cash and cash equivalents	22,012	-
Total	**22,012**	**317,549**

At December 31, 2016	Level 1	Level 3
Assets		
Available-for-sale financial assets	-	219,043
Cash and cash equivalents	77,816	-
Total	**77,816**	**219,043**

There were no transfers among levels 1, 2 and 3 in the course of the year ended December 31, 2017.

For the purposes of estimating the fair value of cash equivalents, the Company generally uses the historical cost, as this one approximates the fair value.

The carrying value of cash, trade and other receivables and trade and other payables, less the allowance for impairment, if applicable, approximates their fair value. Moreover, the fair value of current and non-current borrowings does not significantly differ from their carrying value at December 31, 2017 and December 31, 2016. In all cases, the fair value was determined based upon discounted cash flows using the market rates and are classified as Level 2, save for negotiable obligations whose fair value was determined based upon quoted prices (Level 1).

5. Critical accounting judgments and estimates

In the preparation of the Consolidated Financial Statements, the Company makes estimates and assumptions regarding future events. Estimates and judgments are constantly assessed and are based on the historical experience and other factors, including the expectations of future events considered reasonable according to the circumstances. Actual future profits or losses might differ from those estimates. There follows a detail of the most significant estimates and assumptions:

(a) Hydrocarbon reserves (*)

Reserves are the volumes of oil and gas (expressed in m3 of oil equivalent) which generate or are related to any economic gain in the areas where Tecpetrol operates or has an investment (whether direct or indirect) and over which Tecpetrol has exploitation rights.

There are various factors that create uncertainty as regards the estimate of proven reserves and of future production profiles, development costs and prices, including several factors beyond the control of the producer. The procedure for calculating reserves is a subjective process whereby the estimate of crude oil and natural gas to be recovered from the subsoil is assessed; it entails certain level of uncertainty. Reserves are estimated based on the quality of geological and engineering information available at the date of calculation and interpretation.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

5. Critical accounting judgments and estimates (Cont'd)

Proven developed and undeveloped hydrocarbon reserves estimated at December 31, 2017 are disclosed below:

Crude Oil:

Proven developed reserves: 2.83 million of m3

Proven undeveloped reserves**:** 2.71 million of m3

Natural gas:

Proven developed reserves: 2.84 billion of m3

Proven undeveloped reserves**:** 21.53 billion of m3

The abovementioned reserves are made up of the proven reserves liable to be extracted. The estimates of our reserves were based upon the information provided by the engineers, geologists and geophysicists of the Company and certified by an independent auditor of reserves.

The estimates of reserves are based on technological and economic conditions in force at December 31, 2017, considering the economic assessment within the term of the concession agreement in order to determine the period for recoverability. Reserve estimates are adjusted at least on an annual basis or whenever changes in the aspects considered for their evaluation so justify it.

(*) Information not included in the Independent Auditor's Report on the Consolidated Financial Statements.

(b) Impairment of long-term assets

The assessment of the recoverability of long-term assets implies that the management uses a series of estimates and critical assumptions described in Note 17.

(c) Provision for asset retirement obligations

Obligations arising from well decommissioning and restoration once operations have been completed led management to make estimates of long-term asset retirement obligations costs and of the remaining period up to abandonment. Technology, costs and political, environmental and safety considerations constantly change, giving rise to possible differences between actual future costs and estimates.

(d) Contingencies

Tecpetrol is subject to various complaints, lawsuits and other legal proceedings which arise during the ordinary course of business. Liabilities related to said complaints, lawsuits and other legal proceedings cannot be accurately estimated. The Company analyzes the status of each contingency and assesses the potential financial exposure. If the related potential loss is considered probable and the amount can be reasonably estimated, a provision is recorded. The management estimates the amount of this provision based on the information available and the assumptions and methods that are considered appropriate. Such estimates are made mainly with the assistance of legal counsel. Estimates are periodically reviewed and adjusted, as the Company obtains additional information.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

6. Segment information

	Year ended December 31, 2017			
	Neuquina Basin	**Noroeste - San Jorge Basin**	**Others (i)**	**Total Continuing operations**
Net sales - IFRS	**2,726,303**	**2,220,892**	**9,056**	**4,956,251**
Operating profit (loss) – Managerial Vision	**375,524**	**(494,327)**	**245,973**	**127,170**
Depreciation and impairment differences	(9,821)	193,837	1,625	185,641
Administrative expenses (*)				(829,884)
Operating profit (loss) IFRS				**(517,073)**
Depreciation and impairment of property, plant and equipment - Managerial Vision	(1,156,629)	(850,166)	(54,114)	(2,060,909)
Depreciation and impairment differences	(9,821)	193,837	1,625	185,641
Depreciation and impairment of property, plant and equipment - IFRS				**(1,875,268)**

	Neuquina Basin	**Noroeste - San Jorge Basin**	**Others (i)**	**Total**
Property, plant and equipment - Managerial Vision	12,301,328	3,004,988	153,947	15,460,263
Accumulated depreciation and impairment differences				(84,125)
Property, plant and equipment - IFRS				**15,376,138**
Investments in property, plant and equipment	10,201,282	307,967	23,656	10,532,905
Investments in property, plant and equipment - Tecpetrol de Bolivia S.A. and Dapetrol S.A.				44,115
				10,577,020

(i) Corresponds to other activities of the Company not included under the defined operating segments.
(*) Corresponds to expenses not allocated to operating profit (loss) of defined reportable segments.

	Year ended December 31, 2016			
	Neuquina Basin	**Noroeste - San Jorge Basin**	**Others (i)**	**Total Continuing operations**
Net sales - IFRS	**1,376,676**	**2,289,500**	**4,624**	**3,670,800**
Operating profit (loss) - Managerial Vision	**259,916**	**502,157**	**(55,806)**	**706,267**
Depreciation and impairment differences	(27,261)	(150,384)	6,254	(171,391)
Administrative expenses (*)				(622,752)
Operating profit (loss) IFRS				**(87,876)**
Depreciation and impairment of property, plant and equipment - Managerial Vision	(382,155)	(396,192)	(49,079)	(827,426)
Depreciation and impairment differences	(27,261)	(150,384)	6,254	(171,391)
Depreciation and impairment of property, plant and equipment - IFRS				**(998,817)**

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

6. Segment information (Cont'd)

	Neuquina Basin	Noroeste - San Jorge Basin	Others (i)	Total
Property, plant and equipment - Managerial Vision	2,149,729	2,993,290	162,326	5,305,345
Accumulated depreciation and impairment differences				(283,854)
Property, plant and equipment - Tecpetrol de Bolivia S.A. and Dapetrol S.A.				4,486,084
Property, plant and equipment - IFRS				**9,507,575**
Investments in property, plant and equipment	1,129,030	321,450	7,389	1,457,869
Investments in property, plant and equipment - Tecpetrol de Bolivia S.A. and Dapetrol S.A.				471,550
				1,929,419

(i) Corresponds to other activities of the Company not included under the defined operating segments.

(*) Corresponds to expenses not allocated to operating profit (loss) of defined reportable segments.

Depreciation and impairment differences mainly arise from the difference in acquisition costs resulting from the Property, plant and equipment valuation criteria adopted upon transition to IFRS; and from the different criteria of depreciation of seismic exploration, which is depreciated, under Managerial Vision, according to the straight line method in a four-year period; and, under IFRS, pursuant to the depletion method.

At December 31, 2017 net sales arose from China (6.43%) and the remaining percentage from Argentina; while at December 31, 2016 net sales came from China (16%), Bahamas (11%), USA (7%) and the remaining amount, Argentina. The designation of net sales is based upon customer location.

At December 31, 2017; customers representing or surpassing 10% of the income from regular activities of the Company are: Y.P.F. SOCIEDAD ANONIMA (21.32%) and Shell C.A.P.S.A. (17.19%), whereas at December 31, 2016; they were: Oil Combustibles S.A. (11.45%) and Statoil Marketing and Trading (10.67%).

7. Net sales

	Year ended December 31, 2017	2016
Gas (i)	2,794,633	1,344,268
Oil (ii)	2,435,409	2,489,217
Other services	16,679	4,232
	5,246,721	**3,837,717**
From discontinued operations	(290,470)	(166,917)
	4,956,251	**3,670,800**

(i) Includes $198,424 due to incentives to natural gas injection obtained through Resolution No. 60/2013 for the year ended December 31, 2017; and $119,909 and $86,836 due to other incentives to the production obtained for the year ended December 31, 2017 and 2016, respectively.

(ii) Includes $110,303 due to incentives to exports obtained for year ended December 31, 2016.

8. Operating costs

	Year ended December 31, 2017	2016
Materials and spare parts at the beginning of the year	125,816	100,930
Purchases, uses and production costs	4,804,392	3,080,546
Materials and spare parts at the end of the year	(136,294)	(125,816)
Inventory conversion differences	20,574	22,228
Cost of sales	**4,814,488**	**3,077,888**
From discontinued operations	(238,716)	(213,959)
	4,575,772	**2,863,929**

	Year ended December 31, 2017	2016
Labor costs	448,524	219,667
Fees and services	156,020	108,305
Maintenance operations and wells service costs	1,204,797	841,285
Depreciation of property, plant and equipment	1,714,241	1,098,308
Impairment of property, plant and equipment	264,942	16,035
Treatment, storage and loading	121,476	105,212
Royalties and other taxes (i)	686,275	542,819
Others	218,213	146,257
	4,814,488	3,077,888
From discontinued operations	(238,716)	(213,959)
	4,575,772	**2.863,929**

(i) Royalties are paid for the production of crude oil and natural gas ranging from 12% to 17% of said production, valued on the basis of the prices actually obtained in the commercialization of hydrocarbons in the area, less deductions provided for in the legislation for the conditioning of the product to put it in conditions of delivery to third parties.

9. Selling expenses

	Year ended December 31, 2017	2016
Taxes	126,512	83,927
Storage and loading	72,237	40,198
(Recovery)/allowance for doubtful accounts	(96,454)	80,282
Others	2,289	950
	104,584	**205,357**
From discontinued operations	(6,102)	(22,068)
	98,482	**183,289**

10. Administrative expenses

	Year ended December 31, 2017	2016
Labor costs	659,541	541,832
Fees and services	162,508	121,554
Depreciation of property, plant and equipment	31,802	15,741
Taxes	162,104	108,915
Office expenses	122,309	112,012
Reimbursement of expenses (*)	(264,455)	(235,659)
	873,809	**664,395**
From discontinued operations	(12,123)	(25,902)
	861,686	**638,493**

(*) These are not liable to association or proration in connection with each line involved in the costs and/or expenses notes, but rather in connection with the tasks which make up the function of the operator.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

11. Labor costs (included in Operating costs and Administrative expenses)

	Year ended December 31, 2017	2016
Salaries, wages and other costs	858,088	619,549
Social security costs	149,282	93,958
Employee benefit programs (Note 25)	100,695	47,992
	1,108,065	**761,499**

12. Other operating income / (expenses), net

	Year ended December 31, 2017	2016
Other operating income		
Income from the sale of property, plant and equipment	3,530	1,233
Reversal of provision for asset retirement obligations	97,415	-
Net recovery of allowances	11,023	-
Income from other sales	1,418	1,648
Refunds	6,822	87
Other services	49,713	-
Others	870	10,794
	170,791	**13,762**
From discontinued operations	(94,369)	(10,838)
	76,422	**2,924**
Other operating expenses		
Provision for legal claims and contingencies	(3,048)	(1,371)
Loss from the sale of José Segundo mine	(7,492)	-
Others	(9,944)	(14,334)
	(20,484)	**(15,705)**
From discontinued operations	7,609	129
	(12,875)	**(15,576)**

13. Net financial profit / (loss)

	Year ended December 31, 2017	2016
Dividend income	26,396	3,242
Interest income	30,597	38,004
Financial income	**59,993**	**41,246**
Interest cost	(360,988)	(452,635)
Financial costs	**(360,988)**	**(452,635)**
Net profit / (loss) from exchange differences - (Loss)	(136,927)	(14,629)
Other net financial loss	(6,245)	(8,669)
Other net financial loss	**(143,172)**	**(23,298)**
Net financial profit / (loss)	**(447,167)**	**(434,687)**
From discontinued operations - Loss	115,838	210,414
	(331,329)	**(224,273)**

Each item included in this note differs from their respective line in the Consolidated Income Statement, as it includes the profit / (loss) from discontinued operations.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

14. Income tax

	Year ended December 31, 2017	2016
Current income tax - Loss	2,140	1,043
Deferred income tax - (Profit) (Note 28)	(156,739)	(49,074)
	(154,599)	**(48,031)**

Income tax on Company's before-tax profit (loss) is different from the theoretical amount that would result from applying the effective tax rate, as explained below:

	Year ended December 31, 2017	2016
Loss before income tax at tax rate	**(291,582)**	**(109,253)**
Profit from equity-accounted investments	552	1
Exchange and translation differences	146,137	68,690
Effect on changes in the tax rate	(8,783)	-
Non-deductible expenses and others	(923)	(7,469)
Income tax for the year – (Profit)	**(154,599)**	**(48,031)**

Tax Reform in Argentina

On December 28, 2017, the President promulgated Law No. 27.430; and on December 29, 2017 such Law was published in the Official Gazette. Among other topics, under Title I, Law No. 27.430 introduces several modifications to the income tax law, namely:

- Income tax rate: income tax rates for Argentine companies shall be gradually reduced from 35% to 30% for all fiscal years commencing as from January 1, 2018 and until December 31, 2019; and to 25% for all fiscal years commencing on or after January 1, 2020.

- Tax levied upon dividends: an additional tax will be levied on dividends or profits distributed, among others, by Argentine companies or permanent entities to physical persons, undivided estates or foreign beneficiaries, pursuant to the following schedule: (i) 7% dividend withholding tax rate for distributions on profits accrued for years between 1 January, 2018 and 31 December, 2019; and (ii) 13% dividend withholding tax rate for distributions on profits accrued for years starting on or after 1 January, 2020.

  Dividends arising from benefits obtained up to the year prior to the one commenced on or after January 1, 2018 shall remain subject, for all beneficiaries, to the 35% withholding tax on the amount exceeding distributable accumulated profits which have not paid income tax.

Under Title X, Chapter I; Law No. 27.430 also sets forth an optional tax revaluation; that is to say, according to the new legislation, the companies might, at their option, reevaluate their assets located in the country that are affected by taxable profits. The companies that elect to be included in this regime will be subject to a special tax which will depend upon the different rates applicable to the different assets: real estate not accounted for as inventories – 8%; real estate accounted for as inventories – 15%; other assets - 10%. Once the option is exercised in relation to a specific asset, all other assets of the same nature shall also be revaluated. The abovementioned special tax is not deductible when assessing income tax. The tax result that gives rise to the revaluation is not subject to either income tax or minimum notional income tax.

14. Income tax (Cont'd)

As of the reporting date of these Financial Statements, Law No. 27.430 has not been regulated by the Executive Office and the Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos, AFIP) has not yet issued the related regulations determining the operating aspects which will allow for the payment of the abovementioned special tax. The Management of the Company is still assessing the exercise of the option, which will only be exercised once after said Law is implemented.

Moreover, Law No. 27.430 establishes that acquisitions or investments carried out during fiscal years commencing as from January 1, 2018, shall be updated upon the base of percentage variation of Internal Basic Price Index Wholesale (Índice de Precios Internos al por Mayor, IPIM) as indicated by the Argentine National Institute of Statistics (Instituto Nacional de Estadística y Censos, INDEC); situation which will increase deductible depreciation and cost in the event of sale.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

15. Property, plant and equipment. Exploration, evaluation and development assets

	Year ended December 31, 2017						
	Development and production assets	Machinery and equipment	Asset retirement obligations	Exploration and evaluation	Work in progress	Others	Total
Cost							
At the beginning of the year	15,248,818	5,243,721	480,913	736,327	1,397,149	519,809	23,626,737
Currency translation differences	2,622,081	523,736	86,204	49,103	823,586	101,541	4,206,251
Additions	-	-	147,248	-	10,365,799	211,221	10,724,268
Transfers	2,549,118	272,045	-	(428,281)	(2,489,863)	96,981	-
Write-offs	(221,822)	(74,189)	(36,669)	-	-	(16,923)	(349,603)
Deconsolidation of subsidiaries	(1,713,667)	(2,244,405)	(134,539)	-	(308,674)	(153,457)	(4,554,742)
At year end	18,484,528	3,720,908	543,157	357,149	9,787,997	759,172	33,652,911
Depreciation							
At the beginning of the year	11,187,059	2,570,858	197,504	-	-	163,741	14,119,162
Currency translation differences	2,115,039	419,903	38,369	-	-	76,834	2,650,145
Depreciation for the year	1,439,913	187,070	55,456	-	-	63,604	1,746,043
Impairment for the year	226,903	27,001	11,038	-	-	-	264,942
Transfers	-	(34,940)	-	-	-	34,940	-
Write-offs	(190,433)	(30,952)	(33,339)	-	-	(9,768)	(264,492)
Deconsolidation of subsidiaries	(172,907)	(55,725)	(10,395)	-	-	-	(239,027)
At year end	14,605,574	3,083,215	258,633	-	-	329,351	18,276,773
Residual value	**3,878,954**	**637,693**	**284,524**	**357,149**	**9,787,997**	**429,821**	**15,376,138**

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

15. Property, plant and equipment. Exploration, evaluation and development assets (Cont'd)

	Year ended December 31, 2016						
	Development and production assets	Machinery and equipment	Asset retirement obligations	Exploration and evaluation	Work in progress	Others	Total
Cost							
At the beginning of the year	10,703,343	2,248,137	215,200	3,838,266	256,626	316,710	17,578,282
Currency translation differences	2,434,134	613,633	51,507	678,468	98,368	71,391	3,947,501
Additions	107,339	-	218,469	366,047	1,404,315	51,718	2,147,888
Transfers	2,006,389	2,382,586	-	(4,115,536)	(362,160)	88,721	-
Write-offs	(2,387)	(635)	(4,263)	(30,918)	-	(8,731)	(46,934)
At year end	15,248,818	5,243,721	480,913	736,327	1,397,149	519,809	23,626,737
Depreciation							
At the beginning of the year	8,384,632	1,997,267	118,420	-	-	113,643	10,613,962
Currency translation differences	1,891,406	443,626	28,508	-	-	26,329	2,389,869
Depreciation for the year	913,162	130,600	38,804	-	-	31,483	1,114,049
Impairment for the year (i)	-	-	16,035	-	-	-	16,035
Write-offs	(2,141)	(635)	(4,263)	-	-	(7,714)	(14,753)
At year end	11,187,059	2,570,858	197,504	-	-	163,741	14,119,162
Residual value at December 31, 2016	**4,061,759**	**2,672,863**	**283,409**	**736,327**	**1,397,149**	**356,068**	**9,507,575**

(i) Corresponds to the impairment of assets of Dapetrol S.A. at December 31, 2016. See Note 17.

Notes to the Consolidated Financial Statements at December 31, 2017 (Cont´d)

16. Investments in entities accounted for using the equity method

There follows the breakdown of investments in associates:

Company	Main line of business	Country	interest % Dec-17	Dec-16	Jan-16	December 31, 2017	December 31, 2016	January 1, 2016	Latest financial information Date	Share capital	Loss for the year	Equity
Parque Eólico Pampa S.A.	Design, development, construction and maintenance of wind power farms.	Argentina	-	20%	20%	-	1,190	913	09.30.17	6,500	(301)	6,148
						-	**1,190**	**913**				

On February 22, 2017 Tecpetrol S.A. acquired from GEA-GEO Energy Alternatives S.A. a 20% interest in Parque Eólico Pampa S.A. for USD 75 thousand. On October 18, 2017, Tecpetrol S.A. sold its interest in Parque Eólico Pampa S.A. for USD 1,014 thousand, USD 50 thousand of which were collected on the execution date of the agreement and the remaining amount, subject to certain clauses, will be collected until January 2, 2020.

16. Investments in entities accounted for using the equity method (Cont'd)

There follows the profits / (losses) from equity-accounted investments as shown in the Consolidated Income Statement:

	Year ended December 31,	
	2017	**2016**
Loss from investments in associated companies	(60)	(3)
Profit from the sale of associated companies	15,370	-
	15,310	**(3)**

The evolution of investments in entities accounted for using the equity method is disclosed below:

Investments in associates

	Year ended December 31,	
	2017	**2016**
At the beginning of the year	1,190	913
Currency translation differences	20	1
Contributions	100	279
Loss from investments in associated companies	(60)	(3)
Write-offs due to disposals of interest in associates	(1,250)	-
At year end	**-**	**1,190**

17. Impairment of long-term assets

The Company analyzes Property, plant and equipment. Exploration, evaluation and development assets for impairment periodically or when there are events or changes in the circumstances that indicate a potential evidence of impairment. This analysis is conducted in accordance with the criteria described in Note 2.5.

The recoverable value of each CGU (considering CGU as each area in which the Company has interest) is estimated by the Company as the higher of an asset's fair value less direct costs of disposal and value in use. The value in use is calculated based on the discounted cash flows, applying a discount rate based on the weighted average cost of capital (WACC), which considers the risks of the country where the CGU operates and its specific characteristics.

The determination of the discounted cash flows is based on projections approved by the Management and includes a set of sensitive estimates and assumptions, such as changes in hydrocarbons production levels, sales prices, hydrocarbons future market prices, inflation, exchange rates, costs and other cash expenditures, on the basis of the best estimate the Company foresees regarding its operations and the available market information.

Cash flows derived from the different CGUs are usually projected for a period that covers the existence of commercially exploitable reserves and is limited to the existence of reserves for the term of the concession or contract.

17. Impairment of long-term assets (Cont'd)

During the second quarter of 2017, the Company has recognized an impairment charge in production and development equipment and assets in El Tordillo area (Noroeste - San Jorge Basin segment) for $106.9 million, mainly caused by international oil prices which turned impracticable some activities because it is a mature field. The recoverable value of CGU, which amounted to $1,827.3 million, was estimated based on its value in use, using a discount rate before tax of 16.88%. The impairment charge is recognized in *Operating costs* in the Consolidated Income Statement at December 31, 2017.

A variation of 100 basis points in the discount rate would have generated an increase (decrease) of 5.7% in the recoverable value; and a variation of USD 1 per barrel of the crude oil price would generate an increase (decrease) of 4.7% in the recoverable value.

Additionally, in the fourth quarter of 2017, the Company has recognized an impairment charge in production and development assets and equipment in Punta Senillosa area (Neuquina basin segment) for $158 million. During the fiscal year the Company carried out a drilling plan in such area in order to determine the potential of the field; the results were that certain wells had a lower production than expected.

The recoverable value of CGU, which amounted to $377.4 million, was estimated based on its value in use, using a discount rate before tax of 19.3%. The impairment charge is recognized in Operating costs in the Consolidated Income Statement at December 31, 2017.

A variation of 100 basis points in the discount rate would have generated an increase (decrease) in the recoverable value of 1.7%; and a variation of USD 0.1 per million of BTU in the price of gas would generate an increase (decrease) in the recoverable value of 3.5%.

At December 31, 2016 the Company recorded impairment charges for $16 million related to production and development assets and equipment in the Noroeste - San Jorge basin segment of the subsidiary Dapetrol S.A., mainly caused by the context of the hydrocarbon sector, which was affected by the fall in international oil prices and the decline curve for the production of the field. Such impairment charges are shown under Loss for the year from Discontinued operations in the Consolidated Income Statement at December 31, 2016. The recoverable amount of the CGU at December 31, 2016 totaled $8.3 million and was estimated based on value in use, applying a discount rate before tax of 13.6%.

18. Available-for-sale financial assets

	December 31, 2017	**December 31, 2016**	**January 1, 2016**
Non-quoted investments	317,549	219,043	185,408

There follows the evolution of available-for-sale financial assets:

	Year ended December 31,	
	2017	**2016**
At the beginning of the year	219,043	185,408
Currency translation differences	42,347	40,015
Changes in fair value	56,238	(6,380)
Write-offs due to deconsolidation of subsidiaries	(79)	-
At year-end	**317,549**	**219,043**

18. Available-for-sale financial assets (Cont'd)

There follows a detailed list of the main investments in available-for-sale financial assets:

		interest %					
Company	Country	Dec-17	Dec-16	Jan-16	December 31, 2017	December 31, 2016	January 1, 2016
Tecpetrol del Perú S.A.C.	Peru	2.00	2.00	2.00	181,417	126,841	112,528
Tecpetrol Bloque 56 S.A.C.	Peru	2.00	2.00	2.00	62,199	42,421	33,056
Oleoducto del Valle S.A.	Argentina	2.10	2.10	2.10	47,583	27,817	22,828
Terminales marítimas Patagónicas S.A.	Argentina	4.20	4.20	4.20	14,011	3,933	4,370
Tecpetrol de México S.A. de C.V.	Mexico	1.77	1.77	1.77	6,580	9,325	6,930
Norpower S.A de C.V.	Mexico	0.60	0.60	0.60	2,146	4,381	1,450
Burgos Oil Services S.A. de C.V.	Mexico	0.94	0.94	0.94	2,434	2,123	1,917
Other investments					1,179	2,202	2,329
Total					**317,549**	**219,043**	**185,408**

At December 31, 2017 and December 31, 2016, 19% and 14% of the available-for-sale financial assets, respectively, correspond to financial assets held in pesos. The remaining available-for-sale financial assets are financial assets held in USD.

The fair value of these investments was estimated on the basis of discounted cash flows, which includes a set of sensitive estimates and assumptions, such as changes in hydrocarbons production levels, sale price, curve of future prices of oil, inflation, exchange rates, collection of dividends, costs and other cash expenditures, on the basis of the best estimate the Company foresees regarding its operations and all available market information.

19. Other receivables and prepayments

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current			
Receivables	13,546	11,435	10,535
Other receivables from related parties (Note 32)	-	22,713	12,727
Expenses paid in advance	37,321	2,863	2,308
Tax credits	-	532,952	395,787
Employees loans and advances	34,378	14,455	20,107
	85,245	**584,418**	**441,464**
Allowance for doubtful accounts	-	(13,692)	(7,603)
	85,245	**570,726**	**433,861**
Current			
Receivables	301,515	245,432	129,099
Expenses paid in advance	38,790	13,100	18,794
Tax credits	1,229,827	134,048	148,673
Employees loans and advances	28,571	17,126	7,694
Other receivables from related parties (Note 32)	87,664	398,217	469,434
	1,686,367	**807,923**	**773,694**
Allowance for doubtful accounts	(20,806)	(19,337)	(2,137)
	1,665,561	**788,586**	**771,557**

19. Other receivables and prepayments (Cont'd)

There follows the evolution in the allowance for doubtful accounts:

	Year ended December 31, 2017	Year ended December 31, 2016
Balance at the beginning of the year	(33,029)	(9,740)
Exchange and translation differences	3,649	(137)
Net additions	(1,775)	(16,644)
Reclassifications	-	(6,875)
Uses	10,349	367
Balance at year end	**(20,806)**	**(33,029)**

20. Trade receivables

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current			
Trade receivables from related parties (Note 32)	-	83,613	-
	-	**83,613**	**-**
Allowance for doubtful accounts	-	(83,613)	-
	-	**-**	**-**
Current			
Trade receivables	696,074	700,909	278,625
Trade receivables from related parties (Note 32)	7,767	273	75,459
	703,841	**701,182**	**354,084**
Allowance for doubtful accounts	(81,194)	(68,887)	(75,349)
	622,647	**632,295**	**278,735**

The following table shows the aging of trade receivables:

	Total	Not yet due	Past due 1-180 days	Past due > 180 days
At December 31, 2017				
Trade receivables	703,841	602,980	19,667	81,194
Allowance for doubtful accounts	(81,194)	-	-	(81,194)
Net value	**622,647**	**602,980**	**19,667**	**-**
At December 31, 2016				
Trade receivables	784,795	618,981	13,314	152,500
Allowance for doubtful accounts	(152,500)	-	-	(152,500)
Net value	**632,295**	**618,981**	**13,314**	**-**
At December 1, 2016				
Trade receivables	354,084	274,308	4,427	75,349
Allowance for doubtful accounts	(75,349)	-	-	(75,349)
Net value	**278,735**	**274,308**	**4,427**	**-**

20. Trade receivables (Cont'd)

The evolution of the allowance for doubtful accounts is disclosed below:

	Year ended December 31, 2017	2016
Balance at the beginning of the year	(152,500)	(75,349)
Exchange and translation differences	(23,600)	(21,128)
Recoveries / (net additions)	94,592	(63,638)
Reclassifications	-	6,875
Uses	314	740
Balance at year end	**(81,194)**	**(152,500)**

21. Inventories

	December 31, 2017	December 31, 2016	January 1, 2016
Hydrocarbons	119,667	145,313	126,620
Materials and spare parts	136,294	125,816	100,930
	255,961	**271,129**	**227,550**

22. Cash and cash equivalents

	December 31, 2017	December 31, 2016	January 1, 2016
Cash and banks	14,270	29,645	42,490
Mutual funds	22,012	77,816	96,070
Short-term deposits with related parties (Note 32)	8,430,504	111,180	57,782
	8,466,786	**218,641**	**196,342**

Mutual funds effective interest rate in Argentine pesos was, on average, of 17.1% and 21.4% at December 31, 2017 and December 31, 2016, respectively; whereas effective interest rate regarding short-term deposits in USD was, on average, of 1.4% and 0.6% at December 31, 2017 and December 31, 2016, respectively.

23. Dividends and earnings per share

The weighted average number of outstanding shares at December 31, 2017 was 2,461,436, whereas at December 31, 2016 it was 1,024,000.

	Year ended December 31, 2017	2016
Loss from continuing operations attributable to the shareholders of the Parent Company	(678,493)	(264,120)
Loss from discontinued operations attributable to the shareholders of the Parent Company	(106,628)	(297,766)
Loss attributable to the shareholders of the Parent Company	(785,121)	(561,886)
Weighted average of common shares	2,461,436	1,024,000
Basic and diluted loss per share of continuing operations attributable to the shareholders of the Parent Company ($ per share)	(0.28)	(0.26)
Basic and diluted loss per share of discontinued operations attributable to the shareholders of the Parent Company ($ per share)	(0.04)	(0.29)
Basic and diluted loss per share attributable to the shareholders of the Parent Company ($ per share)	(0.32)	(0.55)

In the fiscal years ended December 31, 2017 and December 31, 2016 there were no distribution of dividends.

24. Borrowings

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current			
Bank borrowings	1,403,013	97,222	551,930
Borrowings from related parties (Note 32)	4,883,046	5,005,464	4,004,980
Negotiable obligations	9,259,711	-	-
Other financial liabilities	-	-	129,096
	15,545,770	**5,102,686**	**4,686,006**
Current			
Bank borrowings	45,242	858,115	668,137
Borrowings from related parties (Note 32)	93,464	2,447,139	65,283
Negotiable obligations	7,449	-	-
Current account overdrafts	-	2,353	406,613
Other financial liabilities	-	157,311	202,120
	146,155	**3,464,918**	**1,342,153**

The Company must comply with certain obligations such as maintaining financial ratios in accordance with the conditions set forth in borrowing agreements, which have been complied with at December 31, 2017 and December 31, 2016.

24. Borrowings (Cont'd)

The evolution of borrowings in the fiscal year ended December 31, 2017 is disclosed below:

	Year ended December 31, 2017
Balance at the beginning of the year	8,567,604
Proceeds from borrowings (*)	16,004,575
Payment of borrowings	(3,080,646)
Accrued interest	282,025
Paid interest	(111,742)
Debt capitalization and contributions in kind from capital increases	(1,063,504)
Exchange and translation differences	878,770
Deconsolidation of borrowings due to the sale of subsidiaries	(5,785,157)
Balance at year end	**15,691,925**

(*) It includes fund inflows arising from the issuance of negotiable obligations.

Issuance of Negotiable obligations

On May 15, 2017 the shareholders at an Annual General and Extraordinary Meeting decided to request the incorporation of Tecpetrol S.A. into the Public Offering Regime regulated by Law No. 26.831, as well as the issuance of a global program of simple Negotiable Obligations, not convertible into shares, for up to a nominal amount of USD 1,000 million or its equivalent sum in any other currency ("the Program").

On October 30, 2017, by means of CNV Resolution RESFC-2017-18994-APN-DIR#CNV, the CNV authorized the admission of the Company into the Public Offering Regime and the creation of the program mentioned above.

On December 12, 2017, the Company issued Class 1 Negotiable obligations for a nominal value of USD 500 million, with an issuance price of 100%, which bear interest at a fixed rate of 4.875% and whose maturity date is on December 12, 2022. Interest is payable semi-annually as from June 12, 2018. Capital shall be payable upon maturity; and the Company has the right to redeem the Negotiable obligations with no premium, in whole or in part, at any time as from December 12, 2020. The funds obtained from the issuance of such Negotiable obligations shall be used mainly for making investments in fixed assets in the Fortín de Piedra area in Vaca Muerta formation, which is located in the Province of Neuquén. The Parent Company, Tecpetrol Internacional S.L.U., irrevocably and unconditionally guarantees the Negotiable obligations of the Company.

Committed bank loan

On September 18, 2017 Tecpetrol S.A., together with Tecpetrol del Perú S.A.C. and Tecpetrol Bloque 56 S.A.C., as co-borrowers, entered into a credit facility agreement for up to a total sum of USD 200 million with a pool of banks comprising BANCO DE CRÉDITO DEL PERÚ S.A., BBVA BANCO CONTINENTAL, CITIBANK N.A. and J.P. MORGAN CHASE BANK, N.A. The agreed quarterly interest rate is LIBO rate plus 150 bps per year; repayment of the loan shall commence the twenty-fourth month (24) following the request date and shall be cancelled in thirteen (13) consecutive and quarterly installments. The remaining terms and conditions are the ones regularly used for similar financing processes. The Company estimates it will receive such funds before March 18, 2018.

24. Borrowings (Cont'd)

The main bank borrowings and borrowings from related parties are detailed below:

Bank borrowings

Company	Lender	12-31-17	12-31-16	Interest rate	Contract's currency	Settlement date
Tecpetrol S.A.	Banco Santander Río	934,681	-	between 3.5% and 4.25%	USD	Jul 3, 2020 Nov 7, 2022
Tecpetrol S.A.	Banco HSBC	284,134	-	3.50%	USD	Jul 20, 2020
Tecpetrol S.A.	Banco Provincia	229,338	148,811	3.5%/BADLAR + 2.0%	USD/ARS	Nov 23, 2020 Nov 15, 2020
Tecpetrol S.A.	ICBC	-	373,415	between 1.1% and 2%	USD	Sep 25, 2017
Tecpetrol S.A.	Banco Galicia	-	190,680	1.95%	USD	Sep 27, 2017
Tecpetrol S.A.	Banco Patagonia S.A.	-	230,405	between 1.75% and 2.15%	USD	Mar 30, 2017

Borrowings from related parties

Company	Lender	12-31-17	12-31-16	Interest rate	Contract's currency	Settlement date
Tecpetrol S.A.	Tecpetrol Internacional S.L.U.	4,825,134	1,092,447	2017: Libor 12M +1.13%/2016: 5.75%	USD	2017: Aug 9, 2020 2016: Apr 30, 2017
Tecpetrol S.A.	Tecpetrol Libertador B.V.	151,376	605,641	between 2.19 and 7.3	USD	Apr 30, 2018 Dec 31, 2019
Tecpetrol S.A.	Americas Petrogas Argentina S.A.	-	55,882	7.50%	USD	Jan 20, 2017
Tecpetrol de Bolivia S.A.	Tecpetrol Internacional S.L.U.	-	1,288,689	4.16%	USD	(*)
Tecpetrol de Bolivia S.A.	Tecpegas S.A.	-	4,409,944	4.40%	USD	(*)

(*) In May 2017, the Company sold its interest in Tecpetrol de Bolivia S.A. (See Note 34)

Negotiable obligations ('ONs')

Description	12-31-17	Interest rate	Maturity
Class 1 ONs with a nominal value of USD 500,000,000	9,267,160	4.875%	12/12/2022
	9,267,160		

25. Employee benefit programs

The liability recognized in the Consolidated Statement of Financial Position and the amounts disclosed in the Consolidated Income Statement are as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current			
Pension programs and other plans (i)	288,270	183,712	164,597
Employee retention and long-term incentive program	160,714	120,328	90,583
	448,984	**304,040**	**255,180**
Current			
Employee retention and long-term incentive program	30,916	-	-
	30,916	**-**	**-**

(i) There is no enforceable debt as of December 31, 2017 and December 31, 2016.

25. Employee benefit programs (Cont´d)

	Year ended December 31, 2017	2016
Pension programs and other plans	42,191	38,449
Employee retention and long-term incentive program	58,504	9,543
Total included in Labor costs (Note 11)	**100,695**	**47,992**

Pension programs and other plans:

The main actuarial assumptions for the benefit programs in force under "unfunded defined benefits" and "other long-term benefits" consider a discount rate of 7% and 5.7% average and a salary increase rate of 2% and 3%, respectively.

The amounts disclosed in the Consolidated Income Statement are detailed below:

	Year ended December 31, 2017	2016
Cost of services	13,225	6,644
Cost of Interest	28,966	31,805
Total	**42,191**	**38,449**

The evolution of liabilities disclosed in the Consolidated Statement of Financial Position is detailed below:

	Year ended December 31, 2017	2016
Balance at the beginning of the year	183,712	164,597
Cost of services and interest	42,191	38,449
Net actuarial profits (losses)	74,994	(19,267)
Personnel transfers	-	18,750
Exchange differences	(14,335)	(11,939)
Currency translation differences	36,991	35,521
Payments made	(35,283)	(42,399)
Balance at year end	**288,270**	**183,712**

At December 31, 2017, a 1% increase / (decrease) in the discount rate would have resulted in a (decrease) / increase in liabilities of ($13.7) / $15.3 million, respectively; while a 1% increase / (decrease) in the salary increase rate would have resulted in an increase / (decrease) of $10.7 and ($9.8) million, respectively. This sensitivity analysis is based on changes in each assumption at a time, keeping all the other variables constant. Nevertheless, in practice this is unlikely to occur, since changes in some assumptions should be correlated.

26. Provisions

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current			
Asset retirement obligation	1,162,590	1,001,907	589,553
Provision for other contingencies	126,482	101,930	89,694
	1,289,072	**1,103,837**	**679,247**
Current			
Asset retirement obligation	54,211	38,077	40,699
Provision for other contingencies	9,759	4,980	6,111
	63,970	**43,057**	**46,810**

The evolution of provisions is disclosed below:

Asset retirement obligation

	Year ended December 31, 2017	2016
Balance at the beginning of the year	1,039,984	630,252
Exchange and translation differences	188,534	145,358
Net additions	125,713	281,884
Write-offs due to deconsolidation of subsidiaries	(137,226)	-
Uses	(204)	(17,510)
Balance at year end	**1,216,801**	**1,039,984**

At December 31, 2017 and December 31, 2016, the provision for asset retirement obligation was estimated using an inflation rate of 1.3% approximately, and discount rates between 6.2% and 7.9%.

Other contingencies

	Year ended December 31, 2017	2016
Balance at the beginning of the year	106,910	95,805
Exchange and translation differences	12,051	11,311
Net increases / (recoveries)	17,280	(206)
Balance at year end	**136,241**	**106,910**

27. Trade and other payables

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current			
Tax payables	523	825	1,888
	523	**825**	**1,888**
Current			
Trade payables	3,878,299	1,032,782	550,163
Payables to related parties (Note 32)	851,916	33,373	16,649
Social security debts and other taxes	209,755	142,372	125,099
Other liabilities	5,303	88,760	134,890
	4,945,273	**1,297,287**	**826,801**

28. Deferred income tax

There follows the evolution of deferred income tax:

	Year ended December 31, 2017	2016
Balance at the beginning of the year - Net deferred asset	104,832	45,138
Charged directly to Other comprehensive income	27,687	(6,013)
Profit for the year	156,739	49,074
Currency translation differences	46,166	16,633
Balance at year end - Net deferred asset	**335,424**	**104,832**

The evolution of the deferred tax assets and liabilities is detailed below:

Deferred tax liabilities	Property, plant and equipment	Others	Total
At December 31, 2016	**(385,695)**	**(117,429)**	**(503,124)**
Charged directly to Other comprehensive income	-	8,938	8,938
Profit / (loss)	(151,164)	34,051	(117,113)
Currency translation differences	(87,627)	(17,866)	(105,493)
At December 31, 2017	**(624,486)**	**(92,306)**	**(716,792)**

Deferred tax assets	Allowances/ Provisions	Tax Losses	Others	Total
At December 31, 2016	**347,102**	**216,844**	**44,010**	**607,956**
Charged directly to Other comprehensive income	18,749	-	-	18,749
Profit / (loss)	36,362	264,619	(27,129)	273,852
Currency translation differences	75,445	70,161	6,053	151,659
At December 31, 2017	**477,658**	**551,624**	**22,934**	**1,052,216**

Deferred tax liabilities	Property, plant and equipment	Others	Total
At January 1, 2016	**(324,343)**	**(80,654)**	**(404,997)**
Charged directly to Other comprehensive income	-	730	730
Profit / (loss)	2,892	(18,698)	(15,806)
Currency translation differences	(64,244)	(18,807)	(83,051)
At December 31, 2016	**(385,695)**	**(117,429)**	**(503,124)**

Deferred tax assets	Allowances/ Provisions	Tax Losses	Others	Total
At January 1, 2016	**264,293**	**173,782**	**12,060**	**450,135**
Charged directly to Other comprehensive income	(6,743)	-	-	(6,743)
Profit / (loss)	32,414	5,553	26,913	64,880
Currency translation differences	57,138	37,509	5,037	99,684
At December 31, 2016	**347,102**	**216,844**	**44,010**	**607,956**

The following amounts are disclosed in the Consolidated Statement of Financial Position, after offsetting as described in Note 2.11:

	December 31, 2017	December 31, 2016	January 1, 2016
Deferred tax asset	335,424	104,832	45,138
	335,424	**104,832**	**45,138**

28. Deferred income tax (Cont'd)

There follows the estimated term for reversal of deferred assets and liabilities:

	December 31, 2017	December 31, 2016
Deferred tax assets to be recovered in more than 12 months	551,624	216,844
Deferred tax liabilities to be settled in more than 12 months	(624,486)	(385,695)
Deferred tax assets to be recovered in less than 12 months	500,592	391,112
Deferred tax liabilities to be settled in less than 12 months	(92,306)	(117,429)

29. Assets and liabilities in currency other than Argentine peso

Item	12.31.2017				12.31.2016	01.01.2016
	Foreign currency (1)		Exchange rate in force	Amount in local currency	Amount in local currency	Amount in local currency
	Type (2)	Amount (3)	$ (4)			
Assets						
Non-current assets						
Other receivables and prepayments	USD	2,684	18.65	50,062	4,398	2,189
	BOB	-	-	-	532,951	395,393
Current assets						
Other receivables and prepayments	USD	5,913	18.65	110,268	220,555	99,127
Trade receivables	USD	24,417	18.65	455,348	539,707	259,072
Cash and cash equivalents	USD	452,367	18.65	8,436,192	134,803	61,898
Total assets				**9,051,870**	**1,432,414**	**817,679**
Liabilities						
Non-current liabilities						
Borrowings	USD	830,172	18.65	15,481,889	5,005,464	4,355,036
Provisions	USD	62,341	18.65	1,162,590	1,001,907	534,541
Current liabilities						
Borrowings	USD	5,991	18.65	111,725	3,398,950	300,623
Provisions	USD	2,907	18.65	54,211	38,077	40,699
Trade and other payables	USD	245,778	18.65	4,583,510	846,208	513,810
	BOB	-	-	-	26,486	15,897
Total liabilities				**21,393,925**	**10,317,092**	**5,760,606**

(1) This information is presented so as to comply with the provisions of the CNV. Foreign currency is the currency which is different from the Company's presentation currency.

(2) USD = US dollar / BOB = Bolivianos.

(3) Amounts stated in thousands.

(4) USD quotation: Banco de la Nación Argentina exchange rate in force at December 31, 2017.

30. Contingencies

Tecpetrol has contingent liabilities in respect of claims arising from the ordinary course of business. Moreover, there are certain interpretations of controlling authorities as to the calculation and payment of certain taxes that differ from the criteria applied by the Company.

Based on the Management's assessment and the opinion of the legal counsels, the Company does not anticipate to incur in any material expenses derived from contingent liabilities other than those provided for in these Consolidated Financial Statements.

Tecpetrol S.A. – Income tax assessment

In September 2017, the National Supreme Court of Justice entered judgment in favor of Tecpetrol S.A. with all costs to be borne by the Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos, AFIP); regarding a presumably incorrect use of profits (losses) accrued on certain crude oil derivatives for the fiscal years 2000 and 2001. This income tax assessment carried out by AFIP amounted to $9.6 million (plus interest and fines). AFIP filed an appeal against the judgment (favorable to the Company) issued by the National Appellate Court on Administrative and Tax Matters with the Argentine Supreme Court of Justice.

31. Main investment commitments, guarantees and restrictions on the distribution of profits

(i) Investment commitments and guarantees

At December 31, 2017 Tecpetrol S.A. has assumed the following guarantees for investment commitments (amounts disclosed in millions of USD, according to the interest in each area):

Company	Area	Commitment	Maturity
Tecpetrol S.A.	Río Colorado	0.57	End of the first exploration period
Tecpetrol S.A.	Loma Ancha	25.72	December 2019

Furthermore, there follow the main commitments undertaken by Tecpetrol S.A.:

- Guarantee for compliance with labor obligations of Tecpetrol Colombia S.A.S. in CPO6, CPO7 and CPO13 areas in Colombia for USD 0.21 million with maturity dates between October, 2019 and July, 2020 (phase II); in CP07 area in Colombia for USD 0.12 million (commercial phase) falling due in April 2021; and in CP013 area in Colombia for USD 0.03 million (subsequent exploratory phase) falling due in January 2022.

- Guarantee for the obligations in connection with environmental remediation liabilities in the area of Río Colorado for USD 0.7 million maturing at the end of the first exploration period.

- Guarantee for judicial counter-bond insurance policies in favor of National Trial Court on Commercial Matters No. 3 in relation to injunctive reliefs for USD 1.60 million.

- Guarantee for lease policies and other policies in favor of the Directorate of Roads of the Province of Salta, of the Federal Trial Court for Río Negro, of the Energy and Mining Ministry, of the Secretary of State of Energy of Rio Negro, of Customs Administration and of the Trial Court on Labor Matters for Neuquén, for USD 0.66 and USD 0.31 million, respectively.

31. Main investment commitments, guarantees and restrictions on the distribution of profits (Cont'd)

(i) Investment commitments and guarantees (Cont´d)

Furthermore, the Company has the following investment commitments in the areas where it operates:

Area	Pending investment commitments
Tordillo and La Tapera-Puesto Quiroga	· Implementation of 30 months of activity of drilling equipment until December 2021 · Drilling of 3 wells P2/P3 until December 2021 · Keeping three items of work-over equipment and three items of pulling (or work-over) equipment active until March 2019
Aguaragüe	· Drilling of two development wells for an amount of USD 26 million and 1 exploration well for USD 4 million to be performed before July, 2018
Agua Salada	· Development investments for USD 13.6 million to be made before 2025 consisting of facilities, 5 work-overs and well conversion · Exploratory investments for USD 51.1 million to be made before 2025 consisting of the drilling of 4 exploratory wells and 10 extension wells
Los Bastos	· Exploratory investments for USD 9.6 million to be made until 2026 outside the exploitation area
Fortin de Piedra	· Investments for USD 83.3 million consisting of a pilot plan to be carried out before June 2021
Loma Ancha	· Drilling of a 1,500 m deep pilot well with a 3,000 m horizontal line, with unconventional completion to be performed in 2018
Lago Argentino	· Performance of 1 work-over before May 2018

(ii) Restrictions on the distribution of profits

In accordance with Companies Law No. 19.550, the Company's by-laws and General Resolution No. 622/13 issued by the CNV, 5% of the net profits for the year less accumulated losses must be allocated to a legal reserve until such reserve equals 20% of the adjusted capital.

CNV General Resolution No. 609/12 sets forth that the difference between the initial balance of retained earnings disclosed in the financial statements of the first year-end under IFRS implementation and the final balance of retained earnings at the end of the last fiscal year under the previous accounting standards then in force shall be allocated to a Special Reserve. Such reserve shall not be used for distribution (whether in cash or in kind) among shareholders or owners of the entity and shall only be used for capitalization purposes or to compensate potential negative balances under "Retained earnings." The shareholders at an Ordinary Shareholders´ Meeting must discuss the setting up of this reserve and the restrictions upon its use.

32. Related-party balances and transactions

Tecpetrol S.A. is controlled by Tecpetrol Internacional S.L.U., which holds 95.98% of the Company's shares.

San Faustin S.A. ("San Faustin"), a *Société Anonyme* based in Luxembourg, controls the Company through its subsidiaries.

Rocca & Partners Stichting Administratiekantoor Aandelen San Faustin, a Dutch private foundation (Stichting) ("R&P STAK") holds enough voting shares in San Faustin to control it. No person neither any group of persons control R&P STAK.

Main transactions with related parties (including discontinued operations):

	Year ended December 31, 2017	2016
Net sales		
Other related companies	217,659	11,798
Purchases of goods and services		
Other related companies	(2,937,485)	(187,031)
Reimbursement of expenses		
Other related companies	79,017	44,346
Other income / (expenses)		
Other related companies	24	-
Interest income		
Other related companies	15,017	1,616
Interest cost		
Tecpetrol International S.A.	(15,122)	(198,883)
Tecpetrol Internacional S.L.U.	(56,631)	(56,013)
Other related companies	(131,980)	(27,134)
	(203,733)	(282,030)

Balances with related parties

	December 31, 2017	December 31, 2016	January 1, 2016
Other receivables from related parties (Note 19) (i):			
Non-current - Other related companies	-	22,713	12,727
Current - Tecpetrol Internacional S.L.U.	431	274,798	374,244
Current - Tecpetrol International S.A.	-	11,498	15,756
Current - Other related companies	87,233	111,921	79,434
	87,664	398,217	469,434
Trade receivables from related parties (Note 20):			
Non-current - Other related companies	-	83,613	-
Current - Other related companies	7,767	273	75,459
Short-term deposits with related parties (Note 22):			
Current – Other related companies	8,430,504	111,180	57,782

32. Related-party balances and transactions (Cont'd)

	December 31, 2017	December 31, 2016	January 1, 2016
Borrowings from related parties (Note 24):			
Non-current - Other related companies	57,912	5,005,464	4,004,980
Non-current - Tecpetrol Internacional S.L.U.	4,825,134	-	-
	4,883,046	5,005,464	4,004,980
Current - Other related companies	93,464	1,354,692	65,283
Current - Tecpetrol Internacional S.L.U.	-	1,092,447	-
	93,464	2,447,139	65,283
Trade and other payables with related parties (Note 27) (ii):			
Current - Tecpetrol International S.A.	263	-	-
Current - Other related companies	851,653	33,373	16,649
	851,916	33,373	16,649

(i) It mainly includes balances from reimbursement of expenses.

(ii) It mainly includes balances from purchases of materials.

Remuneration of Directors

The remuneration of directors and first-line executives accrued during the years ended December 31, 2017 and December 31, 2016, amounts to $75.4 million and $36.8 million, respectively. Moreover, directors and first-line executives received 5,040 and 4,983 equity units representing a total amount of USD 1.0 and 0.9 million at December 31, 2017 and December 31, 2016, respectively, in relation to the employee retention and long-term incentive program mentioned in Note 2.12 (b).

33. Main joint operations

Joint operations – Argentina

a) Areas operated by Tecpetrol

Name	Location	% at December 31, 2017	% at December 31, 2016	Expiration date of the concession
Agua Salada	Río Negro	70.0	70.0	Sep-25
El Tordillo	Chubut	52.1	52.1	Nov-27
Aguaragüe	Salta	23.0	23.0	Nov-27
La Tapera-Puesto Quiroga	Chubut	52.1	52.1	Aug-27
Rio Atuel (i)	Mendoza	-	33.3	n/a
Loma Ancha (ii)	Neuquén	95.0	95.0	Dec-18
Lago Argentino (iii)	Santa Cruz	74.6	74.6	Nov-33

(i) On August 16, 2017, the Company entered into an agreement for the sale of its interest in joint venture Río Atuel to Petrolera El Trébol S.A. for USD 1.75 million. Tecpetrol S.A. was the operator and representative of the joint venture until September 26, 2017 (date on which the transaction became effective) and Petrolera El Trebol S.A. was appointed as the new joint venture's operator effective as from the execution date.

(ii) Tecpetrol S.A. assumes 100% of the costs and investments during the basic exploration period under an agreement with its partner Gas y Petróleo del Neuquén S.A.

(iii) Tecpetrol S.A. assumes 100% of the costs and investments pursuant to an agreement among private parties and Alianza Petrolera S.A. and a joint venture agreement between Fomento Minero de Santa Cruz S.E. and Alianza Petrolera S.A.

33. Main joint operations (Cont'd)

a) Areas operated by Tecpetrol (Cont'd)

Additionally, on September 6, 2016, after expiration of the exploitation concession term of Atuel Norte area, where the Company served as operator, a reversal minute was executed whereby the Province of Mendoza took possession over said area.

b) Areas operated by third parties

Name	Location	% at December 31, 2017	% at December 31, 2016	Expiration date of the concession
Ramos	Salta	25	25	01/21/2026

Joint operations – Other countries (Cont'd)

Country	Area	% at December 31, 2017	% at December 31, 2016	Operator/Joint Representative	Expiration date of the concession
Bolivia (i) (ii)	Ipatí y Aquío	-	20	Total Exploration & Production Bolivie	Ipati: May-38 Aquío: May-42

(i) As from August 2016, the regular commercial production of Incahuasi and Aquío fields began. In September 2016, the start-up of the gas treatment plant was carried out.

(ii) On May 23, 2017, the Company sold its interest in Tecpetrol de Bolivia S.A. to its parent company Tecpetrol Internacional S.L.U. for USD 189 thousand.

Main joint operations – Assets and liabilities at the Company's percentage of interest

Name	Assets		Liabilities	
	Dec-17	Dec-16	Dec-17	Dec-16
Argentina				
Agua Salada	299,238	273,036	266,254	205,731
El Tordillo	2,187,646	2,011,437	1,007,046	740,208
Atuel Norte	349	540	31,489	4,311
Aguaragüe	340,539	242,588	215,085	122,206
Ramos	96,907	116,108	41,696	98,824
La Tapera – Puesto Quiroga	58,737	60,987	51,258	14,878
Río Atuel	-	73,717	-	21,126
Bolivia				
Aquio	-	423,643	-	12,226
Ipati	-	4,528,548	-	684,666

34. Discontinued operations

On April 6, 2017, the Company sold its interest in GEA-GEO Energy Alternatives S.A. to Techint Inversiones S.A.I.F. for USD 145 thousand. The profit from the sale was recognized in *Discontinued operations* in the Consolidated Income Statement.

Abroad, the Company owned a 20% interest in the Ipati and Aquío Blocks through its subsidiary Tecpetrol de Bolivia S.A., in which it had a non-operator role. On May 23, 2017, the Company sold its interest in Tecpetrol de Bolivia S.A. to its parent company Tecpetrol Internacional S.L.U. for USD 189 thousand. The effect of the proceeds from the sale of the interest was recognized in *Effect from transfer of subsidiary's share interest* in the Consolidated Statement of Changes in Equity, as it corresponds to a transaction conducted with the parent company.

On December 28, 2017 Dapetrol S.A. transferred control over its main asset, namely, oil mining "José Segundo" for USD 491 thousand. The transaction resulted in a loss of USD 0.4 million.

There follows a detail of profits (losses)s classified as *Discontinued operations* in the Consolidated Income Statement at December 31, 2017 and December 31, 2016 as well as net cash flows:

	Year ended December 31,	
	2017	2016
Losses from discontinued operations of Tecpetrol de Bolivia S.A.	(164,159)	(266,439)
Profits / (losses) from discontinued operations of Dapetrol S.A.	55,748	(37,933)
(Losses) /Profits from discontinued operations of GEA-GEO Energy Alternatives S.A.	(36)	674
Loss for the year from discontinued operations	**(108,447)**	**(303,698)**

GEA-GEO Energy Alternatives S.A.

	Year ended December 31,	
	2017	2016
Other net (losses) / profits	(129)	674
Profit from sale of equity interest in a subsidiary	24	-
(Loss) / profit from discontinued operations	**(105)**	**674**
Effect of currency translation for the year	67	-
Reclassification of accumulated translation differences	2	-
(Loss) / profit for the year from discontinued operations	**(36)**	**674**

Net cash flows

	Year ended December 31,	
	2017	2016
Cash used in operating activities	(33)	(213)
Cash generated by investment activities	1,156	280
Cash used in financing activities	-	(20)

34. Discontinued operations (Cont'd)

Tecpetrol de Bolivia S.A.

	Year ended December 31, 2017	2016
Net sales	246,814	109,410
Operating costs	(177,721)	(146,316)
Gross margin	**69,093**	**(36,906)**
Other operating loss, net	(12,302)	(18,500)
Net financial loss	(108,007)	(211,033)
Loss from discontinued operations	**(51,216)**	**(266,439)**
Effect of currency translation for the year	8,274	-
Reclassification of accumulated translation differences	(121,217)	-
Loss for the year from discontinued operations	**(164,159)**	**(266,439)**
Effect on equity of the transfer of interest in a subsidiary	897,941	-

Net cash flows

	Year ended December 31, 2017	2016
Cash generated by / (used in) operating activities	72	(141,369)
Cash used in investing activities	(38,542)	(471,510)
Cash generated by financing activities	36,672	630,272

Dapetrol S.A.

	Year ended December 31, 2017	2016
Net sales	43,656	57,507
Operating costs	(60,995)	(67,643)
Gross margin	**(17,339)**	**(10,136)**
Other operating profit / (loss), net	80,847	(28,141)
Net financial (loss) / profit	(7,760)	344
Profit / (loss) from discontinued operations	**55,748**	**(37,933)**

Net cash flows

	Year ended December 31, 2017	2016
Cash used in operating activities	(28,475)	17,691
Cash generated by investment activities	3,370	207
Cash used in financing activities	7,500	-

35. Subsequent events

On February 27, 2018, after the sale of Oil Mine “José Segundo”, main asset of Dapetrol S.A., the shareholders of Dapetrol S.A. at an Extraordinary Meeting approved the early dissolution of such company.

On January 24, 2018 Tecpetrol S.A. and YPF S.A. organized "Oleoducto Loma Campana - Lago Pellegrini S.A.", whose objective is the construction and exploitation of an oil pipeline in Argentina. Tecpetrol S.A. holds 15% of the shares in the company and YPF S.A. holds the remaining 85%.

At the date of issuance of these Consolidated Financial Statements, the Board of Directors of the Company and the Directors of Americas Petrogas Argentina S.A. (hereinafter referred to as “APASA”) (both companies are directly controlled by Tecpetrol Internacional S.L.U.) and in consideration of the negotiations held, agree that the unification and consolidation by means of merger by absorption of APASA and thus, the concentration in a single operating unit (Tecpetrol S.A. as the continuing company) aims at the optimization of all administrative, functional, financial and operating structures, for the benefit of the continuing company and the economic group as a whole, improving profits and reducing costs. Such reorganization shall be addressed for approval by the shareholders of both companies.

No events, situations or circumstances have taken place as from December 31, 2017 other than the ones mentioned in the previous paragraphs and those mentioned in the notes to these Consolidated Financial Statements, which are not publicly known, and affect or might significantly affect the economic and financial position of the Company.