Tecpetrol

Tecpetrol Sociedad Anónima

FINANCIAL STATEMENTS

At December 31, 2021
and for the fiscal year ended on December 31, 2021

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 42nd fiscal year that commenced on January 1, 2021 and ended on December 31, 2021. 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 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”) primarily 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) exploration permissions over the areas of Loma Ancha and Loma Ranqueles.

In addition, Tecpetrol S.A. operates in conventional hydrocarbon areas in Neuquina, Noroeste and Golfo San Jorge basins through joint operations. It also holds all exploitation rights over the area Los Bastos (province of Neuquén) and has an exploratory (and potential exploitation) permission over the area Gran Bajo Oriental located in the province of Santa Cruz.

At December 31, 2021, proven oil and gas reserves according to the Company's shareholding reached 82.9 million m^3 of oil equivalent.

Hydrocarbon production during the fiscal year under consideration in the areas operated by Tecpetrol reached, on average, 2,535 m^3/day of oil and 15,260 thousand m^3/day of gas (1,721 m^3/d and 13,797 thousand m^3/d of such production, respectively, correspond to the Company). These figures represent a 13% increase in oil production and a 12% increase in gas production, in comparison with 2020.

The Company operates in an economic setting whose main variables are affected by the COVID-19 syndemic, producing a global economic and financial crisis that impacts the activities of Tecpetrol. The situations mentioned above have heavily influenced the demand of hydrocarbons; however, on site access to the fields by essential operations staff and the remote work of all other employees have not greatly affected the capacity of Tecpetrol to conduct its operations as usual. In line with this, such changes have not adversely affected corporate information systems or financial information internal controls.

The management of the Company closely monitors the evolution of the abovementioned situations in order to adopt measures according to the complexity of the events, aiming at safeguarding the integrity of the staff, keeping operations running and preserving the corporate financial health of the Company.

In April 2021 operations in Fortín de Piedra and Los Bastos were affected for twenty-one days because of the forceful measures adopted by the healthcare workers of the province of Neuquén, which included total restriction on the access and circulation in different areas of the province, blocking the regular access of employees and contractors. This situation resulted in a sudden interruption of the activities necessary for the continuity of the production and the drillings in progress. Under such circumstances, there was a reduction in gas volumes injected under the Promotion Plan for Argentine Natural Gas Production/2020-2024 Supply and Demand Scheme (hereinafter referred to as "Plan Gas 4"). However, in July 2021, the Hydrocarbons Office accepted the operational reasons alleged by the Company: therefore, agreeing to a force majeure event and stating that there was no breach of contract by the Company under the Plan.

This Annual Report should be construed in light of these circumstances.

II. COMMENTS ON THE BUSINESS MANAGEMENT

i. EXPLORATION AND PRODUCTION

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

At December 31, 2021, accumulated investments in Fortín de Piedra exceeded USD 2,400 million. Gas deliveries in 2021 totaled 12.6 million m^3/day, on average, reaching a peak of 18 million m^3/day in winter season, and turning Fortín de Piedra into one of the main gas production fields in the country.

In 2021, amid the recovery of the global economy and the rise in international prices of crude oil and gas, Tecpetrol has strengthened its activities; therefore, increasing investments and production while promoting COVID-19 prevention protocols and adapting to the new labor conditions.

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

- The levels of drilling activities rose in Fortín de Piedra. Such activities were carried out in 868 phases (an average of 4.2 phases a day). Twenty wells around 2,800 meters deep with horizontal branches of 2,500 meters were completed producing satisfactory outcomes.

- In Los Bastos, an exploratory well around 3,700 meters deep with horizontal branch of 1,500 meters was finished. This well, located in Vaca Muerta, is intended for the extraction of shale oil. Drilling activities were carried out in 22 phases producing satisfactory outcomes.

- In Los Toldos II Este, three appraisal wells (intended for the extraction of shale oil) were drilled in Vaca Muerta, pending completion.

- In El Tordillo drilling activities were resumed in the first quarter of 2021 and thirteen wells were brought into production achieving satisfactory outcomes.

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 management and leadership skills as well as techniques and security practices to boost their development and achieve a better performance.

In 2021 the training continued to adapt as needed (through different platforms) according to the requirements of the labor environment. Besides, “Tecpetrol University” program was implemented. Such program consolidates both the internal and external training demands and it is fed by the business needs and the development of the teams. In November 2021, the Company launched a biannual work environment survey to measure the levels of emotional and rational commitment of the workforce. The results will be used to put forward improvement action plans.

Health, Safety and Environment

The main purpose of the Health, Safety, and Environment policy of Tecpetrol (hereinafter referred to as “HSE”) is to conduct businesses protecting the physical integrity of the Company’s 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 by all employees through an HSE management system comprising risk management and prevention programs, improvement plans, safety and environmental care initiatives, preventive observations, and inspections of operations, among many others.

In fiscal year 2021, the Company continued implementing COVID-19 preventive measures aimed at preventing the spread of the virus in Tecpetrol’s facilities. Some of these measures included the following: the separation of operative teams in independent units, access controls (presentation of health affidavits, temperature and symptom controls), the use of specific personal protective equipment for coronavirus disease and the reduction in transport capacity, among others. As a result of the implementation of those practices, the virus did not spread in the corporate facilities guaranteeing the continuity of the operations. Besides, other measures were implemented to mitigate the risks in the operations.

In the areas of Neuquina basin, amid the difficulties caused by the COVID-19, the growing demand during the winter season and the sales commitments already made required operations to be carried out efficiently and safely.

In Aguaragüe (Noroeste basin) the workforce managed to achieve a 3,000-day period with no Lost Time Incidents (LTI). Such event demonstrates the values of safety, health and environment Tecpetrol and its contractors hold onto.

In terms of safety, the Company continued implementing the program on the reinforcement of safety culture, launched in 2020 and run by an international consulting company. In 2021, the Company organized workshops in all operating areas, which were focused on contractors. The outcomes were favorable in terms of both participation and satisfaction.

Regarding the environment, the Company carried out annual controls and prepared environmental management documents for new projects and activities (for the purposes of obtaining permissions and outlining actions tending to prevent, reduce or correct the environmental impact). Additionally, the Company developed and consolidated environmental indicators and identified a specific objective about the use of water in Tecpetrol, aiming at preparing new proposals tending to a more efficient and rational use of water.

Community Relations

Tecpetrol actively collaborates with the communities close to the areas in which it operates, contributing to the sustainable development of the population and its institutions in the areas of education, health, sports, culture and social advancement. In this spirit, the Company carries out and supports community relation programs in communities and schools near its fields, engaging both its staff and the local population in the development of such programs, pursuing autonomy and building up networks with public and private authorities and other entities. In 2021, Tecpetrol continued displaying its commitment during the sanitary crisis caused by the COVID-19 and contributing to strengthen the health system in the communities where it operates. In this context, in the early stages of the pandemic, the Company and local health authorities designed a support plan, which included the delivery of biosafety items, respirators and specific intensive therapy equipment, among others.

III. OIL AND GAS MARKET

In 2021, Tecpetrol was the largest producer of shale gas and the second producer of unconventional gas in the country.

Oil

In 2021, 43% of crude oil production was sold to domestic market refineries and the remaining 57% was exported primarily to the Unites States of America, and to a lower extent, to the United Arab Emirates, the Netherlands and Brazil. The proportion of domestic market sales and exports experienced virtually no fluctuations in comparison with 2020.

In 2021 the relaxation of the restrictions and isolation measures imposed in 2020 produced a recovery in the local and international demand for and processing of oil. In fiscal year 2020, crude oil international prices increased, as a consequence of the disposal of the stock accumulated in 2020, reaching, on average, USD 70 per barrel in 2021 (whereas in 2020 average Brent prices were USD 43 per barrel) and with daily closures reaching a peak of above USD 86 per barrel.

In the first quarter of 2021, producers and refineries negotiated sales prices that approximated export parity prices. However, as the increase in crude oil international prices became clear, prices below export parity prices were set in the local market. Escalante and medanito crude oil were exported at prices with price differentials ranging from + USD 0.5 per barrel to - USD 2 per barrel and USD 1 per barrel to - USD 3 per barrel, respectively, in relation to ICE Brent. Such decoupled prices (between domestic and international prices) were maintained throughout 2021 and ranged from USD 8 to USD 15 per barrel.

The export duties rate, as set forth under Decree No. 488/2020, was still in force throughout 2021. Such rate was set at 0% if the international price was USD 45 or less per barrel, at %8 if the international price was USD 60 or more per barrel, and if the international price ranged from USD 45 to USD 60 per barrel a variable rate was applicable which increased linearly from 0% to 8%. In the first months of the year, the rate ranged from 3% to 6%, whereas as from March international prices continuously exceeded USD 60 per barrel, resulting in the maximum rate of 8% for the remaining part of the year.

Gas

Net sales came from electric power generators (38%), industrial users (24%), distribution service licensees (33%), compressed natural gas stations (3%) and exports (2%), regardless of the compensations received under Resolution No. 46-E/2017 and the incentives under Plan Gas 4 cancelled directly by the National Government.

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

Incentive Programs

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

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

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

Plan Gas 4 is implemented through direct contracts between natural gas producers and (i) gas distributors, sub-distributors and Integración Energética Argentina S.A. (IEASA) for the supply of residential demand, on the one hand, and (ii) Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA) for the supply of the demand for electricity to thermal power plants, on the other hand. The order for the award of those contracts is determined based on gas prices under the Gas Transportation System (Punto de Ingreso al Sistema de Transporte, PIST) from the above-mentioned Public Bidding, upon which seasonality factors are implemented. In consequence, the bidding price is affected by 1.25 during the winter season (May to September) and by 0.82 during the summer season (October to April). Also, for the additional volumes of gas during the winter season, a 1.30 factor will be applicable. For gas intended for distributors, the government will subsidize the difference between bidding prices under the Public Bidding and the gas price under PIST authorized to be included in the rates, which will be paid by distributors to producers under the agreements. For gas delivered to IAESA and CAMMESA, they will pay to producers the bidding price, but will get government subsidy. The demand under Plan Gas 4 does not include GNC stations, which must get their own supply of natural gas.

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

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

As the bid volumes offered by the producers were insufficient to cover the internal consumption projections for 2021-2024 winter seasons, on February 22, 2021, the Office of the Secretary of Energy issued Resolution No. 129/2021 convening a second call for bidders to award additional natural gas volumes to awarded producers under Resolution No. 391/2020, for all winter seasons of 2021-2024 inclusive and under the same price conditions bid under Resolution No. 391/2020, and requiring IEASA to sign the related contracts.

Tecpetrol was awarded volumes ranging between 2.5 million m^3/d and 3.5 million m^3/d for the period June/2021-September/2021 and 2.5 million m^3/d for the periods from May to September of 2022, 2023 and 2024.

On October 21, 2021, by means of Resolution No. 984/2021, the Office of the Secretary of Energy convened a third call for bidders under Plan Gas 4 to award additional natural gas volumes to awardees under Resolutions No. 391/2020 (first call) and No. 129/2021 (second call), to bid for natural gas purchases for 3 million m^3/d from Neuquina basin, 1.5 million m^3/d from Austral basin and 1 million m^3/d from Noroeste basin, for the period 2022-2024 inclusive, commencing injection activities in winter 2022. The third round was intended to set additional annual flat volumes for the residential segment (distributors and IEASA) and the electricity generation segment (CAMMESA). The maximum price authorized for Neuquina basin was USD 3.66 per million BTU on average per year, USD 3.52 per million BTU for Austral basin and USD 3.58 per million BTU for Noroeste basin. On November 11, 2021, by means of Resolution No. 1091/2021 issued by the Office of the Secretary of Energy, Tecpetrol was awarded the contract for the gas supply to IEASA and CAMMESA for up to 0.70 million m3/d.

- Tecpetrol is still in dispute with the government regarding the change of criteria for the assessment of the economic compensations provided for under the Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs (hereinafter referred to as the “Program”) created through Resolution No. 46-E/2017 and amended by Resolution No. 419-E/2017. Since the launch of the Program and at December 31, 2021, Tecpetrol had lower revenues of $29,915 million for the volumes delivered in excess of the production estimated upon request of adherence to the Program.

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

Distributors

- On December 27, 2021, by means of Resolution No. 518/2021, the Federal Gas Regulatory Authority (Ente Nacional Regulador del Gas, ENARGAS) called for the Public Hearing No. 102 in order to consider provisional rate adjustments for the public services of natural gas transportation and gas distribution networks, which served as the beginning of the renegotiation of the Integral Rate Revision (Revisión Tarifaria Integral, RTI) in force for providers of natural gas transportation services and gas distribution services, under Section 5 of Law No. 27.541. In such Public Hearing, held on January 19, 2022, distributors and carriers raised their needs for rate increases. On February 22, 2022 by means of Resolution No. 91/2022 an increase of transportation and distribution components of natural gas bills was approved as of March. This increase does not affect the price of the natural gas component, which as of the date of issuance of this Annual Report remains unchanged.

Electricity generation

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

Apart from the uninterrupted gas supply agreements entered into under Plan Gas 4, CAMMESA continued negotiating additional interrupted gas contracts supply through monthly auctions via MEGSA. The maximum reference price for Neuquina basin was USD 2.30 per million BTU in April 2021 and USD 3.50 per million BTU in May and July 2021.

Besides, given the lack of interrupted natural gas supply agreements, on June 30, 2021, the Office of the Secretary of Energy, by means of Communication No. 58537096, urged CAMMESA to accept (under competitive conditions) the offers of additional natural gas volumes that awarded producers under Plan Gas 4 could eventually make. The maximum price for natural gas under these agreements is the one included in the contracts for the uninterrupted supply of gas, arising from the allocation detailed in table "IV - Gas Production Facilities Demand for 2021-2024" (IV – Demanda Usinas 2021 – 2024) of the Schedule of the Resolution No. 391/2020 issued by the Office of the Secretary of Energy, which links CAMMESA with the offeror.

<u>Exports</u>

- Throughout the fiscal year under consideration, the Office of the Secretary of Energy published interrupted export permits and/or amended already existing permits (at the request of the interested parties). During most part of the year, the Office of the Secretary of Energy ordered to cease interrupted exports in order to prioritize the local market supply. However, some operations were allowed (with different levels of restrictions) during the summer season and even during the winter season.

  On April 23, 2021, the Office of the Secretary of Energy issued Resolution No. 360/2021 including the guidelines to request both interrupted and uninterrupted exports authorizations. Under such Resolution, uninterrupted export permits were issued during the summer season (from October 2021 to April 2022) for a total of 6 million m^3/d (4 million m^3/d from Neuquina basin and 2 million m^3/d from Austral basin).

  On August 8, 2021, by means of Communication NO-2021-71738397-APN-SSH#MEC, the Office of the Secretary of Energy set forth minimum export prices for interrupted sales. For Neuquina basin such prices were: USD 4.47 per million BTU in winter season and USD 2.93 per million BTU in summer season. Therefore, producers modified their agreements in order to fulfill such condition.

  Also, by means of Communication NO-2021-122308354-APN-SE#MEC, dated December 16, 2021, the Office of the Secretary of Energy called producers to submit uninterrupted export contracts for up to a maximum of 5 million m^3/d from Neuquina basin for the period covering January 1, 2022 - April 30, 2022. Volumes approved under the above-mentioned call cannot be deducted from the agreements with CAMMESA already in force under Plan Gas 4. Therefore, the allocated volumes represent additional gas (to that already contracted by producers), setting a minimum price under the PIST of USD 4.47 per million BTU. Through these agreements proposed by the Office of the Secretary of Energy, a total of 3.7 million m^3/d, on average, was submitted during the supply period.

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

The Company 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 and Peru.

The table below discloses Tecpetrol S.A.' s equity interest in different companies:

Company	Main line of business	Country	% 2021	% 2020
Parques Eólicos de la Buena Ventura S.A. (i)	Planning, development, execution and exploitation of renewable energies projects	Argentina	100.00	-
Oleoducto Loma Campana - Lago Pellegrini S.A.	Construction and exploitation of an oil pipe in Argentina	Argentina	15.00	15.00
Tecpe Trading S.A. (ii)	Commercialization of hydrocarbons and electric power, among others.	Argentina	-	4.00
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.	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	0.1491
Tecpetrol de Venezuela S.A. (iii)	Provision of services to the hydrocarbon industry	Venezuela	-	0.03
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	0.00007	0.00007

(i) In December 2021 Tecpetrol S.A. acquired from Abo Wind Energías Renovables S.A. and Abo Wind AG 100,000 ordinary shares of Parques Eólicos de la Buena Ventura S.A., representing 100% of the share capital and the voting rights. At the date of issuance of this Annual Report, the Company agreed to sell such interest to Siderca. S.A.I.C. (see Note 36 to the Financial Statements at December 31, 2021).

(ii) In February 2020, Tecpetrol S.A. and its Parent Company, Tecpetrol Internacional S.L.U., approved the incorporation of Tecpe Trading S.A. At the date of issuance of this Annual Report, the registration of the liquidation procedure due to inactivity of Tecpe Trading S.A. is pending before the Companies Controlling Office (Inspección General de Justicia, IGJ).

(iii) In September 2021, the liquidation procedure of Tecpetrol de Venezuela S.A. was approved.

Transactions and balances with related parties

Transactions and balances with related parties are disclosed in Note 34 to the Financial Statements at December 31, 2021.

3 - INFORMATION ABOUT THE FINANCIAL SITUATION

This section must be read together with the Summary of Information at December 31, 2021.

The economic setting during 2021 was controlled by high volatility levels which affected most variables that impact the performance of the Company. Some of them are mentioned below:

- the gross domestic product dropped by 11.9% in the third quarter, in year-on-year terms.
- the inflation rate reached 50.9% (CIP) between January 1, 2021 and December 31, 2021, resulting in an increase in internal costs associated to local currency.
- the ARS devalued by 22.1% in relation to the USD.
- increase in crude oil international prices, which impacted local prices.

Net profits (losses) for 2021 recorded profits for $44,167.2 million, while in 2020 the Company had net profits for $3,813.9 million.

The gross margin for the fiscal year ended on December 31, 2021, totaled $55,080.5 million, representing a 92% increase in relation to 2020. Such increase was mainly caused by fluctuations in the exchange rate, higher deliveries of oil and gas and the recovery of crude oil international prices.

During the fiscal year under consideration, the Company received funds from its regular business activities, borrowings from banks and related parties, and the issuance of negotiable obligations.

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

Additionally, in March 2021, the Company took out a loan from Itaú Unibanco S.A. Nassau Branch for USD 286 million intended for the settlement of financial debt and other purposes related to the ordinary activities of the Company. The loan bears compensatory interest at an annual rate of 5.75% which must be paid on a quarterly basis. Principal will be cancelled in thirteen equal and quarterly installments. The first installment will be payable after the first nine months following receipt of funds and the last installment will be payable on September 26, 2024.

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

By means of Communication “A” 7106 dated September 15, 2020, the BCRA introduced restrictions to access the exchange market. One of such measures applicable to entities with offshore financial debt with a non-related counterparty and with debt securities issued in Argentina and denominated in foreign currency, maturing between October 15, 2020 and March 31, 2021 is the obligation to submit a refinancing plan under certain parameters. Additionally, on February 25, 2021, and December 9, 2021, through Communications “A” 7230 and “A” 7416, the BCRA extended the obligation to submit a refinancing plan to principal amounts maturing on or after April 1, 2021 and until December 31, 2021, and on or after January 1, 2022 until June 30, 2022, respectively, pursuant to Communication “A” 7106. At the date of this Annual Report, the Company refinanced its debts maturing on or before June 30, 2022, pursuant to Communications “A” 7106, “A” 7230 and “A” 7416”.

Investments in Property, plant and equipment reached $38,461.8 million (mainly from Fortín de Piedra area).

4 - ADDITIONAL INFORMATION

In accordance with Article 10 of the by-laws, the Management of the Company is vested in a Board of Directors comprised of a minimum of three and a maximum of five Regular Directors. At December 31, 2021, the Board consisted of five Regular Directors and three Alternate Directors appointed by the Shareholders at an Annual General Meeting and the Shareholders' Committee for Corporate Control, respectively.

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 might cause in the systems and processes.

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.

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

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

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

The remuneration of all Directors and members of the Shareholders' Committee for Corporate Control is determined considering their responsibilities, time of service, competence, professional reputation and the value of their services in the market. The remuneration of the managers consists of a fixed component and a variable component based upon performance; such remuneration is in line with market values.

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

The Company does not have a specific dividend policy. The distribution of dividends depends upon, among other things, the profits or losses of the Company, the investment requirements, the possibilities and costs of financing investment projects, 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 (together with the related report issued by the Shareholders' Committee for Corporate Control) for consideration and approval of the Shareholders at an Annual General Meeting. Within a 120-day period following the closing date of the fiscal year, an Annual General Meeting of Shareholders must be held in order to approve the financial statements and decide on the use of the profits (losses) for the year.

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

5 - PROSPECTS

The Company has knowledge and skills which give it a competitive advantage to position itself as a leader in the regional development of unconventional resources in long-term projects which are significant for the country’s economy, since they have an impact upon job creation, the development of value chains, tax saving, import replacement, the improvement of the trade balance and the reduction in gas prices for consumers and industries.
The COVID-19 syndemic still impacts the global economy. At the date of issuance of this Annual Report, the full extent of the syndemic and its impact on the country's economy are unknown. However, such situation is not expected to significantly affect the Company’s business.
In Neuquina basin, Tecpetrol is taking part in Plan Gas 4, which is expected to maintain drilling and completion activities in order to reach a production plateau of 18 million m^3/d. In El Tordillo, the Company will continue with the drilling campaign and the analysis of operational efficiency in order to optimize costs. Also, in Gran Bajo Oriental, the Company expects to drill two exploratory wells in order to assess the productive capacity of the field.

In 2022, the Company expects to continue exporting crude oil in similar volumes as those recorded in 2021. In relation to natural gas, deliveries to the different segments are expected to remain in similar levels as those recorded in 2021.

Regarding sales prices for 2022, the Company estimates that crude oil (both escalante and medanito) will be negotiated in the domestic market at decoupled prices (between domestic and international prices) evolution depending of the political and macroeconomic context. For natural gas, prices intended for industrial users are expected to increase, prices intended for compressed natural gas (GNC) stations will depend on the fluctuations of premium gas, since agreements are based on premium gas, and prices intended for residential users will depend on the adjustments approved by the implementation authority. The reference price for electricity generation will depend on the adjustments implemented, as deemed necessary by CAMMESA, in relation to the costs incurred in using other fuels.

6 - DISTRIBUTION OF DIVIDENDS

Accumulated profits (losses) of the Company at December 31, 2021 reached $46,098,489 (in thousands). The members of the Board of Directors of Tecpetrol S.A suggest the Shareholders at a Meeting that the amount corresponding to currency translation differences, that is, $3,019,000 (in thousands) should be allocated to the legal reserve $471,796 (in thousands) and to the reserve for future dividends $2,547,204 (in thousands). They also suggest allocating the remaining accumulated profits (losses), that is, $43,079,489 (in thousands) to the constitution of the legal reserve for the fiscal year $2,330,627 (in thousands) and to the reserve for future dividends $40,748,862 (in thousands).

A provision was made in the Financial Statements for the fiscal year ended on December 31, 2021, for $13,050 (in thousands) as estimated fees of the members of the Board of Directors and the members of the Shareholders' Committee for Corporate Control. Said fees must be approved (together with this Annual Report and the Financial Statements) by the Shareholders at a Meeting.

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

City of Buenos Aires, March 2, 2022.

by the Board of Directors

TECPETROL SOCIEDAD ANÓNIMA

SUMMARY OF INFORMATION

In accordance with the regulations issued by the National Securities Commission for Argentina (Comisión Nacional de Valores, CNV), the Board of Directors of the Company has approved this Summary of Information for the period which commenced on January 1, 2021 and ended on December 31, 2021.

1. Activity of the Company

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

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

The Company operates in an economic setting whose main variables are affected by the COVID-19 syndemic, producing a global economic and financial crisis that impacts the activities of Tecpetrol. The situations mentioned above have heavily influenced the demand of hydrocarbons; however, on site access to the fields by essential operations staff and the remote work of all other employees have not greatly affected the capacity of Tecpetrol to conduct its operations as usual. In line with this, such changes have not adversely affected corporate information systems or financial information internal controls.

The management of the Company closely monitors the evolution of the abovementioned situations in order to adopt measures according to the complexity of the events, aiming at safeguarding the integrity of the staff, keeping operations running and preserving the corporate financial health of the Company.

In April 2021 operations in Fortín de Piedra and Los Bastos were affected for 21 days because of the forceful measures adopted by the healthcare workers of the province of Neuquén, which included total restriction on the access and circulation in different areas of the province, blocking the regular access of employees and contractors. This situation resulted in a sudden interruption of the activities necessary for the continuity of the production and the drillings in progress. Under such circumstances, there was a reduction in gas volumes injected under the Promotion Plan for Argentine Natural Gas Production/2020-2024 Supply and Demand Scheme (hereinafter referred to as “Plan Gas 4”). However, in July 2021, the Hydrocarbons Office accepted the operational reasons alleged by the Company: therefore, agreeing to a force majeure event and stating that there was no breach of contract by the Company under the Plan.

This Summary of information should be construed in light of these circumstances.

Financial Statements are prepared based on items that are recorded in the functional currency (USD) and translated into ARS for presentation purposes. Therefore, the following explanations are based upon variations in the functional currency.

Analysis of the fourth quarter of 2021

Net sales totaled $31,787.2 million, representing an increase in relation to the same period of the previous year. Such increase was caused by an increase in sales volumes and an increase in average crude sales prices, all of which was partially offset by a drop in average gas sales prices.

Gas production totaled 1,375 million m^3, representing an increase of 36% in relation to the amounts sold in the fourth quarter of 2020. Gas exports for the fourth quarter of 2021 reached 58.3 million m^3, compared to 7.6 million m^3 recorded in the same period of 2020.

Volumes of crude oil production reached 195 thousand m^3 (31% from escalante crude oil and 69% from medanito crude oil), representing a 43% increase with respect to the production recorded in the same period of 2020. In the fourth quarter of 2021, 101.7 million m^3 of crude oil were exported, whereas in the same period of 2020, crude oil exports totaled 54.6 million m^3.

Operating costs totaled $15,896.4 million, representing a 68% increase compared to the amount recorded in the same period of 2020. Said variation is mainly explained by an increase in costs associated with higher production levels (mostly depreciation of property, plant and equipment, and royalty expenses) and an increase in maintenance operations and wells service activities, all of which was partially offset by the reversal of the charges for impairment of property, plant and equipment recognized in 2020 in El Tordillo and La Tapera - Puesto Quiroga areas.

Selling and administrative expenses amounted to $2,973.9 million, whereas the amount recorded in the same period of 2020 was $2,690.4 million. Such variation is mainly explained by an increase in taxes due to higher production volumes, labor costs and conversion into the presentation currency, partially offset by an allowance for doubtful accounts recovery.

Net financial profits (losses) resulted in a loss of $2,836.7 million, compared to losses for $5,549 million recorded in the same period of 2020. Such fluctuation is primarily explained by a decrease in interest costs due to fewer borrowings, profits from holding other investments and fewer net losses generated by exchange differences on balances in ARS, all of which was partially offset by a decrease in interest income generated by short-term deposits, losses from the repurchase of negotiable obligations and losses generated by derivative financial instruments.

Income tax profits (losses) triggered profits for $14,481.3 million, compared to losses for $414.7 million recorded during the same period of 2020. Such variation is mainly explained by fluctuations in sales, costs and other expenses already mentioned, the impact caused by the tax inflation adjustment and the modification of the income tax rates.

Profits (losses) for the period recorded profits for $23,856.7 million, while in the same period of 2020, the Company had net profits for $538.4 million.

Analysis of the year 2021

Net sales totaled $115,960.8 million, representing an increase in relation to 2020. Such increase was caused by greater sales volumes and an increase in average crude sales prices, all of which was partially offset by a slight drop in average gas sales prices.

In 2021 gas production totaled 5,147 million m^3, representing a 14% increase in relation to the amount recorded in 2020. In 2021, 71.2 million m^3 of gas were exported, whereas in 2020, exports totaled 20.7 million m^3.

Volumes of crude oil production reached 639 thousand m^3 (35% from escalante crude oil and 65% from medanito crude oil), representing a 16% increase with respect to 2020. In 2021, 364.8 thousand m^3 of crude oil were exported, whereas in 2020, crude oil exports totaled 298.2 thousand m^3.

Operating costs totaled $60,880.3 million, representing a 42% increase compared to the amount recorded in 2020. Said variation is mainly explained by an increase in costs associated with higher production levels (mostly depreciation of property, plant and equipment, and royalty expenses) and an increase in maintenance operations and wells service activities, all of which was partially offset by the reversal of the charges for impairment of property, plant and equipment recognized in 2020 in El Tordillo and La Tapera - Puesto Quiroga areas.

Selling and administrative expenses amounted to $6,342.9 million, representing a 23% decrease in relation to the amount recorded in 2020. Such variation is mainly explained by an allowance for doubtful accounts recovery, partially offset by an increase in labor costs and in taxes due to higher production volumes.

Net financial profits (losses) caused losses for $8,868.5 million, whereas in 2020 there were losses for $13,515.2 million. Such fluctuation is primarily explained by an increase in interest income generated by short-term deposits, a decrease in interest cost due to fewer borrowings, profits from holding other investments and fewer net losses generated by exchange differences on balances in ARS, all of which was partially offset by losses from derivative financial instruments and losses from the repurchase of negotiable obligations.

Income tax triggered profits for $5,428.2 million, whereas in 2020 there were losses for $1,683.4 million. Such variation is explained by fluctuations in sales, costs and other expenses already mentioned, the impact caused by the tax inflation adjustment and the modification of the income tax rates.

Net profits (losses) recorded profits for $44,167.2 million, whereas in 2020 the Company had net profits for $3,813.9 million.

Liquidity and cash flows

During the year under consideration, the Company received funds from its regular business activities, borrowings from banks and related companies, and the issuance of negotiable obligations.

Net cash generated by operating activities in 2021 totaled $87,802.3 million.

At December 31, 2021, the Company's borrowings totaled $91,600.8 million and equity totaled $101,994.5 million.

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

Additionally, in March 2021, the Company took out a loan from Itaú Unibanco S.A. Nassau Branch for USD 286 million intended for the settlement of financial debt and other purposes related to the ordinary activities of the Company. The loan bears compensatory interest at an annual rate of 5.75% which must be paid on a quarterly basis. Principal will be cancelled in thirteen equal and quarterly installments. The first installment will be payable after the first nine months following receipt of funds and the last installment will be payable on September 26, 2024.

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

By means of Communication "A" 7106 dated September 15, 2020, the BCRA introduced restrictions to access the exchange market. One of such measures applicable to entities with offshore financial debt with a non-related counterparty and with debt securities issued in Argentina and denominated in foreign currency, maturing between October 15, 2020, and March 31, 2021 is the obligation to submit a refinancing plan under certain parameters. Additionally, on February 25, 2021, and December 9, 2021, through Communications "A" 7230 and "A" 7416, the BCRA extended the obligation to submit a refinancing plan to principal amounts maturing on or after April 1, 2021 and until December 31, 2021, and on or after January 1, 2022 until June 30, 2022, respectively, pursuant to Communication "A" 7106. At the date of this Summary of Information, the Company has refinanced its debts maturing on or before June 30, 2022, pursuant to Communications "A" 7106, "A" 7230 and "A" 7416.

Investments in Property, plant and equipment during 2021 reached $38,461.8 million (mainly from the development of Fortín de Piedra area).

2. Structure of Financial Position at December 31, 2021 (comparative at December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017 – amounts stated in thousands of pesos)

	At December 31,				
	2021	**2020**	**2019**	**2018**	**2017**
Non-current assets	135,386,362	110,448,000	99,389,194	67,583,445	16,193,566
Current assets	82,930,210	51,392,239	23,115,728	16,142,735	11,010,955
Assets classified as held for sale	208,518	-	-	-	-
Total Assets	**218,525,090**	**161,840,239**	**122,504,922**	**83,726,180**	**27,204,521**
Equity attributable to the owners of the Company	101,994,464	45,618,472	29,088,420	15,732,619	4,731,741
Non-controlling interest	-	-	-	-	2,117
Total Equity	**101,994,464**	**45,618,472**	**29,088,420**	**15,732,619**	**4,733,858**
Non-current liabilities	28,962,340	59,652,554	43,506,480	52,501,555	17,284,349
Current liabilities	87,568,286	56,569,213	49,910,022	15,492,006	5,186,314
Total Liabilities	**116,530,626**	**116,221,767**	**93,416,502**	**67,993,561**	**22,470,663**
Total Equity and Liabilities	**218,525,090**	**161,840,239**	**122,504,922**	**83,726,180**	**27,204,521**

3. Structure of Income and Comprehensive Income for the year ended on December 31, 2021 (comparative with fiscal years ended on December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017 – amounts stated in thousands of pesos)

	Fiscal year ended on December 31,				
	2021	**2020**	**2019**	**2018**	**2017**
Operating profits (losses)	47,605,583	19,017,249	21,028,818	5,499,778	(517,073)
Net financial losses	(8,868,522)	(13,515,162)	(11,298,904)	(3,837,033)	(331,329)
Profits (losses) from investments in entities accounted for using the equity method	1,899	(4,725)	(31,141)	(2,034)	15,310
Profits (losses) before taxes	**38,738,960**	**5,497,362**	**9,698,773**	**1,660,711**	**(833,092)**
Income tax	5,428,198	(1,683,426)	(5,485,806)	2,077,970	154,599
Profits (losses) from continuing operations	**44,167,158**	**3,813,936**	**4,212,967**	**3,738,681**	**(678,493)**
Profits (losses) from discontinued operations	-	-	-	53,407	(108,447)
Profits (losses) for the year	**44,167,158**	**3,813,936**	**4,212,967**	**3,792,088**	**(786,940)**
Statement of Comprehensive Income					
Profits (losses) for the year	44,167,158	3,813,936	4,212,967	3,792,088	(786,940)
Other comprehensive income from continuing operations	12,208,834	12,841,116	10,882,074	6,384,087	651,426
Other comprehensive income from discontinued operations	-	-	-	(11,727)	126,059
Comprehensive income for the year	**56,375,992**	**16,655,052**	**15,095,041**	**10,164,448**	**(9,455)**

4. Structure of Cash Flow for the year ended on December 31, 2021 (comparative with the fiscal years ended on December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017 – amounts stated in thousands of pesos)

	Fiscal year ended on December 31,				
	2021	**2020**	**2019**	**2018**	**2017**
Cash generated by/(used in) operating activities	87,802,301	37,319,066	34,349,166	3,506,271	(394,732)
Cash used in investing activities	(55,779,252)	(17,977,075)	(23,220,914)	(30,555,774)	(7,214,302)
Cash (used in)/generated by financing activities	(25,497,895)	(13,403,124)	(10,694,077)	16,413,663	14,922,909
Total funds generated/(used) during the fiscal year	**6,525,154**	**5,938,867**	**434,175**	**(10,635,840)**	**7,313,875**

5. Statistical Data for the fiscal year ended on December 31, 2021 (comparative information with the fiscal years ended on December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017 – amounts stated in thousands of m^3 of oil and gas equivalents)

	Fiscal year ended on December 31,				
	2021	**2020**	**2019**	**2018**	**2017**
Production volume (*)					
Total production in equivalent units	5,786	5,085	6,139	3,941	1,292
Oil production	639	551	648	560	415
Gas production	5,147	4,534	5,491	3,381	877
Domestic market	5,350	4,766	5,899	3,710	1,232
Exports	436	319	240	231	60

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

6. Indicators at December 31, 2021 (comparative at December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017)

	At December 31,				
	2021	**2020**	**2019**	**2018**	**2017**
Liquidity	0.95	0.91	0.46	1.04	2.12
Solvency	0.88	0.39	0.31	0.23	0.21
Locked-up capital	0.62	0.68	0.81	0.81	0.60
Profitability	0.60	0.10	0.19	0.37	(0.27)

Liquidity: Current assets/Current liabilities
Solvency: Total Equity/Total liabilities
Locked-up capital: Non-current assets/Total assets
Profitability: Net profits (losses) for the year/Average net equity

7. Prospects

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

The COVID-19 syndemic still impacts the global economy. At the date of issuance of this Summary of Information, the full extent of the syndemic and its impact on the country's economy are unknown. However, such situation is not expected to significantly affect the Company's business.

In Neuquina basin, Tecpetrol is taking part in Plan Gas 4, and is therefore expected to maintain drilling and completion activities in order to reach a production plateau of 18 million m^3/d. In El Tordillo, the Company will continue with the drilling campaign and the analysis of operational efficiency in order to optimize costs. Also, in Gran Bajo Oriental, the Company expects to drill two exploratory wells in order to assess the productive capacity of the field.

In 2022, the Company expects to continue exporting crude oil in similar volumes as those recorded in 2021. In relation to natural gas, deliveries to the different segments are expected to remain in similar levels as those recorded in 2021.

Regarding sales prices for 2022, the Company estimates that crude oil (both escalante and medanito) will be negotiated in the domestic market at decoupled prices (between domestic and international prices), with its evolution depending of the political and macroeconomic context. For natural gas, prices intended for industrial users are expected to increase, prices intended for compressed natural gas (CNG) stations will depend on the fluctuations of premium gas, since agreements are based on premium gas prices, and prices intended for residential users will depend on the adjustments approved by the implementation authority. The reference price for electricity generation will depend on the adjustments implemented, as deemed necessary by CAMMESA, in relation to the costs incurred in using other fuels.

City of Buenos Aires, March 2, 2022.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2021

LEGAL INFORMATION

Legal domicile:	Pasaje Della Paolera 299/297, 16th floor, City of Buenos Aires
Reported fiscal year:	No. 42
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, 2021
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, 2021

INCOME STATEMENT
for the fiscal years ended on December 31, 2021, and December 31, 2020
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2021	2020
Continuing operations			
Net sales	**7**	115,960,791	71,539,990
Operating costs	**8**	(60,880,340)	(42,805,774)
Gross margin		**55,080,451**	**28,734,216**
Selling expenses	**9**	(194,628)	(4,904,395)
Administrative expenses	**10**	(6,148,246)	(3,317,188)
Exploration costs		(1,176,171)	(1,706,800)
Other operating income	**12**	311,175	249,073
Other operating expenses	**12**	(266,998)	(37,657)
Operating profits		**47,605,583**	**19,017,249**
Financial income	**13**	3,827,243	1,972,855
Financial costs	**13**	(6,229,256)	(5,464,056)
Other net financial losses	**13**	(6,466,509)	(10,023,961)
Profits before profits (losses) from investments in entities accounted for using the equity method and income tax		**38,737,061**	**5,502,087**
Profits (losses) from investments in entities accounted for using the equity method	**17**	1,899	(4,725)
Profits before income tax		**38,738,960**	**5,497,362**
Income tax	**14**	5,428,198	(1,683,426)
Profits for the year		**44,167,158**	**3,813,936**
Profits attributable to:			
Owners of the Parent Company		44,167,158	3,813,936

The accompanying notes 1 to 37 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2021

STATEMENT OF COMPREHENSIVE INCOME
for the fiscal years ended on December 31, 2021, and December 31, 2020
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2021	Fiscal year ended on December 31, 2020
Profits for the year		**44,167,158**	**3,813,936**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences from investments in entities accounted for using the equity method		40,342	54,379
Items that will not be reclassified to profit or loss:			
Currency translation differences - Tecpetrol S.A.		12,459,157	12,548,456
Changes in the fair value of investments in equity instruments	**19**	178,441	225,261
Remeasurement of post-employment benefit obligations	**25**	(380,046)	96,237
Income tax related to components of other comprehensive income (i)	**28**	(89,060)	(83,217)
Total other comprehensive income for the year		**12,208,834**	**12,841,116**
Total comprehensive income for the year		**56,375,992**	**16,655,052**
Comprehensive income attributable to:			
Owners of the Parent Company		56,375,992	16,655,052

(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 37 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2021

STATEMENT OF FINANCIAL POSITION
at December 31, 2021, and December 31, 2020
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property, plant and equipment - Exploration, evaluation and development assets	**15**	128,946,423	105,584,348
Right-of-use assets	**16.a**	3,115,469	1,520,902
Investments in entities accounted for using the equity method	**17**	229,916	187,618
Investments in equity instruments at fair value	**19**	2,085,520	1,542,888
Deferred tax assets	**28**	101,234	-
Other receivables and prepayments	**20**	861,219	1,537,422
Income tax credit		46,581	74,822
Total Non-current assets		**135,386,362**	**110,448,000**
Current assets			
Inventories	**22**	3,426,980	2,771,888
Other receivables and prepayments	**20**	11,524,577	18,423,719
Income tax credit		1,742,301	-
Trade receivables	**21**	13,165,006	7,857,235
Derivative financial instruments	**29**	844	14,399
Other investments	**23.a**	34,381,743	11,933,176
Cash and cash equivalents	**23.b**	18,688,759	10,391,822
Total Current assets		**82,930,210**	**51,392,239**
Assets classified as held for sale	**36**	208,518	**-**
Total Assets		**218,525,090**	**161,840,239**
EQUITY AND LIABILITIES			
Equity			
Share capital	**2.10.b**	4,436,448	4,436,448
Capital contributions		897,941	897,941
Legal reserve		621,256	430,559
Other reserves	**2.10.f**	42,439,772	34,051,673
Reserve for future dividends		7,500,558	3,877,319
Retained earnings		46,098,489	1,924,532
Total Equity		**101,994,464**	**45,618,472**
Non-current liabilities			
Borrowings	**24**	20,208,796	48,240,195
Deferred tax liability	**28**	-	4,085,293
Right-of-use liabilities	**16.a**	1,627,483	1,016,265
Employee benefits programs	**25**	2,720,327	1,920,168
Provisions	**26**	4,405,734	4,390,633
Total Non-current liabilities		**28,962,340**	**59,652,554**
Current liabilities			
Borrowings	**24**	71,391,962	47,957,135
Right-of-use liabilities	**16.a**	1,223,978	595,711
Employee benefits programs	**25**	397,716	289,023
Provisions	**26**	510,465	359,107
Derivative financial instruments	**29**	166,061	118,710
Trade and other payables	**27**	13,878,104	7,249,527
Total Current liabilities		**87,568,286**	**56,569,213**
Total Liabilities		**116,530,626**	**116,221,767**
Total Equity and Liabilities		**218,525,090**	**161,840,239**

The accompanying notes 1 to 37 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2021

STATEMENT OF CHANGES IN EQUITY
for the fiscal years ended on December 31, 2021, and December 31, 2020
(Amounts stated in thousands of pesos, unless otherwise specified)

		Attributable to the owners of the Parent Company						
		Shareholders' contributions		Accumulated profits (losses)				
		Share capital		Reserved earnings				
	Notes	**Subscribed capital (i)**	**Capital contributions**	**Legal reserve**	**Other reserves (ii)**	**Reserve for future dividends**	**Retained earnings**	**Total**
Balances at December 31, 2020		**4,436,448**	**897,941**	**430,559**	**34,051,673**	**3,877,319**	**1,924,532**	**45,618,472**
Profits for the year		-	-	-	-	-	44,167,158	44,167,158
Currency translation differences		-	-	-	8,678,764	-	3,820,735	12,499,499
Changes in the fair value of investments in equity instruments	**19**	-	-	-	178,441	-	-	178,441
Remeasurement of post-employment benefit obligations	**25**	-	-	-	(380,046)	-	-	(380,046)
Income tax related to components of other comprehensive income	**28**	-	-	-	(89,060)	-	-	(89,060)
Other comprehensive income for the year		**-**	**-**	**-**	**8,388,099**	**-**	**3,820,735**	**12,208,834**
Total comprehensive income for the year		**-**	**-**	**-**	**8,388,099**	**-**	**47,987,893**	**56,375,992**
Distribution of earnings according to the decision adopted during the Annual General Meeting of Shareholders held on March 25, 2021:								
Reserve allocation		-	-	190,697	-	3,623,239	(3,813,936)	-
Balances at December 31, 2021		**4,436,448**	**897,941**	**621,256**	**42,439,772**	**7,500,558**	**46,098,489**	**101,994,464**

(i) See Note 2.10.b.

(ii) See Note 2.10.f.

The accompanying notes 1 to 37 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the fiscal years ended on December 31, 2021, and December 31, 2020 (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
		Share capital		Reserved earnings				
	Notes	Subscribed capital (i)	Capital contributions	Legal reserve	Other reserves (iii)	Reserve for future dividends	Retained earnings	
Balances at December 31, 2019		**4,436,448**	**897,941**	**219,911**	**22,526,098**	**-**	**1,008,022**	**29,088,420**
Profits for the year		-	-	-	-	-	3,813,936	3,813,936
Currency translation differences		-	-	-	11,287,294	-	1,315,541	12,602,835
Changes in the fair value of investments in equity instruments	**19**	-	-	-	225,261	-	-	225,261
Remeasurement of post-employment benefit obligations	**25**	-	-	-	96,237	-	-	96,237
Income tax related to components of other comprehensive income	**28**	-	-	-	(83,217)	-	-	(83,217)
Other comprehensive income for the year		**-**	**-**	**-**	**11,525,575**	**-**	**1,315,541**	**12,841,116**
Total comprehensive income for the year		**-**	**-**	**-**	**11,525,575**	**-**	**5,129,477**	**16,655,052**
Distribution of earnings according to the decision adopted during the Annual General Meeting of Shareholders held on April 28, 2020:								
Reserve allocation		-	-	210,648	-	3,877,319	(4,087,967)	-
Cash dividends (ii)		-	-	-	-	-	(125,000)	(125,000)
Balances at December 31, 2020		**4,436,448**	**897,941**	**430,559**	**34,051,673**	**3,877,319**	**1,924,532**	**45,618,472**

(i) See Note 2.10.b.

(ii) See Note 2.10.c.

(iii) See Note 2.10.f.

The accompanying notes 1 to 37 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2021

CASH FLOW STATEMENT
for the fiscal years ended on December 31, 2021, and December 31, 2020
(Amounts stated in thousands of pesos, unless otherwise specified)

	Notes	Fiscal year ended on December 31, 2021	2020
OPERATING ACTIVITIES			
Profits for the year		44,167,158	3,813,936
Adjustments to profits for the year to reach operating cash flows	**30**	32,091,465	36,567,632
Changes in working capital	**30**	5,363,643	(9,809,362)
Others, including currency translation differences		8,718,069	6,979,835
Payment of employee benefits programs		(860,756)	(208,852)
Payment of income tax		(1,677,278)	(24,123)
Cash generated by operating activities		**87,802,301**	**37,319,066**
INVESTING ACTIVITIES			
Investments in property, plant and equipment		(33,519,862)	(5,502,888)
Collection from the sale of property, plant and equipment		55,601	13,331
Increase in other investments		(22,448,567)	(12,525,055)
Collected dividends	**13**	201,052	90,660
Increase assets classified as held for sale		(67,476)	-
Additions of investments in equity instruments at fair value	**19**	-	(801)
Income from the sale of interest in associates		-	18,387
Loans to related parties		-	(70,709)
Cash used in investing activities		**(55,779,252)**	**(17,977,075)**
FINANCING ACTIVITIES			
Proceeds from borrowings	**24**	25,573,146	1,256,955
Issuance of negotiable obligations		467,977	2,951,943
Payment of borrowings		(47,866,809)	(15,894,972)
Repurchase of negotiable obligations	**24**	(2,902,550)	(791,358)
Paid dividends		-	(125,000)
Right-of-use liabilities payments	**16**	(769,659)	(800,692)
Cash used in financing activities		**(25,497,895)**	**(13,403,124)**
Increase in cash and cash equivalents		**6,525,154**	**5,938,867**
Changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		10,391,822	2,000,326
Increase in cash and cash equivalents		6,525,154	5,938,867
Currency translation differences		1,771,783	2,452,629
Cash and cash equivalents at year-end	**23.b**	**18,688,759**	**10,391,822**

	At December 31, 2021	2020
Cash and cash equivalents	18,688,759	10,391,822
Cash and cash equivalents at year-end	**18,688,759**	**10,391,822**
Non-cash transactions		
Unpaid investments in property, plant and equipment at year-end	7,203,199	2,282,523
In-kind loans to related parties	-	770,791
Payments in kind of negotiable obligations	109,262	-
Unpaid asset classified as held for sale at year-end	141,099	-

The accompanying notes 1 to 37 form an integral part of these Financial Statements.

Tecpetrol Sociedad Anónima
Financial Statements at December 31, 2021

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Notes to Financial Statements at December 31, 2021

(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) exploration permissions over the areas of Loma Ancha and Loma Ranqueles.

In addition, Tecpetrol S.A. operates in conventional hydrocarbon areas in Neuquina, Noroeste - Golfo San Jorge and other basins through joint operations (see Note 35). It also holds all exploitation rights over the area Los Bastos (province of Neuquén) and has an exploratory (and potential exploitation) permission over the area Gran Bajo Oriental located in the province of Santa Cruz.

The Financial Statements were approved for issuance by the members of the Board of Directors on March 2, 2022.

The macroeconomic environment in Argentina

The Company operates in an economic setting whose main variables are affected by the COVID-19 syndemic, producing a global economic and financial crisis that impacts the activities of Tecpetrol. The situations mentioned above have heavily influenced the demand of hydrocarbons; however, on site access to the fields by essential operations staff and the remote work of all other employees have not greatly affected the capacity of Tecpetrol to conduct its operations as usual. In line with this, such changes have not adversely affected corporate information systems or financial information internal controls.

The management of the Company closely monitors the evolution of the abovementioned situations in order to adopt measures according to the complexity of the events, aiming at safeguarding the integrity of the staff, keeping operations running and preserving the corporate financial health of the Company.

Besides, the restrictions imposed by the Central Bank of Argentina (Banco Central de la República Argentina, BCRA) in 2020 remain in force. Such limitations intend to restrict access to the exchange market for the purposes of restraining the demand for U.S. dollars; therefore, prior approval from the BRCA is required in order to conduct specific transactions and refinance specific debts. Measures applicable to the Company mainly relate to the payment of principal from financial borrowings granted by non-residents and the payment of debt securities issued in Argentina and denominated in foreign currency (see Note 24). Additionally, the existing exchange rate regime sets forth that it is mandatory that all income obtained from goods and services exports (among others) be converted to local currency.

Notes to Financial Statements at December 31, 2021 (cont'd)

1. General information (cont'd)

The macroeconomic environment in Argentina (cont'd)

These exchange restrictions, and the ones that might be implemented in the future, could affect the Company's access to the Argentine foreign exchange market (Mercado Único y Libre de Cambios, MULC), and therefore, the acquisition of foreign currency to honor its financial obligations. Assets and liabilities in foreign currency at December 31, 2021, have been valued based on MULC current quotations.

In April 2021 operations in Fortín de Piedra and Los Bastos were affected for twenty-one days because of the forceful measures adopted by the healthcare workers of the province of Neuquén, which included total restriction on the access and circulation in different areas of the province, blocking the regular access of employees and contractors. This situation resulted in a sudden cancellation of activities necessary for the continuity of the production and the drillings in progress. Under such circumstances, there was a reduction in gas volumes injected under the Promotion Plan for Argentine Natural Gas Production/2020-2024 Supply and Demand Scheme (hereinafter referred to as "Plan Gas 4"). However, in July 2021, the Hydrocarbons Subsecretary accepted the operational reasons alleged by the Company: therefore, agreeing to a force majeure event and stating that there was no breach of contract by the Company under the plan.

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

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 National Securities Commission for Argentina (Comisión Nacional de Valores, CNV), by means of General Resolution No. 622/13, has established the application of Technical Resolutions No. 26 and 29 issued by the Argentine Federation of Professional Councils in Economic Sciences (Federación Argentina de Consejos Profesionales de Ciencias 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.

Notes to Financial Statements at December 31, 2021 (cont'd)

2.1 Basis for preparation (cont'd.)

All information corresponding to fiscal year ended on December 31, 2020 is part of these Financial Statements and is presented for comparative purposes only. If applicable, some figures from the financial statements at December 31, 2020, 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.

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

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

Subsidiaries whose functional currency is the currency of a hyperinflationary economy recognize changes in the purchasing power of the currency pursuant to the dispositions set forth under IAS 29 "Financial Reporting in Hyperinflationary Economies". Profits (losses) from the implementation of the adjustment method set forth in IAS 29 upon initial equity measured in functional currency are recognized in Other comprehensive income. Profits (losses) and the financial position are translated into the presentation currency based on the closing exchange rate.

(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.

2.2 Basis for consolidation (cont'd)

(b) Associates (cont'd.)

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

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

The valuation of the Company's interests in joint arrangements is reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable and, if appropriate, an impairment loss is recorded.

Notes to Financial Statements at December 31, 2021 (cont'd)

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 profits or losses upon sale or disposal.

As from this fiscal year, currency translation differences from profits or losses (accumulated at the beginning of the year and for the year) are classified as and accumulated directly under retained earnings. For the purposes of standardizing comparative information in the Statement of Changes in Equity, there has been a reclassification between *Retained earnings* and *Other reserves* of $1,889,404 and $3,204,945 at December 31, 2020, and December 31, 2019, respectively.

As a result of the implementation of the abovementioned policy, the translation of the functional currency into the presentation currency (if they differ) does not modify the measurement of underlying elements, therefore keeping those amounts (profits and losses and capital measured in the functional currency in which they were generated.)

2.4 Property, plant and equipment - Exploration, evaluation and development assets

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

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

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

Drilling costs of exploratory wells are initially capitalized until it is confirmed that proven reserves are found that justify their commercial development. During this period, and subject to the existence of production associated to such exploratory wells, investment costs are reduced by an amount equal 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 enough reserves in order to justify its completion as a productive well and that the Company makes sufficient progress in assessing the economic and operational viability of the project.

No depreciation or amortization is charged during the exploration and evaluation phase.

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

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

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

Asset retirement obligations costs are calculated pursuant to the guidelines detailed in Note 2.14.

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

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

Notes to Financial Statements at December 31, 2021 (cont'd)

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

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

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

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

– Vehicles up to 5 years

– Furniture and office equipment up to 5 years

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

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

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

2.5 Leases

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

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

2.5 Leases (cont'd)

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 ranged from 4% to 8.4%.

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

2.6 Inventories

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

Upon each closing date, an analysis is carried out to assess recoverable amounts and, if appropriate, an allowance for impairment losses is recognized in the Income Statement.

2.7 Trade and other receivables

Trade and other receivables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts, if necessary. An allowance for doubtful accounts is 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 and other receivables (if any) based upon common credit risk indicators and designates an expected bad debt rate according to a historical bad debt ratio adjusted to expected future economic conditions.

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

2.8 Other investments

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

2.9 Cash and cash equivalents

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

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

2.10 Equity

(a) Equity components

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

(b) Share Capital

At December 31, 2021, and December 31, 2020, the Company's subscribed capital amounted to $4,436,448 and was 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 profits (losses) attributable to the Owners of the Parent Company. Distribution of dividends is recognized as a liability in the Financial Statements in the period in which those dividends are approved by the Shareholders at a Meeting.

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

(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 must be directly recognized in Equity. When items with a credit balance are generated, they are treated as capital contributions and are disclosed in Equity in a separate account named *Capital Contributions.*

(e) Legal reserve

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

Notes to Financial Statements at December 31, 2021 (cont'd)

2.10 Equity (cont'd)

(f) Other reserves

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

The composition of the other reserves at December 31, 2021 and December 31, 2020 is as follows:

	Currency translation reserve	Special reserve (i)	Reserve for investments in equity instruments	Reserve for employee benefits programs	Total
Balances at December 31, 2020	28,295,235	5,438,864	322,540	(4,966)	34,051,673
Currency translation differences	7,421,297	1,200,235	83,755	(26,523)	8,678,764
Other comprehensive income for the year	-	-	178,441	(380,046)	(201,605)
Income tax related to components of other comprehensive income	-	-	(233,408)	144,348	(89,060)
Balances at December 31, 2021	**35,716,532**	**6,639,099**	**351,328**	**(267,187)**	**42,439,772**

	Currency translation reserve	Special reserve (i)	Reserve for investments in equity instruments	Reserve for employee benefits programs	Total
Balances at December 31, 2019	18,599,990	3,870,869	115,823	(60,584)	22,526,098
Currency translation differences	9,695,245	1,567,995	40,614	(16,560)	11,287,294
Other comprehensive income for the year	-	-	225,261	96,237	321,498
Income tax related to components of other comprehensive income	-	-	(59,158)	(24,059)	(83,217)
Balances at December 31, 2020	**28,295,235**	**5,438,864**	**322,540**	**(4,966)**	**34,051,673**

(i) At December 31, 2021 and December 31, 2020, it includes USD 65 million related to General Resolution No. 609/12 of the CNV [See Note 32 (iii)].

2.11 Borrowings

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

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

2.12 Income tax and minimum notional income tax

2.12.a. Income tax

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

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

Notes to Financial Statements at December 31, 2021 (cont'd)

2.12.a. Income tax (cont'd)

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

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

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

For the assessment of income tax charge, Law No. 27.430/2017, as amended, sets forth the implementation of a tax inflation adjustment in the fiscal year if the percentage of variation of the Consumer Price Index (CPI) accumulated during the thirty-six months prior to the closing date of the fiscal year under settlement, exceeds 100%. In fiscal years 2021 and 2020, the expected conditions for the implementation of the adjustment have been met; therefore, the adjustment was included in the assessment of the provision for current and deferred income tax, including its impact according to applicable regulations.

Additionally, the Company has adjusted tax losses originated as from January 1, 2018 for inflation, in compliance with Income Tax Law (as revised in 2019 and subsequently amended). The re-statement of tax losses due to inflation (pursuant to section 25 of Income Tax Law) is subject to a special regime which differs from the regime applicable to the remaining updates included in such legislation.

Law No. 27.630, published in the Official Gazette on June 16, 2021, modifies the income tax rate and it is applicable to all fiscal years commencing as from January 1, 2021. For tax assessment purposes, the law sets forth a three-tiered structure of income tax rates depending on accumulated net taxable income, as detailed below:

- 25% for accumulated net taxable income of up to $5 million (first tier);
- 30% for the second tier, which covers income up to $50 million plus $1.25 million corresponding to income from the first tier;
- 35% for income over $50 million plus $14.75 million corresponding to income from the first and second tiers;

Such amounts will be adjusted annually, as from January 1, 2022, considering the annual variation of the CPI corresponding to the month of October of the year prior to the adjustment with respect to the same month of the previous year. The amounts determined will be applicable to all fiscal years beginning after each adjustment.

2.12.a. Income tax (cont'd)

Furthemore, pursuant to the abovementioned law, dividends and similar profits to be distributed among people, undivided estates and/or foreign beneficiaries will be taxed at a rate of 7%.

The Company has recognized the effects of the tax rate increase under *Income tax* in the Income Statement for the year ended on December 31, 2021.

2.12.b. Minimum notional income tax

At December 31, 2021 and December 31, 2020, the Company reported a minimum notional income tax balance (this tax was repealed by section 76 of Law No. 27.260) of $35.7 million under *Income tax credit*, which may be used for the payment of income tax.

2.13 Employee benefits programs

(a) Pension programs and other plans

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

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

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

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

(b) Employee retention and long-term incentive program

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

Notes to Financial Statements at December 31, 2021 (cont'd)

2.13 Employee benefits programs (cont'd)

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

At December 31, 2021 and December 31, 2020, the total value of the units granted to employees of the Company under this program, considering both the number of units and the carrying value per share of Tecpetrol Investments S.L.U. amounts to USD 14 million and USD 12 million, respectively. Pursuant to calculations carried out by independent actuaries, at December 31, 2021 and December 31, 2020, the Company reported liabilities for $1,474.8 million and $1,017.2 million, respectively; and expenses for $616.2 million and $146.3 million at December 31, 2021 and December 31, 2020, respectively (see Note 25).

2.14 Provisions

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

The provision for assets retirement obligations is calculated by establishing the present value of future costs related to the decommissioning and restoration of each area. When the liability is initially reported, the Company capitalizes these costs by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value during each period, and the initially capitalized cost is depreciated over the estimated useful life of the related asset, as detailed in Note 2.4. The Company periodically re-evaluates the future costs of asset retirement obligations, based upon changes in technology and variations in restoration costs necessary to protect the environment. The effects of these re-calculations are included in the Financial Statements for the periods in which they are determined and are disclosed as an adjustment to the provision and to *Property, plant and equipment. Exploration, evaluation and development assets.*

2.15 Trade and other payables

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

2.16 Revenue recognition

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

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

2.16 Revenue recognition (cont'd)

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) 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 recognized in the Income Statement using the effective interest rate method.

Besides, financial liabilities are valued at amortized cost, except when they specifically satisfy certain requirements to be included under another category.

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

2.19 Financial instruments (cont'd)

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

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

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

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

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

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

2.20 Derivative financial instruments and hedging activities

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

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

The fair value of derivative financial instruments is detailed in Note 29. A derivative financial instrument considered a hedging instrument is classified as a non-current asset or liability if the item being hedged has a maturity greater than 12 months; and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Derivatives not considered hedging instruments are classified as current assets or liabilities.

Cash flow hedges

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

Notes to Financial Statements at December 31, 2021 (cont'd)

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

Cash flow hedges (cont'd)

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

The effective portion of changes in the fair value of derivatives financial instruments that are designated as cash flow hedges is recognized under *Other comprehensive income*. The profits and losses related to the ineffective portion is recognized immediately in the Income Statement under *Other net financial profits (losses).*

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 and other basins. Each reportable segment is managed by an officer in charge, who is directly responsible for managing the operations in the fields of each basin.

The highest decision-making authority is the group of directors comprising the Chairman; the General Director of Exploration and Production; the General Director of Business Development, Gas and Power, and Marketing; 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.

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

Segment Noroeste - San Jorge and other basins includes 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, there are exploratory activities in the area of Gran Bajo Oriental in the province of Santa Cruz and in MLO-124 area, located in Malvinas marine basin.

2.22 Assets classified as held for sale

Non-current assets are classified as assets held for sale if the carrying value is recoverable mainly through a sale transaction (that is, the asset is not held for continuous use), and such sale is highly likely to occur. Such assets are measured at the lowest of their carrying value and the asset's fair value less direct costs of disposal.

3. New accounting standards

(a) New standards, interpretations and amendments to published standards effective as from the fiscal year ended on December 31, 2021:

There were no new standards, interpretations and amendments to published standards in force that were relevant to the Company.

(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 were not relevant for the Company.

4. Financial risk management

4.1 Financial risk factors

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

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

(i) Foreign exchange rate risk

The Company is exposed to fluctuations in exchange rates for those transactions conducted in a currency other than the functional currency. As the functional currency is the USD, the Company intends to reduce the risk related to fluctuations in the exchange rates of other currencies against the USD.

Exposure to fluctuations in foreign exchange rate is reviewed periodically. The Company intends to counteract the potentially negative impact of variations in the exchange rates, using different financial instruments and derivatives, if necessary.

Exposure to the Argentine peso, including the effect of all derivative contracts in force, was USD 114 million (assets) at December 31, 2021.

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 1.1 million at December 31, 2021.

(ii) Interest rate risk

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

Notes to Financial Statements at December 31, 2021 (cont'd)

4.1 Financial risk factors (cont'd)

(ii) Interest rate risk (Cont´d)

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

	December 31, 2021		December 31, 2020	
	Amount	**Percentage**	**Amount**	**Percentage**
Fixed rate	82,142,592	90%	83,894,270	87%
Floating rate	9,458,166	10%	12,303,060	13%

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 0.6 million less at December 31, 2021. Note 24 includes information concerning the interest rates 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, short-term investments 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.

Tecpetrol sets out guidelines for the investment in financial assets with an investment grade rating. Such rating is determined by a credit rating agency of high prestige in the financial market. Around 70% of all financial liquid assets of the Company are instruments with an investment grade rating at December 31, 2021. Levels are similar to those recorded at December 31, 2020.

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, 2021, 25% of all trade receivables are guaranteed with credit insurance (40% at December 31, 2020) and 3% with guarantees (3% at December 31, 2020).

Primarily under Plan Gas 4, Tecpetrol carries out sales transaction to Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA) and Integración Energética Argentina S.A. (IEASA), state-controlled companies. At December 31, 2021, CAMMESA and IEASA represented 45% and 5%, respectively, of all trade receivables of Tecpetrol, whereas at December 31, 2020, CAMMESA represented 41% of all trade receivables of the Company.

Regarding other receivables, at December 31, 2021 and December 31, 2020, 60% and 84%, respectively, corresponded to incentives granted by the national government.

Notes to Financial Statements at December 31, 2021 (cont'd)

4.1 Financial risk factors (cont'd)

(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 this fiscal year, Tecpetrol used cash flows generated by its own operations as well as external financing and borrowings granted by related companies.

Tecpetrol has a conservative strategy as regards liquidity management, which consists in maintaining a substantial portion of its funds in cash, liquid funds and short-term investments.

At December 31, 2021, Tecpetrol has a negative working capital of $4,638 million ($5,177 at December 31, 2020) which is generated mainly by borrowings. 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, 2021			
Borrowings	71,391,962	13,457,399	6,751,397
Right-of-use liabilities	1,223,978	723,182	904,301
Derivative financial instruments	166,061	-	-
Trade and other payables	11,506,730	-	-
Interest on unpaid borrowings not yet accrued	1,387,455	749,478	191,663
Total	**85,676,186**	**14,930,059**	**7,847,361**

	Less than one year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2020			
Borrowings	47,957,135	47,463,461	776,734
Right-of-use liabilities	595,711	461,033	555,232
Derivative financial instruments	118,710	-	-
Trade and other payables	6,001,713	-	-
Interest on unpaid borrowings not yet accrued	3,285,721	2,038,618	5,049
Total	**57,958,990**	**49,963,112**	**1,337,015**

(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. A USD 1 variation in the reference price of the barrel of crude oil, with all other variables remaining constant, would imply an impact upon net profits or losses of USD 2.3 million for the year ended on December 31, 2021.

With regard to the turnover from gas sales, a variation of USD 0.1 per million of BTU, with all other variables remaining constant, would imply an impact upon net profits or losses of the Company of USD 11.4 million for the fiscal year ended on December 31, 2021. 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.

Notes to Financial Statements at December 31, 2021 (cont'd)

4.1 Financial risk factors (cont'd)

(v) Price risk (cont'd)

At December 31, 2021 and December 31, 2020, the Company does not have derivative financial instruments to mitigate this price risk.

Besides, Tecpetrol's short-term investments are subject to fluctuations in market prices, resulting from the variations of future prices of those assets. The Management constantly monitors the evolution of such prices.

At December 31, 2021, the total value of short-term investments at fair value through profit or loss reached $48,377 million.

Tecpetrol estimates that a 10% variation in the market price of such investments would have resulted in a (loss)/profit of USD 35 million at December 31, 2021. This sensitivity analysis is based on a variation in the prices only and does not consider other variables which might influence their valuation as well.

(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 net debt/total equity ratio ("net debt" comprises all financial borrowings less cash and cash equivalents and other investments and total equity is the aggregate of net debt and equity) is 0.27 at December 31, 2021, compared with 0.62 at December 31, 2020. 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, 2021	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	-	-	2,085,520	2,085,520
Other receivables	-	9,225,604	-	9,225,604
Trade receivables	-	13,165,006	-	13,165,006
Derivative financial instruments	844	-	-	844
Other investments	34,381,743	-	-	34,381,743
Cash and cash equivalents	13,994,892	4,693,867	-	18,688,759
Total	**48,377,479**	**27,084,477**	**2,085,520**	**77,547,476**

At December 31, 2021	At fair value through profit or loss	At amortized cost	Total
Liabilities			
Borrowings	-	91,600,758	91,600,758
Right-of-use liabilities	-	2,851,461	2,851,461
Derivative financial instruments	166,061	-	166,061
Trade and other payables	-	11,506,730	11,506,730
Total	**166,061**	**105,958,949**	**106,125,010**

Notes to Financial Statements at December 31, 2021 (cont'd)

4.2 Financial instruments by category (cont'd)

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

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

4.3 Fair value estimate

Fair value hierarchies

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

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

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

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

4.3 Fair value estimate (cont'd)

Fair value hierarchies (cont'd)

The following table presents the financial assets and liabilities measured at fair value by hierarchy level at December 31, 2021 and December 31, 2020:

At December 31, 2021	Level 1	Level 2	Level 3
Assets			
Investments in equity instruments at fair value	-	-	2,085,520
Derivative financial instruments	-	844	-
Other investments	34,381,743	-	-
Cash and cash equivalents	13,994,892	-	-
Total	**48,376,635**	**844**	**2,085,520**
Liabilities			
Derivative financial instruments	-	166,061	-
Total	**-**	**166,061**	**-**

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

There were no transfers among levels 1, 2 and 3 during fiscal years ended on December 31, 2021 and December 31, 2020.

Fair value estimate

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

The carrying value of cash and cash equivalents, other investments, trade and other receivables and trade and other payables, and right-of-use liabilities, less any allowance for impairment, if applicable, approximates their fair value.

Moreover, the fair value of current and non-current borrowings did not significantly differ from their carrying value at December 31, 2021 and December 31, 2020.

In all cases, the fair value was determined based upon discounted cash flows using the market rates and items were classified as Level 2, save for class 1 negotiable obligations whose fair value was determined based upon the quoted price (Level 1), which reached USD 100.48 and USD 99.33 for each USD 100 of nominal value, at December 31, 2021 and December 31, 2020, respectively.

5. Critical accounting estimates and judgments

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

(a) Hydrocarbon reserves (*)

Reserves are the volumes of oil and gas (expressed in equivalent m^3 of oil e) 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 numerous factors that create uncertainty as regards the estimate of proven reserves and future production profiles, and development costs and prices, including several factors beyond the control of the producer. The procedure for calculating reserves is a subjective process of estimating crude oil and natural gas to be recovered from the subsoil; and which entails 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, 2021, are disclosed below:

Crude oil

Proven developed reserves: 2.93 million of m^3

Undeveloped proven reserves: 4.90 million of m^3

Natural gas:

Proven developed reserves: 11.59 billion of m^3

Undeveloped proven reserves: 63.53 billion of m^3

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

The estimates of reserves are based on technological and economic conditions in force at December 31, 2021, 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.

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

(b) Impairment of long-term assets

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

(c) Provision for asset retirement obligations

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

(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, 2021			
	Neuquina basin	**Noroeste - San Jorge and other basins**	**Others (1)**	**Total**
Net sales - Managerial Vision	105,717,349	11,646,682	17,110	117,381,141
Effect of hydrocarbon inventory valuation	(1,031,347)	(389,003)	-	(1,420,350)
Net sales - IFRS				**115,960,791**
Gas	88,590,856	1,540,802	-	90,131,658
Oil	15,576,983	9,702,439	-	25,279,422
Other services	518,158	14,443	17,110	549,711
Net sales - IFRS				**115,960,791**
Operating profits (losses) - Managerial vision	47,857,652	6,361,363	(223,752)	53,995,263
Adjustment of hydrocarbon inventory valuation	(356,452)	(37,870)	-	(394,322)
Depreciation and impairment differences	159,508	(191,002)	6,516	(24,978)
Administrative expenses (2)				(5,970,380)
Operating profits - IFRS				**47,605,583**

6. Segment information (cont'd)

	Fiscal year ended on December 31, 2021 (cont'd)			
	Neuquina basin	**Noroeste - San Jorge and other basins**	**Others (1)**	**Total**
(Depreciation of PPE)/reversal of impairment losses of PPE (3) - Managerial Vision	(36,461,802)	818,801	(184,382)	(35,827,383)
Depreciation and impairment differences	159,508	(191,002)	6,516	(24,978)
(Depreciation of PPE)/reversal of impairment losses of PPE - IFRS				**(35,852,361)**
PPE - Managerial Vision	119,337,220	9,402,681	760,594	129,500,495
Accumulated depreciation and impairment differences				(554,072)
PPE - IFRS				**128,946,423**
Investments in PPE	35,796,488	2,250,754	414,520	38,461,762
Investments in PPE				**38,461,762**

(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 profits (losses) of defined reportable segments.
(3) PPE: Property, plant and equipment.

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

6. Segment information (cont'd)

	Fiscal year ended on December 31, 2020 (cont'd)			
	Neuquina basin	**Noroeste - San Jorge and other basins**	**Others (1)**	**Total**
PPE - Managerial Vision	99,407,863	6,089,178	476,962	105,974,003
Accumulated depreciation and impairment differences				(389,655)
PPE - IFRS				**105,584,348**
Investments in PPE	4,910,615	712,703	235,092	5,858,410
Investments in PPE				**5,858,410**

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

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

At December 31, 2021 and December 31, 2020 net sales arose mainly from the United States (13.13% and 7.93%, respectively) and Argentina (79.07% and 86.80%, respectively). The designation of net sales is based upon customer location.

At December 31, 2021, CAMMESA and IEASA represented 26.5% and 11.5%, respectively, of all net sales of the Company, without taking into account the incentives to investments granted under Resolution No. 46E/2017 and amendments, and the incentives from Plan Gas 4, cancelled directly by the National Government, whereas at December 31, 2020, CAMMESA represented 23% of all sales revenues.

7. Net sales

	Fiscal year ended on December 31,	
	2021	**2020**
Gas (i) (ii)	90,131,658	60,865,083
Oil	25,279,422	10,385,753
Other services	549,711	289,154
	115,960,791	**71,539,990**

(i) It includes $29,702,452 and $30,675,856 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution 46E/2017 as amended, for the fiscal years ended on December 31, 2021 and December 31, 2020, respectively. (see Note 33).
(ii) It includes $2,552,028 due to incentives from Plan Gas 4 for the fiscal year ended on December 31, 2021.

Notes to Financial Statements at December 31, 2021 (cont'd)

8. Operating costs

	Fiscal year ended on December 31, 2021	2020
Inventories at the beginning of the year	2,771,888	1,607,093
Purchases, uses and production costs	60,925,738	43,255,214
Inventories at year-end	(3,426,980)	(2,771,888)
Currency translation differences	609,694	715,355
Operating costs	**60,880,340**	**42,805,774**
Labor costs	3,407,322	2,289,183
Fees and services	544,108	442,860
Maintenance operations and wells service costs	7,223,082	3,952,602
Depreciation of property, plant and equipment	37,616,377	26,556,578
(Reversal of)/Impairment of property, plant and equipment (Note 15)	(1,941,882)	2,160,381
Depreciation of right-of-use assets	639,510	556,532
Treatment and storage	489,592	248,435
Royalties and other taxes (iii)	10,522,257	5,152,474
Others	2,240,575	1,460,763
Stock uses and purchases	184,797	435,406
Purchases, uses and production costs	**60,925,738**	**43,255,214**

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

9. Selling expenses

	Fiscal year ended on December 31, 2021	2020
Taxes	2,218,970	1,184,717
Storage and transport	984,689	898,270
Allowance for doubtful accounts (recovery)/expense	(3,044,195)	2,796,136
Others	35,164	25,272
	194,628	**4,904,395**

10. Administrative expenses

	Fiscal year ended on December 31, 2021	2020
Labor costs	3,923,658	2,063,920
Fees and services	800,541	459,662
Depreciation of property, plant and equipment	177,866	199,155
Depreciation of right-of-use assets	98,395	83,547
Taxes	1,244,330	662,694
Office expenses	583,063	397,552
Reimbursement of expenses (i)	(679,607)	(549,342)
	6,148,246	**3,317,188**

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

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

	Fiscal year ended on December 31, 2021	2020
Salaries, wages and other costs	5,251,082	3,392,945
Social security costs	1,132,841	629,002
Employee benefits programs (Note 25)	947,057	331,156
	7,330,980	**4,353,103**

12. Other operating profits (losses), net

	Fiscal year ended on December 31, 2021	2020
Other operating income		
Recovery of provisions for legal claims and contingencies	-	22,697
Gains from the sale of property, plant and equipment	50,335	5,146
Reversal of provision for asset retirement obligations	57,078	6,407
Reimbursements and compensations	14,124	184,081
Gains from other sales	39,236	3,116
Others	150,402	27,626
	311,175	**249,073**
Other operating expenses		
Provision for legal claims and contingencies	(10,754)	(10,008)
Others	(256,244)	(27,649)
	(266,998)	**(37,657)**

13. Net financial profits (losses)

	Fiscal year ended on December 31, 2021	2020
Dividend income	201,052	90,660
Interest income	3,626,191	1,882,195
Financial income	**3,827,243**	**1,972,855**
Interest cost	(6,229,256)	(5,464,056)
Financial costs	**(6,229,256)**	**(5,464,056)**
Net loss from exchange differences	(8,420,643)	(8,353,635)
Changes in the fair value of derivative instruments	(2,222,705)	(508,210)
Profits (losses) from the purchase and holding of other investments	5,713,266	(670,697)
Other net financial loss	(1,536,427)	(491,419)
Other net financial loss	**(6,466,509)**	**(10,023,961)**
Net financial loss	**(8,868,522)**	**(13,515,162)**

Notes to Financial Statements at December 31, 2021 (cont'd)

14. Taxes

	Fiscal year ended on December 31,	
	2021	**2020**
Deferred income tax - (Profits)/Losses (Note 28)	(5,428,198)	1,683,426
	(5,428,198)	**1,683,426**

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

	Fiscal year ended on December 31,	
	2021	**2020**
Profit before income tax at tax rate	**13,558,636**	**1,649,209**
Profit /(loss) from investments in entities accounted for using the equity method	(665)	1,418
Exchange and translation differences	2,243,678	2,655,858
Effect from changes in the tax rate	2,139,496	81,321
Effect from inflation adjustments	(22,753,039)	(2,630,182)
Use of tax losses not registered as deferred assets	(53,249)	-
Non-taxable income, non-deductible expenses and others	(563,055)	(74,198)
(Profit)/ loss from income tax for the fiscal year	**(5,428,198)**	**1,683,426**

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

	Fiscal year ended on December 31, 2021						
	Development and production assets	**Machinery and equipment (i)**	**Asset retirement obligations**	**Exploration and evaluation**	**Work in progress (ii)**	**Others**	**Total**
Cost							
At the beginning of the year	177,285,551	87,754,231	2,047,465	8,078,832	17,545,384	6,034,195	298,745,658
Currency translation differences	41,842,455	19,848,541	451,408	1,797,741	3,361,998	1,260,818	68,562,961
Additions	-	-	247,319	-	38,165,440	275,098	38,687,857
Right-of-use assets transfers	-	-	-	-	21,224	-	21,224
Transfers	30,103,184	8,761,767	-	551,816	(38,445,044)	(971,723)	-
Write-offs	(1,187,556)	-	(316,781)	(735,539)	(429,604)	(67,407)	(2,736,887)
At year-end	248,043,634	116,364,539	2,429,411	9,692,850	20,219,398	6,530,981	403,280,813
Depreciation							
At the beginning of the year	134,475,677	54,594,206	1,621,488	-	-	2,469,939	193,161,310
Currency translation differences	31,305,319	13,113,623	374,735	-	-	589,183	45,382,860
Depreciation for the fiscal year	22,905,981	14,188,836	171,123	-	-	528,303	37,794,243
Reversal of impairment losses (See Note 18)	(1,635,432)	(306,450)	-	-	-	-	(1,941,882)
Write-offs	-	-	-	-	-	(62,141)	(62,141)
At year-end	187,051,545	81,590,215	2,167,346	-	-	3,525,284	274,334,390
Residual value at December 31, 2021	**60,992,089**	**34,774,324**	**262,065**	**9,692,850**	**20,219,398**	**3,005,697**	**128,946,423**

(i) It includes $1,313,674 from machinery and equipment under operating leases at December 31, 2021 (see Note 16.b).

(ii) It includes $1,862,247 from works in progress related to Exploration and evaluation investments at December 31, 2021.

See our report dated
March 2, 2022

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. Tº 1 Fº 17

Notes to Financial Statements at December 31, 2021 (cont'd)

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

	Fiscal year ended on December 31, 2020							
	Development and production assets	**Machinery and equipment (i)**	**Asset retirement obligations**	**Exploration and evaluation**		**Work in progress (ii)**	**Others**	**Total**
Cost								
At the beginning of the year	125,910,362	54,983,136	1,177,261	7,025,154		15,493,840	4,292,008	208,881,761
Currency translation differences	51,269,604	24,614,654	495,846	2,503,286		4,799,114	1,841,710	85,524,214
Additions	90,688	-	374,358	-		5,390,305	286,015	6,141,366
Right-of-use assets transfers	-	-	-	-		91,402	-	91,402
Transfers	180,689	8,156,441	-	88,998		(8,069,993)	(356,135)	-
Write-offs	(165,792)	-	-	(1,538,606)	(iii)	(159,284)	(29,403)	(1,893,085)
At year-end	177,285,551	87,754,231	2,047,465	8,078,832		17,545,384	6,034,195	298,745,658
Depreciation								
At the beginning of the year	81,389,502	28,767,131	1,142,819	-		-	1,455,230	112,754,682
Currency translation differences	36,419,896	13,969,964	465,710	-		-	656,163	51,511,733
Depreciation for the fiscal year	14,813,476	11,549,533	12,959	-		-	379,765	26,755,733
Impairment for the fiscal year (see Note 18)	1,852,803	307,578	-	-		-	-	2,160,381
Write-offs	-	-	-	-		-	(21,219)	(21,219)
At year-end	134,475,677	54,594,206	1,621,488	-		-	2,469,939	193,161,310
Residual value at December 31, 2020	**42,809,874**	**33,160,025**	**425,977**	**8,078,832**		**17,545,384**	**3,564,256**	**105,584,348**

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

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

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

Notes to Financial Statements at December 31, 2021 (cont'd)

16. Leases

(a) Right-of-use assets and liabilities

There follows the evolution of right-of-use assets and liabilities from contracts in which the Company acts as lessee, disclosed in the Statement of Financial Position at December 31, 2021 and December 31, 2020:

Right-of-use assets

	Fiscal year ended on December 31, 2021				
	Drilling equipment	**Other equipment**	**Offices**	**Others**	**Total**
At the beginning of the year	67,286	1,097,285	355,312	1,019	1,520,902
Currency translation differences	26,002	210,096	158,883	9,247	404,228
Net additions	695,154	127,060	1,014,907	112,347	1,949,468
Transfers to property, plant and equipment	(19,181)	(2,043)	-	-	(21,224)
Depreciation for the fiscal year	(32,569)	(499,436)	(191,352)	(14,548)	(737,905)
At year-end	**736,692**	**932,962**	**1,337,750**	**108,065**	**3,115,469**

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

Right-of-use liabilities

	Fiscal year ended on December 31,	
	2021	**2020**
At the beginning of the year	1,611,976	1,334,314
Exchange and translation differences	379,486	523,427
Net additions	1,499,547	452,138
Accrued interest (i)	130,111	102,789
Payments	(769,659)	(800,692)
At year-end	**2,851,461**	**1,611,976**

	December 31, 2021	**December 31, 2020**
Non-current	1,627,483	1,016,265
Current	1,223,978	595,711
	2,851,461	**1,611,976**

(i) Included under *Financial costs* in the Income Statement at December 31, 2021 and December 31, 2020.

Notes to Financial Statements at December 31, 2021 (cont'd)

16. Leases (cont'd)

(b) Operating leases

In September 2020, the Company entered into an agreement under which it gave on lease a coiled tubing unit (CTU) destined to the provision of services to oil and gas companies in Argentina. The following table discloses future minimum payment collections at December 31, 2021:

Maturity	USD
2022	2,000,000

At December 31, 2021 and December 31, 2020, revenues from operating leases totaled $296,380 and $57,898, respectively ($64,415 and $4,580 of said amounts, respectively, correspond to variable charges); and are included in *Other services*, under *Net sales* in the Income Statement at December 31, 2021 and December 31, 2020.

17. Investments in entities accounted for using the equity method

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

	Fiscal year ended on December 31,	
	2021	**2020**
Oleoducto Loma Campana - Lago Pellegrini S.A.	1,956	(4,725)
Parques Eólicos de la Buena Ventura S.A. (*)	(57)	-
	1,899	**(4,725)**

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

	Fiscal year ended on December 31,	
	2021	**2020**
At the beginning of the year	187,618	137,964
Currency translation differences	40,342	54,379
Additions (*)	208,575	-
Profits (losses) from investments in entities accounted for using the equity method	1,899	(4,725)
	438,434	**187,618**
Transfers to Assets classified as held for sale (*)	(208,518)	-
At year-end	**229,916**	**187,618**

(*) In December 2021, Tecpetrol S.A. acquired 100% of all ordinary shares from Parques Eólicos de la Buena Ventura S.A. (hereinafter referred to as "PEBV"). At the date of issuance of these Financial Statements, the Company has agreed to sell its interest in PEBV to Siderca S.A.I.C. (see Note 36).

At December 31, 2021 and December 31, 2020, the Company held 15% of the share capital of Oleoducto Loma Campana - Lago Pellegrini S.A. and YPF S.A. held the remaining 85%. Both shareholders exercise joint control over such company, pursuant to the Shareholders' Agreement.

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

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

would come from shareholders' contributions in proportion to their interest. 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.

Accounting information from Oleoducto Loma Campana - Lago Pellegrini S.A. is disclosed below:

	At December 31, 2021
Share capital	868,399
Profits (losses) for the year	13,040
Equity	1,532,773
Holding of common shares (1 vote)	130,259,852

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 potential evidence of impairment.

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

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

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

In the fiscal year ended on December 31, 2020, as a result of the impact caused by the economic crisis produced due to the COVID-19 syndemic, Tecpetrol recognized impairment charges in production and development assets in CGUs El Tordillo and La Tapera - Puesto Quiroga and Aguaragüe (Noroeste – San Jorge and other basins segment) for $1,661.9 million and $498.5 million, respectively. The recoverable value at the impairment date was estimated based on the value in use and reached $4,392.6 million (El Tordillo and La Tapera - Puesto Quiroga) and $738.3 million (Aguaragüe).

In the fiscal year ended on December 31, 2021, there was a reversal of the impairment losses already mentioned from CGU El Tordillo and La Tapera - Puesto Quiroga for $1,941.9 million, caused by the recovery of crude oil international prices and the levels of activity (after easing COVID-19 measures).

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

The recoverable value at December 31, 2021, was estimated based on its value in use and reached $8,337 million. Some the most relevant hypotheses considered by the Management are the post-tax discount rate, which was estimated at 16.1%, and oil future prices for the next 5 years (with Brent prices ranging from USD 64 to USD 78 per barrel).

Profits (losses) from reversals and impairment charges are disclosed under *Operating costs* in the Income Statement at December 31, 2021 and December 31, 2020.

19. Investments in equity instruments at fair value

	December 31, 2021	December 31, 2020
Non-quoted investments	2,085,520	1,542,888

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

	Fiscal year ended on December 31, 2021	2020
At the beginning of the year	1,542,888	942,407
Currency translation differences	365,347	374,419
Net additions/(write-offs) (i)	(1,156)	801
Changes in the fair value	178,441	225,261
At year-end	**2,085,520**	**1,542,888**

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

Company	Country	Interest % Dec-21	Interest % Dec-20	December 31, 2021	December 31, 2020
Tecpetrol del Perú S.A.C.	Peru	2.00	2.00	1,100,615	891,763
Tecpetrol Bloque 56 S.A.C.	Peru	2.00	2.00	511,729	297,606
Oleoductos del Valle S.A.	Argentina	2.10	2.10	309,675	234,800
Terminales Marítimas Patagónicas S.A.	Argentina	4.20	4.20	92,756	75,987
Tecpe Trading S.A. (i)	Argentina	-	4.00	-	1,097
Tecpetrol Operaciones S.A. de C.V.	Mexico	0.9482	0.9482	38,724	25,996
Norpower S.A de C.V.	Mexico	0.60	0.60	607	4,862
Other investments				31,414	10,777
Total				**2,085,520**	**1,542,888**

(i) In February 2020, Tecpetrol S.A. and its Parent Company, Tecpetrol Internacional S.L.U., approved the incorporation of Tecpe Trading S.A., whose main objective was the commercialization of hydrocarbons and electric power, among others. As of the date of issuance of these Financial Statements, the registration of the liquidation procedure due to inactivity of Tecpe Trading S.A. is pending before the IGJ.

At December 31, 2021 and December 31, 2020, 19% and 20%, respectively, of all investments in equity instruments at fair value were held in ARS. Remaining investments in equity instruments at fair value were made in companies whose functional currency is the USD.

Notes to Financial Statements at December 31, 2021 (cont'd)

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

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, 2021	December 31, 2020
Non-current		
Receivables	-	14,681
Expenses paid in advance	645,150	257,319
Employees loans and advances	103,115	54,386
Other receivables from related parties (Note 34)	112,954	1,225,717
	861,219	**1,552,103**
Allowance for doubtful accounts	-	(14,681)
	861,219	**1,537,422**
Current		
Receivables (i) (ii)	8,016,708	19,481,848
Tax credits	2,036,982	891,746
Expenses paid in advance	158,936	121,595
Employees loans and advances	105,349	42,623
Other receivables from related parties (Note 34)	1,535,389	434,186
	11,853,364	**20,971,998**
Allowance for doubtful accounts	(328,787)	(2,548,279)
	11,524,577	**18,423,719**

(i) It includes $6,726,869 and $19,137,348 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution No. 46E/2017 as amended. At December 31, 2021 and December 31, 2020, $331,173 and $12,003,271 of the abovementioned amounts, respectively, were past due (see Note 33). In fiscal year ended on December 31, 2021, the Company collected those receivables that were past due as of December 31, 2020.

(ii) It includes $664,276 from incentives obtained under Plan Gas 4 at December 31, 2021.

There follows the evolution of the allowance for doubtful accounts:

	Fiscal year ended on December 31,	
	2021	**2020**
Balance at the beginning of the year	(2,562,960)	(58,071)
Exchange and translation differences	(418,841)	(73,640)
Net (increases)/recoveries	2,652,696	(2,431,249)
Uses	318	-
Balance at year-end	**(328,787)**	**(2,562,960)**

Notes to Financial Statements at December 31, 2021 (cont'd)

21. Trade receivables

	December 31, 2021	December 31, 2020
Non-current		
Trade receivables	-	68,329
	-	**68,329**
Allowance for doubtful accounts	-	(68,329)
	-	**-**
Current		
Trade receivables	13,696,077	8,592,050
Trade receivables from related parties (Note 34)	215,235	313,793
	13,911,312	**8,905,843**
Allowance for doubtful accounts	(746,306)	(1,048,608)
	13,165,006	**7,857,235**

The following table shows the aging of trade receivables:

	Total	Not yet due	Past due	
			1 - 180 days	> 180 days
At December 31, 2021				
Trade receivables	13,911,312	13,241,668	198,871	470,773
Allowance for doubtful accounts	(746,306)	(139,584)	(135,949)	(470,773)
Net value	**13,165,006**	**13,102,084**	**62,922**	**-**
At December 31, 2020				
Trade receivables	8,974,172	7,136,560	1,206,649	630,963
Allowance for doubtful accounts	(1,116,937)	(350,025)	(135,949)	(630,963)
Net value	**7,857,235**	**6,786,535**	**1,070,700**	**-**

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

	Fiscal year ended on December 31,	
	2021	2020
Balance at the beginning of the year	(1,116,937)	(656,565)
Exchange and translation differences	(53,136)	(101,041)
Net (increases)/recoveries	391,499	(359,331)
Uses	32,268	-
Balance at year-end	**(746,306)**	**(1,116,937)**

22. Inventory

	December 31, 2021	December 31, 2020
Hydrocarbons	332,168	401,117
Materials and spare parts	3,094,812	2,370,771
	3,426,980	**2,771,888**

Notes to Financial Statements at December 31, 2021 (cont'd)

23. Other investments and Cash and cash equivalents

(a) Other investments

	December 31, 2021	December 31, 2020
Bonds	26,333,676	9,406,093
Share deposit certificates	8,048,067	2,527,083
	34,381,743	**11,933,176**

(b) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash and banks	4,693,867	59,441
Short-term deposits	13,994,892	10,332,381
	18,688,759	**10,391,822**

24. Borrowings

	December 31, 2021	December 31, 2020
Non-current		
Bank borrowings	19,540,099	6,675,443
Negotiable obligations	668,697	41,564,752
	20,208,796	**48,240,195**
Current		
Bank borrowings	16,234,083	4,379,832
Borrowings from related parties (Note 34)	5,810,239	40,115,501
Negotiable obligations	49,347,640	3,461,802
	71,391,962	**47,957,135**

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, 2021 and December 31, 2020.

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

By means of Communication "A" 7106 dated September 15, 2020, the BCRA introduced restrictions to access the exchange market. One of such measures applicable to entities with offshore financial debt with a non-related counterparty and with debt securities issued in Argentina and denominated in foreign currency, maturing between October 15, 2020 and March 31, 2021 is the obligation to submit a refinancing plan under certain parameters. Additionally, on February 25, 2021, and December 9, 2021, through Communications "A" 7230 and "A" 7416, the BCRA extended the obligation to submit a refinancing plan to principal amounts maturing on or after April 1, 2021 and until December 31, 2021, and on or after January 1, 2022 until June 30, 2022, respectively, pursuant to Communication "A" 7106. At the date of this Financial Statements the Company refinanced its debts maturing on or before June 30, 2022, pursuant to Communications "A" 7106, "A" 7230 and "A" 7416.

Notes to Financial Statements at December 31, 2021 (cont'd)

24. Borrowings (cont'd)

There follows the evolution of borrowings:

	Fiscal year ended on December 31,	
	2021	**2020**
Balance at the beginning of the year	96,197,330	80,079,584
Proceeds from borrowings	25,573,146	1,256,955
Issuance of negotiable obligations	577,239	2,951,943
Payment of borrowings	(47,976,071)	(15,894,972)
Accrued interest	5,430,904	5,061,284
Paid interest	(5,344,000)	(5,315,437)
Profits (losses) from repurchase of negotiable obligations	1,449,644	392,281
Repurchase of negotiable obligations	(2,902,550)	(791,358)
Exchange and translation differences	18,595,116	28,457,050
Balance at year-end	**91,600,758**	**96,197,330**

Bank borrowings and borrowings from related parties are detailed below:

Lender	Dec-21	Interest rate	Contract's currency	Amortization of capital	Maturity
Tecpetrol Internacional S.L.U. (i)	5,810,239	9.00%	USD	1 installment	Mar-22 (i)
J.P. Morgan Chase Bank, Citibank and others (ii)	9,458,166	Libor 3M + 1.50%	USD	Quarterly	Mar-22 to Dec-23 (ii)
Banco Santander Río	1,550,488	4.25%	USD	2 installments	May-22 and Nov-22
Itaú Unibanco S.A. Nassau Branch (iii)	24,765,528	5.75%	USD	Quarterly	Mar-22 to Sep-24

(i) In March 2021, the parties agreed to an extension of the maturity date to repay the principal amount, therefore, the last installment is due in March 2022.

(ii) Pursuant to Communication "A" 7230, in May 2021, the Company and J.P. Morgan Chase Bank, Citibank and others agreed on the refinancing of part of the debt and extended the maturity date until December 2023. Besides, pursuant to Communication "A" 7416, in February 2022, the Company agreed on the refinancing of part of the debt and extended the maturity date until September 2024, which is the maturity date for its cancellation.

(iii) Intended for the settlement of financial debt and other purposes related to the ordinary activities of the Company.

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

Negotiable obligations are detailed below:

Series	Dec-21	Dec-20	Interest rate	Contract's currency	Amortization of capital	Maturity
Class 1 (i)	49,343,756	41,591,858	4.875%	USD	At maturity	Dec-22
Class 2 (ii)	-	916,877	4.00%	USD	At maturity	Feb-21
Class 3 (ii)	-	2,517,819	BADLAR + 4.5%	ARS	At maturity	Feb-21
Class 4 (iii)	672,581	-	4.00%	USD	At maturity	Feb-23

Notes to Financial Statements at December 31, 2021 (cont'd)

24. Borrowings (cont'd)

(i) On December 12, 2017, the Company issued Class 1 Negotiable obligations for a nominal value of USD 500 million, with an issuance price of 100%, which bear interest at a fixed rate of 4.875% and mature on December 12, 2022. Interest is payable semi-annually as from June 12, 2018. Principal 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. The Parent Company, Tecpetrol Internacional S.L.U., unconditionally and irrevocably guarantees the negotiable obligations of the Company.

At December 31, 2021 and December 31, 2020, the Company has repurchased its negotiable obligations at market values for a nominal value of USD 20 million and USD 5.2 million, respectively, corresponding to negotiable obligations Class 1 maturing in December 2022.

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

(iii) Additionally, on February 9, 2021, the Company issued Class 4 negotiable obligations for a nominal value of USD 6.5 million, paid in cash (in USD) and in kind through the delivery of negotiable obligations Class 2, with an issuance price of 100%, bearing interest at a fixed rate of 4% and maturing on February 9, 2023. Interest is payable quarterly, and principal will be fully paid off upon maturity. Funds obtained from the issuance of such negotiable obligations were used for the partial refinancing of Class 2 negotiable obligations, as stated under Communication "A" 7106 from the BCRA. On February 22, 2021, the Company administered all funds in accordance with the use set forth under the program. On March 2, 2021, 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.

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, 2021	December 31, 2020
Non-current		
Pension programs and other plans (i)	1,643,292	1,192,032
Employee retention and long-term incentive program	1,077,035	728,136
	2,720,327	**1,920,168**
Current		
Employee retention and long-term incentive program	397,716	289,023
	397,716	**289,023**

(i) There were no enforceable debts at December 31, 2021 and December 31, 2020.

Notes to Financial Statements at December 31, 2021 (cont'd)

25. Employee benefits programs (Cont´d)

	Fiscal year ended on December 31, 2021	Fiscal year ended on December 31, 2020
Pension programs and other plans	330,854	184,829
Employee retention and long-term incentive program	616,203	146,327
Total included in Labor costs (Note 11)	**947,057**	**331,156**

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, 2021	Fiscal year ended on December 31, 2020
Cost of services	79,800	46,337
Cost of interest	251,054	138,492
Total	**330,854**	**184,829**

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

	Fiscal year ended on December 31, 2021	Fiscal year ended on December 31, 2020
Balance at the beginning of the year	1,192,032	842,673
Cost of services and interest	330,854	184,829
Net actuarial profits (losses)	380,046	(96,237)
Additions	51,592	15,369
Exchange differences	(75,560)	(12,418)
Currency translation differences	261,786	274,642
Payments made	(497,458)	(16,826)
Balance at year-end	**1,643,292**	**1,192,032**

At December 31, 2021, a 1% increase/(decrease) in the discount rate would have resulted in a (decrease)/increase in liabilities of ($58.5 million) and $64.6 million, respectively; while a 1% increase/(decrease) in the salary increase rate would have resulted in an increase/(decrease) of $42.8 million and ($39.7 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, 2021	December 31, 2020
Non-current		
Asset retirement obligations	4,300,532	4,304,514
Provision for other contingencies	105,202	86,119
	4,405,734	**4,390,633**
Current		
Asset retirement obligations	510,465	359,107
	510,465	**359,107**

Notes to Financial Statements at December 31, 2021 (cont’d)

26. Provisions (cont'd)

The evolution of provisions is disclosed below:

Asset retirement obligations

	Fiscal year ended on December 31, 2021	2020
Balance at the beginning of the year	4,663,621	2,867,423
Currency translation differences	1,037,679	1,228,051
Net increases/(recoveries)	(818,837)	665,541
Uses	(71,466)	(97,394)
Balance at year-end	**4,810,997**	**4,663,621**

At December 31, 2021 and December 31, 2020, the provision for asset retirement obligations was estimated using inflation rates in USD ranging between 1.9% and 2.9%, and discount rates in USD of 13.45% and 10.4%.

Other contingencies

	Fiscal year ended on December 31, 2021	2020
Balance at the beginning of the year	86,119	87,618
Exchange and translation differences	20,088	15,287
Net recoveries	(1,005)	(16,786)
Balance at year-end	**105,202**	**86,119**

27. Trade and other payables

	December 31, 2021	December 31, 2020
Trade payables	9,886,305	5,847,044
Payables to related parties (Note 34)	1,421,992	147,185
Social security debts and other taxes	2,371,374	1,247,814
Other liabilities	198,433	7,484
	13,878,104	**7,249,527**

28. Deferred income tax

There follows the evolution of deferred income tax:

	Fiscal year ended on December 31, 2021	2020
Balance at the beginning of the year - Net deferred liabilities	(4,085,293)	(1,436,883)
Charged directly to Other comprehensive income	(89,060)	(83,217)
Profits (losses) for the year	5,428,198	(1,683,426)
Currency translation differences	(1,152,611)	(881,767)
Balance at year-end - Net deferred assets/(liabilities)	**101,234**	**(4,085,293)**

Notes to Financial Statements at December 31, 2021 (cont'd)

28. Deferred income tax (cont'd)

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

Deferred tax liability	**Property, plant and equipment**	**Deferral of tax inflation adjustment**	**Others**	**Total**
At December 31, 2020	**(2,473,522)**	**(10,469,565)**	**(628,286)**	**(13,571,373)**
Transfers to deferred tax assets	2,473,522	-	-	2,473,522
Charged directly to Other comprehensive income	-	-	(233,408)	(233,408)
Profits (losses)	-	1,057,882	(1,200,339)	(142,457)
Currency translation differences	-	(2,043,535)	(192,505)	(2,236,040)
At December 31, 2021	**-**	**(11,455,218)**	**(2,254,538)**	**(13,709,756)**

Deferred tax assets	**Property, plant and equipment**	**Provisions/allowances**	**Tax losses (i)**	**Others**	**Total**
At December 31, 2020	**-**	**758,835**	**7,823,493**	**903,752**	**9,486,080**
Transfers of deferred tax liability	(2,473,522)	-	-	-	(2,473,522)
Charged directly to Other comprehensive income	-	144,348	-	-	144,348
Profits (losses)	6,804,006	269,866	(873,239)	(629,978)	5,570,655
Currency translation differences	(104,902)	190,504	892,455	105,372	1,083,429
At December 31, 2021	**4,225,582**	**1,363,553**	**7,842,709**	**379,146**	**13,810,990**

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

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

(i) It includes $2,017 million from inflation adjustments. See Note 2.12.a.

The following amounts are disclosed in the Statement of Financial Position, after being offset as described in Note 2.12.a:

	December 31, 2021	**December 31, 2020**
Deferred tax assets/(liabilities)	101,234	(4,085,293)
	101,234	**(4,085,293)**

Notes to Financial Statements at December 31, 2021 (cont'd)

28. Deferred income tax (cont'd)

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

	December 31, 2021	December 31, 2020
Deferred tax assets to be recovered in more than 12 months	12,068,291	7,823,493
Deferred tax liabilities to be settled in more than 12 months	(11,455,218)	(12,943,087)
Deferred tax assets to be recovered in less than 12 months	1,742,699	1,662,587
Deferred tax liabilities to be settled in less than 12 months	(2,254,538)	(628,286)

29. Derivative financial instruments

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

	December 31, 2021	December 31, 2020
Foreign currency derivatives	844	14,399
Derivatives with a positive fair value	**844**	**14,399**
Foreign currency derivatives	(166,061)	(118,710)
Derivatives with a negative fair value	**(166,061)**	**(118,710)**

There follows a detail of derivative financial instruments:

Purchase currency	Sale currency	Maturity	Type of contract	Fair value December 31, 2021	Fair value December 31, 2020
USD	ARS	2022	Forward (NDF)	(165,217)	(104,311)
USD	ARS	2022	Futures (Rofex)	-	-
				(165,217)	**(104,311)**

30. Cash Flow Statement complementary information

Cash Flow Statement complementary information is disclosed below:

Adjustments to profits (losses) for the year to reach operating cash flows (*)

	Fiscal year ended on December 31, 2021	Fiscal year ended on December 31, 2020
Depreciation of property, plant and equipment (Note 15)	37,794,243	26,755,733
(Reversal of)/Impairment of property, plant and equipment (Note 15)	(1,941,882)	2,160,381
Depreciation of right-of-use assets (Note 16)	737,905	640,079
Profit from the sale of property, plant and equipment (Note 12)	(50,335)	(5,146)
Exploration costs	1,176,171	1,706,800
Income tax (Note 14)	(5,428,198)	1,683,426
Net accrued interest from borrowings	86,904	(254,153)
Accrued interest from right-of-use liabilities (Note 16)	130,111	102,789
Dividend income (Note 13)	(201,052)	(90,660)
Provisions - (recoveries)/net increases	(2,607,204)	3,140,221
Loss from the repurchase of negotiable obligations (Note 24)	1,449,644	392,281
(Profits) loss from investments in entities accounted for using the equity method (Note 17)	(1,899)	4,725
Loss from employee benefits programs (Note 11)	947,057	331,156
	32,091,465	**36,567,632**

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

30. Cash Flow Statement complementary information (cont'd)

Changes in working capital

	Fiscal year ended on December 31, 2021	2020
Decrease/(increase) in trade and other receivables	4,391,027	(9,838,433)
Increase in inventories	(655,092)	(1,164,795)
Changes in derivative financial instruments	60,906	104,311
Increase in trade and other payables	1,566,802	1,089,555
	5,363,643	**(9,809,362)**

31. Assets and liabilities in currency other than Argentine pesos [1]

Item	Type [2]	12.31.2021		12.31.2020	
		Amount in currency other than Argentine pesos [3]	Amount in local currency at 102.72 [4]	Amount in currency other than Argentine pesos [3]	Amount in local currency at 84.15 [4]
Assets					
Non-current assets					
Other receivables and prepayments	USD	3,084	316,744	15,780	1,327,899
Current assets					
Other receivables and prepayments	USD	13,636	1,400,697	4,111	345,909
Other investments	USD	67,711	6,955,315	32,914	2,769,733
Trade receivables	USD	40,822	4,193,280	23,773	2,000,464
Cash and cash equivalents	USD	1,136	116,645	365	30,686
Total assets			**12,982,681**		**6,474,691**
Liabilities					
Non-current liabilities					
Borrowings	USD	196,737	20,208,796	573,264	48,240,195
Right-of-use liabilities	USD	15,064	1,547,405	12,077	1,016,265
Provisions	USD	41,867	4,300,532	51,153	4,304,514
Current liabilities					
Borrowings	USD	695,015	71,391,962	539,980	45,439,316
Right-of-use liabilities	USD	11,542	1,185,605	7,073	595,234
Provisions	USD	4,969	510,465	4,267	359,107
Trade and other payables	USD	58,001	5,957,897	48,814	4,107,671
Total liabilities			**105,102,662**		**104,062,302**

(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, 2021 and December 2020, respectively.

Notes to Financial Statements at December 31, 2021 (cont'd)

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

(i) Contingencies

The Company has contingent liabilities in respect of claims arising from the ordinary course of business. Moreover, there are certain interpretations of controlling authorities as to the calculation and payment of certain taxes that differ from the criterion applied by the Company. Based on the Management's assessment and the opinion of the legal counsels, the Company does not anticipate incurring in any material expenses derived from contingent liabilities other than those provided for in these Financial Statements.

(ii) Main investment commitments and guarantees

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

- Guarantee, in favor of the Office of the Secretary of Energy of the Ministry of Economy, of all obligations set forth under Section V, Subsection 3 of Exhibit to Resolution No. 46-E/2017 and amendments, for USD 103.19 million.
- Guarantee, in favor of the Office of the Secretary of Energy of the Ministry of Economy, of all obligations set forth under Section 81 of the Annex to Decree No. 892/20 related to the National Public Bidding for the Promotion Plan for Argentine Natural Gas Production/2020-2024 Supply and Demand Scheme, for USD 23.18 million.
- Guarantee in favor of the Energy Institute of the province of Santa Cruz for contract performance for the first exploratory phase in Gran Bajo Oriental for an amount of USD 13.56 million.
- Guarantee for contract performance under the investment and work plan for the exploration of Block MLO-124 Ronda Costa Afuera N°1 for an amount of USD 1.99 million.
- Guarantee for the postponement of commitments corresponding to Agua Salada area for USD 5.04 million.
- Guarantee for USD 1.36 million on the shares purchase agreement of Parques Eólicos de la Buena Ventura S.A.

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

Basin	Area	Pending investment commitments
Noroeste - San Jorge and others	El Tordillo and La Tapera - Puesto Quiroga	- Additional investments for USD 200 million until December 31, 2026 aiming at extending the operations in the area until 2047. USD 135 million of such amount must be invested before December 31, 2023.
	Gran Bajo Oriental	- Drilling of two exploratory wells before June 2022 for an amount of USD 9.1 million.
	MLO-124	- 3D seismic studies over the entirety of the area, 3D seismic performance and acquisition of 3D seismic to be completed before 2023.
Neuquina	Agua Salada	- Drilling of one advancement well for USD 4.2 million to be made before 2025.
	Los Bastos	- Exploratory investments for USD 10.85 million to be made until 2026 outside the exploitation area (*)
	Loma Ancha	- Drilling of one exploratory well with lateral branch of at least 1,500 meters, a minimum of 20 phases of unconventional hydraulic stimulation and production testing for a two-month period minimum in order to assess the productivity of Vaca Muerta formation, to be made before September 30, 2022. (**)
	Los Toldos I Norte	- Pilot Project investments consisting of the drilling and completion of 4 wells, acquisition of 3D seismic, infrastructure and other investments until December 2022 (by July 2022, 4 wells have to be drilled, completed and partially tested). (**)

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

(ii) Main investment commitments and guarantees (cont'd)

Basin	Area	Pending investment commitments
Neuquina (cont'd)	Los Toldos II Este	- Pilot Project investments consisting of the drilling and completion of 3 wells, infrastructure and other investments until December 2022 (by September 2022, 3 wells have to be drilled, completed and partially tested). (**) (***)

(*) As of the date of issuance of these Financial Statements, the investments were made, and they are undergoing certification and examination procedures by governmental authorities of the province of Neuquén.
(**) As of the date of issuance of these Financial Statements, Tecpetrol is negotiating under the commitment term with governmental authorities of Neuquén.
(***) As of the date of issuance of these Financial Statements, the investments intended for the drilling of 3 wells were made and they are undergoing certification and examination procedures by governmental authorities of the province of Neuquén.

Under Plan Gas 4, Tecpetrol assumed a total investment commitment of approximately USD 451 million in Neuquina basin: USD 13 million for the first quarter of 2021 and about USD 29.2 million for the remaining quarters starting on the second quarter of 2021. Such investments will be made during 2021-2024 and include maintaining drilling equipment in operation (an average of 0.85 per quarter). At December 31, 2021, Tecpetrol had already made investments for USD 298.01 million. Besides, Tecpetrol committed to a production curve of up to 14.2 million m^3/d in Neuquina basin until 2024, and regarding hiring local, regional and national workforce, the Company made a commitment to proportionally increase the number of Argentinian workers under the committed investment plans until 2024. Also, in relation to the agreements entered into with the distribution service licensees, CAMMESA and IEASA, for the supply of natural gas under the abovementioned Plan, regular clauses for the delivery or payment of up to 9.94 million m^3/d until December 2024 were included, considering increases of 4.5 million m^3/d from May to September of each year.

(iii) Restrictions on the distribution of profits

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

CNV General Resolution No. 609/12 sets forth that the difference between the initial balance of retained earnings disclosed in the financial statements of the first year-end under IFRS implementation and the final balance of retained earnings at the end of the last fiscal year under the previous accounting standards then in force shall be allocated to a Special Reserve. Such reserve shall not be used for distribution (whether in cash or in kind) among shareholders or owners of the entity and shall only be used for capitalization purposes or to compensate potential negative balances under "Retained earnings." On April 26, 2018, the Shareholders at an Annual General Meeting approved the setting up of this reserve and the restrictions upon its use.

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

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

On March 2, 2017, the Mining and Energy Ministry issued Resolution MINEM 46E/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 value of Included Production of natural gas from unconventional reservoirs ("Minimum Price"), which is of USD 7.5 per million BTU for 2018, USD 7 per million BTU for 2019, USD 6.5 per million BTU for 2020 and USD 6 per million BTU for 2021, and the average price ("Effective Price") according to Resolution MINEM No. 419-E/2017 dated November 1, 2017"). To this effect, and pursuant to the Program, member companies must report: (i) the total volume of natural gas from unconventional reservoirs and (ii) the prices of all sales of natural gas.

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

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

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

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

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

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

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

The Company filed appeals against the resolutions issued by the Office of the Secretary of Energy settling Provisional Payments from Aug-18 to Dec-20 inclusive and Payment Adjustments from Apr-18 to Dec-20 inclusive, 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 Government.

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

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

cause, subject matter, purpose, misuse of power, procedure and issuance, among others. The Company reserved its right to claim interest and damages derived from the above-mentioned contended administrative acts.

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

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

Within the framework of the Public Bidding – Promotion Plan for Argentine Natural Gas Production / 2020-2024 Supply and Demand Scheme, established by means of Executive Decree No. 892/2020 and the Bidding Terms And Conditions of the Public Bidding – Promotion Plan For Argentine Natural Gas Production / 2020-2024 Supply And Demand Scheme under Resolution No. 317/2020 issued by the Office of the Secretary of Energy (Plan Gas 4), subject to the term and validity of Gas Plan 4 and in relation to the volumes of production therein committed and delivered, Tecpetrol accepted that payments under the Program related to the volumes of natural gas delivered in accordance with Plan Gas 4 as from the first delivery, that is, January 1, 2021, will be limited to the production projection of natural gas estimated upon request of adherence of Fortín de Piedra Project to the Program. Therefore, the Company waived its right to demand payments for natural gas volumes under the Program as from January 1, 2021, exceeding the figures projected for the above-mentioned production.

In compliance with applicable accounting standards, the Company included those compensations that are highly likely to be paid by the government according to the assessment criterion used for the last payments. This would represent a lower income for a total amount of $29,915 million and $29,894 million accumulated from the commencement of the Program and until December 31, 2021 and December 31, 2020, respectively.

Notes to Financial Statements at December 31, 2021 (cont'd)

34. Related-party balances and transactions

Tecpetrol S.A. is controlled by Tecpetrol Internacional S.L.U., which holds 95.99% of the Company's shares.

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

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

Main transactions with related parties:

	Fiscal year ended on December 31,	
	2021	**2020**
Net sales		
Other related companies	4,761,659	2,495,024
Purchases of goods and services		
Other related companies	(11,364,993)	(581,515)
Oleoducto Loma Campana - Lago Pellegrini S.A.	(97,865)	(78,190)
	(11,462,858)	(659,705)
Reimbursement of expenses		
Other related companies	77,274	92,106
Interest income		
Other related companies	66,615	6,187
Interest cost		
Tecpetrol Internacional S.L.U.	(1,411,419)	(1,888,527)
Tecpetrol Internacional S.L.U. Uruguay Branch	(16,986)	-
Other related companies	(43,485)	(10,968)
	(1,471,890)	(1,899,495)

Notes to Financial Statements at December 31, 2021 (cont'd)

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

Balances with related parties

	December 31, 2021	December 31, 2020
Other receivables from related parties (Note 20)		
Non-current		
Expenses paid in advance - Other related companies	112,954	326,988
Borrowings - Other related companies	-	898,729
	112,954	1,225,717
Current		
Expenses paid in advance - Other related companies	-	75,459
Other receivables - Tecpetrol Internacional S.L.U.	950	20,385
Other receivables - Tecpetrol Investments S.L.U.	602	380
Borrowings - Other related companies	1,031,534	-
Other receivables - Other related companies (i)	502,303	337,962
	1,535,389	434,186
Trade receivables from related parties (Note 21):		
Current - Other related companies	215,235	313,793
Borrowings from related parties (Note 24):		
Current - Tecpetrol Internacional S.L.U.	5,810,239	40,115,501
Right-of-use liabilities:		
Non-current - Other related companies	936,650	-
Current - Other related companies	165,808	-
Trade and other payables with related parties (Note 27):		
Current - Oleoducto Loma Campana - Lago Pellegrini S.A.	13,423	5,467
Current - Other related companies (ii)	1,408,569	141,718
	1,421,992	147,185

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

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

Remuneration of Directors

Remuneration of Directors and first-line executives for the fiscal years ended on December 31, 2021, and December 31, 2020 reached $425.2 million and $368.2 million, respectively. Additionally, Directors and first-line executives received units under the employee retention and long-term incentive program mentioned in Note 2.13 (b) for a total amount of USD 0.7 million in fiscal years ended on December 31, 2021 and December 31, 2020.

35. Main joint operations

Joint operations

a) Areas operated by Tecpetrol

Name	Location	% at December 31, 2021	% at December 31, 2020	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-22
Loma Ranqueles (iii)	Neuquén	65.0	65.0	Jun-20
Los Toldos (I Norte, II Este)	Neuquén	90.0	90.0	May-54

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

(ii) Tecpetrol S.A. assumes 100% of the costs and investments during the basic exploration period under an agreement with its partner Gas y Petróleo del Neuquén S.A. In September 2021, an agreement was signed with the Government of Neuquén extending the completion of the second exploratory period until December 2022.

(iii) In March 2020, the Company filed a petition to extend the term for the evaluation of the area. As of the date of issuance of these Financial Statements, the government of the province of Neuquén has not yet approved said request.

b) Areas operated by third parties

Name	Location	% at December 31, 2021	% at December 31, 2020	Expiration date of the concession
Ramos	Salta	25	25	Jan-26
Los Toldos I Sur	Neuquén	10	10	Mar-52
MLO-124 (i)	Malvinas marine basin	10	10	Oct-27

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

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

Name	Assets		Liabilities	
	Dec-21	Dec-20	Dec-21	Dec-20
Aguaragüe	1,144,554	1,232,666	721,566	583,674
Agua Salada	1,393,576	1,316,804	1,316,859	869,851
El Tordillo	8,606,985	7,240,957	2,873,896	2,850,589
La Tapera – Puesto Quiroga	56,005	76,219	36,811	43,365
Ramos	613,432	334,696	703,013	289,569
Los Toldos (I Norte and II Este)	8,873,593	4,696,774	2,142,326	1,467,435
Los Toldos I Sur	1,928,619	1,677,475	126,403	40,318

Notes to Financial Statements at December 31, 2021 (cont'd)

36. Assets classified as held for sale

In December 2021 Tecpetrol S.A. acquired from Abo Wind Energías Renovables S.A. and Abo Wind AG all of the ordinary shares of PEBV, representing 100% of the share capital and the voting rights. Such company is in an early phase of development of project Parque Eólico de la Buena Ventura, of up to 105 MW and is located in Gonzales Chaves, province of Buenos Aires. In November 2021, CAMMESA notified PEBV of the allocation of dispatch priorities in the Renewable Energy Market (Mercado a Término de Energías Renovables, MATER) according to Resolution No. 281/17 from the Mining and Energy Ministry, related to the requests submitted in the third quarter of 2021 and consisting in a 100.8 MV power demand.

The purchase price reached USD 2.0 million (USD 1.9 million of the total amount correspond to costs of shares and USD 0.1 million correspond to the assignment of a credit of Abo Wind Energías Renovables S.A. with PEBV). At the date of acquisition Tecpetrol S.A. paid USD 0.7 million, and the remaining balance (subject to certain clauses) will be cancelled in installments until August 2023.

At December 31, 2021, the investment in PEBV totaled $208,518.

At the date of issuance of these Financial Statements, the Company has agreed to sell its interest in PEBV to Siderca S.A.I.C.

37. Subsequent events

No events, situations or circumstances have taken place as from December 31, 2021, and until the date of issuance of these Financial Statements, other than the ones mentioned herein, which affect or might significantly affect the economic and financial position of the Company or are otherwise worth mentioning.

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tecpetrol Sociedad Anónima (the "Company"), including the statement of financial position at December 31, 2021 and the statements of income, of comprehensive income, of changes in equity, and cash flow for the year then ended, and notes to the financial statements, including a summary of the most significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and its comprehensive income and cash flows for the fiscal year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key Audit Matters	Audit Response
Impact of proven hydrocarbon reserves on the carrying amount of Property, plant and equipment (PP&E) As indicated in Note 15 to the accompanying financial statements, the carrying value, net of impairment, of Property, plant and equipment - Exploration, evaluation and development assets amount to 128,946,423 thousands of Argentine pesos and has depreciation charges for 37,794,243 thousands of Argentine pesos. These values recorded in the financial statements are affected by Management's estimates of proven hydrocarbon reserves. A description of the main judgments and estimates relating to hydrocarbon reserves is included in Note 5(a) Hydrocarbon Reserves to the financial statements. In accordance with the Company's accounting policies described in Note 2.4, development assets are depreciated applying the depletion method based on the total proven or developed proven reserves considered in each area, as applicable. The recoverability of the carrying amount of assets relating to production and development areas and to probable and possible reserves is evaluated in case events or changes in the circumstances show that the carrying amount may not be recoverable. The recoverable value is the higher of assets' fair value less direct costs to sell and their value in use. The value in use is determined based on discounted cash flows expected to be obtained with the remaining commercial reserves. The estimate of hydrocarbon reserves and the calculation of the recoverable value of assets are based on a series of factors, assumptions and variables, such as:	Audit procedures performed in relation to this key matter included, among others: • Understanding the Company´s process for estimating hydrocarbon reserves. • Testing those significant controls implemented by the Company. • Reviewing the contracts indicating the Company's interests in proven developed hydrocarbon reserves until the termination of the contracts. • Obtaining the reports certified by experts independent of the Company, including a) evaluating their objectivity and competence, b) confirming the scope of the work performed, and c) confirming the conclusions of the analysis performed. • Evaluating the reasonableness of significant hypotheses used in these estimates, including development costs and production volumes, considering the Company's past performance and the consistency with evidence obtained in other areas of the audit. • Performing a retrospective review to verify indicators of estimation bias over time, which included comparing production volumes, exploitation costs and capital expenditures for the current year with the applicable hypotheses used in the estimation of proven reserves for the prior year to assess the Company's ability to make accurate provisions. • Confirming that the significant variations in reserves have been based on new available information in the period under analysis.

Key Audit Matters	Audit Response
(i) the quality of available geological, technical, and economic data as well as the interpretation and evaluation carried out by internal and external experts; (ii) the estimate of future units of production and related flows of operating income and expenses, of development and retirement costs as well as the moment when these costs are expected to be incurred. (iii) changes in tax legislation, administrative regulations, and the type or term of underlying contracts; (iv) production volumes of extracted oil and natural gas and the subsequent field analyses, which may entail significant reviews; (v) changes in the curve of future prices of hydrocarbons, inflation, exchange rates; (vi) internal factors related to economic policies and regulatory and governmental factors restricting the Company's ability to increase or maintain the prices in relation to to international prices; and (vii) the discount rate used. This area is relevant based on: (i) it implies the application of critical judgments and significant estimates by Management, including the use of external experts, (ii) the high level of uncertainty of estimates and measurements, (iii) the technical complexity of valuation models used, and (iv) the materiality of related items of the financial statements.	• Verifying the accuracy of the units of production indexes used to calculate depreciation, including the comparison of proven oil reserves used with the reserves reported by the Company. • Evaluating the sufficiency of the information disclosed in the financial statements.

Key Audit Matters	Audit Response
Migration of the Company's Enterprise Resource Planning (ERP) system In the course of the year, the Company has migrated to a new system for enterprise resource planning (ERP). The new ERP is a fully integrated system of financial accounting and reporting. Tecpetrol's accounting and preparation of financial information depend to a great extent on the new system, and there is a risk that the design or performance of some automated accounting procedures and Information Technology (IT) dependent manual controls are not effective.	Audit procedures performed in relation to this key matter included, among others: • Understanding the migration process, the business processes covered by the new ERP, associated controls including IT general controls and control activities based on the new ERP system, as well as the detailed implementation plan. • Understanding and assessing the scope of the work performed by Internal Audit on the implementation strategy, project governance, and Management application controls, and the results of the tests.

Key Audit Matters	Audit Response
Given the higher risk for the completeness and accuracy of data, inherent to migration of financial information, and the risks associated with maintenance of accounting records during the reporting period, added to the impact that the migration will have on the Company's internal control environment, we consider that the implementation of a new ERP system in connection with the financial reporting process is a key audit matter.	• Assessing the Internal Audit function's competence and independence to be able to place reliance on their work. • Getting our IT specialists involved in: a) the evaluation of the design, implementation, and operating effectiveness of certain IT general controls on migration; b) the performance of direct testing on certain security aspects of the Company's information systems, including access management and segregation of duties; and c) the performance of direct testing on the configuration of certain automated controls on the application. • Subsequent to implementation, performing substantive testing on the migration of data from the general ledger on the legacy information system to the new system to ensure its completeness and accuracy, including a review of the reconciliations between both systems conducted by Management.

Information that Accompanies the Financial Statements ("Other Information")

The other information comprises the Annual Report and Summary of Information. The Board of Directors is responsible for the other information.

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

In relation to our audit of the financial statements, our responsibility is to read the other information and when doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, and as regards matters that are within our competence, we consider that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Board's responsibility in respect of Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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Report on other legal and regulatory requirements

In compliance with current regulations, we report that:

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

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

c) at December 31, 2021 the debt of Tecpetrol Sociedad Anónima accrued in favor of the Argentine Integrated Social Security System according to the Company’s accounting records amounted to $ 143,669,589.95, none of which was claimable at that date;

d) as required by Section 21, subsection b), Chapter III, Part VI, Title II of the regulations issued by the National Securities Commission, we report that total fees for auditing and related services billed to Tecpetrol Sociedad Anónima during the fiscal year ended December 31, 2021 account for:

   d.1) 89% of the total fees for services billed to the Company for all items during that fiscal year;

   d.2) 47% of the total fees for auditing and related services billed to the Company, its parent company, subsidiaries and related companies during that year;

   d.3) 45% of the total fees for services billed to the Company, its parent company, subsidiaries and related companies for all items during that year;

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

City of Buenos Aires, March 2, 2022.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)
C.P.C.E.C.A.B.A. V. 1 F. 17
Alejandro J. Rosa
Public Accountant (UM)
C.P.C.E.C.A.B.A. V. 286 F. 136