



## **Tecpetrol Sociedad Anónima**

### **INTERIM CONDENSED FINANCIAL STATEMENTS**

**At September 30, 2018**

and for the nine-month period ended on September 30, 2018

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

## **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 members of the Board of Directors of the Company have approved this summary of information for the nine-month period which commenced on January 1, 2018 and ended on September 30, 2018.

#### **1. Activity of the Company**

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

##### **Analysis of the third quarter of 2018**

During the third quarter of 2018, net sales totaled \$10,497.5 million, representing an increase in relation to the same period of the previous year. Such increase was mainly caused by a significant rise in gas production accompanied by an increase in sales prices and the effect of the exchange rate fluctuation of the Argentine peso ("ARS") with respect to the US dollar ("USD").

During the third quarter of 2018, gas production rose up to 952 million m<sup>3</sup>, representing an increase of 295% in relation to the third quarter of 2017, which was of 241 million m<sup>3</sup>. This increase in production levels is explained by the development of Fortín de Piedra area in Neuquina basin. In both periods, gas production was entirely sold to the domestic market.

Volumes of crude oil production reached 155 thousand m<sup>3</sup> (45% from escalante crude oil and 55% from medianito crude oil), representing a 58% increase with respect to the third quarter of 2017. In the third quarter of 2018, 40% of crude oil production was destined for exports, part of which will be made after the end of the period; whereas in the third quarter of 2017, production was entirely destined for the domestic market.

As regards gas net sales, they increased by \$7,414.3 million in relation to the third quarter of 2017, because of the abovementioned production increase, as well as an increase in sale prices, considering the Company adhered to the "Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs" for gas from Fortín de Piedra.

Revenues from escalante crude oil sales increased by \$851.6 million, due to an increase in average sales prices, an increase in production in Golfo San Jorge basin and the exchange rate fluctuation of the ARS with respect to the USD.

Revenues from medianito crude oil sales increased by \$898.1 million compared to the third quarter of 2017, mainly as a result of an increase in both production of the period and sales prices, and due to the effect of the exchange rate fluctuation of the ARS against the USD.

## TECPETROL SOCIEDAD ANÓNIMA

Operating costs totaled \$6,342.1 million in the third quarter of 2018, representing an increase of 492% compared to the amount recorded in the third quarter of 2017, that is, \$1,070.9 million. Said increase is mainly explained by: i) an increase in depreciation of property, plant and equipment due to the development of Fortín de Piedra area and the commencement of operations of treatment plants in said area; ii) an increase in maintenance operations and wells service costs; iii) royalties expenses related to an increase in production; and iv) the effect of the exchange rate fluctuation of the ARS against the USD.

Selling and administrative expenses during the third quarter of 2018 amounted to \$723.4 million, representing a 141% increase in comparison to the amount of \$299.8 million recorded in the third quarter of 2017. Such increase is mainly explained by higher storage, loading and taxation expenses due to the larger volume in operations, together with the effect of the exchange rate fluctuation of the ARS against the USD.

Net financial profit (loss) showed a loss of \$2,308.9 million in the third quarter of 2018, compared to the loss of \$38.7 million recorded in the third quarter of 2017. Such variation is explained by interest costs of a larger amount of borrowings and the net loss generated by exchange differences due to the exchange rate fluctuation of the ARS against the USD, slightly offset by interest income fundamentally arising from short-term deposits.

During the third quarter of 2018, discontinued operations yielded a profit of \$53.2 million, while in the third quarter of 2017, discontinued operations produced a loss of \$15.7 million. In both periods, the abovementioned profits and losses were the result of the operations of Dapetrol S.A.

The net profit (loss) for the third quarter of 2018 was a profit of \$1,764.1 million, while in the third quarter of 2017, the Company recorded a net loss of \$182.4 million.

### Analysis of the nine-month period ended on September 30, 2018

Net sales for the nine-month period ended on September 30, 2018 totaled \$18,168.4 million, representing an increase in relation to the same period of the previous year. Such increase was mainly caused by a significant rise in gas production accompanied by an increase in sales prices and the effect of the exchange rate fluctuation of the ARS with respect to the USD.

During the first nine months of 2018, gas production rose up to 2,036 million m<sup>3</sup>, representing an increase of 229% in relation to the same period of the previous year, which was of 619 million m<sup>3</sup>. This increase in production levels is explained by the development of Fortín de Piedra area in Neuquina basin. In both periods, gas production was entirely sold to the domestic market.

Volumes of crude oil production reached 379 thousand m<sup>3</sup> (51% from escalante crude oil and 49% from medianito crude oil), representing a 28% increase with respect to the same period of the previous year. During the nine-month period ended on September 30, 2018, 45% of crude oil production was destined for exports, part of which will be made after the end of the period; whereas during the nine-month period ended on September 30, 2017, 20% of the production was destined for the foreign market.

## TECPETROL SOCIEDAD ANÓNIMA

As regards gas net sales, they increased by \$12,381.4 million in relation to the same period of the previous year, because of the abovementioned production increase, as well as an increase in sales prices, since the Company adhered to the "Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs" for gas from Fortín de Piedra.

Revenues from escalante crude oil sales increased by \$953.4 million, due to an increase in average sales prices and the exchange rate fluctuation of the ARS with respect to the USD. Such effect was partially offset by a drop in production in Golfo San Jorge basin.

Revenues from medanito crude oil sales increased by \$1,255.1 million compared to the first nine months of 2017, mainly as a result of an increase in both production of the period and sales prices, and due to the effect of the exchange rate fluctuation of the ARS against the USD.

Operating costs totaled \$11,000.1 million in the nine-month period ended on September 30, 2018, representing an increase of 246% compared to the amount recorded in the nine-month period ended on September 30, 2017, that is, \$3,180 million. Said increase is mainly explained by: i) an increase in depreciation of property, plant and equipment due to the development of Fortín de Piedra area and the commencement of operations of treatment plants in said area; ii) greater labor costs, mainly because of a payroll increase; iii) royalties expenses related to an increase in production; iv) an increase in maintenance operations and wells service costs; and v) the effect of the exchange rate fluctuation of the ARS against the USD.

Selling and administrative expenses during the first nine months of 2018 amounted to \$1,624.1 million, representing a 120% increase in comparison to the amount of \$739.7 million recorded in the first nine months of 2017. Such increase is mainly explained by higher storage, loading and taxation expenses due to the larger volume in operations, together with the effect of the exchange rate fluctuation of the ARS against the USD.

Net financial profit (loss) showed a loss of \$4,117.9 million in the nine-month period ended on September 30, 2018, compared to the loss of \$190.4 million recorded during the same period of the previous year. Such variation is explained by interest costs of a larger amount of borrowings and the net loss generated by exchange differences due to the exchange rate fluctuation of the ARS against the USD, slightly offset by interest income fundamentally arising from short-term deposits.

During the first nine months of 2018, discontinued operations yielded a profit of \$53.4 million generated by the operations of Dapetrol S.A.; whereas during the same period of the previous year, discontinued operations produced a loss of \$192.6 million, mainly from the operations of Tecpetrol de Bolivia S.A. and Dapetrol S.A.

The net profit (loss) for the nine-month period ended on September 30, 2018 was a profit of \$2,189.9 million, while during the nine-month period ended on September 30, 2017, the Company recorded a net loss of \$920.1 million.

## TECPETROL SOCIEDAD ANÓNIMA

### Liquidity and cash flows

Net cash generated by operating activities in the first nine months of 2018 was \$2,885.2 million.

During the nine-month period ended on September 30, 2018, the Company received funds from borrowings from banks and related companies. These borrowings were obtained at similar interest rates as those of other companies in the Argentine market, considering comparable solvency, soundness, fund generation and risk characteristics.

In March 2018, the Company received a USD 200 million loan from a pool of banks comprising Banco de Crédito del Perú S.A., BBVA Banco Continental, Citibank N.A. and J.P. Morgan Chase Bank N.A. This loan had been agreed upon on September 18, 2017 together with Tecpetrol del Perú S.A.C. and Tecpetrol Bloque 56 S.A.C. The agreed quarterly interest rate is LIBO rate plus 150 bps per year; repayment of the loan shall be performed in thirteen (13) consecutive and quarterly installments as from September 2019. The remaining terms and conditions are the ones regularly used for similar financing processes.

In July 2018, the Company received a loan for USD 200 million from its Parent Company, Tecpetrol Internacional S.L.U. The agreed quarterly interest rate is LIBOR 3M + 2.5% per year; repayment of the loan shall be performed in eight (8) equal and quarterly installments as from September 2019. The last installment is payable in June 2021. The remaining terms and conditions are the ones regularly used for similar financing processes.

Moreover, in December 2017, the Company issued negotiable obligations with a par value of USD 500 million accruing interest at a 4.875% fixed rate and maturing on December 12, 2022. Funds obtained from the issuance of such negotiable obligations were used to invest in fixed assets in Fortín de Piedra area in Vaca Muerta formation, located in the province of Neuquén. As of April 20, 2018, the Company administered all funds in accordance with the abovementioned use. On May 4, 2018, the members of the Board of Directors of the Company approved such use of the funds and complied with the requirements set forth in Section 25, Chapter V, Title II of CNV Regulations. The Parent Company, Tecpetrol Internacional S.L.U., unconditionally and irrevocably guarantees the negotiable obligations of the Company.

At September 30, 2018, the Company's borrowings totaled \$54,720.7 million and equity totaled \$15,464.2 million.

Investments in Property, plant and equipment during the nine-month period ended on September 30, 2018, net of unpaid acquisitions at the end of such period, reached \$22,416.2 million (mainly because of the development of Fortín de Piedra area).

## TECPETROL SOCIEDAD ANÓNIMA

### 2. Structure of Financial Position (comparative at September 30, 2017 and September 30, 2016— amounts stated in thousands of pesos)

	At September 30,		
	2018	2017	2016
Non-current assets	69,512,017	10,288,884	9,500,519
Current assets	17,800,343	1,597,204	1,641,598
<b>Total Assets</b>	<b>87,312,360</b>	<b>11,886,088</b>	<b>11,142,117</b>
Equity attributable to Owners of the Company	15,464,213	4,262,163	1,273,943
Non-controlling interest	-	(351)	(13,195)
<b>Total Equity</b>	<b>15,464,213</b>	<b>4,261,812</b>	<b>1,260,748</b>
Non-current liabilities	57,811,195	4,658,437	6,556,473
Current liabilities	14,036,952	2,965,839	3,324,896
<b>Total Liabilities</b>	<b>71,848,147</b>	<b>7,624,276</b>	<b>9,881,369</b>
<b>Total Equity and Liabilities</b>	<b>87,312,360</b>	<b>11,886,088</b>	<b>11,142,117</b>

### 3. Structure of Income and Comprehensive Income (comparative with the nine-month periods ended on September 30, 2017 and September 30, 2016 – amounts stated in thousands of pesos)

	Nine-month period ended on September 30,		
	2018	2017	2016 (*)
Operating profit (loss)	5,456,321	(605,191)	(18,817)
Net financial profit (loss)	(4,117,860)	(190,360)	(161,919)
Profit (loss) from investments in entities accounted for using the equity method	-	(60)	(2)
<b>Profit (loss) before taxes</b>	<b>1,338,461</b>	<b>(795,611)</b>	<b>(180,738)</b>
Income tax	797,986	68,123	77,963
<b>Profit (loss) from continuing operations</b>	<b>2,136,447</b>	<b>(727,488)</b>	<b>(102,775)</b>
Profit (loss) from discontinued operations	53,407	(192,638)	(203,888)
<b>Profit (loss) for the period</b>	<b>2,189,854</b>	<b>(920,126)</b>	<b>(306,663)</b>
<b>Statement of Comprehensive Income</b>			
Profit (loss) for the period	2,189,854	(920,126)	(306,663)
Other comprehensive income from continuing operations	7,717,915	317,543	302,836
Other comprehensive income from discontinued operations	(11,727)	121,270	(84,244)
<b>Comprehensive income for the period</b>	<b>9,896,042</b>	<b>(481,313)</b>	<b>(88,071)</b>

(\*) Some figures from the structure of Income and Comprehensive Income have been reclassified for the period ended on September 30, 2016, for comparative purposes in relation to the current period.

## TECPETROL SOCIEDAD ANÓNIMA

### 4. Cash Flow Structure (comparative with the nine-month periods ended on September 30, 2017 and September 30, 2016 – amounts stated in thousands of pesos)

	Nine-month period ended on September 30,		
	2018	2017	2016
Cash generated by operating activities	2,885,164	1,237,761	590,999
Cash used in investing activities	(22,399,980)	(4,535,402)	(1,185,881)
Cash generated by financing activities	11,444,143	3,326,439	930,685
Total cash (used) / generated during the period	<b>(8,070,673)</b>	<b>28,798</b>	<b>335,803</b>

### 5. Statistical Data (comparative information with the nine-month periods ended on September 30, 2017 and September 30, 2016 – amounts stated in thousands of m<sup>3</sup>)

	Nine-month period ended on September 30,		
	2018	2017	2016
<b>Production volume (*)</b>			
Total production in equivalent units	2,415	914	841
Oil production	379	295	396
Gas production	2,036	619	445
Domestic market	2,246	854	684
Exports	169	60	157

(\*) Caloric equivalence (1,000 m<sup>3</sup> gas = 1 m<sup>3</sup> oil)

### 6. Indicators (comparative at September 30, 2017 and September 30, 2016)

	At September 30,		
	2018	2017	2016
Liquidity	1.27	0.54	0.49
Solvency	0.22	0.56	0.13
Locked up capital	0.80	0.87	0.85

Liquidity: Current assets/Current liabilities

Solvency: Total Equity/Total liabilities

Locked up capital: Non-current assets/Total assets

### 7. Perspectives

During the fourth quarter of 2018, Tecpetrol expects an increase in gas production and net sales due to the commencement of production in wells related to the development of Fortín de Piedra area, and estimates crude oil sales figures similar to those of the third quarter of the year, considering a market distribution similar to the current one.

## **TECPETROL SOCIEDAD ANÓNIMA**

Drilling activities and ground-level infrastructure work will continue in Fortín de Piedra, in order to boost the treatment and delivery capacity of gas in the area. It is expected that gas development from Vaca Muerta formation will continue to generate activity across the goods and services value chain associated with hydrocarbon production, and will provide energy under competitive conditions, favoring the economic and industrial development of Argentina and contributing to energy self-sufficiency.

It should be mentioned that on April 19, 2018, through Resolution No. 130/2018, the Energy and Mining Ministry determined that Fortín de Piedra Investment Project shall be deemed as a Critical Project, under the terms of the Investment Promotion Regime for Infrastructure Works set forth in Law No. 26.360 and complementary regulations.

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

In August 2018, the Company obtained an exploration and potential exploitation permission over the area Gran Bajo Oriental located in the province of Santa Cruz, for an exploratory period of three years, which may be extended one year. Such permission also allows the possibility of accessing a second exploratory period of three years, which may be extended four years. During the first exploratory period, investments will be made for USD 13.56 million. Such investments include geophysical studies and the drilling of two wells that will reach depths of 2,600 meters.

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

After the sale of Oil Mine "José Segundo", main asset of Dapetrol S.A., which took place on December 28, 2017, the early dissolution of said company was approved by the Shareholders of Dapetrol S.A. at an Extraordinary Meeting on February 27, 2018. Consequently, Dapetrol S.A. has commenced winding up procedures. On October 8, 2018, the Shareholders at an Extraordinary Meeting approved the Special final liquidation financial statements at August 31, 2018; the winding up of the company and the plan for the distribution of balances and reimbursement of capital previously prepared by the members of the Liquidator Board. Besides, they ordered the presentation of the relevant request in order to cancel the registration of the Company with the Companies Controlling Office (Inspección General de Justicia, IGJ) pursuant to Section 112 of Companies Law No. 19.550.

### ***Loan with Parent Company***

On October 30, 2018, the Company arranged a credit line with its Parent Company, Tecpetrol Internacional S.L.U., for a maximum amount of USD 200 million. Principal will be paid in two equal installments payable on December 31, 2019 and December 31, 2020. Agreed interest rate is LIBOR 12M + 4.69% per year. Interest is payable on December 31 of each year. The first payment will be made on December 31, 2018. The remaining terms and conditions are the ones regularly used for similar financing processes. As of the date of issuance of this summary of information, the abovementioned loan has not been received.



## **TECPETROL SOCIEDAD ANÓNIMA**

### ***Merger with Americas Petrogas Argentina S.A.***

On March 9, 2018, the Directors of the Company approved a Merger Preliminary Commitment between Americas Petrogas Argentina S.A. (hereinafter referred to as "APASA") and Tecpetrol S.A. (both companies are directly controlled by Tecpetrol Internacional S.L.U.), whereby Tecpetrol S.A., as the continuing company, would acquire APASA, which will dissolve (but will not wind up), concentrating both entities in a single operating unit for the purposes of optimizing all administrative, functional, financial and operating structures, for the benefit of the continuing company and the economic group as a whole. On April 26, 2018, the Shareholders of both Companies at a General and Extraordinary Meeting approved by unanimous vote the merger of APASA (as the company to be absorbed by Tecpetrol S.A.) and ratified the terms of the Merger Preliminary Commitment, effective as from January 1, 2018. From such date onwards, Tecpetrol S.A. has unrestricted access to all business and financial information of APASA and participates in the decision-making process related to the business. Having served all notices as required by section 83, subsection 3 of Companies Law No. 19.550 and without opposition from creditors within the statutory period, on June 1, 2018, Tecpetrol S.A. and APASA executed the final Merger Agreement through notarially-recorded instrument.

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

As a result of such merger with APASA, Tecpetrol S.A. mainly incorporates joint operations in unconventional hydrocarbon exploration and exploitation areas in the province of Neuquén (Los Toldos and Loma Ranqueles).

City of Buenos Aires, November 7, 2018.

# **Tecpetrol Sociedad Anónima**

## **Table of contents**

### **Interim Condensed Financial Statements**

Summary of Information

Legal information

Interim Condensed Financial Statements at September 30, 2018

Interim Condensed Income Statement

Interim Condensed Statement of Comprehensive Income

Interim Condensed Statement of Financial Position

Interim Condensed Statement of Changes in Equity

Interim Condensed Cash Flow Statement

Notes to Interim Condensed Financial Statements

Auditor's Report on Interim Condensed Financial Statements

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**LEGAL INFORMATION**

<b>Legal domicile:</b>	Pasaje Della Paolera 299/297, 16th floor, city of Buenos Aires
<b>Reported fiscal year:</b>	No. 39
<b>Company's main line of business:</b>	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.
<b>Registration dates with the Companies Registration Office:</b>	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.
<b>Date of expiry of Company's by-laws:</b>	June 19, 2080.
<b>Correlative registration number with the Companies Controlling Office (Inspección General de Justicia, IGJ):</b>	802.207
<b>Name of Parent Company</b>	Tecpetrol Internacional S.L.U.
<b>Legal domicile of Parent Company:</b>	Calle García de Paredes 94, 1st floor, apartment A, 28010 Madrid, Spain.
<b>Parent Company's main line of business:</b>	Investment.
<b>Equity interest held by Parent Company</b>	95.99%.
<b>Percentage of votes of Parent Company</b>	98.1750%.

		<b>At September 30, 2018</b>
<b>Capital status (Note 21)</b>	<b>Type of shares</b>	<b>Total subscribed, paid-up and registered \$</b>
	<b>Book entry shares</b>	
	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
		<hr/> 4,436,448,068

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**INTERIM CONDENSED INCOME STATEMENT**

**for the three-month and nine-month periods ended on September 30, 2018 and September 30, 2017**

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

	Notes	Three-month period ended on September 30,		Nine-month period ended on September 30,	
		2018	2017	2018	2017
<b>Continuing operations</b>		<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Net sales	5	10,497,500	1,316,916	18,168,385	3,299,232
Operating costs	6	<u>(6,342,052)</u>	<u>(1,070,905)</u>	<u>(11,000,100)</u>	<u>(3,180,023)</u>
<b>Gross margin</b>		<b>4,155,448</b>	<b>246,011</b>	<b>7,168,285</b>	<b>119,209</b>
Selling expenses	7	(350,861)	(46,373)	(650,794)	(137,910)
Administrative expenses	8	(372,569)	(253,378)	(973,332)	(601,770)
Exploration costs		(57,280)	(176)	(77,032)	(784)
Other operating income	10	822	1,257	12,832	18,994
Other operating expenses	10	<u>(134)</u>	<u>(1,676)</u>	<u>(23,638)</u>	<u>(2,930)</u>
<b>Operating profit (loss)</b>		<b>3,375,426</b>	<b>(54,335)</b>	<b>5,456,321</b>	<b>(605,191)</b>
Financial income	11	35,404	4,625	90,445	14,502
Financial costs	11	(498,788)	(37,010)	(1,021,476)	(157,496)
Other net financial loss	11	<u>(1,845,511)</u>	<u>(6,292)</u>	<u>(3,186,829)</u>	<u>(47,366)</u>
<b>Profit (loss) before loss from investments in entities accounted for using the equity method and income tax</b>		<b>1,066,531</b>	<b>(93,012)</b>	<b>1,338,461</b>	<b>(795,551)</b>
Loss from investments in entities accounted for using the equity method	14	-	(56)	-	(60)
<b>Profit (loss) before income tax</b>		<b>1,066,531</b>	<b>(93,068)</b>	<b>1,338,461</b>	<b>(795,611)</b>
Income tax	12	644,325	(73,698)	797,986	68,123
<b>Profit (loss) for the period from continuing operations</b>		<b>1,710,856</b>	<b>(166,766)</b>	<b>2,136,447</b>	<b>(727,488)</b>
<b>Discontinued operations</b>					
Profit (loss) for the period from discontinued operations	32	53,241	(15,672)	53,407	(192,638)
<b>Profit (loss) for the period</b>		<b>1,764,097</b>	<b>(182,438)</b>	<b>2,189,854</b>	<b>(920,126)</b>
<b>Profit (loss) attributable to:</b>					
Owners of the Parent Company		1,762,766	(182,047)	2,188,519	(916,203)
Non-controlling interest		1,331	(391)	1,335	(3,923)

The accompanying notes 1 to 33 form an integral part of these Interim Condensed Financial Statements. These Interim Condensed Financial Statements must be read together with the audited Consolidated Financial Statements at December 31, 2017.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**for the three-month and nine-month periods ended on September 30, 2018 and September 30, 2017**

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

	Notes	Three-month period ended on September 30,		Nine-month period ended on September 30,	
		2018	2017	2018	2017
		(Unaudited)		(Unaudited)	
<b>Profit (loss) for the period</b>		<b>1,764,097</b>	<b>(182,438)</b>	<b>2,189,854</b>	<b>(920,126)</b>
<b>Other comprehensive income:</b>					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
<b>Continuing operations</b>					
Changes in the fair value of investments in equity instruments	15	-	4,151	-	10,269
Income tax related to components of other comprehensive income (i)		-	(2,631)	-	(2,798)
<b>Discontinued operations</b>					
Currency translation differences		(55,277)	61	(11,727)	121,270
<i>Items that will not be reclassified to profit or loss:</i>					
<b>Continuing operations</b>					
Currency translation differences - Tecpetrol S.A.		4,480,952	174,187	7,669,337	309,256
Changes in the fair value of investments in equity instruments	15	44,341	-	73,997	-
Remeasurement of post-employment benefit obligations		-	(127)	4,693	1,255
Income tax related to components of other comprehensive income (ii)		(13,843)	45	(30,112)	(439)
<b>Total other comprehensive income for the period</b>		<b>4,456,173</b>	<b>175,686</b>	<b>7,706,188</b>	<b>438,813</b>
<b>Total comprehensive income for the period</b>		<b>6,220,270</b>	<b>(6,752)</b>	<b>9,896,042</b>	<b>(481,313)</b>
<b>Comprehensive income attributable to:</b>					
Owners of the Parent Company		6,220,321	(6,351)	9,895,150	(479,897)
Non-controlling interest		(51)	(401)	892	(1,416)
		<b>6,220,270</b>	<b>(6,752)</b>	<b>9,896,042</b>	<b>(481,313)</b>
<b>Comprehensive income attributable to the Owners of the Parent Company</b>					
Continuing operations		6,222,306	8,870	9,854,512	(410,091)
Discontinued operations		(1,985)	(15,221)	40,638	(69,806)
		<b>6,220,321</b>	<b>(6,351)</b>	<b>9,895,150</b>	<b>(479,897)</b>

(i) Generated by changes in the fair value of investments in equity instruments.

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

The accompanying notes 1 to 33 form an integral part of these Interim Condensed Financial Statements. These Interim Condensed Financial Statements must be read together with the audited Consolidated Financial Statements at December 31, 2017.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**at September 30, 2018 and December 31, 2017**

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

	Notes	September 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment. Exploration, evaluation and development assets	13	66,457,163	15,376,138
Investments in entities accounted for using the equity method	14	32	-
Investments in equity instruments at fair value	15	811,814	317,549
Deferred tax asset	26	1,795,705	335,424
Other receivables and prepayments	16	362,143	85,245
Income tax credit		85,160	79,210
<b>Total Non-current assets</b>		<b>69,512,017</b>	<b>16,193,566</b>
<b>Current assets</b>			
Inventories	18	718,389	255,961
Other receivables and prepayments	16	8,774,526	1,665,561
Trade receivables	17	4,944,458	622,647
Cash and cash equivalents	19	3,362,970	8,466,786
<b>Total Current assets</b>		<b>17,800,343</b>	<b>11,010,955</b>
<b>Total Assets</b>		<b>87,312,360</b>	<b>27,204,521</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	4,436,448	3,800,000
Capital contributions		897,941	897,941
Special reserve		1,017,867	435,751
Other reserves		8,755,040	1,048,409
Retained earnings		356,917	(1,450,360)
<b>Total equity attributable to the Owners of the Parent Company</b>		<b>15,464,213</b>	<b>4,731,741</b>
Non-controlling interest		-	2,117
<b>Total Equity</b>		<b>15,464,213</b>	<b>4,733,858</b>
<b>Non-current liabilities</b>			
Borrowings	22	53,813,786	15,545,770
Employee benefits programs	23	968,445	448,984
Provisions	24	3,028,964	1,289,072
Trade and other payables	25	-	523
<b>Total Non-current liabilities</b>		<b>57,811,195</b>	<b>17,284,349</b>
<b>Current liabilities</b>			
Borrowings	22	906,906	146,155
Employee benefits programs	23	68,384	30,916
Provisions	24	190,147	63,970
Trade and other payables	25	12,871,515	4,945,273
<b>Total Current liabilities</b>		<b>14,036,952</b>	<b>5,186,314</b>
<b>Total Liabilities</b>		<b>71,848,147</b>	<b>22,470,663</b>
<b>Total Equity and Liabilities</b>		<b>87,312,360</b>	<b>27,204,521</b>

The accompanying notes 1 to 33 form an integral part of these Interim Condensed Financial Statements. These Interim Condensed Financial Statements must be read together with the audited Consolidated Financial Statements at December 31, 2017.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

for the nine-month periods ended on September 30, 2018 and September 30, 2017

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

	Attributable to the Owners of the Parent Company						Non-controlling interest	Total
	Shareholders' contributions		Accumulated profits (losses)		Total	Non-controlling interest		
	Share capital	Capital contributions	Reserved earnings	Retained earnings				
Subscribed capital (i)	Special reserve (ii)	Other reserves						
<b>Balances at December 31, 2017</b>	<b>3,800,000</b>	<b>897,941</b>	<b>435,751</b>	<b>1,048,409</b>	<b>(1,450,360)</b>	<b>4,731,741</b>	<b>2,117</b>	<b>4,733,858</b>
Incorporation by merger (See Note 1)	636,448	-	582,116	-	(381,242)	837,322	-	837,322
<b>Profit (loss) for the period</b>	-	-	-	-	2,188,519	2,188,519	1,335	2,189,854
Currency translation differences	-	-	-	7,657,903	-	7,657,903	(293)	7,657,610
Changes in the fair value of investments in equity instruments	-	-	-	73,997	-	73,997	-	73,997
Remeasurement of post-employment benefit obligations	-	-	-	4,693	-	4,693	-	4,693
Income tax related to components of other comprehensive income	-	-	-	(29,962)	-	(29,962)	(150)	(30,112)
<b>Other comprehensive income for the period</b>	-	-	-	<b>7,706,631</b>	-	<b>7,706,631</b>	<b>(443)</b>	<b>7,706,188</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>7,706,631</b>	<b>2,188,519</b>	<b>9,895,150</b>	<b>892</b>	<b>9,896,042</b>
Paid dividends	-	-	-	-	-	-	(1,369)	(1,369)
Effect from dissolution of subsidiary	-	-	-	-	-	-	(1,640)	(1,640)
<b>Balances at September 30, 2018</b>	<b>4,436,448</b>	<b>897,941</b>	<b>1,017,967</b>	<b>8,755,040</b>	<b>356,917</b>	<b>15,464,213</b>	-	<b>15,464,213</b>

(i) See Note 21.

(ii) Corresponds to General Resolution No. 609/12 of the CNV (See Note 29.iii).

The accompanying notes 1 to 33 form an integral part of these Interim Condensed Financial Statements. These Interim Condensed Financial Statements must be read together with the audited Consolidated Financial Statements at December 31, 2017.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**for the nine-month periods ended on September 30, 2018 and September 30, 2017 (Cont'd)**

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

Notes	Attributable to the Owners of the Parent Company							Total	Non-controlling interest	Total
	Shareholders' contributions		Accumulated profits (losses)			Total	Non-controlling interest			
	Share capital	Capital contributions	Reserved earnings		Retained earnings					
			Subscribed capital	Special reserve (i)		Other reserves				
	1,024,000	-	435,751	273,607	(665,239)	1,068,119	(15,729)	1,052,390	(Unaudited)	
<b>Balances at December 31, 2016</b>										
<b>Profit (loss) for the period</b>										
Currency translation differences	-	-	-	-	(916,203)	(916,203)	(3,923)	(920,126)		
Changes in the fair value of investments in equity instruments	-	-	-	428,166	-	428,166	2,360	430,526		
Remeasurement of post-employment benefit obligations	-	-	-	10,122	-	10,122	147	10,269		
Income tax related to components of other comprehensive income	-	-	-	1,255	-	1,255	-	1,255		
	-	-	-	(3,237)	-	(3,237)	-	(3,237)		
<b>Other comprehensive income for the period</b>										
	-	-	-	436,306	-	436,306	2,507	438,813		
<b>Total comprehensive income for the period</b>										
	-	-	-	436,306	(916,203)	(479,897)	(1,416)	(481,313)		
Effect from transfer of subsidiary's share interest (ii)	-	897,941	-	-	-	897,941	-	897,941		
Deconsolidation of non-controlling interest in subsidiaries	-	-	-	-	-	-	16,794	16,794		
Resolutions of the Extraordinary Shareholders' Meeting held on June 26, 2017:										
- Share capital increase	2,776,000	-	-	-	-	2,776,000	-	2,776,000		
<b>Balances at September 30, 2017</b>	<b>3,800,000</b>	<b>897,941</b>	<b>435,751</b>	<b>709,913</b>	<b>(1,581,442)</b>	<b>4,262,163</b>	<b>(351)</b>	<b>4,261,812</b>		

(i) Corresponds to General Resolution No. 609/12 of the CNV (See Note 29.iii).

(ii) Corresponds to the effect from the transfer of share interest in Tecpetrol de Bolivia S.A. to Tecpetrol Internacional S.L.U. (See Note 32).

The accompanying notes 1 to 33 form an integral part of these Interim Condensed Financial Statements. These Interim Condensed Financial Statements must be read together with the audited Consolidated Financial Statements at December 31, 2017.



**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**INTERIM CONDENSED CASH FLOW STATEMENT**  
**for the nine-month periods ended on September 30, 2018 and September 30, 2017**

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

	Notes	Nine-month period ended on September 30,	
		2018	2017
		(Unaudited)	
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the period		2,189,854	(920,126)
Adjustments to profit (loss) for the period	27	6,381,184	1,534,052
Changes in working capital	27	(5,482,938)	744,642
Others, including currency translation differences		(177,232)	(50,745)
Payment of employee benefits programs		(19,146)	(35,610)
Payment of income tax		(6,558)	(34,452)
<b>Cash generated by operating activities</b>		<b>2,885,164</b>	<b>1,237,761</b>
<b>INVESTING ACTIVITIES</b>			
Payments of Investments in property, plant and equipment		(22,416,202)	(4,575,510)
Proceeds from the sale of property, plant and equipment		8,549	34,302
Contributions to associates and joint ventures		(4)	(100)
Proceeds from the sale of equity in subsidiaries and associates		3,972	5,265
Collected dividends		3,705	641
<b>Cash used in investing activities</b>		<b>(22,399,980)</b>	<b>(4,535,402)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	22	11,468,553	4,397,557
Payment of borrowings	22	(21,401)	(3,069,910)
Non-controlling interest paid dividends		(1,369)	-
Effect from dissolution of subsidiary		(1,640)	-
Funds received from capital increases for the period		-	1,987,294
Funds received from capital increases of previous years		-	11,498
<b>Cash generated by financing activities</b>		<b>11,444,143</b>	<b>3,326,439</b>
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(8,070,673)</b>	<b>28,798</b>
<b>Changes in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		8,466,786	216,288
(Decrease) / increase in cash and cash equivalents		(8,070,673)	28,798
Incorporation of cash and cash equivalents due to merger (see Note 1)		30,375	-
Deconsolidation of subsidiaries		-	(20,531)
Currency translation differences		2,936,482	20,405
<b>Cash and cash equivalents at the end of the period</b>		<b>3,362,970</b>	<b>244,960</b>
		<b>At September 30,</b>	
		<b>2018</b>	<b>2017</b>
		(Unaudited)	
Cash and cash equivalents		3,362,970	244,960
<b>Cash and cash equivalents at the end of the period</b>		<b>3,362,970</b>	<b>244,960</b>
<b>Non-cash transactions</b>			
Debt capitalization with Parent Company		-	788,706
Contributions in kind from capital increases of previous years		-	274,798
Deconsolidation of borrowings due to the sale of subsidiaries		-	5,785,157

The accompanying notes 1 to 33 form an integral part of these Interim Condensed Financial Statements. These Interim Condensed Financial Statements must be read together with the audited Consolidated Financial Statements at December 31, 2017.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Table of contents of Notes to Interim Condensed Financial Statements**

1. General information
2. Basis for preparation
3. New accounting standards
4. Segment information
5. Net sales
6. Operating costs
7. Selling expenses
8. Administrative expenses
9. Labor costs
10. Other operating income (expenses), net
11. Net financial profit (loss)
12. Income tax
13. Property, plant and equipment. Exploration, evaluation and development assets
14. Investments in entities accounted for using the equity method
15. Investments in equity instruments at fair value
16. Other receivables and prepayments
17. Trade receivables
18. Inventories
19. Cash and cash equivalents
20. Financial instruments
21. Share capital
22. Borrowings
23. Employee benefits programs
24. Provisions
25. Trade and other payables
26. Deferred income tax
27. Cash Flow Statement complementary information
28. Assets and liabilities in currency other than Argentine pesos
29. Contingencies, commitments and restrictions on the distribution of profits
30. Related-party balances and transactions
31. Main joint operations
32. Discontinued operations
33. Subsequent events

# **Tecpetrol Sociedad Anónima**

## **Interim Condensed Financial Statements at September 30, 2018**

### **Notes to Interim Condensed Financial Statements at September 30, 2018**

(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; and (ii) the exploration permission over Loma Ancha area.

In addition, the Company operates in conventional hydrocarbon areas in Neuquina and Noroeste - San Jorge basins through joint operations (see Note 31) and holds all exploitation rights over the area Los Bastos in the province of Neuquén.

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

The Interim Condensed Financial Statements were approved for issuance by the members of the Board of Directors on November 7, 2018.

At September 30, 2018 and December 31, 2017, the Company consolidated the operations of Dapetrol S.A. (under winding up), hereinafter referred to as "Dapetrol", whose main line of business was the exploration, discovery, exploitation and commercialization of gas and liquid hydrocarbons. The percentage of the shareholding upon equity and votes of such company was 97.50%. Profits (losses) of Dapetrol are disclosed as Discontinued operations in the Income Statement and the Statement of Comprehensive Income (see Note 32).

Additionally, during the nine-month period ended on September 30, 2017, the Company presented the operations of Tecpetrol de Bolivia S.A. and GEA-GEO Energy Alternatives S.A. as Discontinued operations. (See Note 32).

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

#### *Early dissolution of Dapetrol (subsidiary company)*

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

On August 9, 2018, the members of the Liquidator Board of Dapetrol approved, subject to subsequent ratification by Shareholders, a plan for the distribution of balances and reimbursement of capital. On October 8, 2018, the Shareholders of Dapetrol at an Extraordinary Meeting approved the Special final liquidation Financial Statements at August 31, 2018; the winding up of the company and the plan for the distribution of balances and reimbursement of capital previously prepared by the members of the Liquidator Board. Besides, they ordered the presentation of the relevant request in order to cancel the registration of the company with the IGJ pursuant to Section 112 of LGS.

# **Tecpetrol Sociedad Anónima**

## **Interim Condensed Financial Statements at September 30, 2018**

### **Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

#### **1. General information (Cont'd)**

Therefore, these Interim Condensed Financial Statements at September 30, 2018 consolidate profits and losses, other comprehensive income, changes in equity and cash flows of Dapetrol for the eight-month period ended on August 31, 2018. At September 30, 2018, Dapetrol has no outstanding balances of accounts representing its financial position. There is no significant difference between consolidated and separate information for the nine-month period ended on September 30, 2018.

If applicable, profit to be distributed according to resolution of the Shareholders at a meeting will be the profit attributable to the Owners of the Parent Company.

Comparative information at December 31, 2017 and September 30, 2017 corresponds to the Consolidated Financial Statements at such dates. At December 31, 2017, total assets and liabilities of Dapetrol amounted to \$95,370 and \$10,688, respectively.

#### *Merger with Americas Petrogas Argentina S.A.*

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

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

As a result of the merger with APASA, Tecpetrol S.A. mainly incorporates joint operations in unconventional hydrocarbon exploration and exploitation areas in the province of Neuquén (Los Toldos and Loma Ranqueles).

These Interim Condensed Financial Statements contemplate such merger.

# **Tecpetrol Sociedad Anónima**

## **Interim Condensed Financial Statements at September 30, 2018**

### **Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

#### **1. General information (Cont'd)**

##### *Seasonality*

Crude oil and gas demand intended for industrial use and compressed natural gas (CNG) stations does not significantly vary throughout the year. Although it should be noted that gas demand for residential use is seasonal (considerably increasing during winter), such effect is compensated by the fluctuations in the production used for electricity generation, which decreases in winter due to lack of gas availability for such market (as a result of a greater residential consumption).

Gas sale prices for residential consumption and CNG stations are not affected by demand seasonality as they are regulated by law. During summer months, the greater supply of natural gas, resulting from a lower residential demand and the development of unconventional fields, causes gas sale prices for the industrial and electricity generation segments to be lower than prices reported in winter months. Crude oil sale price does not vary due to seasonality. Tecpetrol S.A. has adhered to the "Program of Incentives to Investments in Natural Gas Production Developments from Unconventional Reservoirs" for gas coming from Fortín de Piedra.

Consequently, the operations of Tecpetrol S.A. are not significantly affected by seasonality.

#### **2. Basis for preparation**

The Interim Condensed Financial Statements of the Company and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), under a historical cost convention, modified by the revaluation of financial assets and liabilities at fair value.

The CNV, by means of General Resolution No. 622/13, has established the application of Technical Resolutions No. 26 and 29 issued by the Argentine Federation of Professional Councils in Economic Sciences (Federación Argentina de Consejos Profesionales de Ciencias Económicas, FACPCE) which adopt IFRS issued by the IASB, for entities included in the public offering regime under Law No. 17.811 and amendments, either due to their capital stock or negotiable obligations, or because they requested authorization to be included in such regime.

These Interim Condensed Financial Statements of the Company and its subsidiaries for the nine-month period ended on September 30, 2018 were prepared in accordance with International Accounting Standard (IAS) 34 titled "Interim Financial Reporting."

These Interim Condensed Financial Statements, except as specified in Note 3.a, were prepared pursuant to the same accounting policies applied in the preparation of the audited Consolidated Financial Statements at December 31, 2017; thus, they must be read together.

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

The Interim Condensed Financial Statements are disclosed in thousands of Argentine pesos, unless otherwise stated.

# Tecpetrol Sociedad Anónima

## Interim Condensed Financial Statements at September 30, 2018

### Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)

#### 2. Basis for preparation (Cont'd)

All information covering the nine-month period ended on September 30, 2017 is an integral part of these financial statements at September 30, 2018 and is included for comparative purposes only. Such information does not contain the effect of the merger with APASA, since said merger is effective as from January 1, 2018 (see Note 1); therefore, figures comparability might be affected. APASA transactions during the nine-month period ended on September 30, 2017 would have represented an increase of 5% in net sales and a decrease of 10.5% in the profit (loss) for the period.

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

If applicable, some figures from the Consolidated Financial Statements at September 30, 2017 and December 31, 2017 have been reclassified in order to present comparative information in respect of the current period.

#### 3. New accounting standards

(a) *New standards, interpretations and amendments to published standards effective as from the current year*

- *IFRS 9 "Financial instruments"*

IFRS 9 "Financial Instruments" was issued in July 2014; replaces the current IAS 39 "Financial Instruments"; introduces principles for the classification and measurement of financial instruments; and simplifies its valuation in three main categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Additionally, it sets forth that an entity can make an irrevocable choice at initial recognition of investments in equity instruments not held for trading to disclose subsequent changes in the fair value under other comprehensive income. Should this be the case, changes in the fair value registered under other comprehensive income cannot be subsequently transferred to profit or loss for the period. Dividends resulting from these investments are recognized in profit or loss for the period.

Moreover, IFRS 9 simplifies the requirements related to hedge accounting effectiveness testing and introduces a new model for the impairment of financial assets, which requires the recognition of impairment provisions based upon expected credit losses rather than incurred credit losses.

The Company applied IFRS 9 as from January 1, 2018, exercising the irrevocable option to disclose changes in the fair value of investments in equity instruments under other comprehensive income. At December 31, 2017, such investments were classified as *Available-for-sale financial assets* and, as required in IAS 39, the effect of the changes in fair value under other comprehensive income was exposed as an item that may be subsequently reclassified to profit or loss. Due to the implementation of IFRS 9, such investments are classified as investments at *fair value through other comprehensive income*; thus, maintaining the valuation criterion adopted at December 31, 2017, exposing changes in the fair value under other comprehensive income as an item that will not be subsequently reclassified to profit or loss. As a result of IFRS 9 application, the accumulated sum of the reserve at December 31, 2017, which amounted to \$59,355, will not be reclassified to profit or loss.

# **Tecpetrol Sociedad Anónima**

## **Interim Condensed Financial Statements at September 30, 2018**

### **Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

#### **3. New accounting standards (Cont'd)**

##### *(a) New standards, interpretations and amendments to published standards effective as from the current year (Cont'd)*

The application of IFRS 9 did not have a material impact on these Interim Condensed Financial Statements. Comparative figures for previous periods were not restated.

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

In May 2014, the IASB issued IFRS 15 "Revenue from contracts with customers", which sets forth principles of disclosure of information related to revenue recognition and requirements for the accounting of revenue arising from contracts with customers.

Revenue comprises 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 sales are recognized when the control of goods or services is transferred to the client, at fair value of the consideration received or receivable.

The Company prospectively applied IFRS 15 as from January 1, 2018, and such implementation caused no material impact on these Interim Condensed Financial Statements.

The Management assessed the importance of other new standards, interpretations and amendments in force as from the current year and concluded that they are irrelevant for the Company.

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

##### *- IFRS 16 "Leases"*

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

The Management of the Company is estimating the potential impact the application of IFRS 16 will have on the Financial Statements.

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

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**4. Segment information**

	Nine-month period ended on September 30, 2018 (Unaudited)			
	Neuquina basin	Noroeste - San Jorge basin	Others (i)	Total continuing operations
Net sales - Managerial Vision	15,577,719	2,990,844	4,628	18,573,191
Effect of hydrocarbon inventory valuation	(119,941)	(250,810)	-	(370,751)
Exploratory investments production	(34,055)	-	-	(34,055)
<b>Net sales - IFRS</b>	<b>15,423,723</b>	<b>2,740,034</b>	<b>4,628</b>	<b>18,168,385</b>
Oil and gas	15,423,723	2,733,473	-	18,157,196
Other services	-	6,561	4,628	11,189
<b>Net sales - IFRS</b>	<b>15,423,723</b>	<b>2,740,034</b>	<b>4,628</b>	<b>18,168,385</b>
<b>Operating profit (loss) - Managerial Vision</b>	<b>5,885,185</b>	<b>890,864</b>	<b>(73,040)</b>	<b>6,703,009</b>
Adjustment of hydrocarbon inventory valuation	(72,863)	(82,033)	-	(154,896)
Depreciation of exploratory investments	34,055	-	-	34,055
Other depreciation and impairment differences	(70,770)	(126,005)	4,582	(192,193)
Administrative expenses (*)				(933,654)
<b>Operating profit (loss) IFRS</b>				<b>5,456,321</b>
Depreciation and impairment of PPE (**) - Managerial Vision	(5,910,081)	(426,162)	(61,675)	(6,397,918)
Depreciation and impairment differences	(36,715)	(126,005)	4,582	(158,138)
<b>Depreciation and impairment of PPE - IFRS</b>				<b>(6,556,056)</b>
	Neuquina basin	Noroeste - San Jorge basin	Others (i)	Total
PPE - Managerial Vision	59,802,476	6,787,605	371,044	66,961,125
Accumulated depreciation and impairment differences				(503,962)
<b>PPE - IFRS</b>				<b>66,457,163</b>
Investments in PPE	22,885,622	531,253	41,296	23,458,171
				<b>23,458,171</b>

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

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

(\*\*) PPE: Property, plant and equipment.



**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**4. Segment information (Cont'd)**

	Nine-month period ended on September 30, 2017 (Unaudited)			
	Neuquina basin	Noroeste - San Jorge basin	Others (i)	Total continuing operations
Oil and gas	1,761,423	1,527,809	-	3,289,232
Other services	-	5,476	4,524	10,000
<b>Net sales - IFRS</b>	<b>1,761,423</b>	<b>1,533,285</b>	<b>4,524</b>	<b>3,299,232</b>
<b>Operating profit (loss) - Managerial Vision</b>	<b>181,947</b>	<b>(489,555)</b>	<b>35,035</b>	<b>(272,573)</b>
Depreciation and impairment differences	1,791	244,260	651	246,702
Administrative expenses (*)				(579,320)
<b>Operating profit (loss) IFRS</b>				<b>(605,191)</b>
Depreciation and impairment of PPE (**) - Managerial Vision	(714,366)	(753,658)	(37,542)	(1,505,566)
Depreciation and impairment differences	1,791	244,260	651	246,702
<b>Depreciation and impairment of PPE - IFRS</b>				<b>(1,258,864)</b>
	<b>Neuquina basin</b>	<b>Noroeste - San Jorge basin</b>	<b>Others (i)</b>	<b>Total</b>
PPE - Managerial Vision	6,042,679	2,804,895	155,842	9,003,416
Accumulated depreciation and impairment differences				(27,529)
PPE - Dapetrol				14,176
<b>PPE - IFRS</b>				<b>8,990,063</b>
Investments in PPE	4,324,697	192,074	14,624	4,531,395
Investments in PPE - Tecpetrol de Bolivia S.A. and Dapetrol				44,115
				<b>4,575,510</b>

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

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

(\*\*) 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 September 30, 2018, net sales arose from the USA (5.3%) and China (3.7%), and the remaining percentage from Argentina; whereas at September 30, 2017 net sales came from China (9.4%) and the remaining percentage from Argentina. The designation of net sales is based upon customer location.

At September 30, 2018, the only customer representing or surpassing 10% of the income from regular activities of the Company is CAMMESA (16.4%); whereas at September 30, 2017, they were: Y.P.F. S.A. (19.3%), Shell C.A.P.S.A. (18.4%) and CAMMESA (11.8%).

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**5. Net sales**

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Gas (i)	14,272,191	1,890,789
Oil	3,885,147	1,676,712
Other services	11,189	10,000
	<b>18,168,527</b>	<b>3,577,501</b>
From discontinued operations	(142)	(278,269)
	<b>18,168,385</b>	<b>3,299,232</b>

(i) It includes \$4,911,911 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution 46E/2017 and its amendments, for the nine-month period ended on September 30, 2018.

**6. Operating costs**

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Inventories at the beginning of the period	255,961	271,129
Purchases, uses and production costs	11,072,744	3,311,763
Inventories at the end of the period	(718,389)	(193,741)
Currency translation differences	389,829	18,241
<b>Costs of sales</b>	<b>11,000,145</b>	<b>3,407,392</b>
From discontinued operations	(45)	(227,369)
	<b>11,000,100</b>	<b>3,180,023</b>

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Labor costs	766,572	285,036
Fees and services	183,668	116,309
Maintenance operations and wells service costs	1,433,811	917,009
Depreciation of property, plant and equipment	6,516,378	1,263,981
Impairment of property, plant and equipment	-	106,941
Treatment, storage and loading	121,698	90,251
Royalties and other taxes (i)	1,929,484	491,654
Other production costs	233,872	136,210
Purchases and stock uses	(112,739)	(95,628)
<b>Purchases, uses and production costs</b>	<b>11,072,744</b>	<b>3,311,763</b>

(i) Royalties are paid for the production of crude oil and natural gas ranging, in most areas, 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.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**7. Selling expenses**

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Taxes	349,851	89,339
Storage and loading	296,614	51,241
Allowance for doubtful accounts	2,619	1,752
Others	1,867	1,469
	<b>650,951</b>	<b>143,801</b>
From discontinued operations	(157)	(5,891)
	<b>650,794</b>	<b>137,910</b>

**8. Administrative expenses**

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Labor costs	665,954	479,263
Fees and services	146,562	123,966
Depreciation of property, plant and equipment	39,678	22,450
Taxes	277,361	96,019
Office expenses	130,472	84,941
Reimbursement of expenses (*)	(285,719)	(194,491)
	<b>974,308</b>	<b>612,148</b>
From discontinued operations	(976)	(10,378)
	<b>973,332</b>	<b>601,770</b>

(\*) 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.

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

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Salaries, wages and other costs	1,138,676	606,741
Social security costs	206,936	104,243
Employee benefits programs (Note 23)	86,914	53,315
	<b>1,432,526</b>	<b>764,299</b>

(\*\*) It includes discontinued operations.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**10. Other operating income (expenses), net**

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
<i>Other operating income</i>		
Income from other sales	8,093	1,102
Income from the sale of property, plant and equipment	-	2,769
Recovery of provision for legal claims and contingencies	1,168	14,659
Others	4,673	739
	<b>13,934</b>	<b>19,269</b>
From discontinued operations	(1,102)	(275)
	<b>12,832</b>	<b>18,994</b>
 <i>Other operating expenses</i>		
Loss from the sale and write-off of property, plant and equipment	(18,035)	-
Provision for legal claims and contingencies	(1,451)	(2,410)
Others	(4,938)	(637)
	<b>(24,424)</b>	<b>(3,047)</b>
From discontinued operations	786	117
	<b>(23,638)</b>	<b>(2,930)</b>

**11. Net financial profit (loss)**

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Dividend income	3,705	641
Interest income	87,542	14,754
<b>Financial income</b>	<b>91,247</b>	<b>15,395</b>
Interest cost	(1,021,493)	(266,260)
<b>Financial costs</b>	<b>(1,021,493)</b>	<b>(266,260)</b>
Net profit (loss) from exchange differences - (Loss)	(3,180,806)	(51,167)
Other net financial loss	(6,233)	(2,859)
<b>Other net financial loss</b>	<b>(3,187,039)</b>	<b>(54,026)</b>
<b>Net financial profit (loss)</b>	<b>(4,117,285)</b>	<b>(304,891)</b>
 From discontinued operations - (Profit) / Loss	(575)	114,531
	<b>(4,117,860)</b>	<b>(190,360)</b>

Each item included in this note differs from its respective line in the Interim Condensed Income Statement, as this note includes the profit (loss) from discontinued operations.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**12. Income tax**

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Current income tax - Loss	-	2,140
Deferred income tax - (Profit) (Note 26)	(797,986)	(70,263)
	<b>(797,986)</b>	<b>(68,123)</b>

*Tax Reform in Argentina*

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

- Income tax rate: income tax rates for Argentine companies are reduced from 35% to 30% for all fiscal years commencing as from January 1, 2018 and until December 31, 2019; and to 25% for all fiscal years commencing on or after January 1, 2020.
- Tax levied upon dividends: an additional tax will be levied on dividends or profits distributed, among others, by Argentine companies or permanent entities to physical persons, undivided estates or foreign beneficiaries, pursuant to the following schedule: (i) 7% dividend withholding tax for distributions of profits accrued for years commencing between January 1, 2018 and December 31, 2019; and (ii) 13% dividend withholding tax for distributions of profits accrued for years starting on or after January 1, 2020.

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

Under Title X, Chapter I; Law No. 27.430 also sets forth an optional tax revaluation. According to the new legislation, the companies might, at their option, reevaluate their assets located in the country that are affected by taxable profits. The companies that elect to be included in this regime will be subject to a special tax that will depend upon the different rates applicable to the different assets: real estate not accounted for as Inventories – 8%; real estate accounted for as Inventories – 15%; other assets - 10%. Once the option is exercised in relation to a specific asset, all other assets of the same nature must also be revaluated. The abovementioned special tax is not deductible when assessing income tax. Tax profit or losses originated by the revaluation are not subject to either income tax or minimum notional income tax. The Executive Office regulated Title X, Chapter I of Law No. 27.430 and the Federal Administration of Public Revenue (Administración Federal de Ingresos Públicos, AFIP) issued the related regulations determining the operating aspects which will allow for the payment of the special tax.

As of the date of these Financial Statements, the Management of the Company is still assessing the exercise of the option, which can only be used once.

Moreover, Law No. 27.430 establishes that acquisitions of or investments in goods carried out during fiscal years commencing as from January 1, 2018, shall be updated upon the base of percentage variation of Internal Basic Price Index Wholesale (Índice de Precios Internos al por Mayor, IPIM) as indicated by the Argentine National Institute of Statistics (Instituto Nacional de Estadística y Censos); situation which increases deductible depreciation and cost in the event of sale. On October 24, 2018, the Chamber of Deputies approved the bill that replaces the IPIM with the Consumer Price Index (Índice de Precios al Consumidor).

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**  
 Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)

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

	Nine-month period ended on September 30,						2017
	2018						
	Development and production assets	Machinery and equipment	Asset retirement obligations	Exploration and evaluation	Work in progress	Others	Total
<u>Cost</u>							(Unaudited)
At the beginning of the period	18,484,528	3,720,908	543,157	357,149	9,787,997	759,172	33,652,911
Incorporation by merger	65,799	18,649	10,870	1,131,015	175,190	44,752	1,446,275
Currency translation differences	32,644,071	10,257,101	695,344	2,047,427	11,353,051	1,324,263	58,321,257
Additions	9,167	-	43,826	-	22,922,563	526,441	23,501,997
Transfers	15,334,529	15,465,009	-	1,003,075	(31,802,568)	(45)	-
Write-offs	-	(3,957)	-	(53,135)	(57,280)	(30,971)	(151,401)
Deconsolidation of subsidiaries	-	-	-	-	-	-	(4,554,742)
At the end of the period	66,538,094	29,457,710	1,293,197	4,485,531	12,378,953	2,623,612	116,777,097
<u>Depreciation</u>							
At the beginning of the period	14,605,574	3,118,154	258,633	-	-	294,412	18,276,773
Incorporation by merger	-	11,189	-	-	-	-	11,189
Currency translation differences	20,171,780	4,561,225	350,715	-	-	400,540	25,484,260
Depreciation of the period	4,486,887	1,931,140	58,672	-	-	79,357	6,556,056
Impairment of the period	-	-	-	-	-	-	-
Write-offs	-	(3,697)	-	-	-	(4,647)	(8,344)
Deconsolidation of subsidiaries	-	-	-	-	-	-	-
At the end of the period	39,264,241	9,618,011	668,020	4,485,531	12,378,953	769,662	50,319,934
<b>Residual value</b>	<b>27,273,853</b>	<b>19,839,699</b>	<b>625,177</b>	<b>4,485,531</b>	<b>12,378,953</b>	<b>1,853,950</b>	<b>66,457,163</b>
							16,537,728
							<b>8,990,063</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

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

**Impairment of long-term assets**

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

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

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

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

During the nine-month period ended on September 30, 2018, the Company did not recognize impairment charges under Property, plant and equipment. Exploration, evaluation and development assets, whereas during the second quarter of 2017, the Company recognized an impairment charge in production and development equipment and assets in El Tordillo area (Noroeste - San Jorge Basin segment) for \$106.9 million, mainly caused by international oil prices which turned impracticable some activities in such a mature field. The recoverable value of the CGU at June 30, 2017 totaled \$1,827.3 million and was estimated based on its value in use, applying a pre-tax discount rate of 16.88%. The impairment charge is recognized under *Operating costs* in the Interim Condensed Income Statement at September 30, 2017.

**14. Investments in entities accounted for using the equity method**

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

***Investments in associates and joint ventures***

	<b>Nine-month period ended on</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
At the beginning of the period	-	1,190
Currency translation differences	17	2
Loss from investments in associates	-	(60)
Additions/contributions	15	100
<b>At the end of the period</b>	<b>32</b>	<b>1,232</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

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

*Investments in associates*

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

*Investments in joint ventures*

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



**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)

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

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

*Investments in joint ventures*

Company	Main line of business	Common shares 1 vote	Country	Interest %		September 30, 2018 (Unaudited)	December 31, 2017	Latest financial information			
				Sep-18	Dec-17			Date	Share capital	Profit (loss) for the period	Equity
Oleoducto Loma Campana - Lago Pellegrini S.A.	Construction and exploitation of an oil pipe in Argentina.	15,000	Argentina	15%	-	32	-	09.30.2018	100	-	213
<b>Total</b>						<b>32</b>	<b>-</b>				<b>-</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**15. Investments in equity instruments at fair value**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
Non-quoted investments	811,814	317,549

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

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
At the beginning of the period	317,549	219,043
Currency translation differences	420,268	20,185
Changes in fair value	73,997	10,269
Write-off due to deconsolidation of subsidiaries	-	(79)
<b>At the end of the period</b>	<b>811,814</b>	<b>249,418</b>

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

<b>Company</b>	<b>Country</b>	<b>Interest %</b>		<b>September 30, 2018</b>	<b>December 31, 2017</b>
		<b>Sep-18</b>	<b>Dec-17</b>		
Tecpetrol del Perú S.A.C.	Peru	2.00	2.00	445,189	181,417
Tecpetrol Bloque 56 S.A.C.	Peru	2.00	2.00	200,929	62,199
Oleoducto del Valle S.A.	Argentina	2.10	2.10	105,250	47,583
Terminales Marítimas Patagónicas S.A. (*)	Argentina	4.20	4.20	30,990	14,011
Tecpetrol de México S.A. de C.V.	Mexico	1.77	1.77	16,272	6,580
Burgos Oil Services S.A. de C.V.	Mexico	0.94	0.94	5,602	2,434
Norpower S.A de C.V.	Mexico	0.60	0.60	4,967	2,146
Other investments				2,615	1,179
<b>Total</b>				<b>811,814</b>	<b>317,549</b>

(\*) In June 2018, the Company acquired from its subsidiary Dapetrol a 4.20% interest in Terminales Marítimas Patagónicas S.A.

The fair value of investments in equity instruments 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, curve of future prices of oil, inflation, exchange rates, collection of dividends, costs and other cash expenditures, on the basis of the best estimate the Company foresees regarding the evolution of its investments and available market information.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**16. Other receivables and prepayments**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
<b>Non-current</b>		
Receivables	149,087	13,546
Expenses paid in advance	176,670	37,321
Employees loans and advances	36,386	34,378
	<b>362,143</b>	<b>85,245</b>
<b>Current</b>		
Receivables (i)	4,203,301	301,515
Expenses paid in advance	75,866	38,790
Tax credits	4,202,626	1,229,827
Employees loans and advances	182,185	28,571
Other receivables from related parties (Note 30)	136,832	87,664
	<b>8,800,810</b>	<b>1,686,367</b>
Allowance for doubtful accounts	(26,284)	(20,806)
	<b>8,774,526</b>	<b>1,665,561</b>

(i) At September 30, 2018, it includes \$3,677,255 due to incentives to investments in natural gas production developments from unconventional reservoirs, granted under Resolution 46E/2017 and its amendments.

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

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Balance at the beginning of the period	(20,806)	(33,029)
Incorporation by merger	(4,338)	-
Exchange and translation differences	(1,300)	4,108
Net additions	(3,741)	(2,357)
Uses	3,901	-
Balance at the end of the period	<b>(26,284)</b>	<b>(31,278)</b>

**17. Trade receivables**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
Trade receivables	5,001,578	696,074
Trade receivables from related parties (Note 30)	128,556	7,767
	<b>5,130,134</b>	<b>703,841</b>
Allowance for doubtful accounts	(185,676)	(81,194)
	<b>4,944,458</b>	<b>622,647</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**17. Trade receivables (Cont'd)**

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

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Balance at the beginning of the period	(81,194)	(152,500)
Exchange and translation differences	(100,816)	(16,520)
(Additions) / recoveries, net	(3,666)	605
Balance at the end of the period	<b>(185,676)</b>	<b>(168,415)</b>

**18. Inventories**

	September 30, 2018	December 31, 2017
	(Unaudited)	
Hydrocarbons	390,401	119,667
Materials and spare parts	327,988	136,294
	<b>718,389</b>	<b>255,961</b>

**19. Cash and cash equivalents**

	September 30, 2018	December 31, 2017
	(Unaudited)	
Cash and banks	113,568	14,270
Mutual funds	188,158	22,012
Short-term deposits with related parties (Note 30)	3,061,244	8,430,504
	<b>3,362,970</b>	<b>8,466,786</b>

**20. Financial instruments**

**20.1 Financial instruments by category**

Financial instruments by category are disclosed below:

	At fair value through profit or loss	Amortized cost	At fair value through other comprehensive income	Total
<b>At September 30, 2018</b>				
<b>Assets</b>				
<b>(Unaudited)</b>				
Investments in equity instruments at fair value	-	-	811,814	811,814
Other receivables	-	4,469,443	-	4,469,443
Trade receivables	-	4,944,458	-	4,944,458
Cash and cash equivalents	188,158	3,174,812	-	3,362,970
<b>Total</b>	<b>188,158</b>	<b>12,588,713</b>	<b>811,814</b>	<b>13,588,685</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**20. Financial instruments (Cont'd)**

**20.1 Financial instruments by category (Cont'd)**

<b>At September 30, 2018</b>	<b>Amortized cost</b>	<b>Total</b>
<b>Liabilities</b>		
<b>(Unaudited)</b>		
Borrowings	54,720,692	54,720,692
Trade and other payables	11,728,561	11,728,561
<b>Total</b>	<b>66,449,253</b>	<b>66,449,253</b>

<b>At December 31, 2017</b>	<b>At fair value through profit or loss</b>	<b>Amortized cost</b>	<b>Available-for-sale</b>	<b>Total</b>
<b>Assets</b>				
Investments in equity instruments at fair value	-	-	317,549	317,549
Other receivables	-	385,783	-	385,783
Trade receivables	-	622,647	-	622,647
Cash and cash equivalents	22,012	8,444,774	-	8,466,786
<b>Total</b>	<b>22,012</b>	<b>9,453,204</b>	<b>317,549</b>	<b>9,792,765</b>

<b>At December 31, 2017</b>	<b>Amortized cost</b>	<b>Total</b>
<b>Liabilities</b>		
Borrowings	15,691,925	15,691,925
Trade and other payables	4,735,518	4,735,518
<b>Total</b>	<b>20,427,443</b>	<b>20,427,443</b>

**20.2 Fair value estimate**

At September 30, 2018 and December 31, 2017, the fair value of the assets and liabilities of the Company does not significantly differ from their carrying value. Moreover, there were no transfers among fair value hierarchies of financial instruments of Tecpetrol during the nine-month period ended on September 30, 2018.

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. A market is considered active when the quoted prices are available and such prices represent transactions regularly conducted between independent parties.

Level 2 – Based on market inputs (other than quoted market prices included within Level 1) that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices). 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).

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**20. Financial instruments (Cont'd)**

**20.2 Fair value estimate (Cont'd)**

The following table presents the assets measured at fair value by hierarchy level at September 30, 2018 and December 31, 2017:

<b>At September 30, 2018</b>	<b>Level 1</b>	<b>Level 3</b>
<b>Assets</b>		
<b>(Unaudited)</b>		
Investments in equity instruments at fair value	-	811,814
Cash and cash equivalents	188,158	-
<b>Total</b>	<b>188,158</b>	<b>811,814</b>

<b>At December 31, 2017</b>	<b>Level 1</b>	<b>Level 3</b>
<b>Assets</b>		
Investments in equity instruments at fair value	-	317,549
Cash and cash equivalents	22,012	-
<b>Total</b>	<b>22,012</b>	<b>317,549</b>

**21. Share capital**

On June 26, 2017, the Shareholders at an Extraordinary Meeting approved a capital raise of \$2,776,000, increasing the capital share up to \$3,800,000.

At December 31, 2017, the Company's subscribed capital amounted to \$3,800,000 and was represented by 3,800,000,000 common shares carrying a nominal value of \$1 each.

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

**22. Borrowings**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
<b>Non-current</b>		
Bank borrowings	11,203,683	1,403,013
Borrowings from related parties (Note 30)	22,108,159	4,883,046
Negotiable obligations	20,501,944	9,259,711
	<b>53,813,786</b>	<b>15,545,770</b>
<b>Current</b>		
Bank borrowings	52,228	45,242
Borrowings from related parties (Note 30)	589,104	93,464
Negotiable obligations	265,574	7,449
	<b>906,906</b>	<b>146,155</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**22. Borrowings (Cont'd)**

The Company must comply with certain obligations such as maintaining financial ratios in accordance with the conditions set forth in borrowing agreements, which have been complied with at September 30, 2018 and December 31, 2017.

There follows the evolution of borrowings:

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Balance at the beginning of the period	15,691,925	8,567,604
Incorporation by merger	498,007	-
Proceeds from borrowings	11,468,553	4,397,557
Payment of borrowings	(21,401)	(3,069,910)
Accrued interest	922,036	212,159
Paid interest	(525,561)	(98,113)
Reclassifications	(45,464)	-
Exchange differences	(63,471)	(21,726)
Currency translation differences	26,796,068	(49,876)
Debt capitalization and contributions in kind from capital increases	-	(1,063,504)
Deconsolidation of borrowings due to the sale of subsidiaries	-	(5,785,157)
<b>Balance at the end of the period</b>	<b>54,720,692</b>	<b>3,089,034</b>

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

Lender	September 30, 2018	Interest rate	Contract's currency	Maturity date
Tecpetrol Internacional S.L.U.	12,492,932	Libor 12M +1.13%	USD	08/09/20
Tecpetrol Internacional S.L.U.	636,082	Libor 12M +1.16%	USD	08/28/20
Tecpetrol Internacional S.L.U.	959,461	Libor 12M +1.21%	USD	12/04/20
Tecpetrol Internacional S.L.U.	8,265,510	Libor 3M +2.5%	USD	06/11/21
Tecpetrol Libertador B.V.	343,278	between 3.63% and 5.92%	USD	04/30/19 - 12/31/19
J.P. Morgan Chase Bank, Citibank and others	8,195,188	Libor 3M +1.50%	USD	09/19/22
Banco Santander Río	2,074,711	between 3.5% and 4.25%	USD	07/03/20 - 11/07/22
Banco HSBC	623,081	3.50%	USD	07/20/20
Banco Provincia	289,830	3.50%	USD	11/23/20
Banco Provincia	73,101	BADLAR + 2.0%	ARS	11/15/20

Lender	December 31, 2017	Interest rate	Contract's currency	Maturity date
Tecpetrol Internacional S.L.U.	4,825,134	Libor 12M +1.13%	USD	08/09/20
Tecpetrol Libertador B.V.	151,376	between 2.19% and 5.92%	USD	04/30/18 - 12/31/19
Banco Santander Río	934,681	between 3.5% and 4.25%	USD	07/03/20 - 11/07/22
Banco HSBC	284,134	3.50%	USD	07/20/20
Banco Provincia	131,019	3.50%	USD	11/23/20
Banco Provincia	98,319	BADLAR + 2.0%	ARS	11/15/20

## **Tecpetrol Sociedad Anónima**

### **Interim Condensed Financial Statements at September 30, 2018**

#### **Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

##### **22. Borrowings (Cont'd)**

###### *Negotiable obligations*

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

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

On December 12, 2017, the Company issued Class 1 Negotiable obligations for a nominal value of USD 500 million, with an issuance price of 100%, which bear interest at a fixed rate of 4.875% and whose maturity date is on December 12, 2022. Interest is payable semi-annually as from June 12, 2018. Capital shall be payable upon maturity; and the Company has the right to redeem the Negotiable obligations with no premium, in whole or in part, at any time as from December 12, 2020. Funds obtained from the issuance of such negotiable obligations were used to invest in fixed assets in Fortín de Piedra area in Vaca Muerta formation, located in the province of Neuquén. As of April 20, 2018, the Company administered all funds in accordance with the abovementioned use. On May 4, 2018, the members of the Board of Directors of the Company approved such use of the funds and complied with the requirements set forth in Section 25, Chapter V, Title II of CNV Regulations. The Parent Company, Tecpetrol Internacional S.L.U., unconditionally and irrevocably guarantees the negotiable obligations of the Company.

###### *Loan with Parent Company*

On October 30, 2018, the Company arranged a credit line with its Parent Company, Tecpetrol Internacional S.L.U., for a maximum amount of USD 200 million. Principal will be paid in two equal installments payable on December 31, 2019 and December 31, 2020. Agreed interest rate is LIBOR 12M + 4.69% per year. Interest is payable on December 31 of each year. The first interest payment will be made on December 31, 2018. The remaining terms and conditions are the ones regularly used for similar financing processes. As of the date of issuance of these financial statements, the abovementioned loan has not been received.



**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**23. Employee benefits programs**

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

	September 30, 2018	December 31, 2017
	(Unaudited)	
<b>Non-current</b>		
Pension programs and other plans (i)	561,775	288,270
Employee retention and long-term incentive program	406,670	160,714
	<b>968,445</b>	<b>448,984</b>
<b>Current</b>		
Employee retention and long-term incentive program	68,384	30,916
	<b>68,384</b>	<b>30,916</b>

(i) There are no enforceable debts at September 30, 2018 and December 31, 2017.

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Pension programs and other plans	41,053	29,279
Employee retention and long-term incentive program	45,861	24,036
<b>Total included in Labor costs (Note 9)</b>	<b>86,914</b>	<b>53,315</b>

**24. Provisions**

	September 30, 2018	December 31, 2017
	(Unaudited)	
<b>Non-current</b>		
Asset retirement obligations	2,812,991	1,162,590
Provision for other contingencies	215,973	126,482
	<b>3,028,964</b>	<b>1,289,072</b>
<b>Current</b>		
Asset retirement obligations	164,704	54,211
Provision for other contingencies	25,443	9,759
	<b>190,147</b>	<b>63,970</b>

The evolution of provisions is disclosed below:

*Asset retirement obligations*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Balance at the beginning of the period	1,216,801	1,039,984
Incorporation by merger	50,117	-
Currency translation differences	1,603,166	102,792
Net additions	120,538	214,249
Uses	(12,927)	-
Write-offs due to deconsolidation of subsidiaries	-	(137,226)
Balance at the end of the period	<b>2,977,695</b>	<b>1,219,799</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**24. Provisions (Cont'd)**

*Other contingencies*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Balance at the beginning of the period	136,241	106,910
Incorporation by merger	41,903	-
Exchange and translation differences	127,476	5,562
Net recoveries	(17,101)	(10,826)
Uses	(47,103)	-
Balance at the end of the period	<b>241,416</b>	<b>101,646</b>

**25. Trade and other payables**

	September 30, 2018	December 31, 2017
		(Unaudited)
<b>Non-current</b>		
Tax payables	-	523
	-	<b>523</b>
<b>Current</b>		
Trade payables	9,945,548	3,878,299
Payables to related parties (Note 30)	1,776,383	851,916
Social security debts and other taxes	1,142,954	209,755
Other liabilities	6,630	5,303
	<b>12,871,515</b>	<b>4,945,273</b>

**26. Deferred income tax**

There follows the evolution of deferred income tax:

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Balance at the beginning of the period - Net deferred asset	335,424	104,832
Charged directly to Other comprehensive income	(24,096)	(3,237)
Profit for the period	797,986	70,263
Currency translation differences	686,391	23,717
<b>Balance at the end of the period - Net deferred asset</b>	<b>1,795,705</b>	<b>195,575</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**27. Cash Flow Statement complementary information**

*Adjustments to profit (loss) for the period (\*)*

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Depreciation of property, plant and equipment (Note 13)	6,556,056	1,286,431
Impairment of property, plant and equipment (Note 13)	-	106,941
Loss / (profit) from the sale and write-off of property, plant and equipment (Note 10)	18,035	(2,769)
Exploration costs	57,952	784
Income tax (Note 12)	(797,986)	(68,123)
Accrued and unpaid interest	396,475	114,046
Dividend income (Note 11)	(3,705)	(641)
Provisions	67,443	44,032
Profit from the sale of equity interest in subsidiaries (Note 32)	-	(24)
Loss from investments in entities accounted for using the equity method (Note 14)	-	60
Loss from employee benefits programs (Note 9)	86,914	53,315
	<b>6,381,184</b>	<b>1,534,052</b>

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

*Changes in working capital*

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Increase in Trade and other receivables	(11,675,460)	(999,639)
(Increase) / decrease in Inventories	(453,727)	77,388
Increase in Trade and other payables	6,646,249	1,666,893
	<b>(5,482,938)</b>	<b>744,642</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**28. Assets and liabilities in currency other than Argentine pesos <sup>(1)</sup>**

Item	Type (2)	09.30.2018 (Unaudited)		12.31.2017	
		Amount in currency other than Argentine pesos (3)	Amount in Argentine pesos at 41.25 (4)	Amount in currency other than Argentine pesos (3)	Amount in Argentine pesos at 18.649 (4)
<b>Assets</b>					
<b>Non-current assets</b>					
Other receivables and prepayments	USD	6,844	282,313	2,684	50,062
<b>Current assets</b>					
Other receivables and prepayments	USD	5,461	225,264	5,913	110,268
Trade receivables	USD	66,007	2,722,804	24,417	455,348
Cash and cash equivalents	USD	76,926	3,173,199	452,367	8,436,192
<b>Total assets</b>		<b>6,403,580</b>		<b>9,051,870</b>	
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	USD	1,303,637	53,775,051	830,172	15,481,889
Provisions	USD	68,194	2,812,991	62,341	1,162,590
<b>Current liabilities</b>					
Borrowings	USD	21,152	872,540	5,991	111,725
Provisions	USD	3,993	164,704	2,907	54,211
Trade and other payables	USD	243,573	10,047,405	245,778	4,583,510
<b>Total liabilities</b>		<b>67,672,691</b>		<b>21,393,925</b>	

(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 September 30, 2018 and December 31, 2017, respectively.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**29. Contingencies, commitments and restrictions on the distribution of profits**

(i) Contingencies

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

*Tecpetrol S.A. – Income tax assessment*

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

(ii) Main investment commitments and guarantees

At September 30, 2018, the Company has assumed the following guarantees for investment commitments:

(Amounts disclosed in millions of USD, according to the interest in each area):

Area	Commitment	Maturity
Río Colorado	0.57	End of the first exploration period
Loma Ancha	25.72	December 2019

Moreover, there follows a detail of all commitments assumed by Tecpetrol S.A. through surety bonds:

- Guarantee of compliance with labor obligations of Tecpetrol Colombia S.A.S. in CPO6, CPO7 and CPO13 areas in Colombia for USD 0.21 million with maturity dates between October, 2019 and July, 2020 (phase II); in CP07 area in Colombia for USD 0.12 million (commercial phase) falling due in December 2021; and in CP013 area in Colombia for USD 0.07 million (exploration and production phase) falling due between December 2022 and July 2023.
- Guarantee for the obligations in connection with environmental remediation liabilities in the area of Río Colorado for USD 0.7 million maturing at the end of the first exploration period.
- Guarantee for judicial counter-bond insurance policies in favor of National Trial Court on Commercial Matters No. 3 in relation to injunctive reliefs for USD 1.60 million.

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**29. Contingencies, commitments and restrictions on the distribution of profits (Cont'd)**

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

- Guarantee, in favor of the Energy and Mining Ministry, of all obligations set forth under Section V, Subsection 3 of Exhibit to Resolution 46-E/2017 and amendments, for USD 72.73 million for the period covering from January to December 2018.

- Guarantee for compliance with the Regime for the Promotion of Investments in Capital Assets and Infrastructure Works over Fortín de Piedra area, pursuant to Law No. 26.360; Section 13, Subsection a) of Decree No. 726/2009 and related regulatory, amending and complementary rules, for an amount of USD 15.37 million.

- Guarantee in favor of the Energy Institute of the province of Santa Cruz for contract compliance for the first exploratory phase in Gran Bajo Oriental area for an amount of USD 13.56 million.

- Guarantee for offices lease and other commitments in favor of the Secretary of State of Energy of Rio Negro, Customs Administration, Energy and Mining Ministry and the Trial Court on Labor Matters for Neuquén, for USD 0.32 and USD 0.03 million, respectively.

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

Basin	Area	Pending investment commitments
Noroeste - San Jorge	Tordillo and La Tapera-Puesto Quiroga	· Keeping drilling equipment active during 21 months until December 2021 · Drilling of 2 P2/P3 wells until December 2021 · Keeping 3 items of work-over equipment and 3 items of pulling (or work-over) equipment active until March 2019
	Gran Bajo Oriental	· Investments for USD 13.56 million to be made until 2021 (first exploratory period)
	Aguaragüe	· Drilling of 1 well (depending upon the results of current activities)
Neuquina	Agua Salada	· Exploratory and development investments for USD 42.9 million to be made before 2025 consisting of the drilling of 2 exploratory wells, 7 extension wells, 5 work-overs, and facilities and asset retirement obligations
	Los Bastos	· Exploratory investments for USD 9.6 million to be made until 2026 outside the exploitation area
	Fortín de Piedra	· Investments for USD 402.35 million to be made until 2021 within the framework of Resolution 46/2017
	Loma Ranqueles	· Drilling and testing of 1 exploratory well with horizontal branch of 1,500 meters to be drilled before June 2020
	Los Toldos I Sur	· Investments for USD 127.12 million to be made until 2022.

(iii) Restrictions on the distribution of profits

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

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**29. Contingencies, commitments and restrictions on the distribution of profits (Cont'd)**

(iii) Restrictions on the distribution of profits (Cont'd)

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.

**30. 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 Dutch private foundation (Stichting) ("R&P STAK") holds enough voting shares in San Faustin to control it. No person neither any group of persons control R&P STAK.

*Main transactions with related parties (including discontinued operations)*

	<b>Nine-month period ended on</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
<b>Net sales</b>		
Other related companies	2,052,691	100,659
<b>Purchases of goods and services</b>		
Other related companies	(8,307,321)	(431,638)
<b>Reimbursement of expenses</b>		
Other related companies	71,985	45,548
<b>Other income (expenses)</b>		
Other related companies	-	24
<b>Interest income</b>		
Other related companies	58,915	3,973
<b>Interest cost</b>		
Tecpetrol Internacional S.A.	-	(15,122)
Tecpetrol Internacional S.L.U.	(247,217)	(30,393)
Other related companies	(6,461)	(130,949)
	<u>(253,678)</u>	<u>(176,464)</u>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

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

*Balances with related parties*

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	
<b>Other receivables from related parties (Note 16) (i):</b>		
Current - Tecpetrol Internacional S.L.U.	-	431
Current - Other related companies	136,832	87,233
	<u>136,832</u>	<u>87,664</u>
<b>Trade receivables from related parties (Note 17):</b>		
Current - Other related companies	128,556	7,767
<b>Short-term deposits with related parties (Note 19):</b>		
Current - Other related companies	3,061,244	8,430,504
<b>Borrowings from related parties (Note 22):</b>		
Non-current - Tecpetrol Internacional S.L.U.	21,980,063	4,825,134
Non-current - Other related companies	128,096	57,912
	<u>22,108,159</u>	<u>4,883,046</u>
Current - Tecpetrol Internacional S.L.U.	373,922	-
Current - Other related companies	215,182	93,464
	<u>589,104</u>	<u>93,464</u>
<b>Trade and other payables with related parties (Note 25) (ii):</b>		
Current - Tecpetrol Internacional S.L.U.	884	-
Current - Tecpetrol International S.A.	824	263
Current - Other related companies	1,774,675	851,653
	<u>1,776,383</u>	<u>851,916</u>

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

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



**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**31. Main joint operations**

Joint operations

a) Areas operated by Tecpetrol

Name	Location	% at September 30, 2018	% at December 31, 2017	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-18
Loma Ranqueles(iii)	Neuquén	65.0	-	May-20
Los Toldos (I Norte, II Este) (iii) (iv)	Neuquén	90.0	-	May-18

(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. As of the date of issuance of these Interim Condensed Financial Statements the Company is negotiating the extension of the exploratory period over the area.

(iii) Areas incorporated as a result of the merger with APASA. See Note 1.

(iv) As of the date of issuance of these Interim Condensed Financial Statements the Company is negotiating with the government of Neuquén a one-year extension of the exploratory period over Los Toldos I Norte and II Este.

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

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

b) Areas operated by third parties

Name	Location	% at September 30, 2018	% at December 31, 2017	Expiration date of the concession
Ramos	Salta	25	25	Jan-26
Los Toldos I Sur (*)	Neuquén	10	-	Mar-52

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

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**32. Discontinued operations**

On April 6, 2017, the Company sold its interest in GEA-GEO Energy Alternatives S.A. to Techint Inversiones S.A.I.F. for USD 145 thousand.

On May 23, 2017, the Company sold its interest in Tecpetrol de Bolivia S.A. to its parent company, Tecpetrol Internacional S.L.U., for USD 189 thousand. Through the abovementioned subsidiary, the Company owned a 20% interest in Ipati and Aquío Blocks, in which it had a non-operator role. The proceeds from the sale of such interest were recorded in the Interim Condensed Statement of Changes in Equity at September 30, 2017 under *Effect from transfer of subsidiary's share interest*, as it is a transaction conducted with the Parent Company.

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

There follows a detail of profit (loss) classified as *Discontinued operations* in the Interim Condensed Income Statement at September 30, 2018 and September 30, 2017 as well as net cash flows:

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Profit (loss) from discontinued operations of Dapetrol	53,407	(28,443)
Loss from discontinued operations of Tecpetrol de Bolivia S.A.	-	(164,159)
Loss from discontinued operations of GEA-GEO Energy Alternatives S.A.	-	(36)
<b>Profit (loss) from discontinued operations</b>	<b>53,407</b>	<b>(192,638)</b>

*Dapetrol*

	<b>Nine-month period ended on September 30,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	
Net sales	142	31,455
Operating costs	(45)	(49,648)
<b>Gross margin</b>	<b>97</b>	<b>(18,193)</b>
Other operating loss	(817)	(3,797)
Net financial profit (loss)	575	(6,453)
<b>Loss from discontinued operations</b>	<b>(145)</b>	<b>(28,443)</b>
Currency translation effect for the period	41,825	-
Reclassification of accumulated translation differences	11,727	-
<b>Profit (loss) for the period from discontinued operations</b>	<b>53,407</b>	<b>(28,443)</b>

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**32. Discontinued operations (Cont'd)**

*Net cash flows*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Cash used in operating activities	(1,944)	(12,194)
Cash generated by / (used in) investing activities	20,254	(5,573)
Cash used in financing activities	(120,345)	-

*GEA-GEO Energy Alternatives S.A.*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Other net loss	-	(129)
Profit from the sale of equity interest in a subsidiary	-	24
<b>Loss for the period from discontinued operations</b>	<b>-</b>	<b>(105)</b>
Currency translation effect for the period	-	67
Reclassification of accumulated translation differences	-	2
<b>Loss for the period from discontinued operations</b>	<b>-</b>	<b>(36)</b>

*Net cash flows*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Cash used in operating activities	-	(33)
Cash generated by investment activities	-	1,156

*Tecpetrol de Bolivia S.A.*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Net sales	-	246,814
Operating costs	-	(177,721)
<b>Gross margin</b>	<b>-</b>	<b>69,093</b>
Other operating loss	-	(12,302)
Net financial loss	-	(108,007)
<b>Loss from discontinued operations</b>	<b>-</b>	<b>(51,216)</b>
Currency translation effect for the period	-	8,274
Reclassification of accumulated translation differences	-	(121,217)
<b>Loss for the period from discontinued operations</b>	<b>-</b>	<b>(164,159)</b>
Effect in equity from transfer of subsidiary's share interest	-	897,941

**Tecpetrol Sociedad Anónima**  
**Interim Condensed Financial Statements at September 30, 2018**

**Notes to Interim Condensed Financial Statements at September 30, 2018 (Cont'd)**

**32. Discontinued operations (Cont'd)**

*Net cash flows*

	Nine-month period ended on September 30,	
	2018	2017
	(Unaudited)	
Cash generated by operating activities	-	72
Cash used in investing activities	-	(38,542)
Cash generated by financing activities	-	36,672

**33. Subsequent events**

No events, situations or circumstances have taken place as from September 30, 2018 other than the ones mentioned in the notes to these Interim Condensed Financial Statements, which are not publicly known, and affect or might significantly affect the economic and financial position of the Company.



Free translation from the original in Spanish for publication in Argentina

## REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

### Introduction

We have reviewed the accompanying interim condensed financial statements of Tecpetrol Sociedad Anónima (hereinafter, "the Company"), which comprise the interim condensed statement of financial position at September 30, 2018, the interim condensed income statement and the interim condensed statement of comprehensive income for the nine-month and three-month period ended September 30, 2018, the interim condensed statement of changes in equity and the interim condensed cash flow statement for the nine-month period then ended, and selected explanatory notes.

The balances and other information corresponding to the year 2017 and to its intermediate periods, are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

### Board's responsibility

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements in accordance with International Financial Reporting Standards, adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE, for its Spanish acronym) as professional accounting standards and incorporated by the Argentine Securities Commission (CNV, for its Spanish acronym) to its regulations, as approved by the International Accounting Standards Board (IASB) and, therefore, is responsible for the preparation and presentation of the interim condensed financial statements mentioned in the first paragraph in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

### Scope of our review

Our review was limited to the application of the procedures established by International Standard on Review Engagements ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity", which was adopted as review standard in Argentina by Technical Resolution No. 33 of the FACPCE as it was approved by the International Auditing and Assurance Standards Board (IAASB). A review of interim financial information consists of making inquiries to the Company's personnel responsible for preparing the information included in the interim condensed financial statements and applying analytical and other review procedures. The scope of this review is substantially less than an audit conducted in accordance with International Standards on Auditing. Consequently, a review does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the financial position, comprehensive income and cash flows of the Company.

Price Waterhouse & Co. S.R.L., Bouchard 557, piso 8º, C1106ABG - Ciudad de Buenos Aires  
T: +(54.11) 4850.6000, F: +(54.11) 4850.6100, [www.pwc.com/ar](http://www.pwc.com/ar)

Price Waterhouse & Co. S.R.L. es una firma miembro de la red global de PricewaterhouseCoopers International Limited (PwCIL). Cada una de las firmas es una entidad legal separada que no actúa como mandataria de PwCIL ni de cualquier otra firma miembro de la red.



### **Conclusion**

Based on our review, nothing has come to our attention that caused us to believe that the interim condensed financial statements mentioned in the first paragraph of this report are not prepared, in all material respects, in accordance with International Accounting Standard 34.

### **Report on compliance with current regulations**

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

- a) the interim condensed financial statements of Tecpetrol Sociedad Anónima are transcribed into the "Inventory and Balance Sheet" book and, as regards those matters that are within our competence, comply with the provisions of the General Companies Law and pertinent resolutions of the National Securities Commission;
- b) the interim condensed financial statements of Tecpetrol Sociedad Anónima arise from accounting records kept in all formal respects in conformity with legal provisions;
- c) we have read the supplementary information presented with the interim condensed financial statements in accordance with article 12, Chapter III, Title IV of the regulation of the National Securities Commission, on which, as regards those matters that are within our competence, we have no observations to make;
- d) as of September 30, 2018, the debt of Tecpetrol Sociedad Anónima accrued in favor of the Argentine Integrated Social Security System arising from the Company's accounting records amounted to \$106.546.098,42, none of which was claimable at that date.

Autonomous City of Buenos Aires, November 7, 2018

PRICE WATERHOUSE & CO. S.R.L.

by \_\_\_\_\_ (Partner)

Alejandro J. Rosa