Tecpetrol Sociedad Anónima

FINANCIAL STATEMENTS

At December 31, 2020
and for the fiscal year ended on December 31, 2020

Translation of a document originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Tecpetrol Sociedad Anónima

Table of contents

To the Shareholders:

In compliance with the bylaws and related legislation, the members of the Board of Directors of the Company submit for the consideration of the Annual General Meeting of Shareholders the Annual Report, the Financial Statements for the 41st fiscal year that commenced on January 1, 2020 and ended on December 31, 2020. Such Financial Statements comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and related notes. Moreover, 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 (hereinafter referred to as “CNV”) are also submitted for consideration.

ANNUAL REPORT

1 – DESCRIPTION OF THE BUSINESS

I. COMPANY INFORMATION

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

The Company has an important presence in Vaca Muerta area (province of Neuquén), 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; (ii) joint operations over unconventional exploitation concessions in the areas of Los Toldos I Norte, Los Toldos II Este and Los Toldos I Sur, and (iii) the exploration permissions over the areas of Loma Ancha and Loma Ranqueles.

In addition, the Company hold exploitation rights over conventional hydrocarbon areas in Neuquina and Noroeste - San Jorge basins through joint individual operations. It also has an exploratory (and potential exploitation) permission over the area Gran Bajo Oriental located in the province of Santa Cruz. Through a consortium to which the Company is a party (10% participation), Tecpetrol has an exploration permission over MLO-124 area (located in Malvinas marine basin approximately 100 kilometers away from the coast of Tierra del Fuego).

At December 31, 2020, proven oil and gas reserves according to the Company's shareholding reached 78.9 million m^3 of oil equivalent.

Hydrocarbon production during the fiscal year under consideration in the areas operated by Tecpetrol reached, on average, 2,250 m^3/day of oil and 13,652 thousand m^3/day of gas (1,457 m^3/d and 12,048 thousand m^3/d of such production, respectively, correspond to the Company). These figures represent a 14% decrease in oil production and a 17% decrease in gas production, in comparison with last year.

The level of activity during 2020 was greatly affected by the economic crisis generated by the COVID-19 syndemic. All around the world, many countries imposed lockdowns and a cease on activities in order to safeguard the population, all of which drastically reduced business activities and halted the economy. Likewise, the national government implemented several measures intended to reduce population movement, and imposed a social, preventive and compulsory self-isolation or distancing order as from March 2020. Although the energy industry is considered essential, the abovementioned situations (together with the new outbreak of the virus) have greatly affected the hydrocarbon demand, and its evolution in the short-term remains uncertain.

II. COMMENTS ON THE BUSINESS MANAGEMENT

i. EXPLORATION AND PRODUCTION

Tecpetrol holds an important position among production companies in terms of its own acreage in the Vaca Muerta wet gas window. It has obtained an unconventional exploitation concession for the area of Fortín de Piedra aimed at developing the formation of Vaca Muerta (province of Neuquén), a world-class reservoir of high productivity in multi-fractured horizontal wells.

At December 31, 2020, investments in Fortín de Piedra exceeded USD 2,000 million. Gas production in 2020 totaled 11 million m^3/day, on average, turning Fortín de Piedra into one of the main gas production fields in the country.

During 2020, due to the COVID-19 syndemic, Tecpetrol had to adjust its operations to a new scenario, postponing investments, optimizing costs and adjusting its production to the market conditions, while working together with clients and vendors to preserve the sustainability of the Company.

The main events occurred during the fiscal year under analysis are disclosed below:

- In October, in Fortín de Piedra area, fracturing activities were resumed, completing 2 wells in a depth close to 3,500 meters, with horizontal branches of 2,500 meters. Positive results were obtained. In December, there was a planned halt in the Central Production Facilities intended to revise and improve the safety standards and carry out other complementary tasks.

- In Loma Ranqueles, an unconventional completion well with horizontal branch of approximately 1,500 meters was tested, which was successful, but had to be abandoned because of mechanical issues.

- During the first quarter of 2020, in Aguaragüe, the testing of the last development well was successfully completed in Tupambi formation, and in El Tordillo, 3 wells were drilled.

- Because of the halt in business caused by the syndemic, the Company negotiated with the local governments the extension of the investment commitments over the areas of El Tordillo, Gran Bajo Oriental, Los Toldos I Norte, Los Toldos II Este and Agua Salada.

ii. STAFF AND COMMUNITY RELATIONS

Tecpetrol endorses the Ten Principles of the UN Global Compact on human rights, labor, environment and anti-corruption.

Training and development of human resources

The Company consolidates its growth through the development of a committed workforce with broad expertise in both the business and the region. They receive continuous training in personal, management, technological and leadership skills to boost their development and achieve a better performance.

In 2020, training sessions were re-adapted to allow for a remote modality using different platforms. The Company launched a series of e-learning workshops including an integrated sequence of educational resources and material, which can be done asynchronously depending on the time and activities of the attendee. Also, the Company hosted several webinars on emotional support, which were intended to provide tools contributing to deal with emotions under complex situations and uncertain scenarios.

Health, Safety and Environment

The main purpose of the Health, Safety, and Environment policy of the Company (hereinafter referred to as "HSE") is to conduct its business protecting the physical integrity of its employees and third parties while achieving, in compliance with all applicable laws, an appropriate conservation of the environment and implementing the best practices to benefit the communities, the employees and the Company. HSE policy is based on leadership and commitment and it comprises risk management and prevention programs, improvement plans, safety and environmental care initiatives, preventive observations, and inspections of operations, accident and incident investigation, among many others.

In 2020, the operations were affected by the COVID-19 syndemic. From the very beginning, 15 preventive practices were elaborated and implemented aimed at preventing the spread of the virus in our facilities. Some of these measures include the following: the separation of operative teams in independent units, access controls (presentation of health affidavits, temperature and symptom controls), the use of specific personal protective equipment for coronavirus disease, the reduction in transport capacity, etc. As a result of the implementation of those practices, the virus did not spread in our facilities and we could guarantee the continuity of our operations.

Moreover, several initiatives were launched aiming at the alignment of contractor staff to the HSE standards of the Company. Among these initiatives, the following are to be highlighted: a program on the reinforcement of safety culture intended for all employees, in charge of an international consulting company and the continuation of the migration process of Area Emergency Response Plans (ERP) to the new international methodology of Incident Command System (ICS). Regarding the environment, the Company optimized the methodology for small spills in wellheads, achieving a 40% reduction in the removal of clean material.

Fluctuation in gas demand during the year required the staff to operate production facilities dynamically and safely. Despite this situation, it was possible to conduct facilities shutdowns for scheduled maintenance, which concluded without incidents. The excellent planification and teamwork with the contractors during these processes should be highlighted.

Community Relations

Tecpetrol 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 community relation programs in communities and schools near its fields, engaging both its staff and the local population in the development of such programs, pursuing autonomy and building up networks with public and private authorities and other entities. In 2020, Tecpetrol displayed its commitment during the sanitary crisis caused by COVID-19 and contributed to strengthen the health system in the communities where it operates. In this context, in the early stages of the pandemic, the Company and local health authorities designed a support plan, which included the delivery of biosafety items, respirators and specific intensive therapy equipment, among others.

III. OIL AND GAS MARKET

In 2020, Tecpetrol was the largest producer of shale gas and the second producer of unconventional gas in the country.

Oil

In 2020, 46% of crude oil production was sold to local market refineries and the remaining 54% was exported to the Unites States of America, France and Singapore. Exports were greater in comparison to last year, as a consequence of the drop in domestic demand.

In 2020, self-isolation measures imposed in most countries for the prevention of the spread of COVID-19 drastically reduced the local and international demand for crude oil, resulting in a drop in crude oil international prices. In 2019, Brent prices were, on average, USD 64 per barrel and, in 2020, average Brent prices dropped to USD 43, with daily closures dropping up to a minimum of USD 19.33 per barrel throughout the year.

Because of the significant drop in crude oil prices in the international market that took place in the second quarter, the national government, by means of Decree No. 488/2020 issued in May 2020, set a support price of USD 45 per barrel for the commercialization of crude oil in the domestic market, valid until December 31, 2020 or until Brent prices exceed such figure. The latest occurred by the end of August. Once the regulation of crude oil prices for the domestic market ended, producers and refiners started to freely negotiate crude oil prices in values that approximated export parity prices.

Decree No. 488/2020 also regulated Law No. 27.541/2019 in relation to the rate applicable to export rights payments. In the first months of 2020, such rate was of 12%, but once the above-mentioned decree took effect, the rate went down to 0% if the international price was USD 45 or less per barrel, to 8% if the international price was USD 60 or less per barrel and to a value (that increased linearly) ranging from 0% and 8% if the international prices ranged between USD 45 and USD 60 per barrel.

Gas

In 2020, 33% of revenues came from sales to electric power generators, 29% from sales to industrial users, 28% from sales to distribution service licensees, 8% from sales to the compressed natural gas (CNG) station segment and 2% from exports, regardless of the compensations received under Resolution No. 46-E/2017.

As already mentioned, because of the COVID-19 outbreak and the lockdown and isolation measures adopted by the government, as from the first quarter of 2020, the demand for natural gas was, to a greater or lesser extent, affected in all consumer segments, reducing the demand mainly from industrial users and CNG.

The main events related to the regulatory framework and general situation of the gas market are disclosed below:

Incentive Programs

- In November 2020, through Decree No 892/2020, the Executive Branch stated that the promotion of Argentine natural gas is a matter of public interest and therefore, approved the Promotion Plan for Argentine Natural Gas Production/2020-2024 Supply and Demand Scheme (hereinafter referred to as the "Gas Plan 4"). Within this framework, in November 2020, the Office of the Secretary of Energy, issued Resolution No. 316/2020 calling a Public Bidding to award a base volume of natural gas of 70 million m^3/day (20 million m^3/day for Austral basin, 47.2 million m^3/day for Neuquina basin and 2.8 million m^3/day for Noroeste basin) for four years (which can be extended by the Office of the Secretary of Energy for additional annual terms based on related market analyses) as from January 2021, and an additional volume for each winter season during 2021-2024. It also contemplates a longer term (up to eight years) for offshore projects.

  Producers had to submit an investment plan in order to reach committed injection volumes and they are obliged to reach a production curve per basin which guarantees that levels of production set forth under the Program are either maintained or increased.

  Subject to approval by the Office of the Secretary of Energy, participating producers will be able to export between 8 million m^3/d and 11 million m^3/d in non-winter seasons. Such exported volumes are not subject to the incentives.

  Plan Gas 4 is implemented through direct contracts between natural gas producers and (i) gas distributors, sub-distributors and Integración Energética Argentina S.A. (IEASA) for the supply of residential demand, on the one hand, and (ii) Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA) for the supply of the demand for electricity to thermal power plants, on the other hand. The order for the award of those contracts is determined based on gas prices under the Gas Transportation System (Punto de Ingreso al Sistema de Transporte, PIST) from the above-mentioned Public Bidding, upon which seasonality factors are implemented. In consequence, the bidding price is affected by 1.25 during winter season (May to September) and by 0.82 during summer season (October to April). Also, for the additional volumes of gas during the winter season, a 1.30 factor will be applicable.

For gas intended for distributors, the government will subsidize the difference between bidding prices under the Public Bidding and the gas price under PIST authorized to be included in the rates, which will be paid by distributors to producers under the agreements. For gas delivered to IAESA and CAMMESA, they will pay to producers the bidding price, but will get government subsidy. The demand under Plan Gas 4 does not include compressed natural gas (CNG) stations, which must get their own supply of natural gas.

On December 15, 2020, the Office of the Secretary of Energy issued Resolution No. 391/2020 approving the procedure for the Public Bidding called under Resolution No. 317/20 from the Office of the Secretary of Energy, awarding volumes of natural gas under the Public Bidding and approving prices under PIST related to the awarded volumes.

Tecpetrol was awarded the contract for the gas supply from Neuquina basin to distributors, IEASA, and CAMMESA of up to 9.9 million m^3/d, plus an additional of 2 million m^3/d during winter season.

As the bid volumes offered by the producers were insufficient to cover the internal consumption projections for 2021-2024 winter seasons, on February 22, 2021, the Office of the Secretary of Energy issued Resolution No. 129/2021 convening a second call for bidders to award the additional natural gas volumes to the awarded producers under Resolution No. 391/2020 and instructing IEASA to subscribe the related contracts. At the date of this Annual Report, the Company is still considering its participation.

- In relation to the pending dispute between the Company and the government regarding the change of criteria for the assessment of the economic compensations provided for under the Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs (hereinafter referred to as the “Program”) created through Resolution No. 46-E/2017 and amended by Resolution No. 419-E/2017, in 2020, Tecpetrol had a lower income of $11,184 million ($29,894 million from the commencement of the Program) for the volumes delivered in excess of the production estimated upon request of adherence to the Program.

  Within the framework of the Gas Plan 4, subject to the term and validity of Gas Plan 4 and in relation to the volumes of production therein committed and delivered, Tecpetrol accepted that payments under the Program related to the deliveries of natural gas as from January 1, 2021, will be limited to the production projection of natural gas estimated upon request of adherence to the Program. Therefore, the Company waived its right to demand payments for natural gas volumes delivered as from January 1, 2021, exceeding such projection.

<u>Distributors</u>

- At the end of November 2017, an agreement (promoted by the then Ministry of Energy and Mining) was entered into among natural gas production companies, Energía Argentina S.A. (formerly, ENARSA; currently, IEASA), and licensees distributing natural gas by pipeline networks. The aim of said agreement was to begin the process of standardizing the gas sector and rebuilding the system of prices and tariffs. This agreement, which is valid as from January 2018 until December 2019, established the basic guidelines that guarantee an adequate supply of natural gas to distributors, thus ensuring the supply to end consumers. Based on the above, the Company entered into certain agreements in USD with distributors, valid throughout 2018. As a result of the devaluation that took place in May 2018, distributors made payments taking into account the exchange rate set by ENARGAS under the applicable fee charts which was lower than the one set in the agreements. In line with the macroeconomic context, ENARGAS did not approve the pass-through of the gas prices under the agreements to the fee charts from distributors, as set forth under applicable legislation.

Through Decree No. 1053/18 issued by the President of Argentina in November 2018, it was determined that the National State would exceptionally assume payment of the fluctuations in the exchange rate related to the gas prices paid by distributors and the price included in all fee charts in force between April 1, 2018 and March 31, 2019, which for Tecpetrol amounted to $802 million, at December 31, 2020. Said decree contemplated that payment should be made in 30 consecutive and monthly instalments, payable as from October 2019. However, only the first payment was received. Section 91 of Law No. 27.591 on National Budget for 2021, promulgated in December 2020, abrogated Decree No. 1053/18.

- In June 2019, the Office of the Secretary of Energy issued Resolution No. 336/2019 introducing a payment deferral of an amount equal to 22% of all invoices issued to residential users as from July 1, 2019 to October 31, 2019. Those payment will be recovered through regular invoices issued to such users from December 1, 2019 and for five equal, consecutive and monthly periods. The deferral is paid by the producers, and the financial cost is assumed by the National State as a subsidy, which was collected by the Company in the fiscal year 2020.

- In September 2019, through Resolution No. 521/2019, the Office of the Secretary of Energy postponed to January 1, 2020, the gas price adjustment under PIST expected in October 1, 2019. In December 2019, through Resolution No. 791/2019, the Office of the Secretary of Energy postponed once again the term under Resolution No. 521/2019.

Also, by means of Law No. 27.541 on Social Solidarity and Productive Reactivation a national economic, financial, fiscal, administrative, pension, tariff, energy, health, and social public emergency was declared in December 2019. According to section 5 of said law, the Executive Branch can maintain gas prices under federal jurisdiction, as from the date the law enters into force and for a maximum 180-day period, tending to a reduction of actual tariff burdens on homes, businesses and industries for 2020.

On June 19, 2020, by means of Decree No. 543/2020, the term provided for under section 5 of Law No. 27.541 was extended for an additional 180-day period. As a consequence of these measures, in 2020, prices under PIST did not increase.

Electricity generation

- As from December 2019, CAMMESA centralized the commercial management and the dispatch of natural gas to Generators through agreements with marketers and/or producers entered into by means of auctions via Mercado Electrónico del Gas S.A. (MEGSA), which included, as from February 2020, the obligation for the supplier to deliver or pay 30% of the maximum daily offered amount.

  Additionally, in 2020, CAMMESA decided not to apply a differential rate for winter seasons, maintaining throughout the year the same reference for maximum price of the summer season.

Exports

- Since the end of October 2020, the Office of the Secretary of Energy has not granted new natural gas export permissions submitted remotely by gas producers. Therefore, permissions expired and cannot be renewed, new agreements cannot be negotiated, so the export market is now limited to the remaining permissions in force.

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

Tecpetrol S.A. is controlled by Tecpetrol Internacional S.L.U., which holds a 95.99% interest and is based in Spain. Tecpetrol Internacional S.L.U. also has subsidiaries that develop, invest in and run businesses related to oil and gas production, transportation, and distribution in Argentina, Bolivia, Colombia, Ecuador, Mexico, Peru and Venezuela.

The table below discloses equity interest in companies of Tecpetrol S.A.:

Joint arrangements and other shareholdings	Main line of business	Country	% 2020	% 2019
Oleoducto Loma Campana - Lago Pellegrini S.A.	Construction and exploitation of an oil pipe in Argentina	Argentina	15.00	15.00
Terminales Marítimas Patagónicas S.A.	Transport concessions of terminals Caleta Córdova and Caleta Olivia	Argentina	4.20	4.20
Tecpe Trading S.A. (i)	Commercialization of hydrocarbons and electric power, among others.	Argentina	4.00	-
Oleoductos del Valle S.A.	Oil pipe transport concessions	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 Operaciones S.A. de C.V.	Provision of services to the hydrocarbon industry	Mexico	0.948	0.948
Norpower S.A. de C.V.	Provision of services to the hydrocarbon industry	Mexico	0.60	0.60

Joint arrangements and other shareholdings	Main line of business	Country	% 2020	% 2019
Tecpetrol Colombia S.A.S.	Exploration, exploitation and sale of hydrocarbons	Colombia	0.1491	0.1491
Tecpetrol de Venezuela S.A.	Provision of services to the hydrocarbon industry	Venezuela	0.03	0.03
Pardaliservices S.A. (ii)	Provision of services of exploration, evaluation and development of hydrocarbons	Ecuador	-	0.0000054
Tecpeservices S.A.	Provision of services of design, engineering and construction of works in fields or any other oil facilities	Ecuador	0.0063	0.0063
Tecpecuador S.A. (iii)	Provision of services to the hydrocarbon industry	Ecuador	0.00007	0.00002

(i) In February 2020, Tecpetrol S.A. and its Parent Company, Tecpetrol Internacional S.L.U., approved the constitution of Tecpe Trading S.A. At the date of issuance of this Annual Report, such company is under early liquidation.
(ii) In June 2020, the Company sold its shareholding in Pardaliservices S.A. to Tecpetrol Servicios S.L.U. (related company).
(iii) In November 2020, Tecpetrol Internacional S.L.U. (majority shareholder of Tecpecuador S.A.) unilaterally reduced the capital stock of Tecpecuador S.A., generating an increase in the shareholding of Tecpecuador S.A. in said company.

Transactions and balances with related parties

Transactions and balances with related parties are disclosed in Note 34 to the December 31, 2020.

3 - INFORMATION ABOUT THE FINANCIAL SITUATION

This section must be read together with the Summary of Information at December 31, 2020.

The economic setting during 2019 was controlled by high volatility affecting certain variables which impact on the performance of the Company:

- the gross domestic product dropped by 10.2% in the third semester, in year-on-year terms.
- the inflation rate reached 36.1% (CIP) between January 1, 2020 and December 31, 2020, resulting in an increase in internal costs associated to local currency.
- the ARS devalued by 40.5% in relation to the USD.
- there were fluctuations in crude oil international prices, which impacted local prices.

The net profits (losses) for 2020 recorded a profit of $3,813.9 million, while in 2019 the Company had net profits for $4,213.0 million.

The gross margin for the fiscal year ended on December 31, 2020, totaled $28,734.2 million, representing a 7% increase in relation to the same period of the previous year. Such increase was mainly caused by a fluctuation in the exchange rate, partially offset by fewer deliveries of gas and oil and a drop in average sales prices primarily originated due to the impact of the economic crisis caused by the COVID-19 syndemic.

During the fiscal year under consideration, the Company received funds primarily from its regular business activities, and to a lesser extent, from bank borrowings and the issuance of negotiable obligations.

On February 20, 2020, the Company issued Class 2 and Class 3 negotiable obligations for a nominal value of USD 10.8 million and $2,414.1 million, respectively, with an issuance price of 100%, and maturing on February 20, 2021 (or the following business day). Class 2 negotiable obligations bear interest at a fixed rate of 4.0% and Class 3 negotiable obligations bear interest at a BADLAR rate plus a margin of 4.50%. In both cases, interest is payable quarterly, and the capital will be fully paid off upon maturity. Funds obtained from the issuance of such negotiable obligations were used for the integration of working capital and the refinancing of liabilities.

Such financing was obtained at market rates, considering comparable solvency, soundness, fund generation and risk indicators.

Pursuant to Communication "A" 7030, as amended, issued by the Central Bank of Argentina on May 28, 2020, prior approval from the BCRA is required to access the foreign exchange market in order to settle principal payments of offshore financial debts when the lender is a counterparty related to the debtor. By means of Communication "A" 7106 dated September 15, 2020, the BCRA introduced new restrictions to access the exchange market. One of such measures applicable to entities with offshore financial debt with a non-related counterparty and with debt securities issued in Argentina and denominated in foreign currency maturing between October 15, 2020 and March 31, 2021 is the obligation to submit a refinancing plan under certain parameters. Additionally, on February 25, 2021, through Communication "A" 7230. the BCRA extended the obligation to submit a refinancing plan to capital amounts maturing on or after April 1, 2021 and until December 31, 2021, pursuant to Communication "A" 7106.

At the date of these Financial Statements, the Company refinanced its debts maturing on or before March 31, 2021 and must submit a refinancing plan pursuant to Communication "A" 7230.

Additionally, on February 9, 2021, the Company issued Class 4 negotiable obligations for a nominal value of USD 6.5 million, paid in cash (in USD) and in kind through the delivery of negotiable obligations Class 2, with an issuance price of 100%, bearing interest at a fixed rate of 4% and maturing on February 9, 2023. Interest is payable quarterly, and the capital will be fully paid off upon maturity. Funds obtained from the issuance of such negotiable obligations are meant to be used for the partial refinancing of Class 2 negotiable obligations, as stated under Communication "A" 7106 from the BCRA.

Investments in Property, plant and equipment, net of unpaid acquisitions at year-end, reached $5,502.9 million (mainly from 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 three and a maximum of five Regular Directors. At December 31, 2020, the Board consisted of five Regular Directors and three Alternate Directors appointed by the Shareholders at an Annual General Meeting.

Strategic and administrative decisions and policies 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 first-line executives who are responsible for different business areas.

Moreover, for the purposes of the management of the Company, executives periodically monitor the internal control system in force, considering the effects the changes in the systems and processes might cause.

The Company adopted a Code of Conduct, a Business Conduct Policy, a Policy on Transparency for Third-Party Relations, a Code of Conduct for Vendors and an Anti-harassment and Anti-discrimination Policy, aiming at the consolidation of a corporate culture of transparency and integrity based upon ethical behavior and law compliance. The Company encourages the use of the Compliance Line to report situations violating the above-mentioned codes and policies.

Tecpetrol S.A has a Business Conduct Compliance Manager, who reports to the General Manager (President) of the Company. He is responsible for identifying and reducing risks of corruption, encouraging ethical and transparent behavior and designing standards in line with national and international anti-corruption and anti-bribery laws.

The Code of Conduct and the Business Conduct Policy set forth guidelines regarding relations among employees and between employees and clients, suppliers, public entities and other third parties in relation to business processes, in order to guarantee compliance with applicable legislation.

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 LSG 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, 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 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 Investments S.L.U. (indirect parent company of Tecpetrol S.A.), adopted an employee retention and long-term incentive program for certain employees of some subsidiaries. According to this program, certain executives of the Company will be granted a number of equity units valued at carrying value of Consolidated Equity per share of Tecpetrol Investments S.L.U. (excluding non-controlling interest). 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 members of the Board of Directors deem relevant.

The Directors submit the Financial Statements of the Company for the previous fiscal year (together with the related report issued by the Shareholders' Committee for Corporate Control) for consideration and approval of the Shareholders at an Annual General Meeting. Within a 120-day period following the closing date of the fiscal year, an Annual General Meeting of Shareholders will be held in order to approve the financial statements and decide on the use of the profit (loss) for the year.

In compliance with section 1, subsection a.1), Part I, Chapter I, Title IV of 2013 CNV Regulations, a report on the level of compliance with the Corporate Governance Code is hereby included as a separate exhibit.

5 - PROSPECTS

The Company has knowledge and skills which give it a competitive advantage to position itself as a leader in the regional development of unconventional resources in long-term projects which are significant for the country's economy, since they have an impact upon job creation, the development of value chains, tax saving, import replacement, the improvement of the trade balance and the reduction in gas prices for consumers and industries.

The COVID-19 syndemic and the new outbreak taking place in several locations worldwide still cause an adverse impact on the global economy. At the date of issuance of this Annual Report, the full extent of the syndemic, its impact on the country's economy and the effect on the Company's activities are unknown and cannot be reasonably predicted. However, such situation is not expected to affect the continuity of the business.

In Neuquina basin, Tecpetrol is taking part in Gas Plan 4, which is expected to increase drilling and completion activities in order to keep a production plateau of 14 million m^3/d. In El Tordillo, in January 2021, Tecpetrol resumed the drilling campaign commenced in 2018, and implemented the protocols to prevent the spread of COVID-19. Said campaign is aimed at discovering similar prospects in other areas of the field and analyzing operational efficiency in order to optimize costs.

During 2021, the Company expects to continue exporting crude oil in similar volumes as those of 2020. In relation to natural gas, deliveries to the different segments are expected to remain in similar levels as those of 2020.

Regarding sales prices for 2021, the Company estimates that crude oil (both escalante and medanito) will be negotiated in the domestic market based on export parity prices. For natural gas, prices intended for industrial users and compressed natural gas (CNG) stations are expected to increase in relation to 2020, while prices intended for residential users will depend on the adjustments approved by the implementation authority. The reference price for electricity generation will depend on the adjustments implemented, as deemed necessary by CAMMESA, in relation to the costs incurred in using other fuels.

6 - DISTRIBUTION OF DIVIDENDS

Pursuant to the Income Statement for the fiscal year, there were net profits for $3,813,936 (in thousands) attributable to the Shareholders of the Company. The members of the Board of Directors of Tecpetrol S.A suggest the Shareholders at a Meeting that $190,697 (in thousands) should be allocated to the constitution of the legal reserve for the fiscal year and $3,623,239 (in thousands) should be allocated to the constitution of a reserve for future dividends.

A provision was made in the Financial Statements for the fiscal year ended on December 31, 2020, for $8,700 (in thousands) as estimated fees of the members of the Board of Directors and the members of the Shareholders' Committee for Corporate Control. Said fees must be approved (together with this Annual Report and the Financial Statements) by the Shareholders at a Meeting.

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

City of Buenos Aires, March 2, 2021.

by the Board of Directors

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, 2020 and ended on December 31, 2020.

1. Activity of the Company

The operations of Tecpetrol mainly consist in the exploration and exploitation of oil and gas in Argentina.

Operating profits or losses of the Company are principally affected by production levels; sales prices; market demand for oil, gas and derivative products; fluctuations in operating costs; the national economic and financial setting and government regulations.

The Company operates in an economic setting whose main variables are being affected by the volatility in the prices of commodities and the impact of the COVID-19 syndemic, all of which produced a global economic and financial crisis that affects the activities of Tecpetrol. The economic agenda of the government is currently dominated by the currency and economic crises and the COVID-19 sanitary emergency.

The management of the Company continuously monitors the evolution of the aforementioned factors, in order to determine and implement possible courses of action and identify the potential impact on the patrimonial and financial situations of the Company.

Analysis of the fourth quarter of 2020

Net sales reached $18,663.0 million. In relation to the same period of the previous year, net sales increased mainly because of the fluctuation in the exchange rate, which was partially offset by fewer deliveries of gas and oil, and a drop in average sales prices primarily originated due to the impact of the global economic crisis caused by the COVID-19 syndemic mentioned above.

Gas production totaled 1,008 million m^3, representing a decrease of 12% in relation to that of the fourth quarter of 2019, which was of 1,144 million m^3. During this quarter, 7.6 million m^3 of gas were exported, whereas in the fourth quarter of 2019, exports totaled 13.8 million $m^{3.}$

Volumes of crude oil production reached 136 thousand m^3 (37% from escalante crude oil and 63% from medanito crude oil), representing a 17% decrease with respect to the production recorded during the fourth quarter of 2019. During this quarter, 40% of crude oil production was destined for exports, part of which was delivered after the closing date, whereas during the fourth quarter of 2019, 25% of crude oil production was destined for exports.

Operating costs totaled $9,453.3 million, representing a decrease of 2% compared to the amount recorded in the fourth quarter of 2019. Said decrease is mainly explained by a decrease in depreciation of Property, plant and equipment, royalty expenses and maintenance operations and wells service costs, as a consequence of the abovementioned drop in production, all of which was partially offset by the exchange rate fluctuation.

Selling and administrative expenses amounted to $2,690.4 million, representing a 147% increase in comparison with the amount recorded in the fourth quarter of 2019. Such variation is mainly explained by the exchange rate fluctuation and the allowance for doubtful accounts expense, all of which was partially offset by a reduction in taxes and storage and transport expenses due to a drop in operations.

Net financial profit (loss) resulted in a loss of $5,549.0 million, compared to losses for $2,802.5 million recorded in the fourth quarter of 2019. Such fluctuation is primarily explained by an increase in net losses generated by exchange differences on balances in ARS, losses from derivative financial instruments, and profits and losses from the repurchase of negotiable obligations, all of which was partially offset by a decrease in interest cost due to fewer borrowings, an increase in interest income due to an increase in short-term deposits, and fewer losses from public bonds.

Profit (loss) from income tax represented a loss of $414.7 million, compared to losses for $1,348.4 million recorded in the fourth quarter of 2019, all of which is mainly explained by fluctuations in sales, costs as well as other expenses already mentioned, and the effect of the exchange rate fluctuation upon tax balances.

Net profit and losses recorded profits for $538.4 million, while in the fourth quarter of 2019, the Company had net profits for $1,402.1 million.

Analysis of the year 2020

Net sales totaled $71,540 million, representing an increase in relation to the same period of the previous year. Such increase was mainly caused by a fluctuation in the exchange rate, partially offset by fewer deliveries of gas and oil and a drop in average sales prices primarily originated due to the impact of the global economic crisis caused by the COVID-19 syndemic mentioned above.

In 2020, gas production totaled 4,534 million m^3, representing a decrease of 17% in relation to the amount recorded in 2019, which was of 5,491 million m^3. Also, in 2020, 20.7 million m^3 of gas were exported, whereas during the same period of 2019, gas exports totaled 13.9 million m^3.

Volumes of crude oil production reached 551 thousand m^3 (38% from escalante crude oil and 62% from medanito crude oil), representing a 15% decrease with respect to 2019. In 2020, 54% of crude oil production was destined for exports, part of which was delivered after the closing date, whereas in 2019, 33% of crude oil production was destined for exports.

Operating costs totaled $42,805.8 million, representing an increase of 13% in relation to the amount recorded in 2019 ($37,745.9 million). Said increase is mainly explained by the exchange rate fluctuation and the impairment charges recognized during the fiscal year in Property, plant and equipment in the areas of El Tordillo, La Tapera – Puesto Quiroga and Aguaragüe, all of which was partially offset by a decrease in depreciation of Property, plant and equipment, royalty expenses and maintenance operations and wells service costs, as a consequence of the abovementioned decrease in both production and average sales prices.

Selling and administrative expenses amounted to $8,221.6 million, representing a 65% increase in relation to the amount recorded in 2019 ($4,990.5 million). Such variation is mainly explained by the exchange rate fluctuation and the allowance for doubtful accounts expense, partially offset by a decrease in storage, transport and tax expenses due to lower volumes of production.

Net financial profit (loss) resulted in a loss of $13,515.2 million, compared to losses for $11,298.9 million recorded in 2019. Such variation is primarily explained by the exchange rate fluctuation, losses from derivative financial instruments, and profits and losses from the repurchase of negotiable obligations, all of which was partially offset by a decrease in net losses generated by exchange differences on balances in ARS, a decrease in interest cost due to fewer borrowings, an increase in interest income due to an increase in short-term deposits, and fewer losses from public bonds.

The income tax expense represented a loss of $1,683.4 million, compared to a loss of $5,485.8 million recorded in 2019. Such variation is mainly explained by fewer operating profits (losses) and by the effect of the exchange rate fluctuation upon tax balances.

The net profit (loss) recorded a profit of $3,813.9 million, while in 2019 the Company had net profits for $4,213.0 million.

Liquidity and cash flows

During this year, the Company received funds primarily from its regular business activities, and to a lesser extent, from bank borrowings and the issuance of negotiable obligations.

Net cash generated by operating activities during 2020 totaled $37,319.1 million.

On February 20, 2020, the Company issued Class 2 and Class 3 negotiable obligations for a nominal value of USD 10.8 million and $2,414.1 million, respectively, with an issuance price of 100%, and maturing on February 20, 2021 (or the following business day). Class 2 negotiable obligations bear interest at a fixed rate of 4.0% and Class 3 negotiable obligations bear interest at a BADLAR rate plus a margin of 4.50%. In both cases, interest is payable quarterly, and the capital will be fully paid off upon maturity. Funds obtained from the issuance of such negotiable obligations were used for the integration of working capital and the refinancing of liabilities.

Such financing was obtained at market rates, considering comparable solvency, soundness, fund generation and risk indicators.

At December 31, 2020, the Company's borrowings totaled $96,197.3 million and equity totaled $45,618.5 million.

Pursuant to Communication “A” 7030, as amended, issued by the Central Bank of Argentina on May 28, 2020, prior approval from the BCRA is required to access the foreign exchange market in order to settle principal payments of offshore financial debts when the lender is a counterparty related to the debtor. By means of Communication “A” 7106 dated September 15, 2020, the BCRA introduced new restrictions to access the exchange market. One of such measures applicable to entities with offshore financial debt with a non-related counterparty and with debt securities issued in Argentina and denominated in foreign currency maturing between October 15, 2020 and March 31, 2021 is the obligation to submit a refinancing plan under certain parameters. Additionally, on February 25, 2021, through Communication “A” 7230. the BCRA extended the obligation to submit a refinancing plan to capital amounts maturing on or after April 1, 2021 and until December 31, 2021, pursuant to Communication “A” 7106.

At the date of these Financial Statements, the Company refinanced its debts maturing on or before March 31, 2021 and must submit a refinancing plan pursuant to Communication “A” 7230.

Additionally, on February 9, 2021, the Company issued Class 4 negotiable obligations for a nominal value of USD 6.5 million, paid in cash (in USD) and in kind through the delivery of negotiable obligations Class 2, with an issuance price of 100%, bearing interest at a fixed rate of 4% and maturing on February 9, 2023. Interest is payable quarterly, and the capital will be fully paid off upon maturity. Funds obtained from the issuance of such negotiable obligations are meant to be used for the partial refinancing of Class 2 negotiable obligations, as stated under Communication “A” 7106 from the BCRA.

Investments in Property, plant and equipment during the fiscal year ended on December 31, 2020, net of unpaid acquisitions at the end of such period, reached $5,502.9 million (mainly from the development of Fortín de Piedra area).

At December 31, 2020, the Company has a negative working capital of $5,177 million ($26,794.3 million at December 31, 2019) which was generated mainly by loans with related companies. The Company has different alternatives that will allow it to honor all commitments assumed.

2. Structure of Financial Position (comparative at December 31, 2019, December 31, 2018, December 31, 2017 and December 31, 2016 – amounts stated in thousands of pesos)

	At December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Non-current assets	110,448,000	99,389,194	67,583,445	16,193,566	10,436,099
Current assets	51,392,239	23,115,728	16,142,735	11,010,955	1,932,941
Total Assets	**161,840,239**	**122,504,922**	**83,726,180**	**27,204,521**	**12,369,040**
Equity attributable to the owners of the Company	45,618,472	29,088,420	15,732,619	4,731,741	1,068,119
Non-controlling interest	-	-	-	2,117	(15,729)
Total Equity	**45,618,472**	**29,088,420**	**15,732,619**	**4,733,858**	**1,052,390**
Non-current liabilities	59,652,554	43,506,480	52,501,555	17,284,349	6,511,388
Current liabilities	56,569,213	49,910,022	15,492,006	5,186,314	4,805,262
Total Liabilities	**116,221,767**	**93,416,502**	**67,993,561**	**22,470,663**	**11,316,650**
Total Equity and Liabilities	**161,840,239**	**122,504,922**	**83,726,180**	**27,204,521**	**12,369,040**

3. Structure of Income and Comprehensive Income for the year ended on December 31, 2020 (comparative with the fiscal years ended on December 31, 2019, December 31, 2018, December 31, 2017 and December 31, 2016 – amounts stated in thousands of pesos)

	Fiscal year ended on December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Operating profit (loss)	19,017,249	21,028,818	5,499,778	(517,073)	(87,876)
Net financial profit (loss)	(13,515,162)	(11,298,904)	(3,837,033)	(331,329)	(224,273)
Profit (loss) from investments in entities accounted for using the equity method	(4,725)	(31,141)	(2,034)	15,310	(3)
Profit (loss) before taxes	**5,497,362**	**9,698,773**	**1,660,711**	**(833,092)**	**(312,152)**
Income tax	(1,683,426)	(5,485,806)	2,077,970	154,599	48,031
Profit (loss) from continuing operations	**3,813,936**	**4,212,967**	**3,738,681**	**(678,493)**	**(264,121)**
Profit (loss) from discontinued operations	-	-	53,407	(108,447)	(303,698)
Profit (loss) for the year	**3,813,936**	**4,212,967**	**3,792,088**	**(786,940)**	**(567,819)**
Statement of Comprehensive Income					
Profit (loss) for the year	3,813,936	4,212,967	3,792,088	(786,940)	(567,819)
Other comprehensive income from continuing operations	12,841,116	10,882,074	6,384,087	651,426	385,720
Other comprehensive income from discontinued operations	-	-	(11,727)	126,059	(114,331)
Comprehensive income for the year	**16,655,052**	**15,095,041**	**10,164,448**	**(9,455)**	**(296,430)**

4. Structure of Cash Flow for the year ended on December 31, 2020 (comparative with the fiscal years ended on December 31, 2019, December 31, 2018, December 31, 2017 and December 31, 2016 – amounts stated in thousands of pesos)

	Fiscal year ended on December 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Cash generated by/ (used in) operating activities	37,319,066	34,349,166	3,506,271	(394,732)	634,738
Cash used in investing activities	(17,977,075)	(23,220,914)	(30,555,774)	(7,214,302)	(1,923,960)
Funds (used in)/generated by financing activities	(13,403,124)	(10,694,077)	16,413,663	14,922,909	1,674,126
Total cash generated/(used) during the fiscal year	**5,938,867**	**434,175**	**(10,635,840)**	**7,313,875**	**384,904**

5. Statistical Data for the fiscal year ended on December 31, 2020 (comparative information with the fiscal years ended on December 31, 2019, December 31, 2018, December 31, 2017 and December 31, 2016 – amounts stated in thousands of m^3 of oil and gas equivalents)

	Fiscal year ended on December 31,				
	2020	2019	2018	2017	2016
Production volume (*)					
Total production in equivalent units	5,085	6,139	3,941	1,292	1,114
Oil production	551	648	560	415	515
Gas production	4,534	5,491	3,381	877	599
Domestic market	4,766	5,899	3,710	1,232	869
Exports	319	240	231	60	245

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

6. Indicators at December 31, 2020 (comparative at December 31, 2019, December 31, 2018, December 31, 2017 and December 31, 2016)

	At December 31,				
	2020	2019	2018	2017	2016
Liquidity	0.91	0.46	1.04	2.12	0.40
Solvency	0.39	0.31	0.23	0.21	0.09
Locked-up capital	0.68	0.81	0.81	0.60	0.84
Profitability	0.10	0.19	0.37	(0.27)	(0.47)

Liquidity: Current assets/Current liabilities
Solvency: Total Equity/Total liabilities
Locked-up capital: Non-current assets/Total assets
Profitability: Net profit (loss) for the year/Average Equity

7. Prospects

The Company has knowledge and skills which give it a competitive advantage to position itself as a leader in the regional development of unconventional resources in long-term projects which are significant for the country's economy, since they have an impact upon job creation, the development of value chains, tax saving, import replacement, the improvement of the trade balance and the reduction in gas prices for consumers and industries.

The COVID-19 syndemic and the new outbreak taking place in several locations worldwide still cause an adverse impact on the global economy. At the date of issuance of this Summary of information, the full extent of the syndemic, its impact on the country's economy and the effect on the Company's activities are unknown and cannot be reasonably predicted. However, such situation is not expected to affect the continuity of the business.

In Neuquina basin, Tecpetrol is taking part in the Promotion Plan for Argentine Natural Gas Production/2020-2024 Supply and Demand Scheme (hereinafter referred to as "Gas Plan 4"), which is expected to increase drilling and completion activities in order to keep a production *plateau* of 14 million m^3/d. In El Tordillo, in January 2021, Tecpetrol resumed the drilling campaign commenced in 2018, and implemented the protocols to prevent the spread of COVID-19. Said campaign is aimed at discovering similar prospects in other areas of the field and analyzing operational efficiency in order to optimize costs.

During 2021, the Company expects to continue exporting crude oil in similar volumes as those of 2020. In relation to natural gas, deliveries to the different segments are expected to remain in similar levels as those of 2020.

Regarding sales prices for 2021, the Company estimates that crude oil (both escalante and medanito) will be negotiated in the domestic market based on export parity prices. For natural gas, prices intended for industrial users and compressed natural gas (CNG) stations are expected to increase in relation to 2020, while prices intended for residential users will depend on the adjustment approved by the implementation authority. The reference price for electricity generation will depend on the adjustments implemented, as deemed necessary by Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA), in relation to the costs incurred in using other fuels.

City of Buenos Aires, March 2, 2021.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

LEGAL INFORMATION

Legal domicile:	Pasaje Della Paolera 299/297, 16th floor, City of Buenos Aires
Reported fiscal year:	No. 41
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; September 28, 2017 and August 14, 2018
Date of expiry of Company's by-laws:	June 19, 2080
Correlative registration number with the Companies Controlling Office	802.207
Name of Parent Company:	Tecpetrol Internacional S.L.U.
Legal domicile of Parent Company:	Calle De Recoletos 23, 3rd floor, apartments A and B, 28010 Madrid, Spain.
Parent Company's main line of business:	Investment
Equity interest held by Parent Company:	95.99%
Percentage of votes of Parent Company:	98.175%

		At December 31, 2020
Capital status (Note 2.10.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	3,106,342,422
	Class B common shares of $1 par value -5 votes per share	1,330,105,646
		4,436,448,068

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

INCOME STATEMENT
for the fiscal years ended on December 31, 2020 and December 31, 2019
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2020	2019
Continuing operations			
Net sales	**7**	71,539,990	64,513,064
Operating costs	**8**	(42,805,774)	(37,745,885)
Gross margin		**28,734,216**	**26,767,179**
Selling expenses	**9**	(4,904,395)	(2,608,222)
Administrative expenses	**10**	(3,317,188)	(2,382,290)
Exploration costs		(1,706,800)	(943,443)
Other operating income	**12**	249,073	217,047
Other operating expenses	**12**	(37,657)	(21,453)
Operating profit		**19,017,249**	**21,028,818**
Financial income	**13**	1,972,855	658,572
Financial costs	**13**	(5,464,056)	(4,311,884)
Other net financial loss	**13**	(10,023,961)	(7,645,592)
Profit before loss from investments in entities accounted for using the equity method and income tax		**5,502,087**	**9,729,914**
Loss from investments in entities accounted for using the equity method	**17**	(4,725)	(31,141)
Profit before income tax		**5,497,362**	**9,698,773**
Income tax	**14**	(1,683,426)	(5,485,806)
Profit for the year		**3,813,936**	**4,212,967**
Profit attributable to:			
Owners of the Parent Company		3,813,936	4,212,967

The accompanying notes 1 to 36 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

STATEMENT OF COMPREHENSIVE INCOME
for the fiscal years ended on December 31, 2020 and December 31, 2019
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
Profit for the year		**3,813,936**	**4,212,967**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		54,379	40,918
Items that will not be reclassified to profit or loss:			
Currency translation differences - Tecpetrol S.A.		12,548,456	10,877,238
Changes in the fair value of investments in equity instruments	**19**	225,261	(104,607)
Remeasurement of post-employment benefit obligations	**25**	96,237	61,641
Income tax related to components of other comprehensive income (i)	**28**	(83,217)	6,884
Total other comprehensive income for the year		**12,841,116**	**10,882,074**
Total comprehensive income for the year		**16,655,052**	**15,095,041**
Comprehensive income attributable to:			
Owners of the Parent Company		16,655,052	15,095,041
		16,655,052	**15,095,041**

(i) Generated by changes in the fair value of investments in equity instruments and remeasurement of post-employment benefit obligations.

The accompanying notes 1 to 36 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

STATEMENT OF FINANCIAL POSITION
at December 31, 2020 and December 31, 2019
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment - Exploration, evaluation and development assets	**15**	105,584,348	96,127,079
Right-of-use assets	**16.a**	1,520,902	1,288,036
Investments in entities accounted for using the equity method	**17**	187,618	137,964
Investments in equity instruments at fair value	**19**	1,542,888	942,407
Other receivables and prepayments	**20**	1,537,422	486,226
Income tax credit		74,822	101,014
Trade receivables	**21**	-	251,683
Other investments	**23.a**	-	54,785
Total Non-current assets		**110,448,000**	**99,389,194**
Current assets			
Inventories	**22**	2,771,888	1,607,093
Other receivables and prepayments	**20**	18,423,719	11,401,667
Trade receivables	**21**	7,857,235	7,982,515
Derivative financial instruments	**29**	14,399	-
Other investments	**23.a**	11,933,176	124,127
Cash and cash equivalents	**23.b**	10,391,822	2,000,326
Total Current assets		**51,392,239**	**23,115,728**
Total Assets		**161,840,239**	**122,504,922**
EQUITY AND LIABILITIES			
Equity			
Share capital	**2.10.b**	4,436,448	4,436,448
Capital contributions		897,941	897,941
Reserve for future dividends		3,877,319	-
Special reserve		1,017,867	1,017,867
Legal reserve		430,559	219,911
Other reserves	**2.10.f**	31,144,402	18,303,286
Retained earnings		3,813,936	4,212,967
Total Equity		**45,618,472**	**29,088,420**
Non-current liabilities			
Borrowings	**24**	48,240,195	37,141,419
Deferred tax liability	**28**	4,085,293	1,436,883
Right-of-use liabilities	**16.a**	1,016,265	758,251
Employee benefits programs	**25**	1,920,168	1,501,110
Provisions	**26**	4,390,633	2,668,817
Total Non-current liabilities		**59,652,554**	**43,506,480**
Current liabilities			
Borrowings	**24**	47,957,135	42,938,165
Right-of-use liabilities	**16.a**	595,711	576,063
Employee benefits programs	**25**	289,023	123,170
Provisions	**26**	359,107	286,224
Derivative financial instruments	**29**	118,710	-
Trade and other payables	**27**	7,249,527	5,986,400
Total Current liabilities		**56,569,213**	**49,910,022**
Total Liabilities		**116,221,767**	**93,416,502**
Total Equity and Liabilities		**161,840,239**	**122,504,922**

The accompanying notes 1 to 36 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

STATEMENT OF CHANGES IN EQUITY
for the fiscal years ended on December 31, 2020 and December 31, 2019
(Amounts stated in thousands of pesos, unless otherwise specified)

		Attributable to the owners of the Parent Company							
		Shareholders' contributions		Accumulated profits (losses)					Total
		Share capital		Reserved earnings					
	Notes	Subscribed capital (i)	Capital contributions	Reserve for future dividends	Special reserve (iii)	Legal reserve	Other reserves	Retained earnings	
Balances at December 31, 2019		**4,436,448**	**897,941**	**-**	**1,017,867**	**219,911**	**18,303,286**	**4,212,967**	**29,088,420**
Profit for the year		-	-	-	-	-	-	3,813,936	3,813,936
Currency translation differences		-	-	-	-	-	12,602,835	-	12,602,835
Changes in the fair value of investments in equity instruments	**19**	-	-	-	-	-	225,261	-	225,261
Remeasurement of post-employment benefit obligations	**25**	-	-	-	-	-	96,237	-	96,237
Income tax related to components of other comprehensive income	**28**	-	-	-	-	-	(83,217)	-	(83,217)
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**12,841,116**	**-**	**12,841,116**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**12,841,116**	**3,813,936**	**16,655,052**
Distribution of earnings according to the decision adopted during the Annual General Meeting of Shareholders held on April 28, 2020:									
Reserve set-up		-	-	3,877,319	-	210,648	-	(4,087,967)	-
Cash dividends (ii)		-	-	-	-	-	-	(125,000)	(125,000)
Balances at December 31, 2020		**4,436,448**	**897,941**	**3,877,319**	**1,017,867**	**430,559**	**31,144,402**	**3,813,936**	**45,618,472**

(i) See Note 2.10.b.

(ii) See Note 2.10.c.

(iii) It corresponds to General Resolution No. 609/12 of the CNV [See Note 32 (iii)].

The accompanying notes 1 to 36 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

STATEMENT OF CHANGES IN EQUITY
for the fiscal years ended on December 31, 2020 and December 31, 2019 (cont'd)
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Attributable to the owners of the Parent Company						
		Shareholders' contributions		Accumulated profits (losses)				Total
		Share capital	Capital contributions	Reserved earnings			Retained earnings	
		Subscribed capital (i)		Special reserve (iii)	Legal reserve	Other reserves		
Balances at December 31, 2018		**4,436,448**	**897,941**	**1,017,867**	**-**	**7,421,212**	**1,959,151**	**15,732,619**
Profit for the year		-	-	-	-	-	4,212,967	4,212,967
Currency translation differences		-	-	-	-	10,918,156	-	10,918,156
Changes in the fair value of investments in equity instruments	**19**	-	-	-	-	(104,607)	-	(104,607)
Remeasurement of post-employment benefit obligations	**25**	-	-	-	-	61,641	-	61,641
Income tax related to components of other comprehensive income	**28**	-	-	-	-	6,884	-	6,884
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**10,882,074**	**-**	**10,882,074**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**10,882,074**	**4,212,967**	**15,095,041**
Distribution of retained earnings according to the decision adopted during the Annual General Meeting of Shareholders held on March 14, 2019:								
Legal reserve		-	-	-	219,911	-	(219,911)	-
Distribution of retained earnings according to the decision adopted during the Annual General Meeting of Shareholders held on August 30, 2019:								
Cash dividends (ii)		-	-	-	-	-	(1,739,240)	(1,739,240)
Balances at December 31, 2019		**4,436,448**	**897,941**	**1,017,867**	**219,911**	**18,303,286**	**4,212,967**	**29,088,420**

(i) See Note 2.10.b.

(ii) See Note 2.10.c.

(iii) It corresponds to General Resolution No. 609/12 of the CNV [See Note 32 (iii)].

The accompanying notes 1 to 36 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2020

CASH FLOW STATEMENT
for the fiscal years ended on December 31, 2020 and December 31, 2019
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2020	2019
OPERATING ACTIVITIES			
Profit for the year		3,813,936	4,212,967
Adjustments to profit for the year to reach operating cash flows	**30**	36,567,632	30,144,976
Changes in working capital	**30**	(9,809,362)	(6,420,408)
Others, including currency translation differences		6,979,835	6,501,654
Payment of employee benefits programs		(208,852)	(58,937)
Payment of income tax		(24,123)	(31,086)
Cash generated by operating activities		**37,319,066**	**34,349,166**
INVESTING ACTIVITIES			
Investments in Property, plant and equipment		(5,502,888)	(23,301,144)
Collection from the sale of Property, plant and equipment		13,331	18,598
Investments in equity instruments at fair value	**19**	(801)	-
Income from the sale of interest in associates		18,387	16,859
Collected dividends	**13**	90,660	81,572
Loans to related parties		(70,709)	-
Increase in Other investments		(12,525,055)	-
Investments in joint ventures		-	(36,799)
Cash used in investing activities		**(17,977,075)**	**(23,220,914)**
FINANCING ACTIVITIES			
Proceeds from borrowings	**24**	1,256,955	7,358,011
Issuance of negotiable obligations, net of issuance costs	**24**	2,951,943	-
Payment of borrowings	**24**	(15,894,972)	(15,500,686)
Repurchase of negotiable obligations	**24**	(791,358)	-
Paid dividends		(125,000)	(1,739,240)
Right-of-use liabilities payments	**16**	(800,692)	(812,162)
Cash used in financing activities		**(13,403,124)**	**(10,694,077)**
Increase in Cash and cash equivalents		**5,938,867**	**434,175**
Changes in Cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		2,000,326	467,295
Increase in Cash and cash equivalents		5,938,867	434,175
Currency translation differences		2,452,629	1,098,856
Cash and cash equivalents at year-end	**23.b**	**10,391,822**	**2,000,326**

	At December 31, 2020	2019
Cash and cash equivalents	10,391,822	2,000,326
Cash and cash equivalents at year-end	**10,391,822**	**2,000,326**
Non-cash transactions		
Unpaid investments in Property, plant and equipment at year-end	2,282,523	2,108,951
Contributions in kind in joint ventures	-	93,439
In-kind loans to related parties	770,791	-

The accompanying notes 1 to 36 form an integral part of these Financial Statements.

Table of contents of notes to Financial Statements

Notes to Financial Statements at December 31, 2020

(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. Its legal domicile is Pasaje Della Paolera 299/297, 16th floor, city of Buenos Aires, 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; (ii) joint operations over unconventional exploitation concessions in the areas of Los Toldos I Norte, Los Toldos II Este and Los Toldos I Sur, and (iii) the exploration permissions over the areas of Loma Ancha and Loma Ranqueles.

In addition, the Company operates in conventional hydrocarbon areas in Neuquina, Noroeste and Golfo San Jorge basins through joint operations (see Note 35) and holds all exploitation rights over the area Los Bastos located in the province of Neuquén.

On August 21, 2018, the Company obtained an exploration (and potential exploitation) permission granting all rights and obligations over the area Gran Bajo Oriental located in the province of Santa Cruz, for an exploratory period of three years, which may be extended one year. Such permission also allows the possibility of accessing a second exploratory period of three years, which may be extended four years.

In May 2019, the Office of the Secretary of Energy, by means of Resolution No. 276/2019, granted an exploration permission over MLO-124 area (located in Malvinas marine basin approximately 100 kilometers away from the coast of Tierra del Fuego) to a consortium to which the Company is a party (10% participation). Activities that will be carried out during the four years of the first phase of the exploration period mainly consist of a 3D geophysical study and other potential geophysical studies. In October 2019, Resolution No. 645/2019 was published in the Official Gazette, by means of which the exploration permission was granted (see Note 35.b).

The Financial Statements were approved for issuance by the members of the Board of Directors on March 2, 2021.

The macroeconomic environment in Argentina

The Company operates in an economic setting whose main variables are being affected by the volatility in the prices of commodities and the impact of the COVID-19 syndemic, all of which produced a global economic and financial crisis that affects the activities of Tecpetrol. The economic agenda of the government is currently dominated by the currency and economic crises and the COVID-19 sanitary emergency. The management of the Company continuously monitors the evolution of the aforementioned factors, in order to determine and implement possible courses of action and identify the potential impact on the patrimonial and financial situations of the Company.

These Financial Statements of the Company should be construed in light of these circumstances.

Coronavirus and crisis of oil prices

On March 11, 2020, the World Health Organization (WHO) declared coronavirus (COVID-19) a global pandemic. The COVID-19 outbreak is exerting an adverse impact upon global economy affecting, among others, oil prices, which fell by more than 50% towards the end of March. In the second quarter, producers reached a production restriction agreement that, together with the gradual exit from the syndemic in Asian and European countries and its resulting increase in demand, have generated a recovery in oil prices that consolidated during the third quarter.

1. General information (cont'd)

Coronavirus and crisis of oil prices (cont'd)

The scope and the duration of COVID-19 containment measures and the effects of the new outbreak in the world (including border closures, flight cancellations, isolation and lockdown) and their impact on global economy remain unknown.

The national government implemented several measures intended to reduce population movement, and imposed a social, preventive and compulsory self-isolation or distancing order as from March 20. Such measure considers exceptions for businesses and people providing essential services or products and remains in force to this date, even though it has been eased. Although the energy industry is considered essential, the abovementioned situations have greatly affected the hydrocarbon demand, and its evolution in the short-term remains uncertain.

The management of the Company is closely monitoring the situation and adopting measures according to the complexity of the events, aiming at safeguarding the integrity of the staff, keeping operations running and preserving the corporate financial health. Said measures include the postponement of investments, an additional reduction of costs and the adjustment of production levels to the market conditions.

As of the date of these Financial Statements, on site access to the fields by essential operations staff and the remote work of all other employees have not greatly affected the capacity of Tecpetrol to conduct its operations as usual. In line with this, such changes have not adversely affected corporate information systems or financial information internal controls.

The full extent of the syndemic, its impact on the country's economy and the effect on the Company's activities and its resulting profits or losses are still unknown and cannot be reasonably predicted. However, such situation is not expected to affect the continuity of the business. Given the financial soundness of the Company and its shareholders, all financial commitments are expected to be honored in the subsequent twelve months.

Besides, the Central Bank of Argentina (Banco Central de la República Argentina, BCRA) imposed greater exchange restrictions, affecting the value of foreign currency in existing alternative markets for certain exchange transactions which are restricted in the official market. According to such measures, which are intended to restrict access to the exchange market for the purposes of restraining the demand for U.S. dollars, prior approval from the BRCA is required in order to conduct specific transactions and refinance specific debts. Measures applicable to the Company mainly relate to the payment of principal from financial borrowings granted by non-residents and the payment of debt securities issued in Argentina and denominated in foreign currency (see Note 24). Additionally, the existing exchange rate regime sets forth that it is mandatory that all income obtained from goods and services exports (among others) be converted to local currency.

These exchange restrictions, and the ones that might be implemented in the future, could affect the Company's access to the Argentine foreign exchange market (Mercado Único y Libre de Cambios, MULC), and therefore, the acquisition of foreign currency to honor its financial obligations. Assets and liabilities in foreign currency at December 31, 2020, have been valued based on MULC current quotations.

2. Summary of significant accounting policies

There follow the main accounting policies used to prepare the Financial Statements.

2.1 Basis for preparation

These Financial Statements of the Company were 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 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 Económicas, FACPCE) which adopt IFRS, issued by the IASB, for entities included in the public offering regime under Law No. 17.811 and amendments, either due to their capital stock or negotiable obligations, or because they requested authorization to be included in such regime.

The Financial Statements are presented in thousands of Argentine pesos, unless otherwise stated.

Pursuant to the IFRS, the preparation of these 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 periods. Actual profits or losses might differ from these estimates.

All information corresponding to fiscal year ended on December 31, 2019 is part of these Financial Statements and is presented for comparative purposes only. If applicable, some figures from the financial statements at December 31, 2019, have been reclassified in order to present comparative information in respect of the current fiscal year.

2.2 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.

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, the equity instruments issued, and the obligations assumed as of the acquisition date. Acquisition related costs are reported as incurred. Identifiable assets acquired, and debts and contingent liabilities assumed in a business combination are measured at their fair value on 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 Company's shareholding in identifiable net assets 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 Income Statement.

2.2 Basis for consolidation (cont'd)

(a) Subsidiaries (cont'd)

Inter-company transactions and balances, and unrealized profits (losses) on transactions among subsidiaries are removed for consolidation purposes.

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

(b) Associates

Associates are all entities over which the Company has significant influence; 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 associates are recognized as *Investments in entities accounted for using the equity method* in the Statement of Financial Position. Share of earnings and other comprehensive income of associates is reported as *Profits (losses) from investments in entities accounted for using the equity method* and *Other comprehensive income of investments in entities accounted for using the equity method* in the Income Statement and the Statement of Comprehensive Income, respectively.

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

The accounting policies of the associates are modified where 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 associates, 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 important 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 on a line by line basis, in accordance with Tecpetrol's shareholding.

2.2 Basis for consolidation (cont'd)

(c) Participation in joint arrangements (cont'd)

Also, investments whereby two or more parties have joint control are classified as "*joint ventures*" when the parties have rights over the net assets of the arrangement and are registered according to the equity method, as described above. Investments classified as joint ventures are included under *Investments in entities accounted for using the equity method* in the Statement of Financial Position. Share of earnings and other comprehensive income of joint ventures is reported as *Profits (losses) from investments in entities accounted for using the equity method* and *Other comprehensive income of investments in entities accounted for using the equity method* in the Income Statement and the Statement of Comprehensive Income, respectively.

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

The valuation of the Company's interests in joint arrangements is 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.

2.3 Foreign currency translation and balances in foreign currency

(a) Functional and presentation currencies

Items included in the Financial Statements are reported in 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"), since this is the currency which best reflects the economic substance of the transactions. Both sales and prices of main drilling costs are negotiated, agreed upon and settled either in USD or considering the exchange rate fluctuation with respect to said currency.

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

(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 Income Statement, except when deferred to Other comprehensive income as cash flow hedges. Translation differences on non-monetary financial assets and liabilities, such as investments in equity instruments at fair value 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.

2.3 Foreign currency translation and balances in foreign currency (cont'd)

(c) Currency 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) all resulting translation differences are recognized 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.

2.4 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 areas, 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 proceeds from the commercialization 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 has enough 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 or amortization 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, drilling costs of development wells and project-related engineering.

2.4 Property, plant and equipment - Exploration, evaluation and development assets - (cont'd)

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.

Workovers carried out in wells intended 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 obligations costs are calculated pursuant to the guidelines detailed in Note 2.14.

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

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.

Depreciation of machinery and equipment under contracts in which the Company acts as lessor is calculated using the straight-line method over an estimated useful life of 10 years.

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/expenses*, as applicable, in the Income Statement.

The carrying value of assets from production and development areas 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 discounted cash flows expected to arise from the remaining commercial reserves.

Assets which have suffered impairment losses in previous fiscal years 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.

2.5 Leases

Right-of-use assets and liabilities derived from lease agreements under which the Company acts as lessee (Note 16.a) are recognized in the Statement of Financial Position as from the date on which the leased asset is available for use by the lessee and are measured at the present value of the payments to be made under the term of the lease agreement considering the discount rate implicit under the lease (provided it could be assessed) or the incremental borrowing rate of the Company.

Right-of-use liabilities comprise fixed lease payments, variable lease payments based on a rate or index, amounts expected to be payable under residual value guarantees, the purchase option price when it is likely such option will be exercised and penalties for early termination of the lease if the term of the agreement indicates the lessee will exercise the option. Costs for right-of-use assets include initially measured liabilities amount, all payments made before the date of initial application, initial direct costs and related restoring costs.

Subsequently, right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, if applicable. Assets are depreciated on a straight-line basis over the term of the lease or useful life of the asset, whichever period is the shorter. Right-of-use liabilities are increased by interest accrual and remeasured to reflect changes in payments, the scope of the lease and the discount rate. Costs for right-of-use assets are adjusted for any remeasurement of the liability.
Right-of-use liabilities were discounted using the incremental borrowing rate (in USD) of the Company, which ranges from 5.2% to 8.4%.

Lease agreements under which the Company acts as lessor (Note 16.b) and retains all risks and benefits from the ownership of the underlying asset are classified as operating leases. Profits from these contracts are recognized on an accrual basis under *Net sales* in the Income Statement during the term of the lease. All related leased assets are included in the Statement of Financial Position according to their nature.

2.6 Inventories

Hydrocarbon inventories, supplies and spare parts are valued either at cost, using the weighted average cost formula or at their net realizable value, whichever is the lowest.

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 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 recognized based upon expected credit losses and when there is objective evidence that the Company will not be able to collect trade and other receivables. In order to assess expected credit losses, the Company uses both forward-looking information and historical data. Periodically, the Company evaluates changes in credit risk considering the debtors’ 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; as well as significant changes in

2.7 Trade and other receivables (cont.)

foreign market indicators and regulatory or economic conditions. To estimate expected credit losses, the Company groups trade and other receivables (if any) based upon common credit risk indicators and designates an expected bad debt rate according to a historical bad debt ratio adjusted to expected future economic conditions.

The asset's carrying amount is reported net of allowances for impairment losses, if applicable. The allowance expense is recognized in the Income Statement under *Selling expenses.*

2.8 Other investments

Other investments include CEDEARS (that is, securities that can be traded on the Buenos Aires Stock Exchange representing shares of companies listed on international markets) and financial debt instruments with initial maturities exceeding three months as from the date of acquisition. They are initially recognized at fair value and subsequently valued at amortized cost or at fair value, depending on the classification of the financial instruments, as set forth in Note 2.19.

2.9 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 Cash Flow Statement, cash and cash equivalents include cash in hand, bank deposits, current account overdrafts and highly liquid investments with original maturities of less than three months and which are readily convertible to cash.

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

2.10 Equity

(a) Equity components

The Statement of Changes in Equity includes share capital, capital contributions, the legal reserve, the special reserve, the reserve for future dividends, other reserves and retained earnings.

(b) Share Capital

At December 31, 2020 and December 31, 2019, the Company's subscribed capital amounted to $4,436,448 and is represented by 4,436,448,068 common shares carrying a nominal value of $1 each.

(c) Distribution of dividends

Dividends distributed to the Company's shareholders are based on the profits (losses) attributable to the Owners of the Parent Company. Distribution of dividends is recognized as a liability in the Financial Statements in the period in which those dividends are approved by the Shareholders at a Meeting.

On January 16, 2020, the members of the Board of Directors of Tecpetrol S.A. approved the distribution of anticipated cash dividends for $125 million (equivalent to $0.028 per share), which were ratified as cash dividends by the Shareholders at an Annual General Meeting held on April 28, 2020 and paid on May 29, 2020.

2.10 Equity (cont'd)

(c) Distribution of dividends (cont'd)

The Shareholders of Tecpetrol S.A. at an Annual General Meeting held on August 30, 2019, approved the distribution of cash dividends for $1,739.2 million (equivalent to $0.392 per share) which were paid to the shareholders on November 14, 2019.

(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 nature 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 No. 19.550 (hereinafter referred to as "LGS"), the Company's by-laws and General Resolution No. 622/13 issued by the CNV, 5% of the net profits for the year must be allocated to a legal reserve until such reserve equals 20% of the adjusted capital.

(f) Other reserves

Other reserves include the effect of foreign currency translation, changes in the fair value of investments in equity instruments, net actuarial profits (losses) generated by employee benefits programs and income tax related to components of other comprehensive income.

There follows the breakdown of other reserves at December 31, 2020 and December 31, 2019:

	Currency translation reserve	Reserve for investments in equity instruments	Reserve for employee benefits programs	Total
Balances at December 31, 2019	18,306,345	(22,848)	19,789	18,303,286
Other comprehensive income for the year	12,602,835	225,261	96,237	12,924,333
Income tax related to components of other comprehensive income	-	(59,158)	(24,059)	(83,217)
Balances at December 31, 2020	**30,909,180**	**143,255**	**91,967**	**31,144,402**

	Currency translation reserve	Reserve for investments in equity instruments	Reserve for employee benefits programs	Total
Balances at December 31, 2018	7,388,189	59,465	(26,442)	7,421,212
Other comprehensive income for the year	10,918,156	(104,607)	61,641	10,875,190
Income tax related to components of other comprehensive income	-	22,294	(15,410)	6,884
Balances at December 31, 2019	**18,306,345**	**(22,848)**	**19,789**	**18,303,286**

2.11 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 Financial Statements.

2.12 Income tax and minimum notional income tax

2.12.a. Income tax

The income tax expense for the year comprises current and deferred tax. Such tax is recognized in the 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 provisions 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, tax losses, allowances and provisions. Deferred assets and liabilities are measured at the tax rates that are expected to be in force in the period in which the related tax asset is realized or the liability is settled, based on rates and 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, the Company 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.

Additionally, for the determination of the income tax charge the following should be considered:

- Income tax rate: pursuant to Law No. 27.430/2017 and Law No. 27.541/2019, the income tax rate applicable to the fiscal year under consideration is 30%. Therefore, the reduction to 25% of the income tax rate is suspended up to all fiscal years commencing as from January 1, 2021.
- Inflation adjustment: pursuant to Law No. 27.430/2017 and Law No. 27.468/2018, all acquisitions or investments made as from all fiscal years commencing on or after January 1, 2018, are adjusted based on the General Level Consumer Price Index (CPI).

2.12.a. Income tax (cont'd)

In turn, Law No. 27.430/2017, as amended, imposes the implementation of a tax inflation adjustment in the fiscal year if the percentage of variation of the CPI accumulated during the thirty-six months prior to the year-end under settlement, exceeds 100%.

In the fiscal years ended on December 31, 2019 and December 31, 2020, the expected conditions for the implementation of the adjustment have taken place; therefore, the adjustment was included in the assessment of the provision for current and deferred income tax, including its impact according to applicable regulations.

2.12.b. Minimum notional income tax

At December 31, 2020 and December 31, 2019, the Company reported a minimum notional income tax balance (this tax was repealed by Law No. 27.260, section 76) of $35.7 million and $46.3 million, respectively under *Income tax credit*, which might be included in the payment of income tax.

2.13 Employee benefits programs

(a) Pension 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.

The liability provision for such benefits is recorded at the present value of the obligation at year-end, 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 Income Statement.

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

(b) Employee retention and long-term incentive program

Tecpetrol Investments S.L.U. (formerly, Tecpetrol International S.A.), indirect parent company of the Company, 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 of Consolidated Equity per share of Tecpetrol Investments S.L.U. (excluding non-controlling interest). The units will be vested over a period of four years and the corresponding subsidiaries will redeem them after a certain period, which according to the terms of the plan granted, contemplates two different redemption periods: a) 10 years from the day they were granted; the employee shall have the right to request payment as from the seventh year onwards; b) 7 years from the day they were granted; or in both cases, when the employment relationship with the payor subsidiary ceases. Payment will be

2.13 Employee benefits programs (cont'd)

made at carrying value of Consolidated Equity recorded per share attributable to the Shareholders of Tecpetrol Investments S.L.U. upon payment. The beneficiaries of this program will also receive cash payments equivalent to the dividend paid per share, each time Tecpetrol Investments S.L.U. pays cash dividends to its shareholders. Considering that the payment under the program is related to the carrying value of Tecpetrol Investments S.L.U. shares, the Company values the program as "Other long-term benefits", as required by IAS 19.

The total value of the units granted to employees of the Company under this program, considering both the number of units and the carrying value per share of Tecpetrol Investments S.L.U. amounts to USD 12 million at December 31, 2020 and December 31, 2019. Pursuant to calculations carried out by independent actuaries, at December 31, 2020 and December 31, 2019, the Company reported liabilities for $1,017.2 million and $781.6 million, respectively; and an expense of $146.3 million and $2.8 million, respectively (see Note 25).

2.14 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.

The provision for assets retirement obligations is calculated by establishing the present value of future costs related to the decommissioning and restoration of each area. 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 2.4. 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 Financial Statements for the periods 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.*

2.15 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 Tecpetrol has the right to defer settlement of the liability for at least 12 months following the reporting date of the Financial Statements.

2.16 Revenue recognition

Revenues from contracts with customers comprise the fair value of the consideration received or receivable from the sale of goods and services to customers net of value-added tax, withholding taxes and discounts.

Revenues from hydrocarbon sales contracts with customers are recognized when the control of goods or services is transferred to the customer, at fair value of the consideration received or receivable. Performance obligations are discharged, and control is transferred to customer upon delivery of hydrocarbons.

Revenues from contracts with customers for services mainly related to the sale of hydrocarbons are recognized over time. The related performance obligation is satisfied as such services are rendered.

Other revenues are recognized on an accrual basis.

2.17 Incentives to production and/or investments

Incentives to production and/or investments created by the national government are recognized according to an accrual basis of accounting when the Company complies with all necessary requirements in order to receive said incentive and has a reasonable certainty that they will be collected. Said incentives are disclosed under *Net sales* in the Income Statement.

2.18 Operating costs

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

2.19 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 Statement of Financial Position when there is a legally enforceable right to offset such amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its non-derivative financial instruments into the following categories: at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. The classification depends on both the business model adopted by the Company to manage the financial instruments and the characteristics of their contractual cash flows.

(a) Amortized cost

Financial assets are valued at amortized cost if the following conditions are met: the business model of the company which owns such financial assets is to collect the contractual cash flows and, according to the contract terms, cash flows are on account of repayment of principal and interest and they occur on specified dates. Interest income are included in the Income Statement using the effective interest rate method.
Besides, financial liabilities are valued at amortized cost, except when they specifically satisfy certain requirements to be included under another category.

This category mainly includes cash and cash equivalents, trade and other receivables, borrowings, trade and other payables and right-of-use liabilities.

2.19 Financial instruments (Cont´d)

(b) Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the following conditions are met: (i) the business model of the company which owns such financial assets is achieved by both collecting contractual cash flows and selling those financial assets, and (ii) according to the contract terms, cash flows are on account of repayment of principal and interest and they occur on specified dates.

This category includes investments in equity instruments since the Company exercised the irrevocable option to disclose changes in the fair value under other comprehensive income as an item that will not be subsequently reclassified to profit or loss. Dividends resulting from these investments are recognized under profit or loss for the fiscal year.

The Company evaluates at each Financial Statements reporting date whether there are impairment indicators, and records, if necessary, an impairment charge as part of the changes in the fair value under Other comprehensive income.

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

Financial assets at fair value through profit or loss are financial instruments that do not fit any of the other categories. This category mainly includes investments in financial debt instruments, fixed-income securities, share certificates and mutual funds.

2.20 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 indexes are used for all pricing operations. These include exchange rates, interest rates and other discount rates which mitigate the nature of the underlying risk.

The method for 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 Income Statement as *Other net financial profit (loss).*

The fair value of derivative financial instruments is detailed in Note 29. 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 remaining maturity of the 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.

2.20 Derivative financial instruments and hedging activities (cont'd)

Cash flow hedges (cont'd)

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 related to the ineffective portion is recognized immediately in the 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 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 Income Statement.

2.21 Segment information

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

The highest decision-making authority is the group of directors comprising the Chairman; the General Director of Exploration and Production; the General Director of Business Development, Gas and Power, and Commercial Operations; and the General Director of Corporate Areas, who hold periodical meetings with the officers in charge of the different areas in order to assess the performance of each field and allocate resources.

Neuquina basin includes Company operations in the following fields: Fortín de Piedra, Punta Senillosa, Loma Ancha, Los Bastos, Agua Salada and Los Toldos (I Norte, II Este and I Sur), where medanito crude and gas are produced. Additionally, it includes all exploratory activities developed in the areas of Loma Ranqueles and Loma Ancha.

Noroeste - San Jorge basin and others include Company operations in the following fields: Aguaragüe and Ramos in Salta, El Tordillo and La Tapera - Puesto Quiroga in Chubut and Lago Argentino in Santa Cruz. These are mature fields, with secondary and tertiary productions, mainly of escalante crude oil and gas. Moreover, it includes exploratory activities developed in the area of Gran Bajo Oriental in the province of Santa Cruz and in MLO-124 area, located in Malvinas marine basin.

3. New accounting standards

(a) New standards, interpretations and amendments to published standards effective as from the fiscal year ended on December 31, 2020:

For the fiscal year ended on December 31, 2020, there are no new standards, interpretations and amendments to published standards in force that must be disclosed and that are relevant to the Company.

3. New accounting standards (cont'd)

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

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

4. Financial risk management

4.1 Financial risk factors

Due to its activities, the Company is 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) Foreign exchange rate risk

The Company is exposed to fluctuations in exchange rates for those transactions conducted in a currency other than the functional currency. As the functional currency is the USD, the Company intends to reduce the risk related to fluctuations in the exchange rates 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 exchange rates, using different financial instruments and derivatives, if necessary.

Exposure to the Argentine peso, including the effect of all derivative contracts in force, was USD 258 million (assets) at December 31, 2020.

Tecpetrol estimates that the impact of a devaluation/revaluation of the Argentine peso against the USD, of 1% in the exchange rate would result in a profit/(loss) of USD 2.6 million at December 31, 2020.

(ii) Interest rate risk

Tecpetrol is exposed to cash flow 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 interest rate and floating interest rate debt at the closing date of each fiscal year:

	December 31, 2020		December 31, 2019	
	Amount	**Percentage**	**Amount**	**Percentage**
Fixed rate	83,894,270	87%	37,787,098	47%
Floating rate	12,303,060	13%	42,292,486	53%

If interest rates on the accumulated nominal average of borrowings held during the fiscal year had been 50 basis points higher with all other variables remaining constant, net income would have been USD 2.1 million less at December 31, 2020. Note 24 includes information concerning the interest rates applicable to main borrowings.

4.1 Financial risk factors (cont'd)

(iii) Credit risk concentration

Tecpetrol's financial assets which are potentially exposed to credit risk concentrations are mainly deposits in financial institutions, and trade receivables and other 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 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 intended to mitigate credit risks are necessary. For credit analysis purposes the Company uses internal information about the performance of its customers as well as external sources.

At December 31, 2020, 40% of all trade receivables are guaranteed with credit insurance (60% at December 31, 2019) and 3% with guarantees (9% at December 31, 2019).

At December 31, 2020, Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMESSA), represented 41% of all trade receivables of Tecpetrol, whereas at December 31, 2019, no customer represented or surpassed 10% of all trade receivables of the Company.

Regarding other receivables, at December 31, 2020 and December 31, 2019, 83.8% and 71.5%, respectively, corresponded to incentives granted by the national government.

(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 fiscal 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.

At December 31, 2020, Tecpetrol has a negative working capital of $5,177 million ($26,794.3 at December 31, 2019) which was generated mainly by loans with related companies. This situation is constantly monitored by the members of the Board and the Management. The Company has different alternatives that will allow it to adequately honor all commitments assumed.

There follows a table representing 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, 2020			
Borrowings	47,957,135	47,463,461	776,734
Trade and other payables	6,001,713	-	-
Interest on unpaid borrowings not yet accrued	3,285,721	2,038,618	5,049
Total	**57,244,569**	**49,502,079**	**781,783**

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, 2019			
Borrowings	42,938,165	3,594,538	33,546,881
Trade and other payables	5,086,750	-	-
Interest on unpaid borrowings not yet accrued	2,943,893	1,667,937	1,449,757
Total	**50,968,808**	**5,262,475**	**34,996,638**

(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 price agreed in the domestic market is determined considering international values, except when temporary price agreements are applicable in the domestic market. A USD 1 variation in the reference price of the barrel of crude oil, with all other variables remaining constant, would imply an impact upon net profits or losses of USD 1.4 million for the fiscal year ended on December 31, 2020.

With regard to the turnover from gas sales, a variation of USD 0.1 per million of BTU, with all other variables remaining constant, would imply an impact upon net profits or losses of the Company of USD 10.1 million for the fiscal year ended on December 31, 2020. It should be noted that the above-mentioned analysis does not consider revenues arising from incentives to production granted by the national government.

At December 31, 2020 and December 31, 2019, 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 net debt/total equity ratio (where "net debt" comprises all financial borrowings less cash and cash equivalents and other investments and "equity" is the aggregate of net debt and equity) is 0.62 at December 31, 2020, compared with 0.73 at December 31, 2019. The Company is not obliged to comply with external capital requirements.

4.2 Financial instruments by category

Financial instruments by category are disclosed below:

At December 31, 2020	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
Assets				
Investments in equity instruments at fair value	-	-	1,542,888	1,542,888
Other receivables	-	18,193,319	-	18,193,319
Trade receivables	-	7,857,235	-	7,857,235
Derivative financial instruments	14,399	-	-	14,399
Other investments	11,314,027	619,149	-	11,933,176
Cash and cash equivalents	6,098,991	4,292,831	-	10,391,822
Total	**17,427,417**	**30,962,534**	**1,542,888**	**49,932,839**

4.2 Financial instruments by category (cont'd)

At December 31, 2020	At fair value through profit or loss	At amortized cost	Total
Liabilities			
Borrowings	-	96,197,330	96,197,330
Right-of-use liabilities	-	1,611,976	1,611,976
Derivative financial instruments	118,710	-	118,710
Trade and other payables	-	6,001,713	6,001,713
Total	**118,710**	**103,811,019**	**103,929,729**

At December 31, 2019	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
Assets				
Investments in equity instruments at fair value	-	-	942,407	942,407
Other receivables	-	8,859,561	-	8,859,561
Trade receivables	-	8,234,198	-	8,234,198
Other investments	-	178,912	-	178,912
Cash and cash equivalents	257,115	1,743,211	-	2,000,326
Total	**257,115**	**19,015,882**	**942,407**	**20,215,404**

At December 31, 2019	At amortized cost	Total
Liabilities		
Borrowings	80,079,584	80,079,584
Trade and other payables	5,086,750	5,086,750
Right-of-use liabilities	1,334,314	1,334,314
Total	**86,500,648**	**86,500,648**

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 assets and liabilities, either directly (e.g., prices) or indirectly (e.g., derived from prices). For the estimates of fair value, the Company applies a series of methods and assumptions based on the market conditions existing at the presentation date of the 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 inputs.

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

4.3 Fair value estimate (cont'd)

Fair value hierarchies (cont'd)

The following table presents the financial assets and liabilities measured at fair value by hierarchy level at December 31, 2020 and December 31, 2019:

At December 31, 2020	**Level 1**	**Level 2**	**Level 3**
Assets			
Investments in equity instruments at fair value	-	-	1,542,888
Derivative financial instruments	-	14,399	-
Other investments	11,314,027	-	-
Cash and cash equivalents	6,098,991	-	-
Total	**17,413,018**	**14,399**	**1,542,888**
Liabilities			
Derivative financial instruments	-	118,710	-
Total	**-**	**118,710**	**-**

At December 31, 2019	**Level 1**	**Level 3**
Assets		
Investments in equity instruments at fair value	-	942,407
Cash and cash equivalents	257,115	-
Total	**257,115**	**942,407**

There were no transfers among levels 1, 2 and 3 over the fiscal years ended on December 31, 2020 and December 31, 2019.

Fair value estimate

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

The carrying value of cash and cash equivalents, other investments, trade and other receivables and trade and other payables, and right-of-use liabilities, 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, 2020 and December 31, 2019.

In all cases, the fair value was determined based upon discounted cash flows using the market rates and items are classified as Level 2, save for class 1 negotiable obligations whose fair value was determined based upon the quoted price (Level 1), which reached USD 99.33 and USD 100.96 for each USD 100 of nominal value, at December 31, 2020 and December 31, 2019, respectively.

5. Critical accounting estimates and judgments

In the preparation of the 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:

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

(a) Hydrocarbon reserves (*)

Reserves are the volumes of oil and gas (expressed in m^3 of oil equivalent) which generate or are related to any economic gain in the areas where Tecpetrol operates or has a direct or indirect investment and over which Tecpetrol has exploitation rights.

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

Developed and undeveloped hydrocarbon proven reserves estimated at December 31, 2020, are disclosed below:

Crude oil:

Proven developed reserves: 2.66 million of m^3.

Undeveloped proven reserves: 4.89 million of m^3.

Natural gas:

Proven developed reserves: 11.32 billion of m^3.

Undeveloped proven reserves: 60.04 billion of m^3.

The above-mentioned reserves are made up of the proven reserves likely 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, 2020, 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 covered by the Independent Auditor's Report on the Financial Statements.

(b) Impairment of long-term assets

The assessment of recoverability of long-term assets implies that the Management uses a series of critical estimates and assumptions described in Note 18.

(c) Provision for asset retirement obligations

Obligations related to well decommissioning and restoration, after the completion of operations, lead Management to make estimates of both long-term asset retirement obligations costs and the remaining period up to decommission. Technology, costs and political, environmental and safety considerations constantly change, giving rise to possible differences between actual future costs and estimates.

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

(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.

6. Segment information

	Fiscal year ended on December 31, 2020			
	Neuquina basin	**Noroeste - San Jorge basin and others**	**Others (1)**	**Total operations**
Net sales - Managerial Vision	66,421,399	5,397,620	20,949	71,839,968
Effect of hydrocarbon inventory valuation	(106,937)	(193,041)	-	(299,978)
Net sales - IFRS				**71,539,990**
Oil	6,284,158	4,101,595	-	10,385,753
Gas	59,787,103	1,077,980	-	60,865,083
Other services	243,201	25,004	20,949	289,154
Net sales - IFRS				**71,539,990**
Operating profit (loss) - Managerial vision	24,164,659	(3,021,797)	(255,668)	20,887,194
Adjustment of hydrocarbon inventory valuation	(64,059)	37,648	-	(26,411)
Depreciation and impairment differences	66,523	1,199,722	8,254	1,274,499
Administrative expenses (2)				(3,118,033)
Operating profit - IFRS				**19,017,249**
Depreciation and impairment of PPE (3) - Managerial Vision	(25,449,209)	(4,533,995)	(207,409)	(30,190,613)
Depreciation and impairment differences	66,523	1,199,722	8,254	1,274,499
Depreciation and impairment of PPE - IFRS				**(28,916,114)**

	Neuquina basin	**Noroeste - San Jorge basin and others**	**Others (1)**	**Total**
PPE - Managerial Vision	99,407,863	6,089,178	476,962	105,974,003
Accumulated depreciation and impairment differences				(389,655)
PPE - IFRS				**105,584,348**
Investments in PPE	4,910,615	712,703	235,092	5,858,410
Investments in PPE				**5,858,410**

(1) It corresponds to other activities of the Company not included under the defined operating segments.
(2) It corresponds to expenses not allocated to operating profit (loss) of defined reportable segments.
(3) PPE: Property, plant and equipment.

6. Segment information (cont'd)

	Fiscal year ended on December 31, 2019			
	Neuquina basin	**Noroeste - San Jorge basin and others**	**Others (1)**	**Total operations**
Net sales - Managerial Vision	58,264,365	6,477,788	10,080	64,752,233
Effect of hydrocarbon inventory valuation	(51,677)	(174,300)	-	(225,977)
Exploratory investments production	(13,192)	-	-	(13,192)
Net sales - IFRS				**64,513,064**
Oil	6,324,360	4,869,762	-	11,194,122
Gas	51,874,954	1,412,496	-	53,287,450
Other services	-	21,412	10,080	31,492
Net sales - IFRS				**64,513,064**
Operating profit - Managerial vision	22,741,230	767,545	27,904	23,536,679
Adjustment of hydrocarbon inventory valuation	(51,992)	(84,039)	-	(136,031)
Depreciation of exploratory investments	13,192	-	-	13,192
Depreciation differences	(57,752)	(112,608)	2,245	(168,115)
Administrative expenses (2)				(2,216,907)
Operating profit - IFRS				**21,028,818**
Depreciation of PPE (3) - Managerial Vision	(21,594,583)	(1,026,855)	(167,640)	(22,789,078)
Depreciation differences	(44,560)	(112,620)	2,257	(154,923)
Depreciation of PPE - IFRS				**(22,944,001)**

	Neuquina basin	**Noroeste - San Jorge basin and others**	**Others (1)**	**Total**
PPE - Managerial Vision	88,850,528	7,804,086	409,049	97,063,663
Accumulated depreciation and impairment differences				(936,584)
PPE - IFRS				**96,127,079**
Investments in PPE	18,720,644	1,552,593	69,599	20,342,836
Investments in PPE				**20,342,836**

(1) It corresponds to other activities of the Company not included under the defined operating segments.
(2) It corresponds to expenses not allocated to operating profit (loss) of defined reportable segments.
(3) PPE: Property, plant and equipment.

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, 2020, net sales arose from the USA (7.93%), France (2.48%), Singapore (1.38%), Chile (1.09%) and the remaining percentage from Argentina, whereas at December 31, 2019 net sales came from the USA (2.96%), United Arab Emirates (2.99%), Spain (1.12%), Chile (0.18%) and the remaining percentage from Argentina. The designation of net sales is based upon customer location.

6. Segment information (cont'd)

At December 31, 2020, CAMMESA represented 23% of all sales revenues of the Company, not taking into account the incentives to investments granted under Resolution No. 46E/2017 and amendments; whereas at December 31, 2019, no customer represented or surpassed 10% of all sales revenues of the Company.

7. Net sales

	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
Gas (i)	60,865,083	53,287,450
Oil	10,385,753	11,194,122
Other services	289,154	31,492
	71,539,990	**64,513,064**

(i) It includes $30,675,856 and $18,884,764 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution 46E/2017 as amended, at December 31, 2020 and December 31, 2019, respectively (see Note 33).

8. Operating costs

	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
Inventories at the beginning of the year	1,607,093	847,572
Purchases, uses and production costs	43,255,214	38,045,494
Inventories at the end of the fiscal year	(2,771,888)	(1,607,093)
Currency translation differences	715,355	459,912
Operating costs	**42,805,774**	**37,745,885**

Labor costs	2,289,183	1,876,917
Fees and services	442,860	430,155
Maintenance operations and wells service costs	3,952,602	4,831,498
Depreciation of Property, plant and equipment	26,556,578	22,778,618
Impairment of Property, plant and equipment (Note 15)	2,160,381	-
Depreciation of right-of-use assets	556,532	444,656
Treatment and storage	248,435	293,289
Royalties and other taxes (ii)	5,152,474	5,698,308
Other production costs	1,460,763	1,171,252
Stock uses and purchases	435,406	520,801
Purchases, uses and production costs	**43,255,214**	**38,045,494**

(ii) 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 treatment of the product to make it fit for delivery to third parties.

9. Selling expenses

	Fiscal year ended on December 31, 2020	2019
Taxes	1,184,717	1,281,036
Storage and transport	898,270	1,137,793
Allowance for doubtful accounts	2,796,136	165,655
Others	25,272	23,738
	4,904,395	**2,608,222**

10. Administrative expenses

	Fiscal year ended on December 31, 2020	2019
Labor costs	2,063,920	1,482,270
Fees and services	459,662	371,992
Depreciation of Property, plant and equipment	199,155	165,383
Depreciation of right-of-use assets	83,547	54,607
Taxes	662,694	782,666
Office expenses	397,552	326,423
Reimbursement of expenses (i)	(549,342)	(801,051)
	3,317,188	**2,382,290**

(i) 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 constitute the function of the operator.

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

	Fiscal year ended on December 31, 2020	2019
Salaries, wages and other costs	3,392,945	2,719,622
Social security costs	629,002	510,543
Employee benefits programs (Note 25)	331,156	129,022
	4,353,103	**3,359,187**

12. Other operating profits (losses), net

	Fiscal year ended on December 31, 2020	2019
Other operating income		
Profit from the sale of Property, plant and equipment	5,146	9,933
Recovery of provisions for legal claims and contingencies	22,697	147,630
Reversal of provision for asset retirement obligations	6,407	18,015
Reimbursements and compensations	184,081	10,286
Income from other sales	3,116	8,983
Others	27,626	22,200
	249,073	**217,047**
Other operating expenses		
Provision for legal claims and contingencies	(10,008)	(3,480)
Others	(27,649)	(17,973)
	(37,657)	**(21,453)**

13. Net financial profits (losses)

	Fiscal year ended on December 31, 2020	2019
Dividend income	90,660	81,572
Interest income	1,882,195	577,000
Financial income	**1,972,855**	**658,572**
Interest cost	(5,464,056)	(4,311,884)
Financial costs	**(5,464,056)**	**(4,311,884)**
Net loss from exchange differences	(8,353,635)	(6,502,412)
Changes in the fair value of derivative instruments	(508,210)	-
Loss from purchase or sales of public securities	(670,697)	(1,102,413)
Other net financial loss	(491,419)	(40,767)
Other net financial loss	**(10,023,961)**	**(7,645,592)**
Net financial loss	**(13,515,162)**	**(11,298,904)**

14. Taxes

	Fiscal year ended on December 31, 2020	2019
Deferred income tax - Loss (Note 28)	1,683,426	5,485,806
	1,683,426	**5,485,806**

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 shown below:

	Fiscal year ended on December 31, 2020	2019
Profit before income tax at tax rate	**1,649,209**	**2,909,632**
Profit from investments in entities accounted for using the equity method	1,418	9,342
Exchange and translation differences	2,655,858	5,068,874
Effect from changes in the tax rate	81,321	548,191
Effect from inflation adjustments	(2,630,182)	(2,965,289)
Non-taxable income, non-deductible expenses and others	(74,198)	(84,944)
Income tax for the fiscal year – Loss	**1,683,426**	**5,485,806**

Notes to Financial Statements at December 31, 2020 (cont'd)

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

	Fiscal year ended on December 31, 2020						
	Development and production assets	**Machinery and equipment (i)**	**Asset retirement obligations**	**Exploration and evaluation**	**Work in progress (ii)**	**Others**	**Total**
<u>Cost</u>							
At the beginning of the year	125,910,362	54,983,136	1,177,261	7,025,154	15,493,840	4,292,008	208,881,761
Currency translation differences	51,269,604	24,614,654	495,846	2,503,286	4,799,114	1,841,710	85,524,214
Additions	90,688	-	374,358	-	5,390,305	286,015	6,141,366
Right-of-use assets transfers	-	-	-	-	91,402	-	91,402
Transfers	180,689	8,156,441	-	88,998	(8,069,993)	(356,135)	-
Write-offs	(165,792)	-	-	(1,538,606) (iii)	(159,284)	(29,403)	(1,893,085)
At the end of the year	177,285,551	87,754,231	2,047,465	8,078,832	17,545,384	6,034,195	298,745,658
<u>Depreciation</u>							
At the beginning of the year	81,389,502	28,767,131	1,142,819	-	-	1,455,230	112,754,682
Currency translation differences	36,419,896	13,969,964	465,710	-	-	656,163	51,511,733
Depreciation of the fiscal year	14,813,476	11,549,533	12,959	-	-	379,765	26,755,733
Impairment of the fiscal year	1,852,803	307,578	-	-	-	-	2,160,381
Write-offs	-	-	-	-	-	(21,219)	(21,219)
At the end of the year	134,475,677	54,594,206	1,621,488	-	-	2,469,939	193,161,310
Residual value at December 31, 2020	**42,809,874**	**33,160,025**	**425,977**	**8,078,832**	**17,545,384**	**3,564,256**	**105,584,348**

(i) It includes $1,212,910 from machinery and equipment under operating leases at December 31, 2020 (see Note 16.b).

(ii) It includes $355,654 from works in progress related to exploration and evaluation investments at December 31, 2020.

(iii) It corresponds to the write-off of unsuccessful exploratory wells in Loma Ranqueles area. Such write-offs were included under Exploration costs in the Income Statement at December 31, 2020.

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

	Fiscal year ended on December 31, 2019						
	Development and production assets	**Machinery and equipment**	**Asset retirement obligations**	**Exploration and evaluation**	**Works in progress (i)**	**Others**	**Total**
Cost							
At the beginning of the year	68,850,005	29,846,019	870,821	4,135,563	9,237,447	2,393,779	115,333,634
Currency translation differences	44,684,693	18,663,612	517,099	2,619,605	6,659,857	1,545,148	74,690,014
Additions	295,883	-	17,320	-	18,871,999	869,499	20,054,701
Right-of-use assets transfers	-	-	-	-	305,455	-	305,455
Transfers	12,339,670	6,478,939	-	291,917	(18,643,204)	(467,322)	-
Write-offs	(259,889)	(5,434)	(227,979)	(21,931)	(937,714)	(49,096)	(1,502,043)
At the end of the year	125,910,362	54,983,136	1,177,261	7,025,154	15,493,840	4,292,008	208,881,761
Depreciation							
At the beginning of the year	39,849,227	11,595,296	655,170	-	-	746,048	52,845,741
Currency translation differences	27,150,622	8,969,035	406,384	-	-	484,764	37,010,805
Depreciation of the fiscal year	14,389,653	8,205,378	81,265	-	-	267,705	22,944,001
Write-offs	-	(2,578)	-	-	-	(43,287)	(45,865)
At the end of the year	81,389,502	28,767,131	1,142,819	-	-	1,455,230	112,754,682
Residual value at December 31, 2019	**44,520,860**	**26,216,005**	**34,442**	**7,025,154**	**15,493,840**	**2,836,778**	**96,127,079**

(i) It includes $208,974 from works in progress related to exploration and evaluation investments at December 31, 2019.

16. Leases

(a) Right-of-use assets and liabilities

There follows the evolution of right-of-use assets and liabilities from contracts in which the Company acts as lessee, disclosed in the Statement of Financial Position at December 31, 2020 and December 31, 2019:

Right-of-use assets

	Fiscal year ended on December 31, 2020				
	Drilling equipment	**Other equipment**	**Offices**	**Others**	**Total**
At the beginning of the year	240,541	556,896	397,135	93,464	1,288,036
Currency translation differences	36,670	316,872	143,802	14,865	512,209
Additions/(Write-offs), net	(53,402)	595,507	(97,218)	7,251	452,138
Transfers to Property, plant and equipment	(54,994)	-	-	(36,408)	(91,402)
Depreciation of the fiscal year	(101,529)	(371,990)	(88,407)	(78,153)	(640,079)
At the end of the year	**67,286**	**1,097,285**	**355,312**	**1,019**	**1,520,902**

	Fiscal year ended on December 31, 2019				
	Drilling equipment	**Other equipment**	**Offices**	**Others**	**Total**
Effect of initial implementation	564,603	520,483	359,214	118,117	1,562,417
Currency translation differences	186,815	227,665	170,144	55,508	640,132
Additions/(Write-offs), net	(33,106)	(29,765)	(74,439)	27,515	(109,795)
Transfers to Property, plant and equipment	(274,733)	608	-	(31,330)	(305,455)
Depreciation of the fiscal year	(203,038)	(162,095)	(57,784)	(76,346)	(499,263)
At the end of the year	**240,541**	**556,896**	**397,135**	**93,464**	**1,288,036**

Right-of-use liabilities

	Fiscal year ended on December 31,	
	2020	**2019**
At the beginning of the year	1,334,314	1,562,417
Exchange and translation differences	523,427	600,290
Additions/(Write-offs), net	452,138	(109,795)
Accrued interest (i)	102,789	93,564
Payments	(800,692)	(812,162)
At the end of the year	**1,611,976**	**1,334,314**

	December 31, 2020	**December 31, 2019**
Non-current	1,016,265	758,251
Current	595,711	576,063
	1,611,976	**1,334,314**

(i) Included under Financial costs in the Income Statement at December 31, 2020 and December 31, 2019.

16. Leases (cont'd.)

(b) Operating leases

In September 2020, the Company entered into an agreement under which it leased a coiled tubing unit (CTU) for the purpose of offering services to oil and gas companies in Argentina.

The following table discloses future minimum payment collections at December 31, 2020:

Maturity	USD
2021	2,520,000
2022	2,000,000

Gains from the operating lease totaled $57,898 ($4,580 of said amount corresponds to variable payments) and are included in Other services, under Net sales in the Income Statement at December 31, 2020.

Notes to Financial Statements at December 31, 2020 (cont'd)

17. Investments in entities accounted for using the equity method

There follows a detail of investments in entities accounted for using the equity method:

Investments in joint ventures

Company	Main line of business	Common shares at Dec 20 (1 vote)	Country	Interest % Dec-20	Interest % Dec-19	December 31, 2020	December 31, 2019	Latest financial information Date	Share capital	Profit (loss) for the year	Equity
Oleoducto Loma Campana - Lago Pellegrini S.A.	Construction and exploitation of an oil pipe in Argentina	130,259,852	Argentina	15%	15%	187,618	137,964	12.31.2020	868,399	(31,500)	1,250,787
Total						**187,618**	**137,964**				

17. Investments in entities accounted for using the equity method (cont'd)

Profits and losses from investments in entities accounted for using the equity method, as recognized in the Income Statement, are disclosed below:

	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
Loss from investments in joint ventures	(4,725)	(31,141)
	(4,725)	**(31,141)**

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

	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
At the beginning of the year	137,964	-
Reclassifications from other non-current liabilities	-	(2,051)
Currency translation differences	54,379	40,918
Loss from investments in entities accounted for using the equity method	(4,725)	(31,141)
Contributions	-	130,238
At the end of the year	**187,618**	**137,964**

On January 24, 2018, Tecpetrol S.A and YPF S.A. set up the company "Oleoducto Loma Campana - Lago Pellegrini S.A.", whose objective is the construction and exploitation of an oil pipe for the transportation of crude oil production of partners and third parties, with entrance located at the crude oil treatment plant in Loma Campana area (province of Neuquén) and exit in the facilities of Oleoductos del Valle S.A. (province of Río Negro). Tecpetrol S.A. owns 15% of the capital of such company, and YPF S.A., the remaining 85%. However, they exercise joint control over Oleoducto Loma Campana - Lago Pellegrini S.A., since they appoint the same number of Directors and all decisions about relevant matters must be adopted unanimously, pursuant to the Shareholders' Agreement.

Regarding the financing of the project, the shareholders agreed that 70% of such funds would come from a loan granted by the National Social Security Administration (Administración Nacional de la Seguridad Social, ANSES), acting as legal administrator of the Pension Fund of the Argentine Integrated Pension System (Fondo de Garantía de Sustentabilidad del Sistema Integrado Previsional Argentino, FGS-ANSES); and the remaining 30% would come from shareholders' contributions in proportion to their interest.

In May 2018, Tecpetrol S.A. entered into a Crude Oil Transportation Agreement with YPF and Oleoducto Loma Campana - Lago Pellegrini S.A., according to which Tecpetrol agrees to render crude oil transportation services under the "Ship and Pay" modality.

On January 31, 2019, by means of Resolution No. 18/2019, the Office of the Secretary of Energy granted YPF S.A. and Tecpetrol S.A, with a shareholding percentage of 85% and 15%, respectively, the concession of crude oil transportation for Oleoducto Loma Campana – Lago Pellegrini until August 2052. Operation and maintenance shall be in charge of Oleoductos del Valle S.A.

17. Investments in entities accounted for using the equity method (cont'd)

In April 2019, the Shareholders of Oleoducto Loma Campana – Lago Pellegrini S.A. at an Extraordinary and Annual General Meeting approved a contribution in cash from the Company and the capitalization of loans held by YPF S.A. and the Company with Oleoducto Loma Campana – Lago Pellegrini S.A. for a total amount of $ 868.3 million; thus, maintaining the shareholding of both YPF S.A. and Tecpetrol S.A. in the company. The above-mentioned contribution was made in May 2019.

As a condition precedent to the first payment for up to an amount of USD 63 million under the loan for consumption entered into by Oleoducto Loma Campana – Lago Pellegrini S.A and the FGS-ANSES, in May 2019, YPF S.A. and the Company granted a first-ranking pledge over all shares of Oleoducto Loma Campana – Lago Pellegrini S.A., in favor of FGS-ANSES.

The oil pipe came into operation in June 2019, allowing for the transfer of the liquids production from Fortín de Piedra and other fields from Vaca Muerta to the facilities of Oleoductos del Valle.

18. Impairment of long-term assets

The Company analyses *Property, plant and equipment - Exploration, evaluation and development assets and Right-of-use assets* for impairment periodically or whenever events or changes in the circumstances indicate a potential evidence of impairment.

The recoverable value of each CGU (considering a CGU as each area in which Tecpetrol S.A has interest) is estimated 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, the evolution of the curve of future hydrocarbon prices, inflation, exchange rates, costs and other cash expenditures, on the basis of the best estimate the Company foresees regarding its operations and 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.

As a result of the situation described in Note 1, during the fiscal year under consideration, Tecpetrol recognized impairment charges in production and development assets in El Tordillo and La Tapera - Puesto Quiroga and Aguaragüe areas (Noroeste – San Jorge Basin segment) for $1,661.9 million and $498.5 million, respectively. Upon impairment, some the most relevant hypotheses considered by the Management are the post-tax discount rate, which is estimated at 13.4%, and future prices of gas (with prices ranging from USD 2.2 to USD 3.9 per million BTU) and oil (with Brent prices ranging from USD 42 to USD 48 per barrel) for the next 5 years. The recoverable value at such date was estimated based on the value in use and reached $4,392.6 million (El Tordillo and La Tapera - Puesto Quiroga) and $738.3 million (Aguaragüe). A variation of 100 basis points in the discount rate would have generated an increase/(decrease) in the recoverable value of 5% and 3% of El Tordillo and La Tapera - Puesto Quiroga and Aguaragüe, respectively and a variation of USD 1 per barrel in the projections of crude oil prices would have generated an increase/(decrease) in the recoverable value of 2% and 3%, respectively. Impairment charges are included under Operating costs in the Income Statement at December 31, 2020.

18. Impairment of long-term assets (cont'd)

At December 31, 2020, even though there was a small improvement in the prices of hydrocarbons in the short term, the members of the Management consider that, in the long term, the circumstances which gave rise to the above-mentioned impairments have not been completely reversed.

For the fiscal year ended on December 31, 2019, the Company reported no impairments charges.

19. Investments in equity instruments at fair value

	December 31, 2020	December 31, 2019
Non-quoted investments	1,542,888	942,407

There follows the evolution of investments in equity instruments at fair value:

	Fiscal year ended on December 31, 2020	2019
At the beginning of the year	942,407	679,904
Currency translation differences	374,419	367,110
Additions (i)	801	-
Changes in the fair value	225,261	(104,607)
At the end of the year	**1,542,888**	**942,407**

There follows a detail of the main investments in equity instruments at fair value:

Company	Country	Interest % Dec-20	Dec-19	December 31, 2020	December 31, 2019
Tecpetrol del Perú S.A.C.	Peru	2.00	2.00	891,763	559,411
Tecpetrol Bloque 56 S.A.C.	Peru	2.00	2.00	297,606	149,456
Oleoductos del Valle S.A.	Argentina	2.10	2.10	234,800	152,811
Terminales Marítimas Patagónicas S.A.	Argentina	4.20	4.20	75,987	44,994
Tecpe Trading S.A. (i)	Argentina	4.00	-	1,097	-
Tecpetrol Operaciones S.A. de C.V.	Mexico	0.9482	0.9482	25,996	21,233
Norpower S.A de C.V.	Mexico	0.60	0.60	4,862	4,963
Other investments				10,777	9,539
Total				**1,542,888**	**942,407**

(i) In February 2020, Tecpetrol S.A and its Parent Company, Tecpetrol Internacional S.L.U., approved the constitution of Tecpe Trading S.A., whose main objective is the commercialization of hydrocarbons and electric power, among others. As of the date of issuance of these Financial Statements, such Company is under early liquidation.

19. Investments in equity instruments at fair value (cont'd)

At December 31, 2020 and December 31, 2019, 20% and 21%, respectively, of all investments in equity instruments at fair value were made in ARS. Remaining investments in equity instruments at fair value were made in companies whose functional currency is the USD.

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

20. Other receivables and prepayments

	December 31, 2020	December 31, 2019
Non-current		
Receivables	14,681	84,553
Expenses paid in advance	257,319	382,546
Employees loans and advances	54,386	42,723
Other receivables from related parties (Note 34)	1,225,717	-
	1,552,103	**509,822**
Allowance for doubtful accounts	(14,681)	(23,596)
	1,537,422	**486,226**
Current		
Receivables (i)	19,481,848	8,676,782
Tax credits	891,746	2,507,943
Expenses paid in advance	121,595	69,005
Employees loans and advances	42,623	33,965
Other receivables from related parties (Note 34)	434,186	148,447
	20,971,998	**11,436,142**
Allowance for doubtful accounts	(2,548,279)	(34,475)
	18,423,719	**11,401,667**

(i) It includes $19,137,348 and $8,501,244 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution No. 46E/2017 as amended. At December 31, 2020 and December 2019, $12,003,271 y $3,214,200 of the above-mentioned amounts, respectively, are past due (see Note 33).

There follows the evolution of the allowance for doubtful accounts:

	Fiscal year ended on December 31, 2020	2019
Balance at the beginning of the year	(58,071)	(72,825)
Exchange and translation differences	(73,640)	(8,745)
Net additions	(2,431,249)	(43,588)
Reclassifications	-	67,087
Balance at the end of the year	**(2,562,960)**	**(58,071)**

Notes to Financial Statements at December 31, 2020 (cont'd)

21. Trade receivables

	December 31, 2020	December 31, 2019
Non-current		
Trade receivables	68,329	473,159
	68,329	**473,159**
Allowance for doubtful accounts	(68,329)	(221,476)
	-	**251,683**
Current		
Trade receivables	8,592,050	8,278,264
Trade receivables from related parties (Note 34)	313,793	139,340
	8,905,843	**8,417,604**
Allowance for doubtful accounts	(1,048,608)	(435,089)
	7,857,235	**7,982,515**

The following table shows the aging of trade receivables:

	Total	Not yet due	Past due	
			1 - 180 days	> 180 days
At December 31, 2020				
Trade receivables	8,974,172	7,136,560	1,206,649	630,963
Allowance for doubtful accounts	(1,116,937)	(350,025)	(135,949)	(630,963)
Net value	**7,857,235**	**6,786,535**	**1,070,700**	**-**
At December 31, 2019				
Trade receivables	8,890,763	7,366,898	1,268,476	255,389
Allowance for doubtful accounts	(656,565)	(401,176)	-	(255,389)
Net value	**8,234,198**	**6,965,722**	**1,268,476**	**-**

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

	Fiscal year ended on December 31, 2020	2019
Balance at the beginning of the year	(656,565)	(327,945)
Exchange and translation differences	(101,041)	(138,138)
Net additions	(359,331)	(123,395)
Reclassifications	-	(67,087)
Balance at the end of the year	**(1,116,937)**	**(656,565)**

22. Inventory

	December 31, 2020	December 31, 2019
Hydrocarbons	401,117	261,253
Materials and spare parts	2,370,771	1,345,840
	2,771,888	**1,607,093**

Notes to Financial Statements at December 31, 2020 (cont'd)

23. Other investments and Cash and cash equivalents

(a) Other investments

	December 31, 2020	December 31, 2019
Non-current		
Bonds	-	54,785
	-	**54,785**
Current		
Bonds	9,406,093	124,127
CEDEARS	2,527,083	-
	11,933,176	**124,127**

(b) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash and banks	59,441	506,161
Short-term deposits	10,332,381	257,115
Short-term deposits with related parties (Note 34)	-	1,237,050
	10,391,822	**2,000,326**

24. Borrowings

	December 31, 2020	December 31, 2019
Non-current		
Bank borrowings	6,675,443	7,304,557
Negotiable obligations - Class 1	41,564,752	29,836,862
	48,240,195	**37,141,419**
Current		
Bank borrowings	4,379,832	10,804,967
Borrowings from related parties (Note 34)	40,115,501	32,112,571
Negotiable obligations - Class 1	27,106	20,627
Negotiable obligations - Class 2	916,877	-
Negotiable obligations - Class 3	2,517,819	-
	47,957,135	**42,938,165**

The Company must comply with certain obligations and must refrain from performing certain acts under the conditions set forth in the borrowing agreements and negotiable obligations. Such commitments have been fulfilled at December 31, 2020 and December 31, 2019.

Pursuant to Communication "A" 7030, as amended, issued by the BCRA on May 28, 2020, prior approval from the BCRA is required to access the foreign exchange market in order to settle principal payments of offshore financial debts when the lender is a counterparty related to the debtor.

By means of Communication "A" 7106 dated September 15, 2020, the BCRA introduced new restrictions to access the exchange market. One of such measures, applicable to entities with offshore financial debt with a non-related counterparty and with debt securities issued in Argentina and denominated in foreign currency maturing

24. Borrowings (cont'd)

between October 15, 2020 and March 31, 2021, is the obligation to submit a refinancing plan under certain parameters. Additionally, on February 25, 2021, through Communication "A" 7230 the BCRA extended the obligation to submit a refinancing plan to capital amounts maturing on or after April 1, 2021 and until December 31, 2021, pursuant to Communication "A" 7106.

At the date of these Financial Statements, the Company has refinanced its debts maturing on or before March 31, 2021 and must submit a refinancing plan pursuant to Communication "A" 7230.

There follows the evolution of Borrowings:

	Fiscal year ended on December 31,	
	2020	**2019**
Balance at the beginning of the year	80,079,584	54,525,224
Proceeds from borrowings	1,256,955	7,358,011
Issuance of negotiable obligations	2,951,943	-
Payment of borrowings	(15,894,972)	(15,500,686)
Accrued interest	5,061,284	3,894,993
Paid interest	(5,315,437)	(3,973,320)
Profit or loss from repurchase of negotiable obligations	392,281	-
Repurchase of negotiable obligations	(791,358)	-
Exchange and translation differences	28,457,050	33,775,362
Balance at the end of the year	**96,197,330**	**80,079,584**

Bank borrowings and borrowings from related parties are detailed below:

Lender	**Dec-20**	**Interest rate**	**Contract's currency**	**Amortization of capital**	**Maturity**
Tecpetrol Internacional S.L.U. (i)	27,348,750	9.00%	USD	At maturity	Mar-21 (i)
Tecpetrol Internacional S.L.U. (i)	1,262,250	9.00%	USD	At maturity	Mar-21 (i)
Tecpetrol Internacional S.L.U. (i)	4,604,201	9.00%	USD	At maturity	Mar-21 (i)
Tecpetrol Internacional S.L.U.	6,900,300	9.00%	USD	At maturity	Mar-21 (i)
J.P. Morgan Chase Bank, Citibank and others	9,785,241	Libor 3M + 1.50%	USD	Quarterly	Mar-21 to Mar-23 (ii)
Banco Santander Río	1,270,034	4.25%	USD	2 installments: May-22 and Nov-22	May/Nov-22

(i) Pursuant to Communication "A" 7030, as amended, since the Company did not get prior approval from the BCRA to access the exchange market in order to settle principal payments maturing from June to December 2020, in December 2020, the Company and Tecpetrol Internacional S.L.U. agreed on an extension of those maturity dates until March 31, 2021. Interest accrues at a fixed rate of 9%.

(ii) Pursuant to Communication "A" 7106, on December 1, 2020, the Company and J.P. Morgan Chase Bank, Citibank and others agreed on the refinancing of part of the debt and extended the maturity date until March 2023.

Notes to Financial Statements at December 31, 2020 (cont'd)

24. Borrowings (cont'd)

Lender	Dec-19	Interest rate	Contract's currency	Amortization of capital	Maturity
Tecpetrol Internacional S.L.U.	19,464,250	Libor 12M + 1.13%	USD	At maturity	Aug-20
Tecpetrol Internacional S.L.U.	898,350	Libor 12M + 1.16%	USD	At maturity	Aug-20
Tecpetrol Internacional S.L.U.	6,002,868	Libor 3M + 2.5%	USD	Quarterly	Mar-20 to Dec-20
Tecpetrol Internacional S.L.U.	4,910,980	Libor 12M + 4.69%	USD	At maturity	Dec-20
Tecpetrol Servicios S.L.U.	836,123	Libor 12M + 5.79%	USD	At maturity	Feb-20
J.P. Morgan Chase Bank, Citibank and others	10,079,049	Libor 3M + 1.50%	USD	Quarterly	Mar-20 to Sep-22
Banco Santander Río	2,714,562	between 3.5% and 4.25%	USD	4 installments	Jan-20, Jul-20, May-22 and Nov-22
Banco HSBC	912,391	3.50%	USD	At maturity	Jul-20
Banco Provincia	421,447	3.50%	USD	At maturity	Nov-20
Banco Provincia	30,949	BADLAR + 2.0%	ARS	Monthly	Jan-20 to Nov-20
Banco Citibank	1,588,022	64.50%	ARS	At maturity	Jan-20
Banco BBVA	631,665	63.00%	ARS	At maturity	Jan-20
Banco HSBC	600,000	48.00%	ARS	At maturity	Jun-20
Banco Patagonia	1,131,439	49.00%	ARS	At maturity	Jan-20

Negotiable obligations are detailed below:

Series	Dec-20	Dec-19	Interest rate	Contract's currency	Amortization of capital	Maturity
Class 1 (i)	41,591,858	29,857,489	4.875%	USD	At maturity	Dec-22
Class 2 (ii)	916,877	-	4.00%	USD	At maturity	Feb-21
Class 3 (ii)	2,517,819	-	BADLAR + 4.5%	ARS	At maturity	Feb-21

(i) 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 will be paid 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. Funds obtained from the issuance of these negotiable obligations were used to invest in fixed assets in Fortín de Piedra area in Vaca Muerta formation, located in the province of Neuquén. As of April 20, 2018, the Company administered all funds in accordance with the abovementioned use. On May 4, 2018, the members of the Board of Directors of the Company approved such use of the funds and complied with the requirements set forth in Section 25, Chapter V, Title II of CNV Regulations. The Parent Company, Tecpetrol Internacional S.L.U., unconditionally and irrevocably guarantees the negotiable obligations of the Company.

During the fiscal year ended on December 31, 2020, the Company repurchased its negotiable obligations at market values for a nominal value of USD 5.2 million corresponding to negotiable obligations Class 1 maturing in December 2022.

(ii) On February 20, 2020, the Company issued Class 2 and Class 3 Negotiable Obligations for a nominal value of USD 10.8 million and $2,414.1 million, respectively, with an issuance price of 100%, and maturing on February 20, 2021 or the following business day (see note on Communication "A" 7106 from the BCRA mentioned above). Class 2 Negotiable Obligations bear interest at a fixed rate of 4.0% and Class 3 Negotiable Obligations bear interest at a BADLAR rate plus a margin of 4.50%. In both cases, interest is payable quarterly, and the capital will be fully paid

24. Borrowings (cont'd)

off upon maturity. Funds obtained from the issuance of such negotiable obligations were used for the integration of working capital and the refinancing of liabilities. On March 13, 2020, the Company administered all funds in accordance with the use set forth under the program. On April 7, 2020, the members of the Board of Directors of the Company approved such use of the funds and complied with the requirements set forth in Section 25, Chapter V, Title II of CNV Regulations.

Additionally, on February 9, 2021, the Company issued Class 4 negotiable obligations for a nominal value of USD 6.5 million, paid in cash (in USD) and in kind through the delivery of negotiable obligations Class 2, with an issuance price of 100%, bearing interest at a fixed rate of 4% and maturing on February 9, 2023. Interest is payable quarterly, and the capital will be fully paid off upon maturity. Funds obtained from the issuance of such negotiable obligations are meant to be used for the partial refinancing of Class 2 negotiable obligations, as stated under Communication "A" 7106 from the BCRA.

25. Employee benefits programs

The liability recognized in the Statement of Financial Position and the amounts disclosed in the Income Statement are detailed below:

	December 31, 2020	December 31, 2019
Non-current		
Pension programs and other plans (i)	1,192,032	842,673
Employee retention and long-term incentive program	728,136	658,437
	1,920,168	**1,501,110**
Current		
Employee retention and long-term incentive program	289,023	123,170
	289,023	**123,170**

(i) There were no enforceable debts at December 31, 2020 and December 31, 2019.

	Fiscal year ended on December 31,	
	2020	**2019**
Pension programs and other plans	184,829	126,228
Employee retention and long-term incentive program	146,327	2,794
Total included in Labor costs (Note 11)	**331,156**	**129,022**

<u>Pension programs and other plans:</u>

The main actuarial assumptions for all benefit programs in force under "unfunded defined benefits" modality 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 Income Statement are detailed below:

	Fiscal year ended on December 31,	
	2020	**2019**
Cost of services	46,337	42,475
Cost of interest	138,492	83,753
Total	**184,829**	**126,228**

25. Employee benefits programs (cont'd)

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

	Fiscal year ended on December 31, 2020	2019
Balance at the beginning of the year	842,673	548,263
Cost of services and interest	184,829	126,228
Net actuarial profits (losses)	(96,237)	(61,641)
Additions	15,369	-
Exchange differences	(12,418)	(62,081)
Currency translation differences	274,642	296,570
Payments made	(16,826)	(4,666)
Balance at the end of the year	**1,192,032**	**842,673**

At December 31, 2020, a 1% increase/(decrease) in the discount rate would have resulted in a (decrease)/increase in liabilities of ($45.7)/$50.8 million, respectively; while a 1% increase/(decrease) in the salary increase rate would have resulted in an increase/(decrease) of $33.6 and ($30.6) million, respectively. This sensitivity analysis is based on changes in each assumption separately, 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, 2020	December 31, 2019
Non-current		
Asset retirement obligations	4,304,514	2,581,199
Provision for other contingencies	86,119	87,618
	4,390,633	**2,668,817**
Current		
Asset retirement obligations	359,107	286,224
	359,107	**286,224**

The evolution of provisions is disclosed below:

Asset retirement obligations

	Fiscal year ended on December 31, 2020	2019
Balance at the beginning of the year	2,867,423	2,006,311
Currency translation differences	1,228,051	1,211,432
Net additions/(recoveries)	665,541	(271,508)
Uses	(97,394)	(78,812)
Balance at the end of the year	**4,663,621**	**2,867,423**

At December 31, 2020 and December 31, 2019, the provision for asset retirement obligations was estimated using inflation rates in USD ranging between 1.6% and 1.9%, and discount rates in USD of 10.4%.

26. Provisions (cont'd.)

Other contingencies

	Fiscal year ended on December 31, 2020	2019
Balance at the beginning of the year	87,618	219,155
Exchange and translation differences	15,287	54,557
Net recoveries	(16,786)	(186,094)
Balance at the end of the year	**86,119**	**87,618**

27. Trade and other payables

	December 31, 2020	December 31, 2019
Current		
Trade payables	5,847,044	4,263,369
Payables to related parties (Note 34)	147,185	818,166
Social security debts and other taxes	1,247,814	899,650
Other liabilities	7,484	5,215
	7,249,527	**5,986,400**

28. Deferred income tax

There follows the evolution of deferred income tax:

	Fiscal year ended on December 31, 2020	2019
Balance at the beginning of the year - Net deferred assets (liabilities)	(1,436,883)	3,156,662
Charged directly to Other comprehensive income	(83,217)	6,884
Loss for the year	(1,683,426)	(5,485,806)
Currency translation differences	(881,767)	885,377
Balance at the end of the year - Net deferred (liabilities)	**(4,085,293)**	**(1,436,883)**

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

Deferred tax liability	**Property, plant and equipment**	**Deferral of inflation tax adjustment**	**Others**	**Total**
At December 31, 2019	**(2,770,544)**	**(7,193,686)**	**(348,350)**	**(10,312,580)**
Charged directly to Other comprehensive income	-	-	(59,158)	(59,158)
Profit (loss)	1,209,347	(606,452)	(70,872)	532,023
Currency translation differences	(912,325)	(2,669,427)	(149,906)	(3,731,658)
At December 31, 2020	**(2,473,522)**	**(10,469,565)**	**(628,286)**	**(13,571,373)**

Deferred tax assets	**Provisions/Allowances**	**Tax losses**	**Others**	**Total**
At December 31, 2019	**538,921**	**8,187,715**	**149,061**	**8,875,697**
Charged directly to Other comprehensive income	(24,059)	-	-	(24,059)
Profit (loss)	25,515	(2,855,057)	614,093	(2,215,449)
Currency translation differences	218,458	2,490,835	140,598	2,849,891
At December 31, 2020	**758,835**	**7,823,493**	**903,752**	**9,486,080**

Notes to Financial Statements at December 31, 2020 (cont'd)

28. Deferred income tax (cont'd)

Deferred tax liability	Property, plant and equipment	Deferral of inflation tax adjustment	Others	Total
At December 31, 2018	**(1,883,995)**	**-**	**(191,859)**	**(2,075,854)**
Charged directly to Other comprehensive income	-	-	22,293	22,293
Profit (loss)	252,768	(6,254,487)	(65,508)	(6,067,227)
Currency translation differences	(1,139,317)	(939,199)	(113,276)	(2,191,792)
At December 31, 2019	**(2,770,544)**	**(7,193,686)**	**(348,350)**	**(10,312,580)**

Deferred tax assets	Provisions/Allowances	Tax losses	Others	Total
At December 31, 2018	**517,059**	**4,625,746**	**89,711**	**5,232,516**
Charged directly to Other comprehensive income	(15,409)	-	-	(15,409)
Profit (loss)	(247,256)	852,807	(24,130)	581,421
Currency translation differences	284,527	2,709,162	83,480	3,077,169
At December 31, 2019	**538,921**	**8,187,715**	**149,061**	**8,875,697**

The following amounts are disclosed in the Statement of Financial Position, after offsetting as described in Note 2.12:

	December 31, 2020	December 31, 2019
Deferred tax liability	(4,085,293)	(1,436,883)
	(4,085,293)	**(1,436,883)**

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

	December 31, 2020	December 31, 2019
Deferred tax assets to be recovered in more than 12 months	7,823,493	8,187,715
Deferred tax liabilities to be settled in more than 12 months	(12,943,087)	(9,964,230)
Deferred tax assets to be recovered in less than 12 months	1,662,587	687,982
Deferred tax liabilities to be settled in less than 12 months	(628,286)	(348,350)

29. Derivative financial instruments

There follows a detail of net fair values of derivative financial instruments:

	December 31, 2020	December 31, 2019
Foreign currency derivatives	14,399	-
Derivatives with a positive fair value	**14,399**	-
Foreign currency derivatives	(118,710)	-
Derivatives with a negative fair value	**(118,710)**	-

Notes to Financial Statements at December 31, 2020 (cont'd)

29. Derivative financial instruments (cont'd)

There follows a detail of derivative financial instruments:

Purchase currency	Sale currency	Maturity	Type of contract	Fair value December 31, 2020	Fair value December 31, 2019
USD	ARS	2,021	Forward (NDF)	(104,311)	-
USD	ARS	2,021	Futures (Rofex)	-	-
				(104,311)	**-**

30. Cash Flow Statement complementary information

Cash Flow Statement complementary information is disclosed below:

Adjustments to profit (loss) for the year to reach operating cash flows (*)

	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
Depreciation of Property, plant and equipment (Note 15)	26,755,733	22,944,001
Impairment of Property, plant and equipment (Note 15)	2,160,381	-
Depreciation of Right-of-use assets (Note 16)	640,079	499,263
Profit (loss) from the sale and write-off of Property, plant and equipment (Note 12)	(5,146)	(9,933)
Exploration costs	1,706,800	943,443
Income tax (Note 14)	1,683,426	5,485,806
Net accrued interest from Borrowings	(254,153)	(78,327)
Accrued interest from Right-of-use liabilities (Note 16)	102,789	93,564
Dividend income (Note 13)	(90,660)	(81,572)
Provisions	3,140,221	188,568
Profit (loss) from the repurchase of negotiable obligations (Note 24)	392,281	-
Profit (loss) from investments in entities accounted for using the equity method (Note 17)	4,725	31,141
Profit (loss) from employee benefits programs (Note 11)	331,156	129,022
	36,567,632	**30,144,976**

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

Changes in working capital

	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019
Increase in Trade and other receivables	(9,838,433)	(4,715,899)
Increase in inventories	(1,164,795)	(759,521)
Increase in derivative financial instruments	104,311	-
Increase/(Decrease) in Trade and other payables	1,089,555	(944,988)
	(9,809,362)	**(6,420,408)**

Notes to Financial Statements at December 31, 2020 (cont'd)

31. Assets and liabilities in currency other than Argentine pesos (1)

Item	Type (2)	12.31.2020		12.31.2019	
		Amount in currency other than Argentine pesos (3)	Amount in local currency at 84.15 (4)	Amount in currency other than Argentine pesos (3)	Amount in local currency at 59.89 (4)
Assets					
Non-current assets					
Other receivables and prepayments	USD	15,780	1,327,899	1,874	112,263
Other investments	USD	-	-	915	54,785
Current assets					
Other receivables and prepayments	USD	4,111	345,909	2,830	169,510
Other investments	USD	32,914	2,769,733	2,073	124,127
Trade receivables	USD	23,773	2,000,464	48,287	2,891,900
Cash and cash equivalents	USD	365	30,686	22,739	1,361,833
Total assets			**6,474,691**		**4,714,418**
Liabilities					
Non-current liabilities					
Borrowings	USD	573,264	48,240,195	620,161	37,141,419
Right-of-use liabilities	USD	12,077	1,016,265	12,661	758,251
Provisions	USD	51,153	4,304,514	43,099	2,581,199
Current liabilities					
Borrowings	USD	539,980	45,439,316	716,434	42,907,216
Right-of-use liabilities	USD	7,073	595,234	8,780	525,811
Provisions	USD	4,267	359,107	4,779	286,224
Trade and other payables	USD	48,814	4,107,671	64,100	3,838,945
Total liabilities			**104,062,302**		**88,039,065**

(1) This information is presented for the purposes of complying with the provisions of the CNV. Foreign currency is the currency which is different from the Company's presentation currency.

(2) USD = US dollar.

(3) Amounts stated in thousands.

(4) USD quotation: Banco de la Nación Argentina exchange rate in force at December 31, 2020 and December 2019, respectively.

Notes to Financial Statements at December 31, 2020 (cont'd)

32. Contingencies, main investment commitments, guarantees and restrictions on the distribution of profits

(i) Contingencies

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

(ii) Main investment commitments and guarantees

There follows a detail of all main commitments assumed by Tecpetrol S.A. through surety bonds as of the date of issuance of these Financial Statements:

- Guarantee, in favor of the Office of the Secretary of Energy of the Ministry of Economy, of all obligations set forth under Section V, Subsection 3 of Exhibit to Resolution No. 46-E/2017 and amendments, for USD 524.38 million.
- Guarantee in favor of the Energy Institute of the province of Santa Cruz for contract performance for the first exploratory phase in Gran Bajo Oriental for an amount of USD 13.56 million.
- Guarantee for contract performance under the investment and work plan for the exploration of Block MLO-124 Ronda Costa Afuera N°1 for an amount of USD 1.99 million.
- Guarantee for the postponement of commitments corresponding to Agua Salada area for US 5.04 million.

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

Basin	Area	Pending investment commitments
Noroeste - San Jorge and others	El Tordillo and La Tapera - Puesto Quiroga	- Keeping an item of drilling equipment active for four months until June 30, 2021 - Drilling of a P2/P3 well until June 30, 2021 - Additional investments for USD 200 million until December 31, 2026 aiming at extending the operations in the area until 2047. USD 135 million of such amount must be invested before December 31, 2023.
	Gran Bajo Oriental	- Seismic reprocessing and drilling of two exploratory wells before June 2022 for an amount of USD 13.56 million
	MLO-124	- 3D seismic studies over the totality of the area, 3D seismic performance and acquisition of 3D seismic to be completed before 2023.
Neuquina	Agua Salada	- Exploratory and development investments for USD 26.46 million to be made before 2025 consisting of the drilling of 1 exploratory well, 4 extension wells, and facilities and asset retirement obligations
	Los Bastos	- Exploratory investments for USD 9.6 million to be made until 2026 outside the exploitation area
	Loma Ancha	- Drilling of 1 exploratory well with horizontal branch of 1,500 meters minimum, to be drilled before December 31, 2020, and testing of such well for six months to be performed before June 30, 2021. (*)
	Los Toldos I Norte	- Pilot Project investments consisting of the drilling and completion of 4 wells, acquisition of 3D seismic, infrastructure and other investments until December 2022 (by July 2022, 4 wells will have been drilled, completed and partially tested).
	Los Toldos II Este	- Pilot Project investments consisting of the drilling and completion of 3 wells, infrastructure and other investments until December 2022 (by September 2022, 3 wells will have been drilled, completed and partially tested).

(*) As of the date of issuance of these Financial Statements, Tecpetrol is under negotiations with the government of the province of Neuquén about the commitment term.

32. Contingencies, main investment commitments, guarantees and restrictions on the distribution of profits (cont'd)

(iii) Restrictions on the distribution of profits

In accordance with Companies Law No. N°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 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". On April 26, 2018, the Shareholders at an Annual General Meeting approved the setting up of this reserve and the restrictions upon its use.

The Company's capital does not include preferred stocks. Tecpetrol S.A. is not subject to any other restriction on the distribution of profits other than the ones mentioned in the paragraph above.

33. Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs

On March 2, 2017, the Mining and Energy Ministry issued Resolution MINEM 46-E/2017, whereby it creates a Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs located in Neuquina basin (hereinafter referred to as the "Program".)

For the purposes of participating in the Program and pursuant to all principles, objectives and guidelines established, Resolution MINEM No. 46-E/2017 set forth certain requirements, including, but not limited to, the presentation of an investment plan approved by the authorities of the province implementing the Program, initial production, an estimated production volume under the concession included during the term of the Program, a projection of the prices Tecpetrol S.A. will charge for natural gas from said exploitation concession, and a presentation of a measurement scheme for the production from said exploitation concession.

Subsequently, by means of Resolution MINEM No. 419-E/2017 dated November 1, 2017, some amendments were introduced to the Program aiming at: (i) including projects that already were in a development phase, but which required, in order to increase production, investments comparable to those made in projects in the early stages of their development phase, and (ii) avoiding market cost distortions arising from the assessment of the compensation based upon sales prices of each beneficiary company. In this respect, it was defined that the determination of the effective price assessment will be based on average prices in the market.

Finally, Resolution MINEM No. 447-E/2017 extended the Program created under Resolution MINEM No. 46-E/2017 in order to include the production of natural gas from unconventional reservoirs located in Austral basin.

For unconventional exploitation concessions whose adherence to the Program has been approved ("Included Concession"), the Program provided for the payment, by the State, over the whole natural gas production from such concession ("Included Production"), of an amount which equals the difference between the "Minimum Price", that is, the value of Included Production of natural gas from unconventional reservoirs,

33. Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs (cont'd)

which is of USD 7.5 per million BTU for 2018, USD 7 per million BTU for 2019, USD 6.5 per million BTU for 2020 and USD 6 per million BTU for 2021, and the average price ("Effective Price") according to Resolution MINEM No. 419-E/2017 dated November 1, 2017"). To this effect, and pursuant to the Program, member companies must report: (i) the total volume of natural gas from unconventional reservoirs and (ii) the prices of all sales of natural gas.

Within this compensation scheme, the Program provided for the possibility of member companies to choose a scheme of provisional monthly payments ("Provisional Payments") consisting of 85% (eighty-five percent) of the compensation to be received for the monthly Included Production, over the basis of production estimates submitted by the company for said month. These payments will be subsequently adjusted ("Payment Adjustments") considering final delivered volumes, certificates issued by independent auditors and definitive prices reported to the authority of implementation. The Company adopted the above-mentioned Provisional Payments scheme.

Moreover, member Companies must report to the former Office of Hydrocarbon Resources any circumstance that substantially modifies projected values or any other submitted information affecting the payments.

After fulfilling all related requirements and obtaining approval of the investment plan by the Ministry of Energy, Public Services and Natural Resources of the province of Neuquén by means of Resolution No. 240/17; on August 23, 2017, the Company requested to participate in the Program to obtain an exploitation concession over Fortín de Piedra area.

Adherence of Tecpetrol S.A. to the Program, as beneficiary of the unconventional exploitation concession over Fortín de Piedra area, was approved by the then Secretary of Exploration and Production in charge of the Office of Hydrocarbon Resources through Resolution No. 2017-271-APN-SECRH#MEM dated November 3, 2017.

In relation to the production from January to July 2018 (all seven months included), the authority implementing the Program timely settled and paid to Tecpetrol S.A. the resulting compensations for the total of the production from the unconventional exploitation concession over Fortín de Piedra area.

Nevertheless, the Office of the Secretary of Energy settled Provisional Payment for August 2018 and subsequent months as from such date, but introduced a change of criteria regarding the assessment of the compensations provided for in Resolution MINEM E-46/2017. Said modification consisted in restricting the amount to be paid to the production projections submitted by the Company upon request of adherence to the Program. Such criterion has been retrospectively applied; thus, affecting the compensations already settled corresponding to April-July 2018. This change of criteria has a negative impact upon cash flows; therefore, the Company periodically reassesses the conditions under the Development Plan of Fortín de Piedra area for the purposes of readjusting cash flows to a new scenario and improving financial indicators.

33. Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs (cont'd)

The Company filed appeals against the resolutions issued by the Office of the Secretary of Energy settling Provisional Payments from Aug-18 to Sep-19 and Payment Adjustments from Apr-18 to Jun-19, since the Company considers that the change of criteria adopted flagrantly violates Section 17 of the National Constitution by affecting acquired rights of the Company previously acknowledged by the State.

In such appeals, the Company claimed, among other things, that the contested issues were contrary to the terms of the promotion regime created under Resolution MINEM 46-E/2017 and the Company's acquired rights protected by said regime after adherence. Moreover, it was explained that the terms of the Program should be understood in the sense of avoiding any kind of restriction to the production of natural gas which is the subject matter of the compensations. Besides, the change of criteria implemented by the Government constitutes a unilateral and arbitrary modification of the legal framework under consideration and violates not only previous commitments assumed by the authority of implementation, but also acts carried out by such government. Additionally, concern was expressed regarding the contended issues arising from resolutions issued by the Office of the Secretary of Energy, including, cause, subject matter, purpose, misuse of power, procedure and issuance, among others. The Company reserved its right to claim interest and damages derived from the above-mentioned contended administrative acts.

In April 2019, the Ministry of Finance denied the appeals filed by the Company against the resolutions issued by the Office of the Secretary of Energy by means of which Provisional Payments for August, September and October 2018 were determined.

In May 2019, the Company filed a complaint against the State in order to obtain the nullity of the resolutions issued by the Office of the Secretary of Energy and confirmatory resolutions issued by the Ministry of Finance, which settled Provisional Payments for August, September and October 2018, according to the above-mentioned criterion. Apart from the request for nullity, the complaint also included a request for the collection of $2,553.3 million (plus interest) and a request for an injunction ordering the Office of the Secretary of Energy to settle all Provisional Payments and Payment Adjustments pursuant to the criterion laid down by the Company for the remaining term of the Program. Besides, direct and indirect shareholders of Tecpetrol S.A. may file claims before international courts.

Within the framework of the PUBLIC BIDDING – PROMOTION PLAN FOR ARGENTINE NATURAL GAS PRODUCTION / 2020-2024 SUPPLY AND DEMAND SCHEME, established by means of Executive Decree No. 892/2020 and the BIDDING TERMS AND CONDITIONS of the PUBLIC BIDDING – PROMOTION PLAN FOR ARGENTINE NATURAL GAS PRODUCTION / 2020-2024 SUPPLY AND DEMAND SCHEME under Resolution No. 317/2020 issued by the Office of the Secretary of Energy (hereinafter referred to as the "Gas Plan 4"), subject to the term and validity of Gas Plan 4 and in relation to the volumes of production therein committed and delivered, Tecpetrol accepted that payments under the Program related to the volumes of natural gas delivered in accordance with Gas Plan 4 as from the first delivery, that is, January 1, 2021, will be limited to the production projection of natural gas estimated upon request of adherence of Fortín de Piedra Project to the Program. Therefore, the Company waived its right to demand payments for natural gas volumes under the Program as from January 1, 2021, exceeding the figures projected for the above-mentioned production.

33. Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs (cont'd)

In compliance with applicable accounting standards, the Company included in these Financial Statements those compensations that are highly likely to be paid by the government according to the assessment criterion used for the last payments. This would represent a lower income for a total amount of $11,184 million and $13,055 million for the fiscal years ended on December 31, 2020 and December 31, 2019, respectively ($29,894 million and $18,710 million accumulated at December 31, 2020 and December 31, 2019, respectively).

34. Related-party balances and transactions

Tecpetrol S.A. is controlled by Tecpetrol Internacional S.L.U., which holds 95.99% 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 private foundation located in the Netherlands (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:

	Fiscal year ended on December 31, 2020	2019
Net sales		
Other related companies	2,495,024	3,560,108
Purchases of goods and services		
Other related companies	(581,515)	(6,945,265)
Oleoducto Loma Campana - Lago Pellegrini S.A.	(78,190)	-
	(659,705)	(6,945,265)
Reimbursement of expenses		
Other related companies	92,106	365,155
Interest income		
Other related companies	6,187	34,866
Interest cost		
Tecpetrol Internacional S.L.U.	(1,888,527)	(1,778,831)
Other related companies	(10,968)	(66,762)
	(1,899,495)	(1,845,593)

Notes to Financial Statements at December 31, 2020 (cont'd)

34. Related-party balances and transactions (cont'd)

Balances with related parties

	December 31, 2020	December 31, 2019
Other receivables from related parties (Note 20)		
Non-current		
Expenses paid in advance - Other related companies	326,988	-
Borrowings - Other related companies	898,729	-
	1,225,717	-
Current		
Expenses paid in advance - Other related companies	75,459	-
Other receivables - Tecpetrol Internacional S.L.U.	20,385	894
Other receivables - Tecpetrol Internacional S.L.U. (i)	380	502
Other receivables - Other related companies (ii)	337,962	147,051
	434,186	148,447
Trade receivables from related parties (Note 21):		
Current - Other related companies	313,793	139,340
Short-term deposits with related parties (Note 23):		
Current - Other related companies	-	1,237,050
Borrowings from related parties (Note 24):		
Current - Tecpetrol Internacional S.L.U.	40,115,501	31,276,448
Current - Other related companies	-	836,123
	40,115,501	32,112,571
Trade and other payables with related parties (Note 27):		
Current - Oleoducto Loma Campana - Lago Pellegrini S.A.	5,467	-
Current - Other related companies (iii)	141,718	818,166
	147,185	818,166

(i) In January 2020, the shareholder of Tecpetrol International S.A. changed the company's domicile to Spain and the corporate name to Tecpetrol Investments S.L.U.

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

(iii) It mainly includes balances from purchases of materials and services.

Remuneration of Directors

Remuneration of Directors and first-line executives for the fiscal years ended on December 31, 2020 and December 31, 2019 reached $368.2 and $241.8 million, respectively. Additionally, at December 31, 2020 and December 31, 2019, Directors and first-line executives received units for a total amount of USD 0.7 million and USD 0.8 million, respectively, in relation to the employee retention and long-term incentive program mentioned in Note 2.13 (b).

35. Main joint operations

Joint operations

a) Areas operated by Tecpetrol

Name	Location	% at December 31, 2020	% at December 31, 2019	Expiration date of the concession
Aguaragüe	Salta	23.0	23.0	Nov-27
Agua Salada	Río Negro	70.0	70.0	Sep-25
El Tordillo	Chubut	52.1	52.1	Nov-27
La Tapera - Puesto Quiroga	Chubut	52.1	52.1	Aug-27
Lago Argentino (i)	Santa Cruz	74.6	74.6	Nov-33
Loma Ancha (ii)	Neuquén	95.0	95.0	Dec-21
Loma Ranqueles (iii)	Neuquén	65.0	65.0	Jun-20
Los Toldos (I Norte, II Este)	Neuquén	90.0	90.0	May-54

(i) 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.

(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) In March 2020, an extension request of the area under evaluation was formally submitted. As of the date of issuance of these Financial Statements, the government of the province of Neuquén has not yet approved said request.

b) Areas operated by third parties

Name	Location	% at December 31, 2020	% at December 31, 2019	Expiration date of the concession
Ramos	Salta	25	25	Jan-26
Los Toldos I Sur	Neuquén	10	10	Mar-52
MLO-124 (i)	Malvinas marine basin	10	10	Oct-27

(i) The term of the exploration permission is divided into 2 exploratory periods of 4 years each. Once the first period is completed, the Office of the Secretary of Energy should be notified if the area will continue to be explored or not.

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

Name	Assets		Liabilities	
	Dec-20	Dec-19	Dec-20	Dec-19
Aguaragüe	1,232,666	997,470	583,674	553,661
Agua Salada	1,316,804	1,181,035	869,851	511,465
El Tordillo	7,240,957	5,611,306	2,850,589	2,336,661
La Tapera – Puesto Quiroga	76,219	83,420	43,365	38,744
Ramos	334,696	211,618	289,569	241,637
Los Toldos (I Norte and II Este)	4,696,774	3,882,609	1,467,435	960,437
Los Toldos I Sur	1,677,475	1,299,743	40,318	20,929

Notes to Financial Statements at December 31, 2020 (cont'd)

36. Subsequent events

No events, situations or circumstances have taken place as from December 31, 2020 and until the date of issuance of these Financial Statements, other than the ones mentioned herein, which affect or might significantly affect the economic and financial position of the Company or are otherwise worth mentioning.

Auditor's report issued by independent auditors

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Tecpetrol Sociedad Anónima ("the Company"), including the statement of financial position at December 31, 2020 and the statements of income, of comprehensive income, of changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of the most significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and its comprehensive income and its cash flows for the fiscal year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards have been adopted as auditing standards in Argentina by Technical Pronouncement No. 32 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), and approved by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with requirements that are relevant to our audit of the financial statements in Argentina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Audit response
Recoverability of the carrying amount of non-current assets of the Exploration and Production business (E&P)	
As indicated in the accompanying financial statements, the carrying values, net of impairment, of non-current assets of the E&P business at December 31, 2020, amount to: • Right-of-use assets (Note 16): 1,520,902 thousands of Argentine pesos. • Property, plant and equipment - Exploration, evaluation and development assets (Note 15): 105,430,905 thousands of Argentine pesos. The Company analyzes the recoverability of Property, plant and equipment - Exploration, evaluation and development assets and Right-of-use assets periodically or whenever events or changes in the circumstances indicate a potential evidence of impairment. The recoverable value of each Cash Generating Unit (considering CGU as each area Tecpetrol has an interest in) is estimated by the Company as the higher of assets' fair value less direct costs of disposal and value in use. That value in use is calculated on the basis of discounted cash flows of each of the CGUs, as described in Note 18. The key assumptions on which these projections are based are included in Note 18. As a result of the analysis mentioned, the Company has concluded that the recoverable value of the CGU assets analyzed is higher than the net carrying value recorded in the financial statements, except for the case of interests in El Tordillo and La Tapera - Puesto Quiroga and Aguaragüe (Note 18), for which impairment has been recorded in fiscal year 2020 for $1,661.9 and $498.5 million, respectively. Through our risk assessment procedures, we have determined that one of the most relevant key assumptions is the estimate and measurement of oil and gas reserves.	Audit procedures performed in relation to this key matter included, among others: • Evaluating the process used by management to calculate the recoverable value and the monitoring over that process. • Verifying the adequate determination of cash generating units (CGU) belonging to the E&P business defined by Management. • Validating the process that Management uses to identify those CGUs that require impairment assessment in accordance with IFRS and confirming that all CGUs that require such assessment have been properly identified. • Evaluating the adequate use of the discounted cash flow model, as well as the mathematical accuracy of calculations. • Evaluating macroeconomic assumptions and estimates used by Management in its calculations. • Evaluating consistency of hydrocarbon reserves used in the cash flows by performing the following procedures: ✓ Understanding the process for estimating reserves of the Tecpetrol Group. ✓ Testing significant controls implemented by the Company. ✓ Performing a retrospective review to verify indicators of estimation bias over time. ✓ Confirming that significant additions and reductions of proven reserves have been based on new available information in the period under analysis and their production in the adequate period. ✓ Verifying consistency of projections used with Company's plans; ✓ Obtaining the reports certified by experts independent of the Company, including a) evaluation of their objectivity and competence, b) confirmation of the scope of the work performed, and c) confirmation of the conclusions of the analysis performed.

Key audit matters	Audit response
This matter is key as it entails the application of critical judgment and significant estimations from Management about variables and significant assumptions used in the calculations for determining the recoverability of the value of assets (as explained in Note 18): the determination of CGUs, the changes in sales prices of hydrocarbons, the estimate of probable reserves and contingent resources of hydrocarbons by internal and external experts, operating costs and investments in development of reserves and the changes in discount rates as well as the unpredictability of the future changes in these estimates and the fact that future significant changes in the key assumptions may have significant impact on the Company's financial statements. In Note 18 to the financial statements there is more information on this sensitivity analysis.	• Further, calculations performed by Management include both short- and long-term estimates about oil and natural gas prices and discount rates. Our procedures were performed at the level of each of the CGUs that Management considers that require impairment assessment. Professionals with specialized skills and knowledge were involved to assist us in the evaluation of the discounted cash flow model and certain important assumptions, including the discount rate and future prices of hydrocarbons performing validations with information published by intermediaries, economists, consultancy firms and industry organizations. • Evaluating the sufficiency of the information disclosed in the financial statements as regards the assessment of the recoverable value of these assets.

Information that accompanies the financial statements ("other information")

The other information comprises the Annual report and summary of information. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, therefore, we do not express any audit conclusion.

In relation to our audit of the financial statements, our responsibility is to read the other information and when doing so, considering whether it is materially inconsistent with the financial statements or with our knowledge obtained in the audit or if for any other reason it appears to contain a material misstatement. If, based on the work performed, we consider that, as regards our field of competence, there is a material misstatement in the other information, we have to report it. We have nothing to report in this regard.

Board's responsibility in respect of financial statements

The Board of Tecpetrol Sociedad Anónima is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with IFRS, and for such internal control as the Board determines is necessary to enable the preparation of the financial statements that are free of material misstatement, whether due to fraud or error.

In preparing these financial statements, the Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

The objective of our audit is to obtain reasonable assurance that the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company’s Board.
- Conclude on the appropriateness of the Company’s Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of issue of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in in a manner that achieves fair presentation.

We communicate with those charged with governance (the Company’s Surveillance Committee) regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Surveillance Committee with a statement on our fulfillment of relevant ethical requirements regarding independence, and communicate any relationship and other matters that might be thought to affect our independence and, when applicable, the actions taken to reduce threats or the related safeguards.

Among the matters that have been subject to communications with the Company’s Surveillance Committee, we determine those of most significance in the audit of the financial statements, which are, consequently, the key audit matters. We describe these matters in our audit report, except for those legal or regulatory provisions that prohibit the public disclosure of the matter or if, in extremely infrequent circumstances, we determine that a matter should not be disclosed in our report, because it is reasonable to expect that the adverse consequences of doing so would outweigh the public interest benefits thereof.

Report on other legal and regulatory requirements

In compliance with current regulations, we report that:

a) the 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, they are in compliance with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;

b) the 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 on the basis of which they were authorized by the control authorities;

c) at December 31, 2020 the debt of Tecpetrol Sociedad Anónima accrued in favor of the Argentine Integrated Social Security System according to the Company’s accounting records amounted to $92,020,529.51, none of which was claimable at that date;

d) as required by Section 21, subsection b), Chapter III, Part VI, Title II of the regulations issued by the National Securities Commission, we report that total fees for auditing and related services billed to Tecpetrol Sociedad Anónima during the fiscal year ended December 31, 2020 account for:

   d.1) 100% of the total fees for services billed to the Company for all items during that fiscal year;

   d.2) 44% of the total fees for auditing and related services billed to the Company, its parent company, subsidiaries and related companies during that year;

   d.3) 44% of the total fees for services billed to the Company, its parent company, subsidiaries and related companies for all items during that year;

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

City of Buenos Aires, March 2, 2021.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. V. 1 F. 17

Alejandro J. Rosa

Public Accountant (UM)

C.P.C.E.C.A.B.A. V. 286 F. 136