Tecpetrol Sociedad Anónima

FINANCIAL STATEMENTS

At December 31, 2019
and for the fiscal year ended on December 31, 2019.

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

Tecpetrol Sociedad Anónima

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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 40th fiscal year that commenced on January 1, 2019 and ended on December 31, 2019. 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 operates in conventional hydrocarbon areas in Neuquina, Noroeste and Golfo San Jorge basins through joint operations in various exploitation concessions and holds all exploitation concession rights over the area Los Bastos located in the province of Neuquén.

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 Este 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 granting the exploration permission was published in the Official Gazette.

In August 2019, by means of Decree No. 1392/19 issued by the Governor of the province of Neuquén, a 35-year extension of the Hydrocarbon Unconventional Exploitation Concession over Los Toldos I Norte and II Este was granted. Having committed funds for approximately USD 113 million for the next three years under both concessions, Tecpetrol continues to invest in unconventional hydrocarbons in Vaca Muerta. Los Toldos II Este comprises an area of 77 km2 aimed at unconventional oil, while Los Toldos I Norte is an area of 203 km2 aimed at gas extraction.

At December 31, 2019, proven oil and gas reserves according to the Company's shareholding reached 72.1 million m^3 of oil equivalent.

Hydrocarbon production during this fiscal year in the areas operated by Tecpetrol reached, on average, 2,622 m^3/day of oil and 16,490 thousand m^3/day of gas; 1,739 m^3/d and 14,718 thousand m^3/d of such production, respectively, correspond to the Company. These figures represent an 8% increase in oil production and a 50% increase in gas production, in comparison with last year. The increase is explained mainly by the development of Fortín de Piedra area.

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. Tecpetrol S.A. 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.

Given the new framework set by the agreement with oil unions, the announcement made by the Government in 2017 regarding the gas pricing incentive program and the availability of qualified teams and workforce, the Company launched investment plans of major importance during the fiscal years 2017-2019 related to the first phase of the development of Fortín de Piedra area which generated activity across the goods and services value chain associated with hydrocarbon production, and provided energy under competitive conditions, favoring the economic and industrial growth of Argentina and contributing to energy self-sufficiency.

At December 31, 2019, investments in Fortín de Piedra exceeded USD 2,000 million. Gas production reached its maximum daily value in March 8 when 17.4 million m^3 were delivered, turning Fortín de Piedra into one of the main gas production fields in the country as a result of an extraordinary joint work of the different technical teams of Tecpetrol and more than 1,000 Argentinian companies, most of which are SMEs.

Given the change of criteria adopted towards the end of 2018 regarding the assessment of the compensation payments set forth in Resolution MINEM E-46/2017 and the new economic setting, whose main variables have recently been notoriously volatile due to political and economic events unfolding in both the national and international fields, Tecpetrol S.A. is reassessing the development plan of Fortín de Piedra area for the purposes of readjusting cash flows to a new scenario.

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

- In Fortín de Piedra area, 10 wells were drilled (in a depth close to 3,500 meters, with horizontal branches of 2,500 meters). In November 2019, the third low-temperature separation unit commenced operations in the Central Production Facilities, increasing the access capacity to the plant by 4.7 million m^3/d, and thus increasing the treatment capacity of the area to 20.4 million m^3/d.

- In June 2019, Loma Campana – Lago Pellegrini oil pipe commenced operations allowing for the transportation of liquid production from Fortín de Piedra and other Vaca Muerta fields to the facilities of Oleoductos del Valle S.A. The 88-kilometer pipeline was built together with YPF S.A. In January 2019, by means of Resolution No. 18/2019, the Office of the Secretary of Energy granted YPF S.A. and Tecpetrol S.A, with an interest of 85% and 15%, respectively, the transportation concession for the above-mentioned oil pipeline until August 2052. Operation and maintenance is in charge of Oleoductos del Valle S.A.

- In Loma Ranqueles (province of Neuquén) an exploratory well with horizontal branch of 1,500 meters was completed on vertical well LR.x-2, currently under analysis to determine its potential.
- Two new development wells and four repairs were performed in Agua Salada area (province of Río Negro). Also, Palenque de la China exploratory well was drilled with positive outcomes.
- With the focus on developing fields in Vaca Muerta formation, in Los Bastos (province of Neuquén), an exploratory well with horizontal branch of 1,500 meters was drilled on vertical well PPar.x-2, which is in its completion phase.
- In Aguaragüe (province of Salta), as part of the investment commitments assumed, the workover of a well was carried out in order to verify the unconventional gas potential from the geological formation Los Monos. No positive results were obtained. Additionally, a development well was drilled in San Telmo formation, resulting in less production than expected; which is now under examination in order to boost its productivity. With the focus on developing the region, the last development well under the drilling campaign was drilled in Tupambi formation. As of the date of issuance of this annual report, such well is under testing.
- In El Tordillo and La Tapera-Puesto Quiroga areas (province of Chubut), a drilling rig was used and 11 new wells satisfactorily started production throughout the year.
- In Los Toldos II Este area (province of Neuquén), drilling operations of an exploratory well were launched as a result of the assessment plan of the area (6 horizontal wells and 1 pilot vertical well).

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. Given the mass development of unconventional gas in Fortín de Piedra, located in Vaca Muerta, Tecpetrol started the execution and implementation of its plans involving big technical, logistic and financial challenges that are strengthening the constitution of committed teams with strong technical and management skills: values fostered by the Company since the very beginning.

In 2019, a diversity and inclusion program called “+diversidad” was launched aiming at accepting and increasing awareness of diversity in the workplace. We share beliefs and values, we share a history as a company, and we appreciate the individualities, the different experiences and enriching visions brought by each person in facing challenges and seeking opportunities.

The HR Department administers a benefits plan focused on promoting a workplace that boosts creativity, identity and collaboration among all employees. It also proactively follows up on its performance.

Health, Safety and Environment

Tecpetrol complies with all national and international labor laws in force. The Company promotes transparency in handling records and information, as well as the implementation of collaborative work schemes, and major concern for health, safety and environment issues.

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 2019, the Company increased its efforts towards the standardization, revision and update of HSE rules and procedures. Moreover, several initiatives were launched aiming at improving the alignment of contractor conduct to the HSE standards of the Company. Among these initiatives, the following are to be highlighted: “Hora Segura” [Safe Hour], monthly safety stand-down meetings in the field with the presence of the highest authorities of each area, as well as “risk hunts” tours consisting in identifying potential unsafe conditions in the production facilities. A re-evaluation of the safety and technical skills of contractors was conducted in order to ensure they display all necessary competencies to carry out their activities in a safe and environment-friendly fashion. A new global compliance assessment of all national safety and environment regulations applicable to the operations of Tecpetrol was also carried out.

In 2019, production plants in Fortín de Piedra operated at its maximum capacity, while extension works were carried out. This required risk analysis, work permits, preliminary safety assessments, and the strict implementation of critical standards such as blocking and labeling of energized systems in order to mitigate the risk of accidents while performing both operation and construction activities simultaneously. Likewise, the Company treated 15 thousand m^3 of soil and contaminated drilling cuttings so that they can be used again as input material for quarries or landfills. Also, a communication campaign was launched aimed at raising awareness and promoting the efficient and responsible use of resources.

In May a serious accident took place in Fortín de Piedra, which resulted in the death of two people. The Company has adopted extraordinary measures and hired the best companies in the world with expertise in safety and processes. These companies reviewed the Company's procedures and submitted certain recommendations which are now being implemented.

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. During the fiscal year under consideration, the social management plan involved several programs tending to encourage reading, literacy, the promotion of values and the integration of children and teenagers. The Company donated materials and equipment within the framework of the Technical Gene Program for technical schools, with the purposes of narrowing the gap between the requirements of the industry and the technical knowledge gained by students. The Merit-based Scholarship Program, the oldest implemented by Tecpetrol in Argentina, continued during 2019, rewarding employee's children with excellent school performance.

III. OIL AND GAS MARKET

In 2019, Tecpetrol was the largest producer of unconventional gas in the country and the third considering total gas and oil.

Oil

In 2019, 66% of crude oil production was sold to local market refineries (a slightly superior percentage in comparison to 2018), and the remaining 34% was exported to the Unites States of America, United Arab Emirates and Spain.

Oil prices in the domestic market were freely agreed upon among producers and refiners, except from August to November when Emergency Decree No. 566/2019 as amended was in force. Pursuant to such decree, crude oil deliveries to the domestic market had to be made at the price agreed upon by producers and refiners on August 9, 2019, considering a reference exchange rate of 45.19 ARS/USD (later modified to 46.69 ARS/USD, 49.30 ARS/USD and 51.77 ARS/USD) and a Brent reference price of 59 USD/Bbl.

On December 14, 2019, Decree No. 37/2019 became effective, removing the 4 ARS/USD limit introduced by Decree No. 793/2018 for export rights, thus keeping the 12% rate previously determined. On December 23, 2019, Law No. 27.541/2019 was published, which established a maximum rate of 8% for hydrocarbon export rights. Customs has not yet implemented such rate.

Gas

In 2019, 37% of revenues came from sales to industrial users, 33% from sales to electric power generators, 21% from sales to distribution service licensees, and 9% from sales to the compressed natural gas (CNG) station segment, regardless of the compensations received under Resolution No. 46-E/2017.

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

Incentive Programs

- In March 2017, the Mining and Energy Ministry issued Resolution No. 46-E/2017, whereby it created the Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs (hereinafter referred to as the “Program”) in order to promote investments in the production of hydrocarbons from unconventional reservoirs in Neuquina basin. In November 2017, Resolution No. 419-E/2017 introduced certain amendments to the Program. It provided for a payment mechanism (assumed by the State) for all adhering companies over the totality of the natural gas production from the concessions under the Program. Such payment consisted in the difference between a price range of USD 7.5 - USD 6 per million of BTU from 2018 until 2021, and the average price as set forth in the above-mentioned resolution. Moreover, a scheme of provisional payments was laid down consisting of 85% (eighty-five percent) of the estimated total compensation to be received for each month under the Program, and adjustment payments consisting of the remaining 15%.

  In November 2017, adherence of Tecpetrol S.A. to the above-mentioned Program for the concession of the exploitation of Fortín de Piedra was approved.

  As from August 2018, in contravention of the Program and its own previous actions, the Office of the Secretary of Energy introduced a change of criteria regarding the assessment of the compensation payments set forth in Resolution MINEM 46-E/2017, restricting the amount of those payments to the production projections initially submitted by Tecpetrol upon request of adherence to the Program. This change of criteria would represent (if applied for the whole fiscal year) a lower income for a total amount of $13,055 million ($18,710 million from the date the Program became effective to this fiscal year).

  The Company filed appeals against the resolutions settling the compensation payments according to the above-mentioned criterion, since it considers that the change of criteria adopted is contrary to the terms of the promotion regime created under Resolution MINEM 46-E/2017 and it flagrantly violates Section 17 of the National Constitution by affecting acquired rights of the Company previously acknowledged by the State.

  In April 2019, the Ministry of Finance denied the appeals filed by the Company against the resolutions settling the provisional payments for August, September and October 2018. In May 2019, the Company filed a complaint against the State in order to obtain the nullity of the relevant resolutions, the collection of the amount wrongfully settled, and the receipt of all provisional payments and payment adjustments pursuant to the criterion laid down by the Company for the remaining term of the Program. Besides, the shareholders of Tecpetrol S.A may file possible claims before international courts.

- In January 2013, Resolution No. 1/13 from the Strategic Planning and Coordination Commission of the National Plan for Hydrocarbon Investments was published, creating the “Program to Promote the Surplus Injection of Natural Gas”, and in November 2013, Resolution No. 60/13 from the same Commission extended the Program to companies with a reduced injection. The adhesion of Tecpetrol S.A. to said program was approved in March 2014. Although the Company received compensations for the first quarter of 2014, it did not receive compensations for subsequent quarters given that the average sales price was higher than the price established. This situation was reversed towards the end of 2017; therefore, the corresponding steps to collect said payments were followed and in November 2019, the Company requested adherence to the relevant payment procedure in order to collect all pending compensations. Resolution No. 745/2019 issued by the Office of the Secretary of Energy established that the total amount due and payable to Tecpetrol S.A reaches USD 5.2 million and will be settled in 30 monthly installments as from February 2019.

Distributors

- 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 (hereinafter referred to as “Distributors”). 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 amounts to $731 million. Said decree also contemplates that payment is to be made in 30 consecutive and monthly instalments, payable as from October 2019. However, only the first payment was received.

- Resolution No. 32/2019 issued by the Office of the Secretary of Energy approved the mechanisms for tender offers for the supply of natural gas to full-service users of public utilities providers of natural gas distribution by pipeline networks. Said mechanisms will be administered by Mercado Electrónico de Gas MEG S.A. (MEGSA) and will supply the demand estimated for the period covering from April 1, 2019 to March 31, 2020. Tecpetrol was awarded a contract to supply natural gas from Neuquina basin.

- In March 2019, the Office of the Secretary of Energy through Resolution No. 148/2019 provided a benefit for residential users of natural gas through networks, consisting of a 27% discount on gas prices under the Gas Transportation System (Punto de Ingreso al Sistema de Transporte, PIST) for gas consumption in April 2019, and a 12% discount in May 2019. Such discount was assumed and paid by the State.

- 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.

- In September 2019, through Resolution No. 521/2019, the Office of the Secretary of Energy deferred the gas price adjustment under the PIST expected as from October 1, 2019 to January 1, 2020, postponing it once again in December 2019 through Resolution No. 791/2019. To date, the tariff adjustment affecting the sales price applicable to gas distributors has not been defined.

Electricity generation

- By means of Resolution No. 70/2018, the Office of the Secretary of Energy of the Ministry of Finance, authorized generating agents (Generators) operating in the Wholesale Electricity Market to get the necessary fuel to generate electric power, instead of supplying through Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA). This mechanism, together with the oversupply of natural gas during the summer season, encouraged Generators to purchase fuel at prices which were significantly lower than those obtained by CAMMESA. In December 2019, Resolution No. 12/2019 from the Ministry of Productive Development abrogated Resolution No. 70/2018; therefore, CAMMESA resumed the centralization of the commercial management and dispatch of natural gas to the Generators.

- In December 2018, CAMMESA carried out, via MEGSA, a tender for the purchase of gas for a period covering January to December 2019 which not necessarily is on a consecutive basis. Tecpetrol S.A, among other natural gas producers and sellers, participated in such tender. In December 2019, and January and February 2020 CAMMESA held new tenders for the periods of January, February and March 2020, respectively.

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	% 2019	% 2018
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
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. (1)	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
Tecpetrol Colombia S.A.S.	Exploration, exploitation and sale of hydrocarbons	Colombia	0.1491	0.1574
Tecpetrol de Venezuela S.A.	Provision of services to the hydrocarbon industry	Venezuela	0.03	0.03
Pardaliservices S.A	Provision of services of exploration, evaluation and development of hydrocarbons	Ecuador	0.0000054	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.	Provision of services to the hydrocarbon industry	Ecuador	0.00002	0.00002

(1) In July 2019, the Shareholders of Burgos Oil Services S.A. de C.V. at an Extraordinary and Annual General Meeting approved the modification of the corporate name from Burgos Oil Services S.A. de C.V. to Tecpetrol Operaciones S.A de C.V.

Transactions and balances with related parties

Transactions and balances with related parties are disclosed in Note 33 to these Financial Statements.

3 - INFORMATION ABOUT THE FINANCIAL SITUATION

This section must be read together with the Summary of Information at December 31, 2019.

The net profit (loss) for 2019 recorded a profit of $4,213.0 million, while in 2018 the Company had net profits for $3,792.1 million.

Fiscal year ended on December 31, 2019 yielded profits for $64,513.1 million, representing a 122% increase compared to the amount recorded in 2018. It should be noted that gas from Fortín de Piedra represented a significant contribution. Moreover, gross margin increased, basically as a consequence of the development of Fortín de Piedra.

In 2019, the Company received funds from its regular business activities, bank financing and loans with third parties and related companies. These borrowings were obtained at market rates, considering comparable solvency, soundness, fund generation and risk indicators.

Investments in Property, plant and equipment, net of unpaid acquisitions at year end, reached $23,301.1 million (mainly because of the development of Fortín de Piedra area).

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

- A 2.5% drop of gross domestic product in the first semester, in relation to the previous year.
- A 53.8% inflation rate (CIP) between January 1, 2019 and December 31, 2019, resulting in an increase in internal costs associated to local currency.
- A significant devaluation of the Argentine peso as from August that caused an unexpected outflow of deposits in USD from the financial system and an interest rate increase, thus affecting local currency credits and financing costs.

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, 2019 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.

Together with the Code of Conduct and the Transparency Policy, the Business Conduct Policy sets 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. (formerly, Tecpetrol International S.A.), 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 of the fiscal year, an Annual General Meeting of Shareholders shall be held in order to approve the financial statements and decide on the use of the profit (loss) for the year.

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 acquired 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.

Because of the change of criteria regarding the compensation payments set forth in Resolution MINEM 46-E/2017 and the new economic setting, whose main variables have recently been notoriously volatile due to political and economic events unfolding in both the national and international fields, the Company is reassessing the development plan of Fortín de Piedra and remaining areas in Vaca Muerta. The policy that will be implemented in the energy industry by the national government remains unknown to this date.

In El Tordillo, the drilling activities which commenced in 2019 will continue during 2020, aimed at discovering similar prospects in other areas of the field, and analyzing operational efficiency in order to optimize costs.

The exploratory well Puesto Los Salares is expected to be drilled during 2020 in Agua Salada.

In Aguaragüe, the compressor station in Campo Duran plant is expected to be readjusted, which will turn inactive a gas turbocharger currently in use.

In February 2020, the Directors of Tecpetrol S.A approved the constitution of a company named Tecpe Trading S.A., whose main objective will be the commercialization of hydrocarbons and electric power, among others. The Company will hold a 4% interest upon the capital share of Tecpe Trading S.A., and Tecpetrol Internacional S.L.U. will hold the remaining 96% interest.

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 will be mainly used to invest in tangible assets or capital goods, working capital integration, refinancing of liabilities, etc.

Regarding sales prices, in 2020 the Company expects to continue exporting crude oil (mostly escalante) and to sell part of the production of escalante and medanito crude oil in the domestic market at prices similar to export parity prices. Regarding natural gas, volumes for exports are expected to increase, subject to the conditions set forth in the contracts with distributors for residential use and the electricity generation segment. Natural gas prices are expected to remain at levels similar to those of 2018.

6 - DISTRIBUTION OF DIVIDENDS

Pursuant to the Income Statement for the fiscal year, there were net profits for $4,212,967 (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 $210,648 (in thousands) should be allocated to the constitution of the legal reserve for the fiscal year; $125,000 (in thousands) available in January as anticipated dividends should be confirmed as cash dividends, and $3,877,319 (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, 2019, for $6,044 (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 3, 2020.

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, 2019 and ended on December 31, 2019.

1. Activity of the Company

The operations of Tecpetrol mainly consists 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 economic and financial setting in the country and government regulations.

The Company operates in an economic environment whose main variables have recently been notoriously volatile due to political and economic events unfolding in both the national and international fields. On December 10, 2019 a new government took over and implemented a series of economic, financial and fiscal measures aiming at controlling inflation and public spending. The economic agenda is currently focused on the renegotiation of public debt.

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 situation of the Company.

Analysis of the fourth quarter of 2019

Net sales totaled $17,130.1 million, representing an increase in relation to the same period of the previous year. Such increase was mainly caused by the exchange rate fluctuation and fewer deliveries of gas and oil.

Gas production totaled 1,144 million m^3, representing a decrease of 15% in relation to the fourth quarter of 2018, which was of 1,345 million m^3. Such decrease fundamentally took place in Fortín de Piedra due to production halts which were necessary for the startup of the third low-temperature separation unit in the Central Production Facilities that increased the treatment capacity of the area.

During the fourth quarter, part of the gas production was destined for exports (13.8 million m^3), whereas in the previous year, all gas production was destined for the domestic market.

Volumes of crude oil production reached 163 thousand m^3; (39% from escalante crude oil and 61% from medanito crude oil), representing a 10% decrease with respect to the production recorded during the fourth quarter of 2018, especially in Golfo San Jorge basin. Only 25% of crude oil production was destined for exports, whereas in the fourth quarter of 2018, 34% of crude oil production was destined for exports.

Operating costs totaled $9,605.7 million, representing an increase of 1% compared to the amount recorded in the fourth quarter of 2018. Said increase is mainly explained by the exchange rate fluctuation, a decrease in depreciation of property, plant and equipment and royalty expenses, as a consequence of the abovementioned decrease in production in Fortín de Piedra area.

Selling and administrative expenses amounted to $1,090.6 million, representing a 13% increase in comparison with the amount recorded in the fourth quarter of 2018. Such increase is mainly explained by the exchange rate, a decrease in storage and transport expenses due to lower volumes of production and a recovery of the allowance for doubtful accounts.

Net financial profit (loss) resulted in a loss of $2,802.5 million, compared to profits for $280.8 million recorded in the fourth quarter of 2018. Such fluctuation is explained by net losses generated by exchange differences on balances in ARS and interest from greater borrowings.

Profit (loss) from income tax represented a loss of $1,348.4 million, compared to the profit of $1,280 million recorded in fourth quarter of 2018. Such variation is mainly explained by the implementation of a tax inflation adjustment for 2019 and exchange differences.

The net profit (loss) recorded a profit of $1,402.1 million, while in the fourth quarter of 2018 the Company had net profits for $1,602.2 million.

Analysis of the year 2019

Net sales totaled $64,513.1 million, representing an increase in relation to the previous year. Such increase was mainly caused by a significant rise in gas production and the exchange rate fluctuation, which was partially offset by a reduction in average sales prices.

In 2019, gas production rose up to 5,491 million m^3, representing an increase of 62% in relation to 2018. This increase in production levels is explained by the development of Fortín de Piedra area. In 2019, part of the gas production was destined for exports (13.9 million m^3), whereas in 2018 all gas production was destined for the domestic market.

Volumes of crude oil production reached 648 thousand m^3 (40% from escalante crude oil and 60% from medanito crude oil), representing a 16% decrease with respect to 2018, due to greater extraction rates in Golfo San Jorge basin. In 2019 only 33% of crude oil production was destined for exports, whereas in 2018, 41% of crude oil production was destined for exports.

Operating costs totaled $37,745.9 million, representing an increase of 84% compared to the amount recorded in 2018. Said increase is mainly explained by: i) an increase in depreciation of property, plant and equipment due to the investments in Fortín de Piedra; ii) an increase in well maintenance operations; iii) royalty expenses derived from an increase in production; and iv) the effect of the exchange rate fluctuation.

Selling and administrative expenses amounted to $4,990.5 million, representing a 73% increase in comparison with the amount recorded in 2018. Such increase is mainly explained by higher storage and transport expenses and taxes due to the larger volume in operations, and the exchange rate fluctuation.

Net financial profit (loss) resulted in a loss of $11,298.9 million, compared to losses for $3,837 million recorded in 2018. Such increase is explained by greater borrowing interest and greater negative exchange differences generated by the exchange rate.

Income tax charge represented a loss of $5,485.8 million, compared to the profit of $2,078 million recorded in 2018. Such variation is mainly explained by the implementation of a tax inflation adjustment for 2019 and exchange differences.

The net profit (loss) recorded a profit of $4,213 million, while in 2018 the Company had net profits for $3,792.1 million.

Liquidity and cash flows

Net cash generated by operating activities in 2019 totaled $34,349.2 million.

In 2019, the Company received proceeds from its business activities and funds from borrowings from related companies and banks. These borrowings were obtained at market rates, considering comparable solvency, soundness, fund generation and risk indicators.

On October 30, 2018, the Company arranged a credit line with its Parent Company, Tecpetrol Internacional S.L.U., for up to a maximum amount of USD 200 million, payable in two equal installments on December 31, 2019 and December 31, 2020. Agreed interest rate is LIBOR 12M + 4.69% per year. Interest is payable on December 31 of each year. The remaining terms and conditions are the ones regularly used for similar financing processes. At December 31, 2019, the Company has received USD 164 million from the abovementioned loan; USD 82 million of said amount were already paid off. At December 31, 2019, there is a pending balance of USD 82 million.

At December 31, 2019, the Company's borrowings totaled $80,079.6 million and equity totaled $29,088.4 million.

Investments in Property, plant and equipment during the fiscal year ended on December 31, 2019, net of unpaid acquisitions at the end of such period, reached $23,301.1 million (mainly from the development of Fortín de Piedra area).

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

2. **Structure of Financial Position** (comparative at December 31, 2018, December 30, 2017 and December 30, 2016 – amounts stated in thousands of pesos)

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

3. **Structure of Income and Comprehensive Income** (comparative with the fiscal years ended on December 31, 2018, December 30, 2017 and December 30, 2016 – amounts stated in thousands of pesos)

	Fiscal year ended on December 31,			
	2019	**2018**	**2017**	**2016**
Operating profit (loss)	21,028,818	5,499,778	(517,073)	(87,876)
Net financial profit (loss)	(11,298,904)	(3,837,033)	(331,329)	(224,273)
Profit (loss) from investments in entities accounted for using the equity method	(31,141)	(2,034)	15,310	(3)
Profit (loss) before taxes	**9,698,773**	**1,660,711**	**(833,092)**	**(312,152)**
Income tax	(5,485,806)	2,077,970	154,599	48,031
Profit (loss) from continuing operations	**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 period	**4,212,967**	**3,792,088**	**(786,940)**	**(567,819)**
Statement of Comprehensive Income				
Profit (loss) for the period	4,212,967	3,792,088	(786,940)	(567,819)
Other comprehensive income from continuing operations	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 period	**15,095,041**	**10,164,448**	**(9,455)**	**(296,430)**

4. **Cash Flow Structure** (comparative with the fiscal years ended on December 31, 2018, December 30, 2017 and December 30, 2016 – amounts stated in thousands of pesos)

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

5. **Statistical Data** (comparative information with the fiscal years ended on December 31, 2018, December 30, 2017 and December 30, 2016 – amounts stated in thousands of m^3 of oil and gas equivalents)

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

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

6. **Indicators** (comparative at December 31, 2018, December 30, 2017 and December 30, 2016)

	At December 31,			
	2019	**2018**	**2017**	**2016**
Liquidity	0.46	1.04	2.12	0.40
Solvency	0.31	0.23	0.21	0.09
Locked up capital	0.81	0.81	0.60	0.84
Profitability	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 fiscal year/Average Equity

7. Prospects

The Company has acquired 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.

Because of the change of criteria regarding the compensation payments set forth in Resolution MINEM 46-E/2017 and the new economic setting, whose main variables have recently been notoriously volatile due to political and economic events unfolding in both the national and international fields, the Company is reassessing the development plan of Fortín de Piedra and remaining areas in Vaca Muerta. The policy that will be implemented in the energy industry by the national government remains unknown to this date.

In El Tordillo, the drilling activities which commenced in 2019 will continue during 2020, aimed at discovering similar prospects in other areas of the field, and analyzing operational efficiency in order to optimize costs.

The exploratory well Puesto Los Salares is expected to be drilled during 2020 in Agua Salada.

In Aguaragüe, the compressor station in Campo Duran plant is expected to be readjusted, which will turn inactive a gas turbocharger currently in use.

In February 2020, the Directors of Tecpetrol S.A approved the constitution of a company named Tecpe Trading S.A., whose main objective will be the commercialization of hydrocarbons and electric power, among others. The Company will hold a 4% interest upon the capital share of Tecpe Trading S.A., and Tecpetrol Internacional S.L.U. will hold the remaining 96% interest.

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% and Class 3 Negotiable Obligations bear interest at a BADLAR rate plus a of margin 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 will be mainly used to invest in tangible assets or capital goods, working capital integration, refinancing of liabilities, etc.

In 2020 the Company expects to negotiate oil based on export parity prices. Regarding natural gas, volumes for exports are expected to increase, subject to residential use and to the electricity generation segment. Prices are expected to remain at levels similar to those of 2018.

City of Buenos Aires, March 3, 2020.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2019

LEGAL INFORMATION

Legal domicile:	Pasaje Della Paolera 299/297, 16th floor, City of Buenos Aires
Reported fiscal year:	No. 40
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 2019
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, 2019

INCOME STATEMENT
for the fiscal years ended on December 31, 2019 and December 31, 2018
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2019	2018
Continuing operations			
Net sales	7	64,513,064	29,029,576
Operating costs	8	(37,745,885)	(20,499,875)
Gross margin		**26,767,179**	**8,529,701**
Selling expenses	9	(2,608,222)	(1,425,260)
Administrative expenses	10	(2,382,290)	(1,453,125)
Exploration costs		(943,443)	(156,461)
Other operating income	12	217,047	33,020
Other operating expenses	12	(21,453)	(28,097)
Operating profit		**21,028,818**	**5,499,778**
Financial income	13	658,572	188,960
Financial costs	13	(4,311,884)	(1,642,778)
Other net financial loss	13	(7,645,592)	(2,383,215)
Profit before loss from investments in entities accounted for using the equity method and income tax		**9,729,914**	**1,662,745**
Loss from investments in entities accounted for using the equity method	17	(31,141)	(2,034)
Profit before income tax		**9,698,773**	**1,660,711**
Income tax	14	(5,485,806)	2,077,970
Profit for the year from continuing operations		**4,212,967**	**3,738,681**
Discontinued operations			
Profit for the year from discontinued operations	35	-	53,407
Profit for the year		**4,212,967**	**3,792,088**
Profit attributable to:			
Owners of the Parent Company		4,212,967	3,790,753
Non-controlling interest		-	1,335

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

STATEMENT OF COMPREHENSIVE INCOME
for the fiscal years ended on December 31, 2019 and December 31, 2018
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018
Profit for the year		**4,212,967**	**3,792,088**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Continuing operations			
Currency translation differences		40,918	-
Discontinued operations			
Currency translation differences		-	(11,727)
Items that will not be reclassified to profit or loss:			
Continuing operations			
Currency translation differences - Tecpetrol S.A.		10,877,238	6,366,848
Changes in the fair value of investments in equity instruments	**19**	(104,607)	12,930
Remeasurement of post-employment benefit obligations	**25**	61,641	23,038
Income tax related to components of other comprehensive income (i)		6,884	(18,729)
Total other comprehensive income for the period		**10,882,074**	**6,372,360**
Total comprehensive income for the period		**15,095,041**	**10,164,448**
Comprehensive income attributable to:			
Owners of the Parent Company		15,095,041	10,163,556
Non-controlling interest		-	892
		15,095,041	**10,164,448**
Comprehensive income attributable to Owners of the Parent Company:			
Continuing operations		15,095,041	10,122,918
Discontinued operations		-	40,638
		15,095,041	**10,163,556**

(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, 2019

STATEMENT OF FINANCIAL POSITION
at December 31, 2019 and December 31, 2018
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment - Exploration, evaluation and development assets.	**15**	96,127,079	62,487,893
Right-of-use assets	**16**	1,288,036	-
Investments in entities accounted for using the equity method	**17**	137,964	-
Investments in equity instruments at fair value	**19**	942,407	679,904
Deferred tax asset	**28**	-	3,156,662
Other receivables and prepayments	**20**	486,226	744,673
Income tax credit		101,014	77,586
Other investments	**23.a**	54,785	-
Trade receivables	**21**	251,683	436,727
Total Non-current assets		**99,389,194**	**67,583,445**
Current assets			
Inventories	**22**	1,607,093	847,572
Other receivables and prepayments	**20**	11,401,667	7,937,800
Trade receivables	**21**	7,982,515	6,890,068
Other investments	**23.a**	124,127	-
Cash and cash equivalents	**23.b**	2,000,326	467,295
Total Current assets		**23,115,728**	**16,142,735**
Total Assets		**122,504,922**	**83,726,180**
EQUITY AND LIABILITIES			
Equity			
Share capital	**2.10.b**	4,436,448	4,436,448
Capital contributions		897,941	897,941
Special reserve		1,017,867	1,017,867
Legal reserve		219,911	-
Other reserves	**2.10.g**	18,303,286	7,421,212
Retained earnings		4,212,967	1,959,151
Total Equity		**29,088,420**	**15,732,619**
Non-current liabilities			
Borrowings	**24**	37,141,419	49,484,103
Deferred tax liability	**28**	1,436,883	-
Right-of-use liabilities	**16**	758,251	-
Employee benefits programs	**25**	1,501,110	973,592
Provisions	**26**	2,668,817	2,041,809
Trade and other payables	**27**	-	2,051
Total Non-current liabilities		**43,506,480**	**52,501,555**
Current liabilities			
Borrowings	**24**	42,938,165	5,041,121
Right-of-use liabilities	**16**	576,063	-
Employee benefits programs	**25**	123,170	72,077
Provisions	**26**	286,224	183,657
Trade and other payables	**27**	5,986,400	10,195,151
Total Current liabilities		**49,910,022**	**15,492,006**
Total Liabilities		**93,416,502**	**67,993,561**
Total Equity and Liabilities		**122,504,922**	**83,726,180**

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

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2019

STATEMENT OF CHANGES IN EQUITY
for the fiscal years ended on December 31, 2019 and December 31, 2018
(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	Capital contributions	Reserved earnings			Retained earnings	
	Notes	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		-	-	-	-	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 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 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) Corresponds to General Resolution No. 609/12 of the CNV (See Note 31.iii).

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

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2019

STATEMENT OF CHANGES IN EQUITY
for the fiscal years ended on December 31, 2019 and December 31, 2018 (Cont'd)
(Amounts stated in thousands of pesos, unless otherwise specified)

		Attributable to the Owners of the Parent Company							
		Shareholders' contributions		Accumulated profits (losses)			Total	Non-controlling interest	Total
		Share capital	Capital contributions	Reserved earnings					
	Notes	Subscribed capital (i)		Special reserve (ii)	Other reserves	Retained earnings			
Balances at December 31, 2017		**3,800,000**	**897,941**	**435,751**	**1,048,409**	**(1,450,360)**	**4,731,741**	**2,117**	**4,733,858**
Incorporation by merger (See Note 1)		636,448	-	582,116	-	(381,242)	837,322	-	837,322
Profit for the year		-	-	-	-	3,790,753	3,790,753	1,335	3,792,088
Currency translation differences		-	-	-	6,355,414	-	6,355,414	(293)	6,355,121
Changes in the fair value of investments in equity instruments	**19**	-	-	-	12,930	-	12,930	-	12,930
Remeasurement of post-employment benefit obligations	**25**	-	-	-	23,038	-	23,038	-	23,038
Income tax related to components of other comprehensive income		-	-	-	(18,579)	-	(18,579)	(150)	(18,729)
Other comprehensive income for the year		**-**	**-**	**-**	**6,372,803**	**-**	**6,372,803**	**(443)**	**6,372,360**
Total comprehensive income for the year		**-**	**-**	**-**	**6,372,803**	**3,790,753**	**10,163,556**	**892**	**10,164,448**
Paid dividends		-	-	-	-	-	-	(1,369)	(1,369)
Effect from dissolution of subsidiary		-	-	-	-	-	-	(1,640)	(1,640)
Balances at December 31, 2018		**4,436,448**	**897,941**	**1,017,867**	**7,421,212**	**1,959,151**	**15,732,619**	**-**	**15,732,619**

(i) See Note 2.10.b.

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

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

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2019

CASH FLOW STATEMENT
for the fiscal years ended on December 31, 2019 and December 31, 2018
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2019	2018
OPERATING ACTIVITIES			
Profit (loss) for the year		4,212,967	3,792,088
Adjustments to profit (loss) for the period to reach operating cash flows	**29**	30,144,976	11,664,049
Changes in working capital	**29**	(6,420,408)	(11,649,970)
Others, including currency translation differences		6,501,654	(258,275)
Payment of employee benefits programs		(58,937)	(26,215)
Payment of income tax		(31,086)	(15,406)
Cash generated by operating activities		**34,349,166**	**3,506,271**
INVESTING ACTIVITIES			
Investments in property, plant and equipment		(23,301,144)	(30,630,474)
Collection from the sale of Property, plant and equipment		18,598	12,142
Investments in joint ventures		(36,799)	(15)
Income from the sale of interest in associates		16,859	3,972
Collected dividends	**13**	81,572	58,601
Cash used in investing activities		**(23,220,914)**	**(30,555,774)**
FINANCING ACTIVITIES			
Proceeds from borrowings	**24**	7,358,011	16,446,275
Payment of borrowings	**24**	(15,500,686)	(29,603)
Paid dividends		(1,739,240)	-
Paid dividends Non-controlling interest		-	(1,369)
Effect from dissolution of subsidiary		-	(1,640)
Right-of-use liabilities payments	**16**	(812,162)	-
Cash (used in)/generated by financing activities		**(10,694,077)**	**16,413,663**
Increase/(decrease) in cash and cash equivalents		**434,175**	**(10,635,840)**
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		467,295	8,466,786
Increase/(decrease) in cash and cash equivalents		434,175	(10,635,840)
Incorporation of cash and cash equivalents due to merger (see Note 1)		-	30,375
Currency translation differences		1,098,856	2,605,974
Cash and cash equivalents at year-end	**23**	**2,000,326**	**467,295**

	At December 31, 2019	2018
Cash and cash equivalents	2,000,326	467,295
Cash and cash equivalents at year-end	**2,000,326**	**467,295**

	2019	2018
Non-cash transactions		
Unpaid Investments in property, plant and equipment at the end of the period	2,108,951	5,372,714
Contributions in kind in joint ventures	93,439	-

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

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Notes to Financial Statements at December 31, 2019

(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 and Noroeste - San Jorge basins through joint operations (see Note 34) 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 Este 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 645/2019 was published in the Official Gazette, by means of which the exploration permission was granted (see Note 34.b).

The Financial Statements were approved for issuance by the members of the Board of Directors on March 3, 2020.

The macroeconomic environment in Argentina

It should be noted that the Company operates in an economic environment whose main variables have recently been notoriously volatile due to political and economic events unfolding in both the national and international fields. On December 10, 2019 a new government took over and implemented a series of economic, financial and fiscal measures aiming at controlling inflation and public spending. The economic agenda is currently focused on the renegotiation of public debt.

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 situation of the Company which should be disclosed in the financial statements of future periods. The Financial Statements of the Company should be construed in light of these circumstances.

1. General information (Cont'd)

Early dissolution and cancellation of registration of subsidiary Dapetrol S.A.

At December 31, 2018, the Company consolidated the operations of Dapetrol S.A., hereinafter referred to as "Dapetrol", whose main line of business was the exploration, discovery, exploitation and commercialization of gas and liquid hydrocarbons. The percentage of the shareholding upon equity and votes of such company was 97.50%.

On December 28, 2017, Dapetrol transferred control over its main asset, namely, oil mine "José Segundo". As a consequence, on February 27, 2018, the Shareholders of said company at an Extraordinary Meeting approved the early dissolution of the entity pursuant to Section 94, Subsection 1 of Companies Law No. 19.550 (hereinafter referred to as "LGS"), instructing the Board serving as Liquidator to realize all assets and discharge all liabilities.

On August 9, 2018, the members of the Liquidator Board of Dapetrol approved, subject to subsequent ratification by the shareholders, a plan for the distribution of balances and reimbursement of capital. On October 8, 2018, the shareholders of Dapetrol at an Extraordinary Meeting approved the Special Final Liquidation Financial Statements at August 31, 2018; the winding up of the company and the plan for the distribution of balances and reimbursement of capital previously prepared by the Liquidator Board. The cancellation of the registration of Dapetrol was recorded with the IGJ on December 26, 2018 under no. 24,833 of Book 92 of Companies by Shares volume, pursuant to Section 112 of LGS.

Therefore, comparative information at December 31, 2018 consolidates profits and losses, other comprehensive income, changes in equity and cash flows of Dapetrol, which is recorded under discontinued operations (see Note 35). At December 31, 2018, Dapetrol has no outstanding balances of accounts representing its financial position. There is no significant difference between consolidated and separate information for the fiscal year ended on December 31, 2018.

Merger with Americas Petrogas Argentina S.A.

On March 9, 2018, the Directors of the Company approved a Merger Preliminary Commitment between APASA and Tecpetrol S.A. (both companies are directly controlled by Tecpetrol Internacional S.L.U.), whereby Tecpetrol S.A., as the continuing company, acquires APASA, which will dissolve (but will not wind up), concentrating both entities in a single operating unit for the purposes of optimizing all administrative, functional, financial and operating structures, for the benefit of the continuing company and the economic group as a whole. On April 26, 2018, the Shareholders of both Companies at a General and Extraordinary Meeting approved by unanimous vote the merger of APASA (as the company to be absorbed by Tecpetrol S.A.) and ratified the terms of the Merger Preliminary Commitment, effective as from January 1, 2018. From such date onwards, Tecpetrol S.A. has unrestricted access to all business and financial information of APASA and participates in the decision-making process related to the business. Having served all notices as required by Section 83, Subsection 3 of LGS and without opposition from creditors within the statutory period, on June 1, 2018, Tecpetrol S.A. and APASA executed the Final Merger Agreement through notarially-recorded instrument.

On July 20, 2018, the Board of Directors of the National Securities Commission for Argentina (hereinafter referred to as the "CNV") issued Resolution RESFC-2018-19615-APN-DIR#CNV, by means of which the merger with APASA was approved, together with the amendment of the by-laws of the Company due to the share capital increase; and all documents were referred to the IGJ. On August 14, 2018, the IGJ registered the merger, the by-laws amendment and the capital increase with the Companies Registration Office.

Information covering the fiscal year ended on December 31, 2018 includes the effects of the above-mentioned merger.

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 disclosed 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, 2018 is part of these Financial Statements and is presented for comparative purposes only.

If applicable, some figures from the financial statements at December 31, 2018 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.

Notes to Financial Statements at December 31, 2019 (Cont'd)

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 have been 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 line by line with Tecpetrol's shareholding.

Also, investments whereby two or more parties have joint control are classified as "*joint arrangements*" 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 arrangements are included under *Investments in entities accounted for using the equity method* in the Statement of Financial Position.

2.2 Basis for consolidation (Cont'd)

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

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

The valuation of 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.

(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 exchange 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 to 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 a sufficient quantity of reserves in order to justify its completion as a productive well and that the Company makes sufficient progress in assessing the economic and operational viability of the project.

No depreciation 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, development well drilling costs and project-related engineering.

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

Work-overs carried out 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.

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

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

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

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

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

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

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

The carrying value of both production and development areas assets and assets related to probable and possible reserves is reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. Impairment losses are reported when the carrying amount of the assets is higher than their recoverable amount. The recoverable amount is the higher of the assets' fair value less direct costs of disposal and their value in use. The value in use is determined on the basis of 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 Right-of-use assets and liabilities

Right-of-use assets and liabilities derived from lease agreements are recognized in the Statement of Financial Position as from the date on which the leased asset is available for use by 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 5.5% to 7%.

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 established 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 foreign market indicators and regulatory or economic conditions. To estimate expected credit losses, the Company groups trade receivables 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 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.

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, highly liquid investments with original maturities of less than three months and which are readily convertible to cash, and current account overdrafts.

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, the special reserve, other reserves, retained earnings and non-controlling interest.

Notes to Financial Statements at December 31, 2019 (Cont'd)

2.10 Equity (Cont'd)

(b) Share capital

As mentioned in Note 1, on April 26, 2018, the Shareholders at an Annual and Extraordinary Meeting approved the merger with APASA effective as from January 1, 2018; therefore, the share capital of Tecpetrol S.A. reached $4,436,448 (represented by 4,436,448,068 shares carrying a nominal value of $1 each.) On August 14, 2018, both the merger and the capital increase were registered with the Companies Registration Office. At December 31, 2019 and December 31, 2018, the Company's subscribed capital amounted to $4,436,448 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.

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.

On January 16, 2020, the members of the Board of Directors of Tecpetrol S.A. approved, subject to subsequent ratification by the shareholders, the distribution of advance cash dividends for $125 million (equivalent to $0.028 per share), which were made available to the shareholders as from January 24, 2020. As of the date of issuance of these Financial Statements, such dividends have not yet been paid.

There was no distribution of dividends in the fiscal year ended on December 31, 2018.

(d) Capital contributions

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

(e) Legal reserve

In accordance with 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) Special reserve

On April 26, 2018, the Shareholders at an Annual General Meeting approved the setting up of the legal reserve and the restrictions upon its use, as indicated in Note 31.iii.

(g) Other reserves

Other reserves include the effect of foreign currency translation, changes in the fair value of investments in equity instruments, interest in other comprehensive income of investments in entities accounted for using the equity method,

Notes to Financial Statements at December 31, 2019 (Cont'd)

2.10 Equity (Cont'd)

(g) Other reserves (Cont'd)

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, 2019 and December 31, 2018:

	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 fiscal 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**

	Currency translation reserve	Reserve for investments in equity instruments	Reserve for employee benefits programs	Total
Balances at December 31, 2017	1,032,775	59,355	(43,721)	1,048,409
Other comprehensive income for the fiscal year	6,355,414	12,930	23,038	6,391,382
Income tax related to components of other comprehensive income	-	(12,820)	(5,759)	(18,579)
Balances at December 31, 2018	**7,388,189**	**59,465**	**(26,442)**	**7,421,212**

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

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 allowances when considered appropriate.

Deferred income tax is recognized applying the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values. The main temporary differences arise from the effect of the difference on functional currency, depreciation of property, plant and equipment, losses, 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.

Notes to Financial Statements at December 31, 2019 (Cont'd)

2.12 Income tax and minimum notional income tax (Cont'd)

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

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

As of December 31, 2018, minimum notional income tax was levied on the potential income arising from certain productive assets at a 1% rate and was complementary to income tax, in such a way that the tax liability of the Company equaled the higher of the two. Legislation allowed treating said tax as payment on account of the income tax surplus over minimum notional income tax. However; if in a given fiscal year, minimum notional income tax exceeded income tax, the surplus could be reported as a payment on account of the income tax surplus over the amount of minimum notional income tax which might exist in any of the following ten fiscal years. At December 31, 2019 and December 31, 2018, the Company reported a minimum notional income tax balance of $46.3 million and $40 million, respectively under Income tax credit, which might be included in the payment of income tax. Minimum notional income tax was abrogated by Section 76 of Law No. 27.260 for all fiscal years commencing on or after January 1, 2019.

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).

2.13 Employee benefits programs (Cont'd)

(b) Employee retention and long-term incentive program (Cont'd)

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 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 under this program to employees of the Company, 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, 2019 and December 31, 2018. Pursuant to calculations carried out by independent actuaries, at December 31, 2019 and December 31, 2018, the Company reported liabilities for $781.6 million and $497.4 million, respectively; and an expense of 2.8 million and $108.1 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 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 is 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) At 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, trade receivables and other receivables, borrowings and trade and other payables.

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

The fair value of a derivative financial instrument considered a hedging instrument is classified as a non-current asset or liability if the item being hedged has a maturity greater than 12 months; and as a current asset or liability, if the 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.

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.

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

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 decision-making authority is the group of directors composed of the Chairman, the General Operations Director, the General Director of Business Development 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 Loma Ranqueles area.

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 Este 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, 2019:

- *IFRS 16 "Leases"*

In January 2016, the IASB issued IFRS 16 “Leases”, which modifies the accounting of these operations, basically by removing the distinction between operating and financial leases. This modification introduced changes for most lease agreements both in assets recognition, given the right to use the leased item; and in liabilities, due to the payment of the lease. There is an optional exemption for short-term and low value leases.

Based on the implementation of IFRS 16, the right to use the underlying leased asset and the liability representing an obligation to make lease payments must be recognized as an asset or a liability, respectively. Such rights and liabilities exist as from the date on which the leased asset is available for use by lessee.

3. New accounting standards (Cont'd)

The Company applied IFRS 16 as from January 1, 2019, exercising the option to implement it prospectively; thus, comparative figures of prior periods have not been restated. Moreover, the Company recognized as short-term leases the ones that were previously classified as operating leases whose remaining terms as of initial application did not exceed 12 months. Such leases were recognized in the Income Statement as they accrued.

Note 16 details the effect of the application of IFRS 16 at January 1, 2019 and December 31, 2019.

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

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

(i) Exchange rate risk of foreign currency

The Company 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 derivative financial instruments, if necessary.

Exposure to the Argentine peso, stated in thousands of USD, was 197,155 (assets) at December 31, 2019.

Tecpetrol estimates that the impact of a depreciation/revaluation of the Argentine peso against the USD, of 1% in the exchange rate would result in a profit/(loss) of USD 1.97 million at December 31, 2019.

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

4.1 Financial risk factors (Cont'd)

(ii) Interest rate risk

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, 2019		December 31, 2018	
	Amount	**Percentage**	**Amount**	**Percentage**
Fixed rate	37,787,098	47%	21,801,014	40%
Floating rate	42,292,486	53%	32,724,210	60%

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 3.9 million less at December 31, 2019. Note 24 includes information concerning the interest rate applicable to main borrowings.

(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, 2019 and December 31, 2018, 60% and 23% of trade receivables are guaranteed with credit insurance and 9% and 23%, respectively, with guarantees.

At December 31, 2019, no customer represents or surpasses 10% of all trade receivables of the Company; whereas at December 31, 2018, 34% of Tecpetrol' trade receivables arose from transactions with CAMMESA.

Regarding other receivables, at December 31, 2019 and December 31, 2018, 71.5% and 37.3%, respectively, correspond 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.

4.1 Financial risk factors (Cont'd)

(iv) Liquidity risk (Cont'd)

Tecpetrol has a conservative strategy as regards liquidity management, which consists in maintaining a substantial portion of its funds in cash, liquid funds and short-term investments with a maturity of no more than three months from the purchase date.

At December 31, 2019, Tecpetrol has a negative working capital of $26,794.3 million 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, 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**

	Less than one year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2018			
Borrowings	5,041,121	24,072,380	25,411,723
Trade and other payables	8,931,674	-	-
Interest on unpaid borrowings not yet accrued	2,529,142	1,920,928	2,035,197
Total	**16,501,937**	**25,993,308**	**27,446,920**

(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 Tecpetrol of USD 1.5 million for the fiscal year ended on December 31, 2019.

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 Tecpetrol of USD 12.4 million for the fiscal year ended on December 31, 2019. It should be noted that the above-mentioned analysis does not consider revenues from net sales arising from incentives to production granted by the national government.

At December 31, 2019 and December 31, 2018, the Company does not have derivative financial instruments to mitigate price risk.

Notes to Financial Statements at December 31, 2019 (Cont'd)

4.1 Financial risk factors (Cont'd)

(vi) Capital risk

The Company seeks to maintain an adequate level of indebtedness over total equity considering the industry and the markets in which it operates. The annual debt/total equity ratio (where "debt" comprises all financial borrowings and "equity" is the aggregate of financial borrowings and equity) is 0.73 at December 31, 2019, compared with 0.78 at December 31, 2018. 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, 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**

At December 31, 2018	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	-	-	679,904	679,904
Other receivables	-	3,632,634	-	3,632,634
Trade receivables	-	7,326,795	-	7,326,795
Cash and cash equivalents	287,657	179,638	-	467,295
Total	**287,657**	**11,139,067**	**679,904**	**12,106,628**

At December 31, 2018	At amortized cost	Total
Liabilities		
Borrowings	54,525,224	54,525,224
Trade and other payables	8,931,674	8,931,674
Total	**63,456,898**	**63,456,898**

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).

The following table presents the financial assets and liabilities measured at fair value by hierarchy level at December 31, 2019 and December 2018:

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**

At December 31, 2018	**Level 1**	**Level 3**
Assets		
Investments in equity instruments at fair value	-	679,904
Cash and cash equivalents	287,657	-
Total	**287,657**	**679,904**

There were no transfers among levels 1, 2 and 3 in the course of the fiscal year ended on 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, other investments, trade and other receivables and trade and other payables, less the allowance for impairment, if applicable, approximates their fair value.

Moreover, the fair value of current and non-current borrowings does not significantly differ from their carrying value at December 31, 2019 and December 31, 2018. 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 negotiable obligations whose fair value was determined based upon the quoted price (Level 1), which reached USD 100.96 and USD 92.50 for each USD 100 of nominal value, at December 31, 2019 and December 31, 2018, respectively.

Notes to Financial Statements at December 31, 2019 (Cont'd)

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:

(a) Hydrocarbon reserves (*)

Reserves are the volumes of oil and gas (expressed in m3 of oil equivalent) which generate or are related to any economic gain in the areas where Tecpetrol operates or has 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 of future production profiles, development costs and prices, including several factors beyond the control of the producer. The procedure for calculating reserves is a subjective process of estimating crude oil and natural gas to be recovered from the subsoil; and which entails certain level of uncertainty. Reserves are estimated based on the quality of geological and engineering information available at the date of calculation and interpretation.

Developed and undeveloped hydrocarbon proven reserves estimated at December 31, 2019 are disclosed below:

Crude oil

Proven developed reserves: 2.95 million of m3

Undeveloped proven reserves: 4.78 million of m3

Natural gas:

Proven developed reserves: 13.78 billion of m3

Undeveloped proven reserves: 50.62 billion of m3

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, 2019, considering the economic assessment within the term of the concession agreement in order to determine the period for recoverability. Reserve estimates are adjusted at least on an annual basis or whenever changes in the aspects considered for their evaluation so justify it.

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

(b) Impairment of long-term assets

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

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

(c) Provision for asset retirement obligations

Obligations related to well decommissioning and restoration, after the completion of operations, led management to make estimates of long-term asset retirement obligations costs and of 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.

(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, 2019			
	Neuquina basin	**Noroeste - San Jorge basin and others**	**Others (1)**	**Total continuing 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)**

(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.

Notes to Financial Statements at December 31, 2019 (Cont'd)

6. Segment information (Cont'd)

	Fiscal year ended on December 31, 2019 (Cont'd)			
	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**

	Fiscal year ended on December 31, 2018			
	Neuquina basin	**Noroeste - San Jorge basin**	**Others (1)**	**Total continuing operations**
Net sales - Managerial Vision	24,991,453	4,380,445	7,155	29,379,053
Effect of hydrocarbon inventory valuation	(44,449)	(253,365)	-	(297,814)
Exploratory investments production	(51,663)	-	-	(51,663)
Net sales - IFRS				**29,029,576**
Oil	3,480,674	3,073,384	-	6,554,058
Gas	21,414,667	1,045,380	-	22,460,047
Other services	-	8,316	7,155	15,471
Net sales - IFRS				**29,029,576**
Operating profit (loss) - Managerial vision	5,997,903	1,082,046	(113,466)	6,966,483
Adjustment of hydrocarbon inventory valuation	(11,974)	78,647	-	66,673
Depreciation of exploratory investments	51,663	-	-	51,663
Other depreciation differences	(81,852)	(117,924)	6,896	(192,880)
Administrative expenses (2)				(1,392,161)
Operating profit IFRS				**5,499,778**
Depreciation and impairment of PPE - Managerial Vision	(12,301,025)	(769,589)	(93,200)	(13,163,814)
Depreciation differences	(30,189)	(117,924)	6,896	(141,217)
Depreciation and impairment of PPE - IFRS				**(13,305,031)**

	Neuquina basin	**Noroeste - San Jorge basin**	**Others (1)**	**Total**
PPE - Managerial Vision	57,361,522	5,235,324	323,014	62,919,860
Accumulated depreciation and impairment differences				(431,967)
PPE - IFRS				**62,487,893**
Investments in PPE	31,943,427	700,464	72,361	32,716,252
Investments in PPE				**32,716,252**

(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.

6. Segment information (Cont'd)

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, 2019, net sales arose from the USA (2.96%), United Arab Emirates (2.99%), Chile (0.18%), Spain (1.12%) and the remaining percentage from Argentina; whereas at December 31, 2018 net sales came from the USA (6.09%), China (2.56%) and the remaining percentage from Argentina. The designation of net sales is based upon customer location.

At December 31, 2019, no customer represented or surpassed 10% of sales revenues of the Company; whereas at December 31, 2018, CAMMESA represented 15.2% of all sales revenues of the Company.

7. Net sales

	Fiscal year ended on December 31,	
	2019	**2018**
Gas (i)	53,287,450	22,460,047
Oil	11,194,122	6,554,200
Other services	31,492	15,471
	64,513,064	**29,029,718**
From discontinued operations	-	(142)
	64,513,064	**29,029,576**

(i) It includes $18,884,764 and $5,085,042 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution 46E/2017 as amended, at December 31, 2019 and December 31, 2018, respectively. (see Note 32).

8. Operating costs

	Fiscal year ended on December 31,	
	2019	**2018**
Inventories at the beginning of the year	847,572	255,961
Inventories incorporated due to merger	-	8,701
Purchases, uses and production costs	38,045,494	20,751,332
Inventories at the end of the fiscal year	(1,607,093)	(847,572)
Currency translation differences	459,912	331,498
Costs of sales	**37,745,885**	**20,499,920**
From discontinued operations	-	(45)
	37,745,885	**20,499,875**

8. Operating costs (Cont'd)

	Fiscal year ended on December 31, 2019	2018
Labor costs	1,876,917	1,117,740
Fees and services	430,155	272,746
Maintenance operations and wells service costs	4,831,498	2,370,968
Depreciation of property, plant and equipment	22,778,618	13,032,621
Impairment of property, plant and equipment	-	211,446
Depreciation of right-of-use assets	444,656	-
Treatment and storage	293,289	180,847
Royalties and other taxes (i)	5,698,308	3,204,753
Other production costs	1,171,252	343,159
Stock uses and purchases	520,801	17,052
Purchases, uses and production costs	**38,045,494**	**20,751,332**

(i) Royalties ranging from 12% to 17% are paid for the production of crude oil and natural gas, 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, 2019	2018
Taxes	1,281,036	604,784
Storage and transport	1,137,793	609,223
Allowance for doubtful accounts	165,655	206,262
Others	23,738	5,148
	2,608,222	**1,425,417**
From discontinued operations	-	(157)
	2,608,222	**1,425,260**

10. Administrative expenses

	Fiscal year ended on December 31, 2019	2018
Labor costs	1,482,270	998,560
Fees and services	371,992	211,092
Depreciation of property, plant and equipment	165,383	60,964
Depreciation of right-of-use assets	54,607	-
Taxes	782,666	409,906
Office expenses	326,423	203,957
Reimbursement of expenses (*)	(801,051)	(430,378)
	2,382,290	**1,454,101**
From discontinued operations	-	(976)
	2,382,290	**1,453,125**

(*) 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.

Notes to Financial Statements at December 31, 2019 (Cont'd)

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

	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018
Salaries, wages and other costs	2,719,622	1,629,749
Social security costs	510,543	300,027
Employee benefits programs (Note 25)	129,022	186,524
	3,359,187	**2,116,300**

(*) It includes discontinued operations.

12. Other operating profit (loss), net

	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018
Other operating income		
Profit from the sale of Property, plant and equipment	9,933	-
Recovery of provisions for legal claims and contingencies	147,630	1,168
Reversal of provision for asset retirement obligations	18,015	16,769
Income from other sales	8,983	8,093
Others	32,486	8,092
	217,047	**34,122**
From discontinued operations	-	(1,102)
	217,047	**33,020**
Other operating expenses		
Loss from the sale and write-off of property, plant and equipment	-	(15,593)
Provision for legal claims and contingencies	(3,480)	(2,165)
Others	(17,973)	(11,125)
	(21,453)	**(28,883)**
From discontinued operations	-	786
	(21,453)	**(28,097)**

13. Net financial profit (loss)

	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018
Dividend income	81,572	58,601
Interest income	577,000	131,161
Financial income	**658,572**	**189,762**
Interest cost	(4,311,884)	(1,642,795)
Financial costs	**(4,311,884)**	**(1,642,795)**
Net loss from exchange differences - (Loss)	(6,502,412)	(2,375,448)
Loss from purchase or sales of public securities	(1,102,413)	-
Other net financial loss - (Loss)	(40,767)	(7,977)
Other net financial loss - (Loss)	**(7,645,592)**	**(2,383,425)**
Net financial loss - (Loss)	**(11,298,904)**	**(3,836,458)**
From discontinued operations - (Profit)	-	(575)
	(11,298,904)	**(3,837,033)**

At December 31, 2018, each item included in this note differs from its respective line in the Income Statement, as this note includes the profit (loss) from Discontinued operations.

14. Taxes

	Fiscal year ended on December 31, 2019	2018
Deferred income tax - Loss / (Profit) (Note 28)	5,485,806	(2,278,209)
Special tax for tax revaluation - Loss	-	200,239
	5,485,806	**(2,077,970)**

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

	Fiscal year ended on December 31, 2019	2018
Profit (loss) before income tax at tax rate	**2,909,632**	**498,213**
Profit (loss) from investments in entities accounted for using the equity method	9,342	610
Exchange and translation differences	5,068,874	992,801
Effect from changes in the tax rate	548,191	737,729
Effect from inflation adjustments and tax revaluation	(2,965,289)	(4,510,584)
Special tax for tax revaluation	-	200,239
Non-taxable income, non-deductible expenses and others	(84,944)	3,022
Profit (loss) from income tax for the fiscal year – Loss/(Profit)	**5,485,806**	**(2,077,970)**

Tax Reform in Argentina

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

- Income tax rate: Law No. 27.430 set forth that income tax rates for Argentine companies were reduced from 35% to 30% for all fiscal years commencing as from January 1, 2018 and until December 31, 2019; and to 25% for all fiscal years commencing on or after January 1, 2020. Notwithstanding the foregoing, through Law No. 27.541, the reduction to 25% of the income tax rate was suspended up to all fiscal years commencing as from January 1, 2021.

- Tax levied upon dividends: Law No. 27.430 introduced an additional tax on dividends or profits distributed, among others, by Argentine companies or permanent entities to physical persons, undivided estates or foreign beneficiaries, pursuant to the following: (i) 7% dividend withholding tax for distributions of profits accrued during fiscal years commencing on January 1, 2018 and up to December 31, 2019; and (ii) 13% dividend withholding tax for distributions of profits accrued during fiscal years starting on or after January 1, 2020. Notwithstanding the foregoing, through Law No. 27.541, the 13% dividend withholding tax was suspended up to all fiscal years commencing as from January 1, 2021.

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

14. Taxes (Cont'd)

Under Title X, Chapter I; Law No. 27.430 also sets forth an optional tax revaluation. Pursuant to this law, the companies might, at their option, perform a tax revaluation of their assets located in the country that are affected by taxable income. A special tax will be imposed on those companies performing the tax revaluation. Said tax will depend upon the different rates applicable to the different assets: real estate not accounted for as inventories – 8%; real estate accounted for as Inventories – 15%; other assets - 10%. Once revaluation takes place, all assets included under the same item must be updated. The above-mentioned special tax will not be deductible when assessing income tax. Profits or losses originated by the revaluation are not subject to either income tax or minimum notional income tax. The Company decided to exercise the revaluation option and, at December 31, 2018, recorded $200.2 million as a special tax exposed under income tax in the Income Statement.

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

On December 4, 2018, Law No. 27.468 was published in the Official Gazette. Section 1 of said law replaces IPIM with the General Level Consumer Price Index (CPI).

Notwithstanding the regime mentioned above ,Law No. 27.430 on Income Tax, as amended by Law No. 27.468, established that for all fiscal years beginning on or after January 1, 2018, an adjustment for inflation (as provided for under Title VI of such law) will be applicable 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%.

With respect to the first, second and third fiscal years, this procedure will be applicable if the cumulative variation of said price index, calculated from the beginning of the first year and until each year-end, exceeds 55% , 30% and 15%, respectively. Moreover, one-third of any resulting negative or positive inflation adjustments (as the case might be) corresponding to the first, second and third fiscal years beginning as from January 1, 2018 and calculated based on the above, should be allocated to the fiscal year to which it corresponds, and the remaining two-thirds, in equal parts, to the following fiscal years.

As of the closing date of the current fiscal year, the CPI accumulated variation exceeded the 30% expected for the second year of implementation. Therefore, the Company included the inflation tax adjustment in the assessment of the provision for income tax and deferred income tax. It should be highlighted that Law No. 27.430 established that the amount representing the inflation tax adjustment (whether positive or negative, as the case might be) should be calculated in thirds. On the other hand, Law No. 27.541, published in the Official Gazette on December 23, 2019, amended the above-mentioned calculation and established that one-sixth (1/6) of the positive or negative inflation tax adjustment corresponding to the first and second fiscal years beginning as from January 1, 2019 shall be allocated to that fiscal year, and the remaining five-sixth (5/6) shall be allocated in equal parts throughout the subsequent five fiscal years. Notwithstanding the above, previous fiscal years are governed by previous regulations, so inflation tax adjustment is calculated in thirds and in accordance with the old version of Section 194 of the Income Tax Law.

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

	Fiscal year ended on December 31, 2019						
	Development and production assets	Machinery and equipment	Asset retirement obligations	Exploration and evaluation	Work in progress (*)	Others	Total
Cost							
At the beginning of the year	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**

(*) It includes $208,974 from works in progress related to assessment and exploratory investments at December 31, 2019.

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

	Fiscal year ended on December 31, 2018						
	Development and production assets	**Machinery and equipment**	**Asset retirement obligations**	**Exploration and evaluation**	**Work in progress (*)**	**Others**	**Total**
Cost							
At the beginning of the year	18,484,528	3,720,908	543,157	357,149	9,787,997	759,172	33,652,911
Incorporation by merger	65,799	18,649	10,870	1,131,015	175,190	44,752	1,446,275
Currency translation differences	27,044,488	7,768,042	579,146	1,661,968	10,254,980	1,098,410	48,407,034
Additions	12,110	-	133,712	-	32,155,384	548,758	32,849,964
Transfers	23,625,339	18,343,571	-	1,056,174	(42,999,395)	(25,689)	-
Write-offs	(382,259)	(5,151)	(396,064)	(70,743)	(136,709)	(31,624)	(1,022,550)
At the end of the year	68,850,005	29,846,019	870,821	4,135,563	9,237,447	2,393,779	115,333,634
Depreciation							
At the beginning of the year	14,605,574	3,118,154	258,633	-	-	294,412	18,276,773
Incorporation by merger	-	11,189	-	-	-	-	11,189
Currency translation differences	16,855,171	3,777,715	293,928	-	-	334,974	21,261,788
Depreciation of the fiscal year	8,200,608	4,686,666	84,382	-	-	121,929	13,093,585
Impairment of the fiscal year	187,874	5,345	18,227	-	-	-	211,446
Write-offs	-	(3,773)	-	-	-	(5,267)	(9,040)
At the end of the year	39,849,227	11,595,296	655,170	-	-	746,048	52,845,741
Residual value at December 31, 2018	**29,000,778**	**18,250,723**	**215,651**	**4,135,563**	**9,237,447**	**1,647,731**	**62,487,893**

(*) It includes $159,787 from works in progress related to exploratory investments at December 31, 2018.

16. Right-of-use assets and liabilities

There follows the evolution of right-of-use assets and liabilities disclosed in the Statement of Financial Position at December 31, 2019:

Right-of-use assets

	Fiscal year ended on December 31, 2019				
	Drilling equipment	**Other equipment**	**Offices**	**Others**	**Total**
Effect of IFRS 16 implementation at January 1, 2019	564,603	520,483	359,214	118,117	1,562,417
Currency translation differences	186,815	227,665	170,144	55,508	640,132
Net decreases	(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, 2019
Effect of IFRS 16 implementation at January 1, 2019	1,562,417
Net decreases	(109,795)
Accrued interest (i)	93,564
Payments	(812,162)
Exchange and translation differences	600,290
At the end of the year	**1,334,314**

	December 31, 2019
Non-current	758,251
Current	576,063
	1,334,314

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

Notes to Financial Statements at December 31, 2019 (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 19 (1 vote)	Country	Interest % Dec-19	Interest % Dec-18	December 31, 2019	December 31, 2018	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%	137,964	(2,051)	12.31.2019	868,399	(207,607)	919,760
Subtotal						**137,964**	**(2,051)**				
Reclassification to Other non-current liabilities (Note 27)						-	2,051				
Total						**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, is disclosed below:

	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018
Profit (loss) from investments in joint ventures	(31,141)	(2,034)
	(31,141)	**(2,034)**

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

	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018
At the beginning of the year	-	-
Reclassification from/to Other non-current liabilities (Note 27)	(2,051)	2,051
Currency translation differences	40,918	(32)
Profit (loss) from investments in entities accounted for using the equity method	(31,141)	(2,034)
Contributions	130,238	15
At the end of the year	**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 will 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% will 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 USD 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 liquid 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 has interest) is estimated by the Company as the higher of an asset's fair value less direct costs of disposal and value in use. The value in use is calculated based on the discounted cash flows, applying a discount rate based on the weighted average cost of capital (WACC), which considers the risks of the country where the CGU operates and its specific characteristics.

The determination of the discounted cash flows is based on projections approved by the Management and includes a set of sensitive estimates and assumptions, such as changes in hydrocarbons production levels, sales prices, the evolution of the curve of future oil 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.

During the fiscal year ended on December 31, 2019, the Company did not recognize impairment charges under Property, plant and equipment - Exploration, evaluation and development assets and/or Right-of-use assets. A 13% pre-tax discount rate was used.

In fiscal year ended on December 31, 2018, the Company recognized impairment charges in production and development equipment and assets in Punta Senillosa area (Neuquina basin segment) and Lago Argentino (Noroeste - San Jorge basin segment) for $152.3 million and $59.1 million, respectively, mainly caused by a drop in gas sales prices.

19. Investments in equity instruments at fair value

	December 31, 2019	December 31, 2018
Non-quoted investments	942,407	679,904

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

	Fiscal year ended on December 31,	
	2019	2018
At the beginning of the year	679,904	317,549
Currency translation differences	367,110	349,425
Changes in the fair value	(104,607)	12,930
At the end of the year	**942,407**	**679,904**

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

		Interest %			
Company	Country	Dec-19	Dec-18	December 31, 2019	December 31, 2018
Tecpetrol del Perú S.A.C.	Peru	2.00	2.00	559,411	389,442
Tecpetrol Bloque 56 S.A.C.	Peru	2.00	2.00	149,456	150,757
Oleoductos del Valle S.A.	Argentina	2.10	2.10	152,811	96,192
Terminales Marítimas Patagónicas S.A.	Argentina	4.20	4.20	44,994	28,323
Tecpetrol Operaciones S.A. de C.V. (i)	Mexico	0.9482	0.9482	21,233	10,254
Norpower S.A de C.V.	Mexico	0.60	0.60	4,963	3,316
Other investments				9,539	1,620
Total				**942,407**	**679,904**

(i) In July 2019, the Shareholders of Burgos Oil Services S.A. de C.V. at an Extraordinary and Annual General Meeting approved the modification of the corporate name from Burgos Oil Services S.A. de C.V. to Tecpetrol Operaciones S.A de C.V.

At December 31, 2019 and December 31, 2018, 21% and 18%, 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, sale price, 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, 2019	December 31, 2018
Non-current		
Receivables	84,553	136,256
Tax credits	-	391,544
Expenses paid in advance	382,546	177,534
Employees loans and advances	42,723	39,339
	509,822	**744,673**
Allowance for doubtful accounts	(23,596)	-
	486,226	**744,673**
Current		
Receivables (i)	8,676,782	3,453,405
Tax credits	2,507,943	4,376,901
Expenses paid in advance	69,005	39,296
Employees loans and advances	33,965	31,899
Other receivables from related parties (Note 33)	148,447	109,124
	11,436,142	**8,010,625**
Allowance for doubtful accounts	(34,475)	(72,825)
	11,401,667	**7,937,800**

(i) It includes $8,501,244 and $3,234,545 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution 46E/2017 as amended, at December 31, 2019 and December 2018, respectively. (see Note 32).

There follows the evolution in the allowance for doubtful accounts:

	Fiscal year ended on December 31, 2019	2018
Balance at the beginning of the year	(72,825)	(20,806)
Incorporation by merger	-	(4,338)
Exchange and translation differences	(8,745)	221
Net additions	(43,588)	(51,803)
Uses	-	3,901
Reclassifications	67,087	-
Balance at the end of the year	**(58,071)**	**(72,825)**

Notes to Financial Statements at December 31, 2019 (Cont'd)

21. Trade receivables

	December 31, 2019	December 31, 2018
Non-current		
Trade receivables	473,159	516,789
	473,159	**516,789**
Allowance for doubtful accounts	(221,476)	(80,062)
	251,683	**436,727**
Current		
Trade receivables	8,278,264	7,062,015
Trade receivables from related parties (Note 33)	139,340	75,936
	8,417,604	**7,137,951**
Allowance for doubtful accounts	(435,089)	(247,883)
	7,982,515	**6,890,068**

The following table shows the aging of trade receivables:

	Total	Not yet due	Past due	
			1 - 180 days	> 180 days
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**	**-**
At December 31, 2018				
Trade receivables	7,654,740	6,554,008	942,606	158,126
Allowance for doubtful accounts	(327,945)	(84,229)	(85,590)	(158,126)
Net value	**7,326,795**	**6,469,779**	**857,016**	**-**

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

	Fiscal year ended on December 31,	
	2019	2018
Balance at the beginning of the year	(327,945)	(81,194)
Exchange and translation differences	(138,138)	(87,341)
Net additions	(123,395)	(159,410)
Reclassifications	(67,087)	-
Balance at the end of the year	**(656,565)**	**(327,945)**

22. Inventories

	December 31, 2019	December 31, 2018
Hydrocarbons	261,253	406,609
Materials and spare parts	1,345,840	440,963
	1,607,093	**847,572**

Notes to Financial Statements at December 31, 2019 (Cont'd)

23. Other investments and Cash and cash equivalents

(a) Other investments

	December 31, 2019	December 31, 2018
Non-current		
Bonds (i)	54,785	-
	54,785	**-**
Current		
Bonds (i)	124,127	-
	124,127	**-**

(i) It includes public debt securities obtained through Resolution No. 54/2019 issued by the Office of the Secretary of Energy which set forth a new procedure for the payment of compensations under the Program of Incentives for Natural Gas Injection Surplus for companies with a reduced injection. At December 31, 2018, the above-mentioned compensations were disclosed under Other receivables and prepayments. In November 2019, the Company agreed to such payment procedure and received non-interest bearing bonds for USD 5.2 million which amortize in 30 monthly installments as from February 2019. At December 31, 2019, 11 installments were collected.

(b) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash and banks	506,161	41,715
Mutual funds	257,115	287,657
Short-term deposits with related parties (Note 33)	1,237,050	137,923
	2,000,326	**467,295**

Mutual funds effective interest rate in ARS was, on average, of 41.6% and 37.3% at December 31, 2019 and December 31, 2018, respectively; whereas effective interest rate regarding short-term deposits in USD was, on average, of 2.1% and 1.6% at December 31, 2019 and December 31, 2018, respectively.

24. Borrowings

	December 31, 2019	December 31, 2018
Non-current		
Bank borrowings	7,304,557	9,079,040
Borrowings from related parties (Note 33)	-	21,658,650
Negotiable obligations	29,836,862	18,746,413
	37,141,419	**49,484,103**
Current		
Bank borrowings	10,804,967	1,218,701
Borrowings from related parties (Note 33)	32,112,571	3,809,436
Negotiable obligations	20,627	12,984
	42,938,165	**5,041,121**

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, 2019 and December 31, 2018.

Notes to Financial Statements at December 31, 2019 (Cont'd)

24. Borrowings (Cont'd)

There follows the evolution of borrowings:

	Fiscal year ended on December 31,	
	2019	**2018**
Balance at the beginning of the year	54,525,224	15,691,925
Incorporation by merger	-	498,007
Proceeds from borrowings	7,358,011	16,446,275
Payment of borrowings	(15,500,686)	(29,603)
Accrued interest	3,894,993	1,491,442
Paid interest	(3,973,320)	(1,627,705)
Reclassifications	-	(45,464)
Exchange and translation differences	33,775,362	22,100,347
Balance at the end of the year	**80,079,584**	**54,525,224**

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

Lender	December 31, 2019	Interest rate	Contract's currency	Maturity date
Tecpetrol Internacional S.L.U.	19,464,250	Libor 12M +1.13%	USD	Aug-2020
Tecpetrol Internacional S.L.U.	898,350	Libor 12M + 1.16%	USD	Aug-2020
Tecpetrol Internacional S.L.U.	6,002,868	Libor 3M + 2.5%	USD	Aug-2020
Tecpetrol Internacional S.L.U.	4,910,980	Libor 12M + 4.69%	USD	Dec-2020
Tecpetrol Servicios S.L.U	836,123	Libor 12M + 5.79%	USD	Feb-2020
J.P. Morgan Chase Bank, Citibank and others	10,079,049	Libor 3M + 1.50%	USD	Sep-2022
Banco Santander Río	2,714,562	between 3.5% and 4.25%	USD	Jul-2020/Nov-2022
Banco HSBC	912,391	3.50%	USD	Jul-2020
Banco Provincia	421,447	3.50%	USD	Nov-2020
Banco Provincia	30,949	BADLAR + 2.0%	ARS	Nov-2020
Banco Citibank	1,588,022	64.50%	ARS	Jan-2020
Banco BBVA	631,665	63.00%	ARS	Jan-2020
Banco HSBC	600,000	48.00%	ARS	Jun-2020
Banco Patagonia	1,131,439	49.00%	ARS	Jan-2020

Lender	December 31, 2018	Interest rate	Contract's currency	Maturity date
Tecpetrol Internacional S.L.U.	12,252,501	Libor 12M + 1.13%	USD	Aug-2020
Tecpetrol Internacional S.L.U.	565,500	Libor 12M + 1.16%	USD	Aug-2020
Tecpetrol Internacional S.L.U.	1,432,600	Libor 12M + 1.21%	USD	Dec-2020
Tecpetrol Internacional S.L.U.	7,556,614	Libor 3M + 2.5%	USD	Jun-2021
Tecpetrol Internacional S.L.U.	3,204,500	Libor 12M + 4.69%	USD	Dec-2020
Tecpetrol Servicios S.L.U	150,800	Libor 12M + 1.79%	USD	Jun-2021
Tecpetrol Libertador B.V.	305,571	between 3.63% and 5.92%	USD	Apr-2019/Dec-2019
J.P. Morgan Chase Bank, Citibank and others	7,496,439	Libor 3M + 1.50%	USD	Sep-2022
Banco Santander Río	1,896,710	between 3.5% and 4.25%	USD	Jul-2020/Nov-2022
Banco HSBC	574,447	3.50%	USD	Jul-2020
Banco Provincia	264,887	3.50%	USD	Nov-2020
Banco Provincia	65,258	BADLAR + 2.0%	ARS	Nov-2020

24. Borrowings (Cont'd)

Negotiable obligations

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 such 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 above-mentioned 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.

Partially received loan with Parent Company

On October 30, 2018, the Company arranged a credit line with its Parent Company, Tecpetrol Internacional S.L.U., for a maximum amount of USD 200 million. Principal will be paid in two equal installments on December 31, 2019 and December 31, 2020. Agreed interest rate is LIBOR 12M + 4.69% per year. Interest is payable on December 31 of each year. First payment was made on December 31, 2018. The remaining terms and conditions are the ones regularly used for similar financing processes. At December 31, 2019, the Company has received USD 164 million from the above-mentioned loan; USD 82 million of said amount were already paid off. At December 31, 2019, there is a pending balance of USD 82 million.

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, 2019	December 31, 2018
Non-current		
Pension programs and other plans (i)	842,673	548,263
Employee retention and long-term incentive program	658,437	425,329
	1,501,110	**973,592**
Current		
Employee retention and long-term incentive program	123,170	72,077
	123,170	**72,077**

(i) There are no enforceable debts at December 31, 2019 and December 31, 2018.

25. Employee benefits programs (Cont'd)

	Fiscal year ended on December 31,	
	2019	**2018**
Pension programs and other plans	126,228	78,425
Employee retention and long-term incentive program	2,794	108,099
Total included in Labor costs (Note 11)	**129,022**	**186,524**

Pension programs and other plans:

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,	
	2019	**2018**
Cost of services	42,475	32,133
Cost of interest	83,753	46,292
Total	**126,228**	**78,425**

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

	Fiscal year ended on December 31,	
	2019	**2018**
Balance at the beginning of the year	548,263	288,270
Cost of services and interest	126,228	78,425
Net actuarial profits (losses)	(61,641)	(23,038)
Personnel transfers	-	8,777
Exchange differences	(62,081)	(72,619)
Currency translation differences	296,570	275,517
Payments made	(4,666)	(7,069)
Balance at the end of the year	**842,673**	**548,263**

At December 31, 2019, a 1% increase/(decrease) in the discount rate would have resulted in a (decrease)/increase in liabilities of ($35.3)/$39.1 million, respectively; while a 1% increase/(decrease) in the salary increase rate would have resulted in an increase/(decrease) of $25.3 and ($23.3) million, respectively. This sensitivity analysis is based on changes in each assumption at a time, keeping all the other variables constant. Nevertheless, in practice this is unlikely to occur, since changes in some assumptions should be correlated.

26. Provisions

	December 31, 2019	December 31, 2018
Non-current		
Asset retirement obligations	2,581,199	1,840,707
Provision for other contingencies	87,618	201,102
	2,668,817	**2,041,809**
Current		
Asset retirement obligations	286,224	165,604
Provision for other contingencies	-	18,053
	286,224	**183,657**

The evolution of provisions is disclosed below:

Asset retirement obligations

	Fiscal year ended on December 31,	
	2019	**2018**
Balance at the beginning of the year	2,006,311	1,216,801
Incorporation by merger	-	50,117
Currency translation differences	1,211,432	1,335,629
(Recoveries)	(271,508)	(543,941)
Uses	(78,812)	(52,295)
Balance at the end of the year	**2,867,423**	**2,006,311**

At December 31, 2019 and December 31, 2018, the provision for asset retirement obligation was estimated using inflation rates in USD ranging between 1.5% and 1.6%, and discount rates in USD ranging between 9.4% and 10.4%.

Other contingencies

	Fiscal year ended on December 31,	
	2019	**2018**
Balance at the beginning of the year	219,155	136,241
Incorporation by merger	-	41,903
Exchange and translation differences	54,557	109,677
Net (recoveries)	(186,094)	(21,563)
Uses	-	(47,103)
Balance at the end of the year	**87,618**	**219,155**

27. Trade and other payables

	December 31, 2019	December 31, 2018
Non-current		
Investments in joint ventures with negative balance on equity (Note 17)	-	2,051
	-	**2,051**
Current		
Trade payables	4,263,369	7,123,426
Payables to related parties (Note 33)	818,166	1,799,234
Social security debts and other taxes	899,650	1,263,477
Other liabilities	5,215	9,014
	5,986,400	**10,195,151**

Notes to Financial Statements at December 31, 2019 (Cont'd)

28. Deferred income tax

There follows the evolution of deferred income tax:

	Fiscal year ended on December 31, 2019	2018
Balance at the beginning of the year - Net deferred asset	3,156,662	335,424
Charged directly to Other comprehensive income	6,884	(12,714)
Profit (loss) for the year	(5,485,806)	2,278,209
Currency translation differences	885,377	555,743
Balance at the end of the year - (Liability)/Net deferred asset	**(1,436,883)**	**3,156,662**

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, 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**

Deferred tax liability	**Property, plant and equipment**	**Others**	**Total**
At December 31, 2017	**(624,486)**	**(92,306)**	**(716,792)**
Charged directly to Other comprehensive income	-	(6,953)	(6,953)
Profit (loss)	667,560	16,027	683,587
Currency translation differences	(1,927,069)	(108,627)	(2,035,696)
At December 31, 2018	**(1,883,995)**	**(191,859)**	**(2,075,854)**

Deferred tax assets	**Provisions/ Allowances**	**Tax losses**	**Others**	**Total**
At December 31, 2017	**477,658**	**551,624**	**22,934**	**1,052,216**
Charged directly to Other comprehensive income	(5,761)	-	-	(5,761)
Profit (loss)	(467,463)	2,034,295	27,790	1,594,622
Currency translation differences	512,625	2,039,827	38,987	2,591,439
At December 31, 2018	**517,059**	**4,625,746**	**89,711**	**5,232,516**

Notes to Financial Statements at December 31, 2019 (Cont'd)

28. Deferred income tax (Cont'd)

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

	December 31, 2019	December 31, 2018
Deferred tax assets (Liabilities)	(1,436,883)	3,156,662
	(1,436,883)	**3,156,662**

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

	December 31, 2019	December 31, 2018
Deferred tax assets to be recovered in more than 12 months	8,187,715	4,625,746
Deferred tax liabilities to be settled in more than 12 months	(9,964,230)	(1,883,995)
Deferred tax assets to be recovered in less than 12 months	687,982	606,770
Deferred tax liabilities to be settled in less than 12 months	(348,350)	(191,859)

29. 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,	
	2019	**2018**
Depreciation of property, plant and equipment (Note 15)	22,944,001	13,093,585
Impairment of property, plant and equipment (Note 15)	-	211,446
Depreciation of right-of-use assets (Note 16)	499,263	-
Profit (loss) from the sale and write-off of property, plant and equipment (Note 12)	(9,933)	15,593
Exploration costs	943,443	137,381
Income tax (Note 14)	5,485,806	(2,077,970)
Net accrued/(paid) interest from Borrowings	(78,327)	(136,263)
Accrued interest from Right-of-use liabilities (Note 16)	93,564	-
Dividend income (Note 13)	(81,572)	(58,601)
Provisions	188,568	290,320
Profit (loss) from investments in entities accounted for using the equity method (Note 17)	31,141	2,034
Profit (loss) from employee benefits programs (Note 11)	129,022	186,524
	30,144,976	**11,664,049**

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

Changes in working capital

	Fiscal year ended on December 31,	
	2019	**2018**
Increase in Trade and other receivables	(4,715,899)	(13,792,908)
Increase in inventories	(759,521)	(582,910)
(Decrease)/Increase in trade and other payables	(944,988)	2,725,848
	(6,420,408)	**(11,649,970)**

Notes to Financial Statements at December 31, 2019 (Cont'd)

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

Item	Type (2)	12.31.2019 Amount in currency other than Argentine pesos (3)	12.31.2019 Amount in local currency at 59.89 (4)	12.31.2018 Amount in currency other than Argentine pesos (3)	12.31.2018 Amount in local currency at 37.70 (4)
Assets					
Non-current assets					
Other receivables and prepayments	USD	1,874	112,263	7,214	271,958
Other investments	USD	915	54,785	-	-
Current assets					
Other receivables and prepayments	USD	2,830	169,510	4,712	177,637
Other investments	USD	2,073	124,127	-	-
Trade receivables	USD	48,287	2,891,900	85,973	3,241,173
Cash and cash equivalents	USD	22,739	1,361,833	3,681	138,775
Total assets			**4,714,418**		**3,829,543**
Liabilities					
Non-current liabilities					
Borrowings	USD	620,161	37,141,419	1,311,768	49,453,656
Right-of-use liabilities	USD	12,661	758,251	-	-
Provisions	USD	43,099	2,581,199	48,825	1,840,707
Current liabilities					
Borrowings	USD	716,434	42,907,216	132,793	5,006,310
Right-of-use liabilities	USD	8,780	525,811	-	-
Provisions	USD	4,779	286,224	4,393	165,604
Trade and other payables	USD	64,100	3,838,945	186,901	7,046,165
Total liabilities			**88,039,065**		**63,512,442**

(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, 2019 and December 2018, respectively.

Notes to Financial Statements at December 31, 2019 (Cont'd)

31. 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 to incur 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 all obligations set forth under Section V, Subsection 3 of Exhibit to Resolution No. 46-E/2017 and amendments, for USD 228.75 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.

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

Basin	Area	Pending investment commitments
Noroeste - San Jorge and others	Tordillo and La Tapera-Puesto Quiroga	· Keeping a single item of drilling equipment active during 21 months until July 2020.
		· Drilling of 1 P2/P3 well until December 2021
	Gran Bajo Oriental	Seismic reprocessing and drilling of two exploratory wells before September 2021 for an amount of USD 13.56 million
	MLO-124	Seismic studies over the totality of the area 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 during six months to be performed before June 30, 2021.
	Loma Ranqueles	· Testing of 1 unconventional completion well with horizontal branch of 1,500 meters minimum to be performed before June 2020.
	Los Toldos I Norte	- Pilot Project investments consisting of the drilling and completion of 4 wells, 3D seismic studies, infrastructure and other investments within the first 3 years of the project term (3 wells before May 2021)
	Los Toldos II Este	- Pilot Project investments consisting of the drilling and completion of 3 wells, infrastructure and other investments within the first 3 years of the project term (3 wells before May 2021)
	Los Toldos I Sur	· Drilling of 3 unconventional completion wells

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

(iii) Restrictions on the distribution of profits

In accordance with 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.

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.

32. 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, 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

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

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 No. 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.

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.

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

In such appeals, the Company claimed, among others 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, Tecpetrol Internacional S.L.U. and Tecpetrol Investments S.L.U. (former Tecpetrol International S.A.), as shareholders of Tecpetrol S.A., may file possible claims before international courts.

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 new assessment criterion used for the last payments. This would represent a lower income for a total amount of $13,055 million and $5,655 million for the fiscal years ended on December 31, 2019 and December 31, 2018, respectively ($18,710 million accumulated at December 31, 2019).

33. 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 (including discontinued operations):

	Fiscal year ended on December 31, 2019	2018
Net sales		
Other related companies	3,560,108	3,201,303
Purchases of goods and services		
Other related companies	(6,945,265)	(11,822,573)
Reimbursement of expenses		
Other related companies	365,155	141,506
Interest income		
Other related companies	34,866	63,768
Interest cost		
Tecpetrol Internacional S.L.U.	(1,778,831)	(465,338)
Other related companies	(66,762)	(11,277)
	(1,845,593)	(476,615)

Notes to Financial Statements at December 31, 2019 (Cont'd)

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

Balances with related parties

	December 31, 2019	December 31, 2018
Other receivables from related parties (Note 20) (i):		
Current - Tecpetrol Internacional S.L.U.	894	1,018
Current - Tecpetrol Investments S.L.U. (iii)	502	163
Current - Oleoducto Loma Campana - Lago Pellegrini S.A.	-	66,328
Current - Other related companies	147,051	41,615
	148,447	109,124
Trade receivables from related parties (Note 21):		
Current - Other related companies	139,340	75,936
Short-term deposits with related parties (Note 23):		
Current - Other related companies	1,237,050	137,923
Borrowings from related parties (Note 24):		
Non-current - Tecpetrol Internacional S.L.U.	-	21,507,851
Non-current - Other related companies	-	150,799
	-	21,658,650
Current - Tecpetrol Internacional S.L.U.	31,276,448	3,503,864
Current - Other related companies	836,123	305,572
	32,112,571	3,809,436
Trade and other payables with related parties (Note 27):		
Current - Tecpetrol Investments S.L.U. (iii)	-	618
Current - Other related companies (ii)	818,166	1,798,616
	818,166	1,799,234

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

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

(iii) In January 2020, the shareholders of Tecpetrol International S.A changed the company's domicile to Spain and the corporate name to Tecpetrol Investments S.L.U. As of the date of issuance of these Financial Statements the corporate domicile transfer was pending registration with the relevant Companies Office.

Remuneration of Directors

Remuneration of Directors and first-line executives for the fiscal years ended on December 31, 2019 and December 31, 2018 reached $241.8 and $150.9 million, respectively. Additionally, at December 31, 2019 and December 31, 2018, Directors and first-line executives received 3,748 and 3,796 units for a total amount of USD 0.8 million in relation to the employee retention and long-term incentive program mentioned in Note 2.13 (b).

34. Main joint operations

Joint operations

a) Areas operated by Tecpetrol

Name	Location	% at December 31, 2019	% at December 31, 2018	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) (iii) (iv)	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) Areas incorporated as a result of the merger with APASA. See Note 1.

(iv) In August 2019, Decree No. 1392/19 issued by the Governor of the province of Neuquén was published in the Official Gazette by means of which a 35-year extension of the Hydrocarbon Unconventional Exploitation Concession over Los Toldos I Norte and II Este was granted.

On June 29, 2018, after renouncing the exploitation concession over Medanito Sur area (incorporated as a result of the merger with APASA. See Note 1), the Company subscribed the document whereby it clears the area allowing the authorities of the province of La Pampa to take possession over it.

b) Areas operated by third parties

Name	Location	% at December 31, 2019	% at December 31, 2018	Expiration date of the concession
Ramos	Salta	25	25	Jan-26
Los Toldos I Sur (i)	Neuquén	10	10	Mar-52
MLO-124 (ii)	Malvinas Este marine basin	10	-	Oct-27

(i) Area incorporated as a result of the merger with APASA (see Note 1). The authorities of the province of Neuquén granted to the joint venture the exploitation concession over the area.

(ii) Tecpetrol S.A. has a 10% interest, Eni Argentina Exploración y Explotación S.A. is the operator and holds an 80% interest, and MITSUI & CO., LTD. owns the remaining 10%. (see Note 1). 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.

Notes to Financial Statements at December 31, 2019 (Cont'd)

34. Main joint operations (Cont'd)

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

Name	Assets		Liabilities	
	Dec-19	Dec-18	Dec-19	Dec-18
Aguaragüe	997,470	656,192	553,661	348,434
Agua Salada	1,181,035	785,665	511,465	448,511
Atuel Norte	327	48	100,228	63,479
El Tordillo	5,611,306	3,762,933	2,336,661	1,386,136
La Tapera – Puesto Quiroga	83,420	78,196	38,744	46,583
Ramos	211,618	178,791	241,637	198,268
Los Toldos (I Norte and II Este)	3,882,609	2,063,167	960,437	86,358
Los Toldos I Sur	1,299,743	159,388	20,929	5,369

35. Discontinued operations

As mentioned in Note 1, on December 28, 2017, Dapetrol transferred control over its main asset, namely, Oil Mine "José Segundo" for USD 491 thousand. Therefore, on October 8, 2018, the Shareholders of Dapetrol at an Extraordinary Meeting approved the winding up of the company and the plan for the distribution of balances and reimbursement of capital.

There follows a detail of profits (losses) classified as *Discontinued operations* in the Income Statement at December 31, 2018, as well as net cash flows:

	Fiscal year ended on December 31, 2018
Net sales	142
Operating costs	(45)
Gross margin	**97**
Other operating profit (loss)	(817)
Net financial profit (loss)	575
Currency translation differences for the year	41,825
Reclassification of accumulated currency translation differences	11,727
Profit (loss) for the year from discontinued operations	**53,407**

	Fiscal year ended on December 31, 2018
Cash used in operating activities	(1,944)
Cash generated by investing activities	20,254
Cash used in financing activities	(120,345)

36. Subsequent events

In February 2020, the Directors of Tecpetrol S.A and its Parent Company, Tecpetrol Internacional S.L.U., approved the constitution of Tecpe Trading S.A. The main line of business of Tecpe Trading S.A. will be the commercialization of hydrocarbons and electric power, among others. Tecpetrol S.A. will have a 4% shareholding.

Also, 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% and Class 3 Negotiable Obligations bear interest at a BADLAR rate plus a of margin 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 will be mainly used to invest in tangible assets or capital goods, working capital integration, refinancing of liabilities, etc.

No events, situations or circumstances have taken place as from December 31, 2019 other than the ones mentioned in the notes to these Financial Statements, which are not publicly known, and affect or might significantly affect the economic and financial position of the Company.

Additional information required under Section 12, Chapter 3, Title 4 of the regulations of the National Securities Commission for Argentina.

1. a) There are no significant and specific legal regulations involving contingent re-emergences or declines of benefits provided for under such resolutions.

   b) There were no significant changes related to the activities of the Company and any other circumstances during the year covered by the financial statements, which have not been publicly known, that affect comparability in relation to either previous or prospective financial statements, and which are not sufficiently explained in the attached financial statements, exhibits or notes.

2. Classification of receivables and payables according to maturity.

	Receivables			Payables
	Due	Past due	Total	Due
Up to 3 months	6,247,826	4,080,776	10,328,602	13,751,964
3-6 months	1,962,699	401,900	2,364,599	3,263,982
6-9 months	2,194,014	-	2,194,014	24,660,399
9-12 months	2,189,198	289,864	2,479,062	7,824,213
Between 1 and 2 years	797,210	-	797,210	3,868,648
Between 2 and 3 years	179,974	-	179,974	33,752,575
Between 3 and 4 years	3,076	-	3,076	181,368
More than 4 years	2,721	-	2,721	97,079
	13,576,718	4,772,540	18,349,258	87,400,228
No maturity date	2,588,483	-	2,588,483	6,016,274
Total	16,165,201	4,772,540	20,937,741	93,416,502

The allowance for doubtful accounts and existing guarantees are sufficient to cover past due receivables.

3. Classification of receivables and payables according to their financial impact.

	Receivables	Payables
In local currency - not accruing interest	17,695,974	3,654,007
In foreign currency - not accruing interest	3,173,673	3,838,945
In local currency - accruing interest	68,094	1,723,430
In foreign currency - accruing interest	-	84,200,120
	20,937,741	93,416,502

There are no receivables or payables subject to price adjustment clauses.

Additional information required under Section 12, Chapter 3, Title 4 of the regulations of the National Securities Commission for Argentina.

4. Shareholding interest in companies included under Section 33 of Law No. 19.550 on Companies Law:

Company	% shareholding interest upon capital share	% shareholding interest upon voting rights
Joint venture		
Oleoducto Loma Campana - Lago Pellegrini S.A.	15.0	15.0

Classification of receivables and payables with companies included under Section 33 of Law No. 19.550 on Companies Law, according to maturity dates:

a) There are no receivables or payables past due.
b) All receivables and payables are subject to maturity dates.
c) Maturity dates have not been reached (receivables and payables not yet due will reach maturity within three months).
d) There are no receivables or payables representing a financial impact.

5. There are no trade receivables or loans against directors, members of the shareholders' committee for corporate control or their first-degree and second-degree relatives.

6. Physical merchandise inventory.
The Company conducts two physical inventories per year by means of which all goods intended for sales are included, except for petty materials, which are subject to sampling. There are no significantly locked up materials.

7. There are no interests in other companies exceeding the limits set forth in Section 31 of Law No. 19.550 on Companies Law.

8. Recoverable values.
The recoverable value of inventories is their net realizable value. Regarding property, plant and equipment, the recoverable value is the value in use determined on the basis of discounted cash flows expected to arise from the remaining commercial reserves.

Additional information required under Section 12, Chapter 3, Title 4 of the regulations of the National Securities Commission for Argentina.

9. Insurance covering tangible assets.

Item	Currency of amount covered	Amounts covered in thousands of USD	Carrying values in thousands of ARS	Risk covered
Wells	USD	(*)	(**)	Monitoring, redrilling, spill
Vehicles	ARS	230,630		Damages and liability insurance
Buildings, facilities and ducts used for exploitation and transport	USD	1,436,801		Damage of materials or equipment
Buildings, facilities and ducts used for exploitation and transport	USD	81,747	29,052,783	Full coverage in relation to construction and installation
Goods	USD	5,000		Full coverage in relation to transport
Computer equipment	USD	10,269		Full coverage

(*) Subject to limits and deductibles depending on the insurance policy.

(**) The drilling of wells and flowing wells in production are insured.

10. a) Positive and negative contingencies

Positive: see Note 32 to Interim Condensed Financial Statements at December 31, 2019.

Negative: there are no provisions for contingencies, whose balances, either separately or jointly, exceed 2% of the capital stock of the Company. 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.

b) There are no other significant contingencies which have not been recorded and which are likely to take place in the near future.

11. Irrevocable capital contributions on account of future increases of shares

At the end of the year, the Company has not received any irrevocable capital contributions on account of future increases of shares.

12. The Company has not issued preference shares.

13. Legal and contractual restrictions on the distribution of profits.

See Note 31.iii to Interim Condensed Financial Statements at December 31, 2019.

Free translation from the original in Spanish for publication in Argentina

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INDEPENDENT AUDITORS' REPORT

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

Introduction

We have audited the accompanying financial statements of Tecpetrol Sociedad Anónima (hereinafter, "the Company"), which comprise the statement of financial position at December 31, 2019, the statements of income, of comprehensive income, of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to the year 2018 are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board's responsibility

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements mentioned in the first paragraph of this report, present fairly, in all material respects, the financial position of Tecpetrol Sociedad Anónima at December 31, 2019, its comprehensive income and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on compliance with current regulations

In accordance with current regulations, we report, regarding Tecpetrol Sociedad Anónima, 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, comply 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 based on which they were opportunely authorized by its regulatory agency;

c) we have read the Summary of Information and the supplementary information presented with the financial statements in accordance with article 12, Chapter III, Title IV of the regulation of the National Securities Commission, on which, as regards those matters that are within our competence, we have no observations to make;

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d) as of December 31, 2019, the debt of Tecpetrol Sociedad Anónima accrued in favor of the Argentine Integrated Social Security System arising from the Company's accounting records amounted to $ 76,825,679.84, none of which was claimable at that date;

e) in accordance with article 21, paragraph b) Chapter III, Section VI, Title II of the regulation of the National Securities Commission, we report that the total fees for auditing and related services invoiced to the Company for the year ended December 31, 2019 account for:

- e.1) 98 % of the total fees for services invoiced to the Company for all concepts in that year;
- e.2) 60 % of the total fees for audits and related services invoiced to the Company, its parent companies, subsidiaries and related parties in that year;
- e.3) 59 % of the total fees for services invoiced to the Company, its parent companies, subsidiaries and related parties for all concepts in that year;

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

Autonomous City of Buenos Aires, March 3, 2020

PRICE WATERHOUSE & CO. S.R.L.

by (Partner)

Alejandro J. Rosa