PETROQUÍMICA COMODORO RIVADAVIA S.A.

Consolidated Financial Statements
as of and for the years ended
December 31, 2018 and 2017
Independent Auditors' Report
Statutory Audit Committee Report

PETROQUÍMICA COMODORO RIVADAVIA S.A.

INDEX

Page

- **Consolidated financial statements as of and for the years ended December 31, 2018 and 2017:**

- **Independent Auditors' Report**

- **Statutory Audit Committee Report**

PETROQUÍMICA COMODORO RIVADAVIA S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017 (Note 2.23)
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Notes and Exhibits	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and banks		3,122,400	652,394
Investments	5.a	3,845,257	252,796
Accounts receivable	5.b	1,826,761	1,911,043
Other receivables	5.c	1,447,655	672.198
Inventories	5.d	1,451,959	1,245,950
Total Current Assets		11,694,032	4,734,381
NON-CURRENT ASSETS			
Investments	5.a	--	147,029
Other receivables	5.c	3,636,033	1,426,447
Deferred income tax	9	76,363	56,903
Inventories	5.d	45,494	9,372
Property, plant and equipment	Exhibit A	14,668,888	10,586,501
Intangible assets	5.e	383,201	304,523
Total Non-current assets		18,809,979	12,530,775
TOTAL ASSETS		30,504,011	17,265,156

The notes and exhibits enclosed hereto are an integral part of these financial statements.

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017 (Note 2.23)

(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Notes and Exhibits	2018	2017
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	5.f	1,686,085	1,325,181
Loans	5.g	2,713,248	1,126,527
Salaries and social security		522,305	417,803
Taxes payable	5.h	488,867	303,726
Other liabilities	5.i	459,635	369,730
Provisions	Exhibit E	7,646	2,990
Total Current liabilities		5,877,786	3,545,957
NON- CURRENT LIABILITIES			
Accounts payable	5.f	--	33,871
Loans	5.g	12,332,346	2,967,908
Salaries and social security		147,287	106,969
Taxes payable		--	9
Deferred income tax	9	868,004	671,180
Other liabilities	5.i	56,680	96,356
Provisions	Exhibit E	2,107,488	1,913,141
Total Non-current liabilities		15,511,805	5,789,434
TOTAL LIABILITIES		21,389,591	9,335,391
EQUITY			
Shareholders’ contributions		1,309,060	1,309,060
Retained earnings		7,799,293	6,615,560
Equity attributable to owners of the Company		9,108,353	7,924,620
Non-controlling interest		6,067	5,145
Total equity		9,114,420	7,929,765
TOTAL LIABILITIES AND EQUITY		30,504,011	17,265,156

The notes and exhibits enclosed hereto are an integral part of these financial statements

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (Note 2.23)
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Notes and Exhibits	2018	2017
Revenue from sales of goods	10	10,434,949	7,258,801
Revenue from services rendered	10	2,999,415	1,798,193
Cost of sales and services	Exhibit F	(9,514,725)	(7,029,306)
Gross profit		3,919,639	2,027,688
Marketing expenses	Exhibit H	(525,084)	(468,251)
Exploration expenses	Exhibit H	(162,741)	(544,313)
Administrative expenses	Exhibit H	(510,435)	(408,120)
Other income (expenses), net	6.a	557,012	129,387
Other expenses – idle capacity		--	(1,331)
Operating income	10	3,278,391	735,060
Financial and holding gains (losses), net	6.b	(2,274,560)	(322,837)
Income before income tax		1,003,831	412,223
Income tax	9	(625,858)	(122,649)
Net income		377,973	289,574
Other comprehensive income			
Translation differences (1)	2.18.4	1,303,632	(36,558)
Fair value gain (loss) on investments (2)	2.18.4	2,632	(20,396)
Remeasurement of employee defined benefit obligations (2) (3)	2.18.4	(1,597)	9,049
Other comprehensive income		1,304,667	(47,905)
Total comprehensive income		1,682,640	241,669
Profit attributable to:			
Owners of the Company		375,337	287,376
Non-controlling interest		2,636	2,198
		377,973	289,574
Total comprehensive income attributable to:			
Owners of the Company		1,680,004	239,471
Non-controlling interest		2,636	2,198
		1,682,640	241,669

(1) Do not have tax effect.
(2) Net of income tax effect.
(3) Remeasurement of employee defined benefit obligations are immediately reclassified to retained earnings.

The notes and exhibits enclosed hereto are an integral part of these financial statements.

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (Note 2.23)
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Shareholders' contributions				Retained earnings								
	Capital stock	**Capital adjustment**	**Share premium**	**Total**	**Legal reserve**	**General purpose reserve**	**Effect of IFRS transition**	**Other comprehensive income**	**Unappropriated retained earnings**	**Total**	**Attributable to owners of the Company**	**Non-controlling interest**	**Total equity**
Balances as of December 31, 2016	72,074	918,379	318,607	1,309,060	32,734	2,802,149	6,564	426,704	3,504,129	6,772,280	8,081,340	3,128	8,084,468
Provisions of the Ordinary and Extraordinary Shareholders´ meeting dated April 18, 2017 and November 10, 2017 (Note 8):													
Cash dividends	--	--	--	--	--	(164,635)	--	--	(231,556)	(396,191)	(396,191)	--	(396,191)
Appropriation to General purpose reserve	--	--	--	--	--	1,154,738	--	--	(1,154,738)	--	--	--	--
Net income for the year	--	--	--	--	--	--	--	--	287,376	287,376	287,376	2,198	289,574
Non-controlling interest contributions	--	--	--	--	--	--	--	--	--	--	--	1,052	1,052
Other comprehensive income for the year	--	--	--	--	--	--	--	(47,905)	--	(47,905)	(47,905)	--	(47,905)
Reclassification from other comprehensive income [1]	--	--	--	--	--	--	--	(9,049)	9,049	--	--	--	--
Other equity movements that affect non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	(1,233)	(1,233)
Balances as of December 31, 2017	72,074	918,379	318,607	1,309,060	32,734	3,792,252	6,564	369,750	2,414,260	6,615,560	7,924,620	5,145	7,929,765
Provisions of the Ordinary and Extraordinary Shareholders´ meetings dated April 9, 2018 and September 26, 2018 (Note 8):													
Cash dividends	--	--	--	--	--	(321,473)	--	--	(174,798)	(496,271)	(496,271)	--	(496,271)
Appropriation to General purpose reserve	--	--	--	--	--	214,087	--	--	(214,087)	--	--	--	--
Net income for the year	--	--	--	--	--	--	--	--	375,337	375,337	375,337	2,636	377,973
Other comprehensive income for the year	--	--	--	--	--	--	--	1,304,667	--	1,304,667	1,304,667	--	1,304,667
Reclassification from other comprehensive income [1	--	--	--	--	--	--	--	1,597	(1,597)	--	--	--	--
Other equity movements that affect non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	(1,714)	(1,714)
Balances as of December 31, 2018	72,074	918,379	318,607	1,309,060	32.734	3,684,866	6,564	1,676,014	2,399,115	7,799,293	9,108,353	6,067	9,114,420

[1] Corresponds to the reclassification of the remeasurement of employee defined benefit obligations.

The notes and exhibits enclosed hereto are an integral part of these financial statements.

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (Note 2.23)

(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Note	2018	2017
Cash flow from operating activities			
Net income for the year		377,973	289,574
Adjustments to reconcile net income to net cash flow generated by operating activities			
Accrued income tax		625,858	122,649
Interest		561,293	34,458
Depreciation of Property, plant and equipment		1,503,163	1,473,439
Amortization of intangible assets		650	6,927
Decreases of property, plant and equipment		535,733	606,639
Decreases of other intangible assets		49,275	86
Foreign exchange differences, net		971,849	15,476
Allowance for obsolescence and idle items		77,579	15,840
Accretion of discount		104,888	64,462
Changes in assets and liabilities			
Accounts receivable		269,262	(177,199)
Other receivables		(1,909,955)	(124,812)
Inventory		(319,710)	5,824
Accounts payable		408,508	141,658
Salaries and social security		144,820	183,253
Taxes payables		185,132	(144,199)
Other liabilities		(111,709)	125,594
Provisions		(22,373)	(376,207)
Translation difference and others		47,012	(334,523)
Cash flow generated by operations		3,499,248	1,928,939
Income tax payment		(509,750)	(520,586)
Net cash flow generated by operating activities		2,989,498	1,408,353
Cash flow from investing activities			
Acquisition of property, plant and equipment		(4,720,423)	(3,645,793)
Advances to suppliers for acquisition of property, plant and equipment		(1,118,050)	(824,743)
Acquisition of intangible assets		(84,437)	(211,883)
Proceeds from government securities		185,683	222,106
Net cash flow used in investing activities		(5,737,227)	(4,460,313)
Cash flow from financing activities			
Payment of loans		(1,566,342)	(661,201)
Payment of interest from loans		(547,332)	(312,029)
Proceeds from		10,696,407	3,229,907
Payment of dividends		(421,581)	(396,836)
Net cash flow generated by financing activities		8,161,152	1,859,841
Net increase (decrease) in cash and cash equivalents		5,413,423	(1,192,119)
Cash and cash equivalents at the beginning of the year	2.19	905,190	2,328,736
Effect of exchange rate variation on cash and cash equivalents in foreign currencies		649,044	(231,427)
Cash and cash equivalents at year-end	2.19	6,967,657	905,190

Significant non-cash investing and financing activities are included in Note 2.19.

The notes and exhibits enclosed hereto are an integral part of these financial statements.

Eng. Martín F. Brandi
President

1. GENERAL INFORMATION

Petroquímica Comodoro Rivadavia S.A. (the "Company" or "PCR" and together with its controlled companies referred as "the Group") is a company incorporated under the laws of the Argentina. The Company's principal executive offices are located in Argentina at Alicia Moreau de Justo 2030/50, 3° floor, office 304, City of Buenos Aires.

The main business of PCR consists of exploitation of hydrocarbon resources, production of cement and generation of electrical power.

According to corresponding bylaws, the Company´s existence expires on May 30, 2072.

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Compliance with the International Financial Reporting Standards ("IFRS") and basis of preparation of these financial statements

These consolidated financial statements as of December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), adopted by the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE") as professional financial standards, as they were approved by the International Accounting Standards Board ("IASB"), adopted by the Professional Councils of Economic Sciences of the Buenos Aires City (CPCECABA) and incorporated to its regulations by the Buenos Aires Securities Exchange Commission ("CNV").

These financial statements recognize the effect of the fluctuations of the purchasing power of the currency by using the method established by the International Accounting Standards 29 ("IAS 29").

For comparative purposes, these financial statements include figures and other information corresponding to the fiscal year ended December 31, 2017, which are an integral part of the aforementioned financial statements and are presented with the purpose of being interpreted exclusively in relation to the figures and other information of the current fiscal year. These figures have been restated in constant currency of December 2018, as indicated in the following section, in order to allow their comparability and without such restatement modifying the decisions taken based on the accounting information corresponding to the previous fiscal year.

These consolidated financial statements are derived from the consolidated financial statements as of and for the years ended December 31, 2018 , originally issued and filed with the CNV and do not include certain information required by CNV regulations.

2.2 Financial information presented in constant currency

In recent years, the level of inflation in Argentina has been high, and in the last three years, the inflation rate has exceeded 100%, without expectation to reduce its significance in a short time. Likewise, the presence of qualitative indicators of high inflation, as provided in IAS 29, showed coincident evidence. Thus, on September 29, 2018, the FACPCE issued the Resolution JG N° 539/18, approved by the CPCECABA by Resolution CD N° 107/18, which established, between other issues, that Argentina must be considered a hyperinflationary economy in the context of the professional accounting standards since July 1, 2018, in concordance with international entities vision.

The IAS 29 indicates that, in hyperinflation context, the financial statements must be presented in the current unit of measurement as of the current closing date of the reporting period or year. However, the Group was unable to present financial statements adjusted for inflation due to the existence of Decree N° 664/03 which forbade official entities (CNV included) to receive financial statement adjusted by inflation.

On December 4, 2018, Law No. 27,468 was published. This Law derogated Decree N° 1,269/02 and its amendments (including Decree N° 644/03 previously mentioned). The new Law has been in force since December 28, 2018, when CNV published Resolution N° 777/18, which established that annual, special and interim financial statements must be presented in constant currency since December 31, 2018 inclusive.

Financial statements have been restated by inflation by using indexes published by the FACPCE which considered domestic consumer price indexes (CPI) published by the INDEC from January 1, 2017 and, backwards, internal wholesale price indexes (IPIM) prepared by the mentioned Institute or, in its absence, consumer price indexes published by the General Directorate of Statistics and Census of the City of Buenos Aires. The variation in the index used for the restatement by inflation of these financial statements was 47.65% in the fiscal year ended on December 31, 2018, and 24.80% in the previous year.

2.3 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, which has been re-expressed in current currency in case of non-monetary items, except for the revaluation of certain non-current assets and financial instruments, which are calculated at their fair value or their revalued amount at the end of the fiscal year, according to the following sections in this note 2. In general, the historical cost basis is based on the fair value of the consideration given for the exchange of such assets.

The consolidated financial statement are expressed in thousands of Argentine pesos.

The fair value is the price that would have been received or paid for an asset if sold or purchased in a transaction between unrelated market parties on the balance sheet date, regardless of whether the price can be directly verifiable or estimated using any other valuation technique. In estimating the fair value of an asset or liability, the Group takes into consideration the characteristics of any such asset or liability as if the market participants would have taken them into account for valuation purposes on the balance sheet date. The fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis.

The preparation of financial statements, which is the responsibility of the Board of Directors and the Management of the Company, requires that they make the estimations and evaluations using their judgment to apply certain accounting standards. The most complex areas that often require the use of judgment, or those in which the assumptions or estimations are significant, are described in Note 4, about critical accounting estimates and judgments.

These financial statements have been approved by the Board of Directors in their meeting dated March 18, 2019.

The main accounting policies adopted by the Board and Management of the Company to prepare the financial statements are described below.

Eng. Martín F. Brandi
President

2.4 Basis of consolidation

The Company has consolidated its financial statements with those of its controlled companies. Control is exercised when the Company: (a) exercises power over the subsidiary; (b) is exposed or has the right to variable returns given its involvement in the subsidiary; and (c) has the ability to use that power to influence its returns.

Necessary adjustments were performed, if applicable, so as to conform the valuation and presentation criteria of the companies included in the consolidation with those of the Company.

All intercompany balances and transactions among the companies of the Group were eliminated for consolidation purposes.

The consolidated information presented in the consolidated financial statement includes the following controlled companies, whose fiscal year ends on December 31, 2018:

			Interest [(1)]	
Entity	**Country**	**Main Activity**	**2018**	**2017**
Petroriva S.A.	Ecuador	Oil Exploitation	100.00%	100.00%
Petromix S.A.	Argentina	Sales of building materials, transport of materials and oil services	98.00%	98.00%
Surpat S.A.	Argentina	Wholesale of cement	98.00%	98.00%
Trading Patagonia S.A.	Chile	Trading of cement	99.99%	99.99%
PCR Logística S.A.	Argentina	Freight transport	95.00%	95.00%
Cemenriva S.A.	Ecuador	Wholesale of cement	99.875%	99.875%
Dutmy S.A.	Uruguay	Holding Company	100.00%	100.00%
Timex S.R.L	Argentina	Quarry Exploitation	99.95%	99.95%
Parque Eólico del Bicentenario S.A.	Argentina	Generation of electrical power	98.116%	98.116%
Energía del Norte S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Renergy Argentina S A	Argentina	Generation of electrical power	98.205%	99.90%
Energías Argentinas Renovables S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Renergy Austral S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Renergy Patagonia S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Cleanergy Argentina S.A.	Argentina	Generation of electrical power	99.9622%	99.9622%
Potenciar Argentina S.A.	Argentina	Generation of electrical power	98.773%	99.90%
Green Energy S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Energias Limpias S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Windenergy Argentina S.A.	Argentina	Generation of electrical power	98.205%	99.90%
Luz de Tres Picos S.A.	Argentina	Generation of electrical power	99.906%	99.9981%
Luz de Sierra S.A.	Argentina	Generation of electrical power	99.906%	99.9981%
Luz de San Jorge S.A.	Argentina	Generation of electrical power	99.906%	99.9981%
GEAR I S.A.	Argentina	Generation of electrical power	98.205%	99.90%
GEAR II S.A.	Argentina	Energy	98.205%	99.90%
GEAR III S.A.	Argentina	Energy	98.205%	99.90%
GEAR IV S.A.	Argentina	Energy	98.205%	99.90%
GEAR V S.A.	Argentina	Energy	98.205%	99.90%

(1) Refers to the direct or indirect interest over capital and votes of the subsidiary.

Eng. Martín F. Brandi
President

2.5 Interests in joint operations

The interests of the Group in joint operations have been consolidated line-by-line, on the basis of the proportional share in the assets, liabilities, income, costs and expenses thereof (proportional consolidation method) in accordance with IFRS 11 “Joint Arrangements” requirements. All the balances and transactions among the Company and joint operations have been eliminated in accordance with its respective participation in each of them, so as to apply the proportional consolidation.

Expenditures at sole risk made in relation to those operations are fully recorded by the Company.

As of December 31, 2018 the Company participates in the following joint operations, whose fiscal year ends at December 31:

Business	Area	Type	Interest	Operator
UTE Pampetrol – PCR (Concurso N° 02/12)	Gobernador Ayala V, Province of La Pampa, Argentina	Exploration, gas exploitation, storage and transport of oil and gas	50%	PCR
UTE Medanito - PCR	El Medanito, Province of La Pampa, Argentina	Exploration, development and oil and gas explotation	80%	PCR
UTE Pampetrol – PCR – UTE 25 de Mayo – Medanito SE	25 de Mayo, Medanito, SE Province of La Pampa Argentina	Exploration, development and oil exploitation	80%	PCR
UTE Pampetrol – PCR - Jagüel de los Machos	Jagüel de los Machos, Province of La Pampa, Argentina	Exploration, development and oil exploitation	80%	PCR
Petrominera Sociedad del Estado, Petroquímica Comodoro Rivadavia S.A. Área Colhue Huapi–U.T.E.	Colhue Huapi, Province of Chubut, Argentina	Exploration, development and oil and gas exploitation	80%	PCR
Joint Operation Agreement on the Contract of Hydrocarbons Explotaition – “El Dificil” area	El Difícil – Colombia	Exploration and oil and gas exploitation	35%	Petróleos Sudamericanos S.A.

The assets and liabilities as of December 31, 2018 and 2017 and the production costs for the years ended as of December 31, 2018 and 2017, related to the interest in joint operations included in the consolidated financial statements, are as follows:

	2018	2017
Current Assets	293,258	154,121
Non-current Assets	2,230,265	1,444,171
Total Assets	2,523,523	1,598,292
Liabilities	693,994	558,325
Non-current liabilities	880,130	689,940
Total Liabilities	1,574,124	1,248,265
Operating costs	4,015,794	2,069,189

Eng. Martín F. Brandi
President

Additionally, the Company participates directly or indirectly through its subsidiaries Petroriva S.A. and Dutmy S.A., in hydrocarbon exploration and production activities in Ecuador, in the marginal areas of Pindo and Palanda – Yuca Sur, holding a 100% interest through contracts for the provision of services of oil exploitation and exploration (Note 12.e).

2.6 Revenue recognition criteria

Revenue is recognized at the moment the control of the goods or services is transferred, measured at the fair value of the consideration that the Group expects to receive in accordance with the contract with the client, reduced for the estimated amount of any discount or commercial rebate that the Group may grant. The Group recognizes revenue excluding the amounts that are received from sales on behalf of third parties.

a. Sale of goods

Revenues from the sale of crude oil, natural gas, cement and other products are recognized when the control of the goods is transferred to the client.

b. Provision of services

Revenues derived from oil service contracts in Ecuador are recognized when title to and the associated oil production risks are transferred to the Ecuadorian government-state company. Such revenues are determined by multiplying the fixed rate established under the contract signed with the Secretariat of Oil and Gas of Ecuador for the corresponding month production capped by the available income. As defined under the contract, the Ecuadorian State is expected to pay the full rate agreed upon insofar as there is available income, which determination is based on the East crude oil type price for the corresponding month, less certain deductions. Should the available income be insufficient to pay the full rate, the monthly outstanding balance is accumulated during the effective term of the contracts until it can be offset. Under the contracts, the rights related to balances that have not been offset are extinguished upon termination of such contracts. Any balance which has not been offset is recognized as revenue when collection thereof is virtually certain.

Revenue arising from the service contract related to “Jagüel de los Machos” effective until October 2017 was determined as a percentage of the monthly net production in accordance with the mentioned contract provisions.

c. Interest income

Interest revenue is recognized when it is probable that the economic benefits related to the transaction will flow to the Group and the amount can be reliably measured. Interest revenue is accrued on a time basis by reference to the principal outstanding and the applicable effective interest rate.

d. Production gas incentives

The revenues related to the incentive program mentioned in Note 12.b, were recognized when the economic inflows could be reliably measured and the realization of the grant was virtually certain.

2.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As of December 31, 2018 the Group does not have contracts that qualify as financial leases. The operating leases were expensed under the straight-line method during the term established in the lease agreement, and they relate mainly to rentals of facilities and production equipment in oil and gas fields.

Rental expense related to the lease agreements above mentioned adds up to 239,140 and 148,800 for the fiscal years ended December 31, 2018 and 2017, respectively, and has been included in the "Rentals" item of Exhibit H.

As of December 31, 2018, there are no significant estimated future payments in relation to the effective lease agreements.

2.8 Foreign currency and functional currency

Pursuant to what was established by IAS 21 "The effects of changes in foreign exchange rates", each company of the Group has defined its functional currency, that is the one that corresponds to the main economic environment in which each company operates, generally being the currency in which cash is generated and used.

Even though, the Management of the Group had defined the peso, legal currency of Argentina as the functional currency for PCR and the subsidiary companies operating in such country, and the US dollar as the functional currency for the controlled companies that operate in foreign countries, during the current fiscal year, taking into consideration the currency in which the prices of the contracts for the provision of wind power source ("PPA") signed with Compañia Administradora del Mercado Mayorista Eléctrica S.A. ("CAMMESA") in relation to the projects awarded under the RenovAr program for the subsidiaries Parque Eólico del Bicentenario ("PEBSA") and Luz de Tres Picos S.A., the Board of Directors and Management of the Company, adequated the definition of the functional currency for such subsidiaries, devoted to the generation of wind energy. As a consequence of the aforementioned change, the functional currency of said companies is the US dollar from the date of signature of the aforementioned PPAs.

Note 2.23 shows the main retroactive changes in the consolidated figures originated as a result of the aforementioned modification of the functional currency.

Consequently, as of December 31, 2018, the Group's Board of Directors and Management defined the peso (legal currency of the Argentine Republic) as the functional currency for PCR and for the rest of the controlled companies that are operating in Argentina, except for the companies with wind power generation activity whose functional currency is the US dollar, and the US dollar as the functional currency for the controlled companies that operate in foreign countries.

For consolidation purposes, the Group considers as foreign currency those currencies that are different to the functional currency defined for each company. In such sense, in each company of the Group, transactions denominated in currencies different to the defined functional currency ("foreign currency") are recorded at the current exchange rate between the foreign currency and the functional currency at the moment of the transaction. The difference generated by the exchange rate variation from that moment until the settling of the related monetary assets or liabilities or until the closing date of the fiscal year, if it had not been settled, is charged to the profit or loss of the year under the caption "Foreign exchange differences".

Additionally, as it is mentioned in Note 2.3, the consolidated financial statements of the Group are presented in Argentine pesos, consequently, the financial statements prepared in a functional currency different to the Argentine peso, for consolidation purposes, have been converted as follows:

a) assets and liabilities at the beginning of the fiscal year, were converted at the initial exchange rate of each year, re-expressed by inflation at the end of each year, according to what it is mentioned Note 2.2.

Eng. Martín F. Brandi
President

b) Profit and loss accounts were converted applying the exchange rate in force at the moment of each transaction or, if appropriate, at the average exchange rate of the month of accrual, re-expressed by inflation at the end of each year according to what it is mentioned Note 2.2.

c) The sum of the values obtained in a) and b) were compared to the amounts resulting from converting the assets and liabilities at the end of each year to the exchange rate at the end of each year.

The translation differences that arose from said procedure have been charged to Other comprehensive income, which have no effect in the income tax.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Finally, for the purpose of presenting the information included in Exhibit G, all the currencies that are different to the Argentine peso are considered foreign currency, in accordance to the provisions of General Corporation Law N° 19,550.

2.9 Borrowing costs

Interests that correspond to third party financing, directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, have been capitalized as cost of those assets, until the moment they are substantially ready for their intended use or sale. When the third parties financing is in pesos, the interest is capitalized net of the effect of inflation.

All the other borrowing costs are recognized in profit and loss in the year in which they are incurred following the effective rate method.

2.10 Taxes

Income tax expense represents the sum of the income tax currently payable and the deferred tax.

a. Current tax

The tax currently payable is calculated on the basis of the estimated taxable income for the year of each company of the Group. Taxable income differs from the income reported in statement of profit or loss and other comprehensive income, due to items of income or expenses taxable or deductible in other years and items that will never be taxed or deducted. The current tax of the Group is calculated using the tax rate that is enacted or substantially enacted at year-end in each country.

Additionally, PCR and the controlled companies operating in Argentina are subject to the tax on minimum presumed income which is determined by applying the current tax of 1% on taxable assets at the close of the year. This tax is complementary to the income tax. The tax liability of the Company for each fiscal year will be the highest of both taxes. However, if the tax on minimum presumed income exceeds the income tax during one fiscal year, such excess may be computed as prepayment of any surplus of the income tax over the tax on minimum presumed income that would take place in any of the following ten years.

On July 22, 2016, Law N° 27,260 has established the derogation of the tax on minimum presumed income for fiscal years beginning on January 1, 2019.

On December 29, 2017, the Tax Reform Law N° 27,430 was published. This Law reduced the statutory rate for income taxes outstanding in 2017 from 35% to 30% for fiscal years 2018 and 2019, and to 25% as from 2020. This Law also established a dividend withholding tax of 7% on profits accrued for fiscal years beginning on January 1, 2018 and 13% as from 2020.

b. Deferred tax

The deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities included in the financial statements and their tax bases. Deferred tax liabilities are generally recognized for all the taxable temporary differences. Deferred tax assets are recognized for all the deductible temporary differences, to the extent that it is probable that future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured by using tax rates, which are expected to be applicable in the year in which the asset is realized or the liability settled based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Balances of deferred tax assets are reviewed at the end of each year and are reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Additionally, the Group recognizes tax loss carryforwards as deferred tax assets in case it is probable they could be offset with future taxable profits.

The Group compensates deferred tax assets with deferred tax liabilities, only if it is legally entitled to compensate such amounts before the tax authority; and the deferred tax assets and liabilities come from the income tax corresponding to the same tax jurisdiction, having the Group the intention of net settling the assets and liabilities .

c. Effect on income

Current and deferred taxes are recognized in profit or loss for the year, considering the effect of the re-expression to constant currency mentioned in the Note 2.2, except when they relate to items that are recognized in Other comprehensive income, in which case, the current and deferred tax are also recognized as part of Other comprehensive income.

2.11 Property, plant and equipment

Items of property, plant and equipment have been valued at their cost re-expressed into constant currency at the end of the year, according to Note 2.2, less accumulated depreciation and of any accumulated impairment loss at the end of each year, if any. For qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, interests have been capitalized until the moment they are substantially ready for their intended use or sale re-expressed into constant currency at the end of the year, according to the Note 2.2.

The Group uses the successful efforts method to record transactions related to the oil and gas exploration and production activities. Consequently, the exploration costs, excluding the costs of exploratory wells, have been expensed as incurred. Drilling costs of exploratory wells, including the stratigraphic test wells, are capitalized until it is determined whether there exists proven reserves that might justify their commercial development. If such reserves are not found, said drilling costs are expensed. Occasionally, when finishing the drilling of an exploratory well it can be determined the existence of reserves that yet cannot be classified as proven reserves. In such situations, the cost of the exploratory well remains capitalized if a volume of reserves had been discovered that may justify its completion as a producing well and if the Group is making substantial progress in the evaluation of the reserves and in the economic and operating feasibility of the project. If any of the mentioned conditions are not met, cost of drilling exploratory wells is charged to expense.

Drilling costs applicable to productive wells, to dry development wells and to the costs of the equipment related to oil and gas reserves development have been capitalized.

Capitalized costs related to productive activities have been depreciated by field on the unit-of-production basis, by applying the ratio of produced oil and gas to the estimated proved and developed oil and gas reserves, except for certain facilities that because of their characteristics are depreciated considering the estimated total proved oil and gas reserves.

Capitalized costs related to the acquisition of properties with proved reserves are depreciated by field on the unit-of-production basis, by applying the ratio between produced oil and gas and the total proven oil and gas reserves expected to be recovered.
Revisions and change in estimates of oil and gas reserves are considered prospectively in the calculation of depreciation.

The Group periodically reviews the reserves estimates, based on reports of external and/or internal engineers.

Other properties, plant and equipment affected to cement production and the rest of fixed assets are depreciated following the straight line method, using the established annual rates to extinguish their values by the end of the estimated useful lives.

Asset retirement obligations for the abandonment of oil and gas wells and the restoration of quarries are capitalized at discounted values, together with the related assets and are depreciated using the unit-of-production method. As counterpart, a liability is recognized for this concept at the same estimated value of the discounted amounts to be paid.

The profit or loss that arises from the retirement or disposal of an asset of properties, plant and equipment is calculated as the difference between sales revenue and the carrying amount of the asset and it is recorded in profit or loss.

The idle capacity estimated based on normal operating conditions of the cement production plant is excluded from the cost of produced goods and it is directly allocated to profit or loss under the item Other expenses.

2.12 Impairment of property, plant and equipment and intangible assets with definite life

As soon as there is evidence that an asset could be impaired, the Group reviews the carrying value of the property, plant and equipment in order to determine whether there is any indication that those assets have suffered an impairment loss. The Group estimates the recoverable value of the asset to determine the amount of impairment loss of such asset. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable value of the cash-generating unit ("CGU") for which the asset belong.

The recoverable amount is the higher of the fair value less cost of disposal and the value in use of the asset or cash-generating unit. When the value in use is estimated, the estimated future cash flows are discounted to present value at a rate that reflects the weighted average cost of the invested capital. When evaluating the value in use, cash flow projections are used, which are based on the best available estimations of income and expenses of the CGU using sector forecasts, past results, future expectations of business evolution and market development. Key assumptions and aspects considered in the projections included, production volumes, sale prices, applicable tariffs, current regulation, the estimation of costs increases, labor costs and investments.

The valuation of oil and gas exploration and production uses cash flow projections that involve the economic productive life of oil and gas fields, being limited by the end of concessions, permissions, contracts or agreements of service or exploitation.

The considered reference prices are based on a combination of available quotations of the markets in which the Group operates, and considering the particular circumstances that could affect the different products based on the estimates and judgments of the Group Management.

If the recoverable amount of the asset or estimated CGU is lower than the carrying amount, the carrying amount is reduced to its recoverable amount recording an impairment loss in the profit or loss for the year.

Impairment losses are allocated among the assets of the CGU proportionally to their net carrying amount. Consequently, once an impairment loss corresponding to a depreciable asset is booked, the basis of future depreciation will take into account the reduction for the impairment loss.

When new events or changes in the circumstances indicate that an impairment loss booked in a previous year has disappeared or been reduced, a total or partial reversal of said impairment is recorded on the basis of a new estimation of the recoverable value. The carrying amount of the assets or CGU that arises from such impairment reversal previously booked, cannot exceed the carrying value that would have been determined had no impairment loss been recognized in previous years. The effect of such reversal is recognized in profit or loss in the period in which the new events or changes in the circumstances take place.

2.13 Intangible assets

Intangible assets with a definite useful life acquired separately are valued at cost re-expressed into constant currency at the end of the year, according to the Note 2.2, net of corresponding accumulated amortization and accumulated devaluation losses. Amortization is calculated using the straight-line method over the estimated useful life of intangible assets. The useful lives applied and the amortization method are reviewed at the closing date of each year, giving effect to any change in the estimates prospectively.

2.14 Inventories

Inventories have been valued at weighted average cost re-expressed into constant currency at the end of the year, according to the Note 2.2, reduced to their net realizable value in case necessary. Net realizable value is the estimated selling price in the inventory less all estimated selling costs.

2.15 Provisions

Provisions are recognized when: (i) the Group has a present obligation (either legal or constructive) as result of a past event (ii) it is probable that the Group will be required to settle the obligation, and (iii) a reliable estimation can be made of the amount of the obligation. Provisions include reserved contingencies that could generate obligations for the Group, recorded on the basis of the Group Management expectations and in consultation with their legal advisors.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation, at the end of each year, taking into account the risks and uncertainties surrounding the obligation.

When the amounts required to settle a provision are expected to be recovered from third parties, an asset is recognized if it is virtually certain that a reimbursement will be received and the amount of the receivable can be reliably measured.

Additionally, provisions have been provided to reduce the valuation of accounts receivable, other receivables, inventories and property, plant and equipment based on the analysis of credit risk and the recoverable value of the affected assets.

Contingent liabilities are those possible obligations that arise from past events that are not recognized in the financial statements, but are disclosed in notes to the financial statements provided that they are significant.

In Note 12 there is a description of the main claims, contingencies, regulatory matters and commitments that affect the Group.

2.16 Financial instruments

2.16.1 Financial assets

The Company makes the classification of the financial assets (Cash and banks, Investments, Accounts receivable, and Other receivables) upon initial recognition and is reviewed at the end of each year, according to what is established by IFRS 9 “Financial instruments”.

The initial recognition of a financial asset is made at its fair value, except for accounts receivable which are booked at their transaction price. Transaction costs that are directly attributable to the acquisition of a financial asset are included as part of its value in the initial recognition for all the financial assets that are not measured at fair value with changes in profit or loss.

After initial recognition financial assets have been measured at: a) amortized cost in case the following conditions are met (i) the financial asset is held within a business model whose objective is to hold financial in order to collect contractual cash flows (i.e. they are not held for immediate trading purposes) and, (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or b) at fair value through Other comprehensive income in case the following conditions are met: (i) the financial asset is held within a business model whose objective is achieved by both collecting cash flows and selling financial assets and, (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding. If any of these two criteria is not fulfilled, the financial instrument will be classified at fair value through profit or loss.

Cash and banks, Accounts receivable and Other receivables have been valued at amortized cost at the end of each year. Investments in mutual funds have been valued at their fair value through profit or loss at the end of each year. Investments in Government bonds have been valued at their fair value through Other comprehensive income as of December 31, 2017.

On each balance sheet date, the Company assesses whether there is factual evidence of impairment of a financial assets or group of financial assets, in accordance with IFRS 9. The impairment model in IFRS 9 reflects the expected credit losses, therefore, it is no longer necessary for a credit event to occur in order to recognize the impairment of a financial asset. In order to determine the expected loss, the Company applies the following criteria:

a) For accounts receivable, the Group estimated the lifetime expected credit losses based on the simplified approach. According to this approach, an expected bad-debt rate was assigned based on historical default rates adjusted to future economic conditions.

b) For other financial assets, the Group has concluded there was not an increase in the asset credit risk since initial recognition. Thus, impairment was estimated based on expected credit loss for the next 12 months.

The Company derecognizes financial assets when contractual rights to the cash flows from the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition in accordance with IFRS 9.

2.16.2 Financial liabilities

Financial liabilities are initially recognized at their fair value less the costs incurred in the transaction that are directly attributable to issue of the financial liability and subsequently measured at amortized cost using the effective interest method. Any difference, between the amount received as financing (net of transaction costs) and the redemption value, is recognized in profit or loss over the life of the debt instrument using the effective interest rate method.

Vendors and other accounts payable are recorded at their nominal value since its discounted value does not differ significantly from said nominal value.

The Company derecognizes financial liabilities when it is extinguished upon settlement or expiration of obligations.

2.17 Derivative financial instruments

As of December 31, 2018 and 2017, the Group did not hold any derivative financial instruments.

Eng. Martín F. Brandi
President

2.18 Equity

2.18.1 Capital stock and Capital adjustment

The capital stock has been re-expressed into closing currency applying the restatement by inflation procedure described in the Note 2.2, from the respective subscription dates. The "Capital stock" account is presented at nominal value, in accordance with legal provisions, and the difference with its re-expressed value is presented in the account "Capital adjustment".

2.18.2 Share premium

The share premium has been re-expressed into closing currency applying the adjustment procedure described in the Note 2.2, from the respective subscription dates.

2.18.3 Reserves

The reserves have been kept at their nominal value as of January 1, 2017, the date on which the application of IAS 29 began, and, from that moment, they have been restated in the closing currency by applying the restatement by inflation procedure described in the Note. 2.2, considering the activity of each fiscal year.

2.18.4 Unappropriated retained earnings

The unappropriated retained earnings as of January 1, 2017, the initial date of application of IAS 29, have been determined by equity difference and, from that moment, they have been re-expressed in closing currency applying the restatement by inflation procedure described in the Note. 2.2, considering the activity of each fiscal year.

According to the provisions of the General Corporations Law Nº 19,550, the Company has to appropriate to Legal reserve not less than 5% of the positive resulting from the algebraic sum of the fiscal year's net income and the transfers of other comprehensive income to retained earnings, until such reserve reaches the 20% of the sum of the Capital Stock and the Capital Adjustment accounting balances.

Pursuant to the prevailing provisions, the accumulated surplus balance in Other comprehensive income is restricted, thus it cannot be distributed, capitalized or used to absorb negative balances of "Retained earnings". The evolution of the item is detailed below:

	Translation differences	Fair Value on investments	Employee benefits	Total
Balances as of December 31, 2016	408,940	17,764	--	426,704
Income (loss) for the year	(36,558)	6,742	9,049	(20,767)
Reclassification to financial and holding gains (losses) for sales of the year	--	(27,138)	--	(27,138)
Transfer to unappropriated retained earnings	--	--	(9,049)	(9,049)
Balances as of December 31, 2017	372,382	(2,632)	--	369,750
Income for the year	1,303,632	--	(1,597)	1,302,035
Reclassification to financial and holding gain (losses) for sales of the year	--	2,632	--	2,632
Transfer to unappropriated retained earnings	--	--	1,597	1,597
Balances as of December 31, 2018	1,676,014	--	--	1,676,014

Net effect of the initial application of IFRS

The net effect of the initial application of IFRS was recorded as a reserve in the equity account "Effect for IFRS transition". According to domestic regulations the amount recorded in such reserve cannot be released to make distributions in cash or kind and it can only be released for its capitalization or to absorb eventual negative balances of the account "Unappropriated retained earnings".

2.19 Consolidated cash flow statement

For the purposes of the consolidated cash flow statements, it was considered cash and cash equivalents the balance of Cash and banks and highly liquid temporary investments, with original maturities of less than three months at the time of their incorporation.

	2018	**2017**
Cash and banks	3,122,400	652,394
Current investments	3,845,257	252,796
Total cash	6,967,657	905,190

During fiscal years ended December 31, 2018 and 2017 the non-cash investing and financing activities correspond mainly to:

	2018	**2017**
Increases in the provision for asset retirement obligations capitalized as property, plant and equipment	189,613	811,525
Financial costs capitalized as property plant and equipment	450,514	26,360
Financed property, plant and equipment additions	145,894	121,009
Collection of incentives to production increase through Argentine government bonds (Note 12.b)	--	42,330

2.20 Fair value of financial instruments

All financial instruments recognized at fair value are categorized within the fair value hierarchy levels established by IFRS. The fair value hierarchy is categorized into three levels which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical instruments that the entity can access at the measurement date. The financial instruments classified in this level correspond to investment in quoted mutual funds and governments bonds.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the instrument, either directly or indirectly. The Company has not classified any financial instrument measured at fair value within this category.

Level 3 inputs are unobservable inputs for the instrument. The Company uses the best available information, including internal-developed data.

The following methods and assumptions have been used to estimate the fair value of each type of financial instrument:

a) The recorded value based on amortized cost of Cash and banks, current Investments - Interest-bearing account, Accounts receivable, Other receivables and Accounts payable approximates to its fair value due to the short maturity of these instruments.

b) The current value of current Investments –Mutual funds valued at fair value through profit or loss, and the government bonds valued at fair value through Other comprehensive income, was calculated on the basis of market prices quoted at year-end for identical assets in active markets and, consequently, were classified as Level 1 in the fair value hierarchy.

Financial assets valued at fair value are as follows:

	2018	2017
	Level 1	Level 1
Mutual funds	394,887	103,204
Government bonds	--	147,029
	394,887	250,233

c) The fair value of loans, that are recorded at amortized cost, was estimated based on current interest rates available to the Company for debts with similar maturities (Level 2).

d) Financial liabilities measured at fair value corresponds to contingent considerations related with asset acquisitions and business combinations described in Note 13. The fair value was determined based on internal assessment of Management of the Group of the probability of the occurrence of the triggering events, and consequently, were classified as Level 3.

Additionally, in the table below it is described the fair values of the financial instruments of the Company valued at amortized cost, except the financial instruments whose amounts approximate to current values:

	2018		2017	
	Amortized cost	Fair value	Amortized cost	Fair value
At amortized cost				
Loans	15,045,594	14,562,876	4,094,435	4,086,258

2.21 Post employment benefits

The Group provides lump-sum payments upon retirement based on provisions established in the respective Collective Labor Agreements ("Convenios Colectivos de Trabajo") and other applicable laws. Moreover, the Group pays its employees in Ecuador a series of post-employment benefits required by labor regulations (severance pay based on seniority, bonus for termintation and retirement). Such compensations are accounted for as defined benefit obligation. The cost of the benefits is determined using the projected unit-credit method. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases and interest and inflation rates.

Service costs and interest costs are charged to profit or loss of the period. Actuarial gains and losses are recognized in Other comprehensive income of the period and immediately reclassified to Unappropriated retained earnings.

2.22 Hydrocarbon royalties

In Argentina the Group pays royalties on provincial participation percentage, calculated by applying a percentage on the estimated value at the wellhead of the crude oil production and the commercialized volumes of natural gas. The royalty percentages are fixed and range between 12% and 20% for all areas, except for the El Medanito area, where the percentage applicable to crude production is variable and as of December 31, 2018 amounts to approximately 33.9% (34% as of December 31, 2017). The estimated value at the wellhead is calculated based on the average sale price of crude and gas sold in the month in which it is settled, less transportation and storage costs.

Additionally, in relation to the extension of the concession term for the area El Sosneado, an extraordinary royalty was agreed upon at the rate of 4% (Note 12.e.)

In the area El Difícil, Colombia, royalties are paid at a rate of 20% on a base-production agreed upon with the Colombian State and 6.4% and 8% on the excess of such base-production for natural gas and crude oil, respectively.

Royalties, the participation percentage and the extraordinary royalty, if applicable, are recorded as production costs.

2.23 Changes in the consolidated financial statements information

The following are the main retrospective changes to the financial statements presented for comparative purposes originated as a result of the modification of the functional currency mentioned in Note 2.8:

	31/12/2017	
	Increase (decrease)	
Balance sheet		
Other non-current receivables- Advances to suppliers	120,489	
Property, plant and equipment	59,540	
Deferred income tax	(51,630)	
Total Equity	128,399	
Profit or losses and other comprehensive income		
Financial and holding gains		48,251
Income tax		(56,992)
Profit (losses) attributable to owners of the Company		(7,906)
Other comprehensive income		136,305
Total comprehensive income		128,399

In addition, the complementary information contained in the notes and exhibits to the consolidated financial statements as of December 31, 2017, presented for comparative purposes, was modified retrospectively to present the information in a consistent basis with the aforementioned modifications.

Furthermore, as from the current fiscal year, the Group presents interest payments on loans as part of the cash flow from financing activities of the consolidated statements of cash flows; modifying accordingly the amounts presented for comparative purposes. This modification resulted in an increase in the net cash flow generated by the operating activities and a decrease in the net cash flow generated by financing activities as of December 31, 2017 of 312,029.

3. ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

a) New standards and interpretations adopted during the period

The Group has adopted all the new and revised standards and interpretations issued by the IASB relevant to its operations which adoption is mandatory as from January 1, 2018. Effects from the application of IFRS 9 and IFRS 15 are described below. The remaining standards adopted as of the beginning of the current fiscal year had no impact over the Group accounting policies, thus, no changes to the financial statements were required.

IFRS 9 - Financial instruments

IFRS 9 replaced IAS 39 introducing new requirements for: (i) classification and measurement of financial assets and liabilities and for derecognition of financial instruments; (ii) impairment of financial assets; and (iii) hedge accounting.

In previous fiscal years, the Group had early adopted IFRS 9 requirements for the classification and measurement of financial assets and liabilities and derecognition of financial instruments. Additionally, the Group has implemented as from January 1, 2018 the requirements related to the impairment of financial assets and hedge accounting as described below:

- Impairment

The impairment model provided under IFRS 9 reflects expected credit losses, as opposed to credit losses incurred under IAS 39. Within the scope of impairment under IFRS 9, it is no longer necessary for a credit event to occur before credit losses are recognized. In contrast, an entity has to record both the expected credit losses and their changes.

There were no significant effects from adoption of IFRS 9 impairment requirements. Thus, no restatement of comparative information or unappropriated retained earnings was required.

- Hedge accounting

The general hedge accounting requirements under IFRS 9 maintain the three main types of hedge accounting mechanisms included in IAS 39. In addition, IFRS 9 introduced more flexibility to determine the types of transactions that may qualify as hedge instrument and the types of risk components of non-financial elements that are eligible for hedge accounting. The effectiveness testing has also been revised and replaced by the principle of “economic relationship”. A retrospective assessment is no longer required to measure the effectiveness hedge.

The Group has not entered into hedge transactions, thus that the application of new requirements of IFRS 9 did not have effect on the consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

The underlying principle of IFRS 15 is that an entity should recognized revenue upon the transfer of goods or services to the customer in an amount that reflects the consideration that the entity expects to receive in exchange for such goods or services.

The Group has identified the following impacts in relation to IFRS 15 adoption:

- Principal versus agent considerations: Under previous IFRS, the Group recognized revenue and costs from cement transportation services on a gross basis, with impact on Revenue and Cost of sales and services, respectively. By application of IFRS 15, where the Group acts as agent, revenue should be presented net of associated costs because the Group does not exercise control over the transportation services before being transferred to the customer. The Group has retrospectively applied this change in accordance with the full retrospective method.

  The effect of the change described before implies a reduction in Revenue from the sale of goods and the Cost of sales and services for the fiscal year ended December 31, 2017 of 129,182. Furthermore, the Company holds deferred revenues related to customer advances for cement sales amounting to 189,181 as of December 31, 2018 and 132,667 for cement and oil sales as of December 31, 2017, which were presented as Deferred revenues within Accounts Payable caption. IFRS 15 adoption has not had any effects on the balance sheet as of December 31, 2017 nor had it any effects over the net income and cash flows for year ended December 31, 2017.

- Disclosures: According to IFRS 15, the Group has included in Note 10 additional disclosures related to the disaggregation of revenue by (i) type of product or service; (ii) destination markets; and (iii) geography, in accordance with business segments.

b) New Standards and Interpretations issued not yet adopted.

As required by IAS 8, the standards or interpretations issued by the IASB which application is not mandatory at the closing date of these consolidated financial statements and therefore have not been adopted by the Group are listed below.

- IFRS 16 - Leases

  IFRS 16 introduces a comprehensive model for the identification of lease agreements and its accounting treatment either as lessor or lessee. IFRS 16 will replace the current standards, including IAS 17 and related interpretations.

  IFRS 16 distinguishes leases from service contracts based on the control that the client exercises on an identified asset. The difference between operating and financial leases is eliminated for accounting purposes in the case of the lessee and it is superseded by a model whereby the right-of-use of an asset and the corresponding liability should be recognized in all leases by the lessee. The right-of-use asset is initially measured at cost and, subsequently, subject to depreciation and potential impairment, adjusted for the remeasurement of liabilities under the lease. Such liability is initially measured at the present value of the future payments to be made under the lease. Subsequently, the liability is adjusted for interest and payments and the impact of lease modifications, among other causes.

  The lessor accounting, on the contrary, remains largely unchanged from IAS 17 and requires that leases be classified either as finance o operating.

  Furthermore, IFRS 16 requires extensive disclosures.

  The Group is currently analyzing the impact of applying the new standard as from January 1, 2019. However, the Group estimates that the application of this standard will have an impact (i) on the balance sheet (increase of the asset due to the recognition of a right of use and an increase of the liability for recording a lease liability at present value), (ii) in the income statement (recording of the depreciation of the right-of-use in the operating income and the accretion of the lease liability in the financial result) and (iii) in the notes that will include the expanded disclosures as required.

- The Annual improvements to IFRS Cycle 2015-2017 modified the following standards:
  - IAS 12 Income Tax;
  - IAS 23 Borrowing Cost;
  - IAS 3 Business combinations; and
  - IAS 11 Joint agreements

  All amendments are effectives for annual periods beggining on or after January 1, 2019, and their early application is permitted. Management does not anticipate that the adoption of these amendments will have a significant impact on the Company's financial statements.

  IAS 12 Income Tax

  The amendments clarify that an entity must recognize the effects of income tax on dividends on profit or loss, other comprehensive income or equity depending on where the entity originally recognized the transactions that generated the distributable profits. This is the case, regardless of whether different tax rates apply to distributed and undistributed benefits.

  When an entity applies these amendments for the first time, it will apply them for the purpose of income tax on dividends recognized on or after the beginning of the first comparative period.

  IAS 23 Borrowing Cost

  The amendments clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows in a generally when calculating the rate of capitalization of general borrowings. An entity shall apply those modifications to borrowing costs incurred on or after the beginning of the annual period over which the entity first applies those modifications.

  IAS 3 Business combinations

  The amendments to IFRS 3 clarify that when an entity obtains control of a company that is a joint operation, it applies the requirements for a business combination achieved in stages, including the re-measurement of its previously maintained interest (IPM) in the operation joint at fair value. The IPM that will be remeasured includes any assets, liabilities and goodwill unrecognized related to the joint operation. An entity shall apply those modifications to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019.

IAS 11 Joint Agreements

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a company obtains joint control of such joint operation, the entity does not remeasure its IPM in the joint operation.

An entity shall apply those modifications to transactions in which it obtains joint control as of the beginning of the first annual reporting period beginning on or after January 1, 2019.

• The International Accounting Standards Board (IASB) has published a revised version of the 'Conceptual Framework for Financial Information'. It includes the revised definitions of an asset and a liability, as well as new guidelines on measurement and derecognition, presentation and disclosure. The new Conceptual Framework does not constitute a substantial revision of the current Conceptual Framework. Instead, the IASB focused on issues that were not yet covered or that showed obvious shortcomings that needed to be addressed. Management does not anticipate that the adoption of these amendments will have a significant impact on the Company's financial statements.

• Amendments to IAS 19 Employee Benefits (effective as of January 1, 2019). The amendments establish that it is mandatory that the cost for current service and the net interest for the period after the remeasurement be determined using the assumptions used for the remeasurement. Likewise, amendments are included to clarify the effect of the modifications, reductions or liquidation of the plan in relation to the requirements on the cap of the asset. Management does not anticipate that the adoption of these amendments will have a significant impact on the Company's financial statements.

• CNIIF 23 Treatment of uncertainties over income tax. The interpretation addresses the determination of taxable income or losses, tax bases, unused tax losses, tax credits not used and tax rates, when there is uncertainty about the treatment of income tax according to IAS 12. It is considered specifically:

- If tax treatments should be considered collectively
- Assumptions for tax authorities' audits
- The determination of taxable income (loss), tax bases, unused losses, tax credits and unused tax rates
- The effect of changes in facts and circumstances.

The provisions are applicable for annual periods beginning on January 1, 2019. Its early application is allowed. Management does not anticipate that the adoption of this standard will have a significant impact on the Company's financial statements.

• Amendments to IFRS 9 amends the existing requirements in IFRS 9 with respect to termination rights to allow measurement at amortized cost (or, depending on the business model, at fair value through changes in other comprehensive income).

The provisions are applicable for annual exercises that begin as of January 1, 2019. Its early application is allowed. Management does not anticipate that the adoption of these amendments will have a significant impact on the Company's financial statements.

• Amendments to IAS 28 clarify that an entity applies IFRS 9 to the long-term interests in an associate or joint business that form part of the net investment in the associate or joint business, but which does not apply the method of the participation.

The provisions are applicable for annual periods beginning on January 1, 2019. Its early application is allowed. Management does not anticipate that the adoption of these amendments will have a significant impact on the Company's financial statements.

• IFRS 17 Insurance contracts (effective as of January 2021). The new standard establishes the accountable principles for the recognition, measurement and presentation of insurance contracts replacing IFRS 4. Management does not anticipate that the adoption of this standard will have a significant impact on the consolidated financial statements.

• IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate or joint venture with an indefinite term.

• The IASB has issued amendments to IFRS 3 "Definition of a business" aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations which acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

• The IASB has issued "Definition of material (Amendments to IAS 1 and IAS 8)" to clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual periods beginning on or after January 1, 2020. Early application is allowed.

4. ESTIMATES AND CRITICAL ACCOUNTING JUDGEMENTS

In the application of the accounting policies of the Group that are described in Note 2, the Management of the Group are required to make judgments, estimates and assumptions relative to the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are deemed relevant. Actual results may differ from estimates and evaluations made at the date of the preparation of these financial statements.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or the period of revision and future periods if the revision affects both the current and future periods.

Below there is a description of the estimates and critical accounting judgments that the Management of the Group have made in the process of applying accounting principles:

- Impairment of property, plant and equipment: as it is mentioned in Note 2.11, the Group periodically evaluates the carrying value of its property, plant and equipment so as to determine if there is an indication of impairment loss. For the purpose of estimating the recoverable values, the Management of the Group make assumptions and judgments concerning future prices, levels of production, production costs, future demand, regulatory conditions, discount rates and other factors.

- Oil and gas reserves: Oil and gas reserves are used as a basis to calculate the depreciation of oil and gas production assets and for the calculation of the recoverable amount of those assets. Oil and gas reserves are estimated quantities of crude oil and gas determined according to geological and engineering studies. The estimations of oil and gas reserves are not accurate and are subject to future revisions that consequently affect the related accounting estimates.

- Asset retirement obligations and environmental restoration: at the end of each year, the Management of the Group estimates the costs arising from assets retirement and environmental restoration. Costs are estimated taking into consideration effective laws and regulations, as they had historically been construed and enforced, and considering the current cost of retirement. Future changes in technology, costs, the law or the manner in which future regulations are enforced could significantly affect the liabilities estimation for assets retirement and environmental restoration.

- Provisions for litigations and other contingencies; The final cost of settling claims and litigation can vary due to estimations based on the different interpretations of the laws, opinions and the final assessments of the amount of damages. Therefore, any change in circumstances related to these contingencies may have a significant impact on the amount of the provision recorded for contingencies.

- Recognition of incentives to increase gas production: As mentioned in Note 2.6.d., revenues from the incentives described in Note 12.b are recognized when the realization of the right is virtually certain and it is probable that the entity will receive the inflows associated to the incentive, which in Management's opinion takes place when the Ministry of Energy and Mining of Argentina issues the resolution approving the benefit.

- Determination of functional currency: In accordance with what it is mentioned in Note 2.8, the Group has determined the functional currency for PCR and its controlled companies. The Group's Management applies professional judgment in determining its functional currency and that of its subsidiaries. Judgment takes mainly into account the currency that influences and drives sales prices, and also considering the currency that each company uses to pay labor, material, investment and other costs, as well as the financing and collection derived from its operating activities.

5. BREAKDOWN OF THE MAIN CAPTIONS OF THE CONSOLIDATED BALANCE SHEETS

	2018	2017
Assets		
a) Investments		
Current		
Mutual funds	394,887	103,204
Time deposits	3,339,775	--
Interest-bearing account	110,595	149,592
	3,845,257[1]	252,796[1]

[1] Include 2,551,644 (12-31-2018) and 149,592 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

	2018	2017
Non-current		
Government securities (Exhibit G – Note 2.8)[1]	--	147,029
	--	147,029

[1] Corresponds to Argentine bonds in US$ at a rate of 8% due on 2020 (BONAR 2020 US$) for a nominal value of US$ 5.5 million.

	2018	2017
b) Accounts receivable		
Current		
Common debtors	1,832,779	1,908,484
Debtors under legal proceedings	2,963	4,375
	1,835,742	1,912,859
Allowance for doubtful accounts receivable (Exhibit E)	(8,981)	(1,816)
	1,826,761[1]	1,911,043[1]

[1] Include 1,347,765 (12-31-2018) and 1,525,727 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

	2018	2017
Non-current		
Common debtors in foreign currency	75,764	137,672
Allowance for doubtful accounts receivable (Exhibit E)	(75,764)	(137,672)
	--	--

[1] Include 75,764 (12-31-2018) and 137,672 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

Eng. Martín F. Brandi
President

	2018	2017
c) Other receivables		
Current		
Advances to suppliers	228,460	215,914
Tax credits	638,084	208,573
Prepaid expenses	37,340	26,039
Collateral deposit	4,569	4,474
Joint Operation (“JO”) partners	131,962	729
Receivables from sales on behalf of JO partners	252,676	153,857
Incentives to increase gas production (Note 12.b)	71,016	20,201
Related parties (Note 7)	--	1,584
Miscellaneous	83,548	40,827
	1,447,655 (1)	672,198 (1)

(1) Include 424,031 (12-31-2018) and 232,066 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

	2018	2017
Non-current		
Advances to suppliers	3,232,694	1,206,603
Tax prepayments	213,099	38,118
Loans to employees	30,630	28,950
Tax credits	51,208	47,805
JO partners	76,249	145,607
Incentives to increase gas production (Note 12.b)	108,317	--
Miscellaneous	1,891	2,415
	3,714,088	1,469,498
Allowance for doubtful other receivables (Exhibit E)	(78,055)	(43,051)
	3,636,033 (1)	1,426,447 (1)

(1) Include 138,605 (12-31-2018) and 112,434 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

	2018	2017
d) Inventories		
Current		
Finished goods	121,100	92,271
Goods in process	255,759	268,391
Raw materials	402,112	267,150
Materials	672,988	618,138
	1,451,959	1,245,950
Non-current		
Finished goods	16,346	14,406
Materials	218,718	106,957
	235,064	121,363
Allowance for obsolescence and idle items (Exhibit E)	(189,570)	(111,991)
	45,494	9,372

Eng. Martín F. Brandi
President

e) Intangible assets[1]

	Usufruct rights, wind studies and authorizations	Other	Total
Cost	57,676	41,921	99,597
Accumulated amortization	--	(19,627)	(19,627)
Net book value as of December 31, 2016	57,676	22,294	79,970
Cost			
Translation differences	19,683	--	19,683
Increases	211,173	710	211,883
Decreases	--	(86)	(86)
Accumulated Amortization			
Increases	--	(6,927)	(6,927)
Cost	288,532	42,545	331,077
Accumulated amortization	--	(26,554)	(26,554)
Net book value as of December 31, 2017	288,532	15,991	304,523
Cost			
Translation differences	44,166	--	44,166
Increases	84,294	143	84,437
Decreases	(49,275)	--	(49,275)
Accumulated Amortization			
Increases	--	(650)	(650)
Cost	367,717	42,688	410,405
Accumulated amortization	-	(27,204)	(27,204)
Net book value as of December 31, 2018	367,717	15,484	383,201

(1) Correspond to intangible assets with finite useful life ranging from 3 to 20 years. Amortization of intangible assets is calculated based on the straight-line method and the increases are expensed as Production costs of the year.

	2018	2017
Liabilities		
f) Accounts payable		
Current		
Suppliers	1,481,864	1,176,460
Related parties (Note 7)	15,040	16,054
Deferred revenues	189,181	132,667
	1,686,085[1]	1,325,181[1]

(1) Include 468,900 (12-31-2018) and 521,106 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

	2018	2017
Non-current		
Suppliers (Exhibit G – Note 2.8)	--	33,871

	2018	2017
g) Loans		
Current		
Bank loans	2,713,248	1,126,527
	2,713,248[1][2]	1,126,527[1]

(1) Include 2,753,871 (12-31-2018) and 1,067,854 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).
(2) Include 40,623 of issuance costs paid in advance.

	2018	2017
Non-current		
Bank loans	12,332,346	2,967,908
	12,332,346[1][2]	2,967,908[1]

(1) Include 12,527,635 (12-31-2018) and 2,967,908 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).
(2) Include 195,289 of issuance costs paid in advance.

Eng. Martín F. Brandi
President

	2018	2017
Balances at the beginning	4,094,435	1,734,833
Interest expense	236,364	17,572
Financial costs capitalized	450,514	26,360
Foreign exchange differences	1,966,905	96,759
Interest paid	(547,332)	(312,029)
Proceeds	10,696,407	3,229,907
Effect of re-expression by inflation	(285,357)	(37,766)
Payments	(1,566,342)	(661,201)
Balances at the year-end	15,045,594	4,094,435

h) Taxes payable

Current		
Income tax payable	302,259	230,101
Tax withholdings	57,584	32,934
Value added tax	91,842	34,412
Turnover tax	37,182	6,279
	488,867 (1)	303,726 (1)

(1) Include 328,578 (12-31-2018) and 221,346 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

l) Other liabilities

Current		
Royalties payable	116,952	126,687
Sales on behalf of JO partners pending settlement	145,240	134,687
Provision for fees to Directors (Note 7)	10,448	18,907
Dividends payable (Note 7)	77,266	598
Debt for business combinations and assets acquisitions (Note 13)	38,444	55,187
Miscellaneous	71,285	33,664
	459,635	369,730 (1)

(1) Include 326,333 (12-31-2018) and 243,662 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

Non current		
Debt for business combinations and assets acquisitions (Note 13)	56,680	96,356
	56,680 (1)	96,356 (1)

(1) Include 56,680 (12-31-2018) and 96,356 (12-31-2017) in foreign currency (Exhibit G – Note 2.8).

6. BREAKDOWN OF CAPTIONS FROM THE CONSOLIDATED STATEMENT OF PROFITS OR LOSS

a) Other income (expenses), net

	Profit (Loss)	
Production and reserves incentives (Note 12.b)	108,359	233,675
Tax on debits and credits on bank accounts	(153,681)	(134,046)
Gain on property, plant and equipment sales	2,327	4,422
Charges related to non-productive assets	(51,832)	(88,566)
Provision for claims and contingencies	(8,776)	(1,645)
Allowance for doubtful accounts receivable and other receivables	75,454	81,547
Allowance for obsolescence and idle items	(77,579)	(15,840)
Reestimation of costs for asset retirement obligations	327,324	--
Miscellaneous	335,416	49,840
Total other income (expenses), net	557,012	129,387

Eng. Martín F. Brandi
President

b) Financial and holding gains (losses), net

	2018	2017
Financial Income		
Interest stemming from assets	4,975	--
Foreign exchanges differences, net	--	58,406
Total financial incomes	4,975	58,406
Financial cost		
Interest stemming from liabilities	(561,293)	(34,458)
Interest stemming from assets	--	(13,521)
Foreign exchange differences, net	(971,849)	(15,476)
Accretion of discount	(104,888)	(64,462)
Other financial results, net	(217,173)	(39,500)
Loss from exposure to changes in the purchasing power of the currency, net	(424,332)	(213,826)
Total financial cost	(2,279,535)	(381,243)
Total financial and holding gains (losses), net	(2,274,560)	(322,837)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The balances as of December 31, 2018 and 2017 deriving from transactions with related parties to the Group, are as follows:

2018	Accounts payable	Other liabilities
Related companies		
Rental Patagonia S.A.	(15,040)	--
Management and Shareholders	--	(87,714)
Total	(15,040)	(87,714)

2017	Other receivables	Accounts payable	Other liabilities
Related companies			
Bahia Solano S.A.	1,584	(59)	--
Rental Patagonia S.A.	--	(12,796)	--
APMB Servicios y transportes S.A.	--	(3,199)	--
Management and Shareholders	--	--	(19,505)
Total	1,584	(16,054)	(19,505)

The transactions with related parties during the years ended December 31, 2018 and 2017 are the following:

2018	Purchases, fees and services
Related companies	
Rental Patagonia S.A.	(130,460)
APMB Servicios y Transportes S.A.	(32,264)
Management and Shareholders	(62,092)
Total	(224,816)

2017	Purchases, fees and services
Related companies	
Rental Patagonia S.A.	(147,268)
APMB Servicios y Transportes S.A.	(36,817)
Management and Shareholders	(51,003)
Total	(235,088)

Eng. Martín F. Brandi
President

Compensation made to key Management of the Company (including its Directors) amounted to 44,239 and 49,399 for the years ended December 31, 2018 and 2017, respectively, corresponding to short-term compensations.

8. STOCKHOLDERS´ EQUITY

Stock capital is composed of 72,073,538 shares, of Argentine pesos 1 par value, and five votes per share.

As of December 31, 2018, 34 members of the families Brandi and Cavallo, control the Company through direct and indirect participation of 99.96% of the Capital.

On April 9, 2018, the Ordinary and Extraordinary Shareholders Meeting approved the distribution of cash dividends in the amount of 174,798 and appropriated 214,087 to the General purpose reserve.

On September 26, 2018, the Extraordinary Shareholders Meeting approved the partial use of the General purpose reserve for the distribution of cash dividends by 321,473.

On April 18, 2017, the Ordinary and Extraordinary Shareholders' Meeting approved the distribution of cash dividends for 231,556, and appropriated 1,154,738 to the General purpose reserve previously created pursuant to the provisions of section 70 of the General Corporations Law N° 19,550 for the future payment of dividends and/or to meet the needs for working capital, investments and new business of PCR and its subsidiaries.

On November 10, 2017, the Extraordinary Shareholders´ Meeting approved the distribution of cash dividends in the amount of 164,635 out of the General purpose reserve.

Pursuant to Law Nº 25,063 the dividends distributed, in cash or kind, in excess of accumulated taxable income, will be subject to a 35% income tax withholding as a sole and final payment. However, under tax reform Law N° 27,430 this withholding is eliminated for profits incurred as from 2018.

Finally, the Tax Reform Law N° 27,430 also provided, among others, a withholding tax on dividends at a rate of 7% out of accrued profits for fiscal years beginning January 1, 2018 and 13% as from 2020.

9. INCOME TAX

The evolution and composition of the deferred tax assets and liabilities are described below:

Deferred tax liability, net:	**Inflation adjustments PP&E**	**Capitalized financial charges**	**Tax benefits**	**Exploration expenses**	**Foreign companies gains**	**Non-deductible provisions and others**	**Tax loss carryforward**	**2018**	**Total**
Balances as of December 31, 2017	(1,077,975)	(17,647)	(37,723)	215,991	(49,163)	295,337	--	(671,180)	(884,036)
Translation differences	(9,280)	(3,544)	--	--	--	(230)	--	(13,054)	(4,457)
Transfers	--	--	--	--	--	510	--	510	(56,786)
Re-expression effect	--	--	--	--	14,143	(63,890)	--	(49,747)	(56,532)
Charges of the year	(331,973)	(147,402)	13,658	(65,934)	(21,533)	164,967	253,684	(134,533)	330,631
Balances as of December 31, 2018	(1,419,228)	(168,593)	(24,065)	150,057	(56,553)	396,694	253,684	(868,004)	(671,180)

Deferred tax assets, net:	**Non-deductible provisions and others**	**Tax loss carryforward**	**2018**	**Total**
Balance at of December 31, 2017	56,787	116	56,903	--
Translation differences	20,782	--	20,782	--
Transfers	(510)	--	(510)	56,786
Re-expression effect	--	(37)	(37)	--
Charges of the year	(775)	--	(775)	117
Balances as of December 31, 2018	76,284	79	76,363	56,903

Eng. Martín F. Brandi
President

The following is a reconciliation between the charge that results from applying the current tax rate on net income before income tax and the income tax included in the statement of profit or loss of the year:

	2018	2017
Net income before income tax	1,003,831	412,223
Applicable tax rate	30%	35%
Tax rate applied to net income before income tax	(301,149)	(144,278)
Permanent differences at the tax rate		
- Non-deductible expenses	(8,386)	(14,059)
- Investments	(57,942)	(41,984)
- Effect of the Tax Reform	(12,435)	181,500
- Change in statutory tax rate	78,004	116,979
- Result from exposure to changes in the purchasing power of the currency and remeasurement to functional currency	(513,217)	(250,549)
- Non-taxable or exempted income	198,013	37,888
- Other	(8,746)	(8,146)
Income tax total expense	(625,858)	(122,649)
- Current tax expense	(490,550)	(453,397)
- Deferred tax gain (expense)	(135,308)	330,748
Total Income tax expense	(625,858)	(122,649)

10. BUSINESS SEGMENT REPORTING

Business segments are grouped considering the way in which the highest responsible makes decisions of the Group for resource allocation decisions and profitability assessment. Information considered by the chief operation decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided, and for oil and gas transactions, the location where those activities take place.

The Company has five business segments as follows:

- Oil and gas Argentina: includes the exploration, development, production and sale of crude oil and gas from the fields in Argentina.

- Oil Ecuador: includes the exploration, development, production and sale of crude associated with service contracts in Ecuador.

- Oil and gas Colombia: includes the oil and gas exploration, production and sale transactions in Colombia as from December 2017.

- Cement: includes the operations of sale of cement, which includes the sourcing of raw materials from the quarries, the production of clinker and its subsequent grinding with certain additives to obtain cement.

- Concrete blocks and dry mortars: corresponds to the production of cement blocks and construction materials whose main raw material is the cement produced by the Company to which determined additives are incorporated.

- Renewable resources: includes operations of electric power generation out of renewable sources.

- Central administration and other investments: include the common charges of the central administration and other minor operations.

Eng. Martín F. Brandi
President

	2018								
	Oil and Gas Argentina	**Oil Ecuador**	**Oil and gas Colombia**	**Cement**	**Concrete blocks and dry mortars**	**Renewable resources**	**Central administration and other investments**	**Consolidation adjustments**	**Total**
Revenue from sale of goods	7,632,317	--	273,968	2,813,839	121,783	--	--	(406,958)	10,434,949
Revenue from services rendered	266,202	2,863,431	--	82,028	--	--	--	(212,246)	2,999,415
Operating income	1,802,569	1,541,443	(9,317)	299,722	7,844	(24,630)	(310,872)	(28,368)	3,278,391
Total Assets	6,177,130	3,793,645	1,035,481	4,991,390	583,521	13,118,970	899,460	(95,586)	30,504,011
Total Liabilities	3,506,297	1,321,759	133,591	1,091,949	109,085	11,347,120	3,983,691	(103,901)	21,389,591
Acquisition of property, plant and equipment	811,650	86,239	284,392	145,682	135,694	3,879,579	42,199	--	5,385,435
Depreciation of property, plant and equipment	(991,375)	(193,913)	(55,102)	(239,874)	(5,245)	--	(17,654)	--	(1,503,163)

	2017								
	Oil and Gas Argentina	**Oil Ecuador**	**Oil and gas Colombia**	**Cement**	**Concrete blocks and dry mortars**	**Renewable resources**	**Central administration and other investments**	**Consolidation adjustments**	**Total**
Revenue from sale of goods	4,819,838	--	--	2,658,519	136,386	--	--	(355,942)	7,258,801
Revenue from services rendered	226,729	1,749,816	--	130,640	--	--	--	(308,992)	1,798,193
Operating income	105,750	901,772	(53,630)	119,721	3,727	--	(309,709)	(32,571)	735,060
Total Assets	6,383,047	2,629,177	573,730	4,902,762	527,276	2,085,369	1,188,316	(1,024,521)	17,265,156
Total Liabilities	3,439,434	1,079,470	10,162	729,886	117,079	1,114,651	3,909,223	(1,064,514)	9,335,391
Acquisition of property, plant and equipment	2,933,581	287,434	552,610	138,570	346,534	339,559	6,399	--	4,604,687
Depreciation of property, plant and equipment	(973,474)	(222,628)	--	(248,699)	(6,463)	--	(22,175)	--	(1,473,439)

The breakdown of revenue from sales of goods and services rendered by geography, by product and by destination market, for the years ended December 31, 2018 and 2017, respectively is detail below:

	Argentina	**Ecuador**	**Chile**	**Colombia**	**Consolidation adjustments**	**Total**
December 31, 2018:						
Revenue from sales of goods:	10,196,695	--	371,244	273,968	(406,958)	10,434,949
Revenue from services rendered:	348,231	2,863,431	--	--	(212,247)	2,999,415
December 31, 2017:						
Revenue from sales of goods:	7,283,564	--	331,181	--	(355,944)	7,258,801
Revenue from services rendered:	357,369	1,749,816	--	--	(308,992)	1,798,193

Eng. Martín F. Brandi
President

December 31, 2018:	Local market	Export	Consolidation adjustments	Total
Gas	1,500,436	--	--	1,500,436
Oil[(1)]	9,535,482	--	(212,247)	9,323,235
Cement	2,599,497	214,342	(406,958)	2,406,881
Concrete blocks and dry mortars	121,783	--	--	121,783
Other goods and services	82,029	--	--	82,029
Total	13,839,227	214,342	(619,205)	13,434,364
December 31, 2017:				
Gas	936,341	--	--	936,341
Oil[(1)]	5,860,042	--	(183,184)	5,676,858
Cement	2,501,831	156,690	(355,944)	2,302,577
Concrete blocks and dry mortars	136,254	132	--	136,386
Other goods and services	130,640	--	(125,808)	4,832
Total	9,565,108	156,822	(664,936)	9,056,994

(1) Include 2,863,431 y 1,749,816 of Revenue from services rendered by the Oil Ecuador segment for the years ended December 31, 2018 and 2017, respectively.

During the years ended December 31, 2018 and 2017 sales amounting $ 2,553 million and $ 2,622 million to Pan American Energy S.L. Suc. Argentina were booked, that are included in the segment of oil and gas Argentina, which represented approximately 22.20% and 34.4%, respectively, from the total revenue from sales of goods and services of the Group.

Additionally, in the fiscal year ended December 31, 2018, approximately $ 1,346 million of sales were recorded related to Trafigura Argentina S.A., which are included in the oil and gas Argentine segment, representing approximately 11.70% of total revenues from sales of goods and of services of the Group.

Likewise, in these fiscal years, sales were recorded for approximately $ 2,863 million and $ 1,750 million related to companies controlled by the Ecuadorian government, which are included in the Oil Ecuador segment, representing approximately 21.3% and 19.3%, respectively, of the total revenue from sales of goods and services of the Group.

11. LOANS

a. Bank debt

Outstanding bank borrowings as of December 31,2018 are detailed below:

On June 22, 2016, the Company entered into a loan agreement with the Industrial and Commercial Bank of China (Argentina) S.A. for US$ 30,000,000 payable in 15 equal and consecutive quarterly installments, the first of which matured on December 27, 2017. The loan accrues Interest at an annual nominal fixed rate of 6.75%.

On September 28, 2016, the Company entered into a loan agreement with Banco de la Ciudad de Buenos Aires for US$ 14,000,000 payable in 14 equal consecutive quarterly installments, the first one with maturity on June 28, 2017. The loan accrues an annual nominal interest fixed rate of 4.5% or a variable rate equal to LIBOR plus 3% annual, the highest.

On October 28, 2016, the Company entered into a loan agreement with Banco de Inversión y Comercio Exterior for US$ 9,640,000, which consists of three tranches, of which the Company subscribed US$5.755.712. This last amount is payable in 30 equal and consecutive monthly installments, the first one with maturity on May 28, 2017, and accrues a variable interest rate of LIBOR plus 3.5% annual.

On June 27, 2017, the Company entered into a loan agreement with HSBC Bank Argentina S.A. for US$ 25,000,000 payable in nine quarterly equal and consecutive installments. The first installment was due on June 27, 2018. The loan accrues an annual nominal fixed interest rate of 4.75%.

On June 29, 2017, PCR entered into a loan agreement with BBVA Banco Francés S.A. for US$ 20,000,000 payable in 15 quarterly consecutive installments. The first installment was payable on December 28, 2018. The loan accrues interest at an annual nominal fixed rate of 4.85%.

On October 6, 2017, PCR entered into a loan agreement with BBVA Banco Francés S.A. for US$ 5,000,000 payable in 15 quarterly consecutive installments. The first installment is payable on April 6, 2019. The loan accrues interest at an annual nominal fixed rate of 5.5%.

On October 9, 2017, the Company entered into a loan agreement with the BBVA Banco Francés S.A. for US$ 15,000,000 payable in 15 quarterly consecutive installments. The first installment is payable on April 9, 2019 and the loan accrues interest at an annual nominal rate of 5.5%.

On October 12, 2017, the Company entered into a loan agreement with HSBC Bank Argentina S.A. for US$ 15,000,000 payable in 9 quarterly equal and consecutive installments. The first installment was payable on October 12, 2018 and the loan accrues interest at an annual nominal fixed rate of 6%.

On December 7, 2017, PCR entered into a loan agreement with the Banco de Galicia y Buenos Aires S.A. for US$ 5,000,000 payable in 12 quarterly and consecutive installments. The maturity of the first capital installment operated on March 7, 2018. The loan accrues an annual nominal fixed rate of 5.50%.

On December 28, 2017, PCR entered into a loan agreement with Banco de Galicia y Buenos Aires S.A. for US$ 5,000,000 payable in 9 quarterly equal and consecutive installments. The first principal installment was payable on December 28, 2018. The loan accrues an annual nominal fixed interest rate of 5.75%.

On January 4, 2018, PCR entered into a loan agreement with Itaú Unibanco S.A,, Nassau Branch, for US$ 100,000,000 payable in 43 equal and consecutive monthly installments since July 2019, with final maturity in January of 2023. The loan accrues monthly interest at an annual variable rate based on 30-day LIBOR, plus an incremental margin of 4.25% to 4.75% over the life of the loan. The destination of the loan proceeds will be to finance capital investments and for corporate purposes.

On July 13, 2018, the Company entered into a loan agreement with Banco Patagonia for US$ 9,500,000, payable in full on July 8, 2019. The loan accrues a fixed annual interest rate of 5.2%.

On August 28, 2018, PCR entered into a loan agreement with Itaú Unibanco S.A., Nassau Branch, and Banco de Galicia and Buenos Aires S.A. for US$ 80,000,000 payable in 22 monthly, equal and consecutive installments since November 2019, with final maturity in August 2021. This amount is divided into two tranches of US$ 40,000,000 each, which accrue monthly interest at a fixed annual rate of 8.5% and at an annual variable rate based on 30-day LIBOR, plus a margin of 5.75% over the life of the loan, respectively. The destination of the loan proceeds will be to finance capital investments and for corporate purposes.

On October 12, 2018, PEBSA, a company indirectly controlled by the Company, entered into a loan agreement to finance the construction, operation and maintenance of the Parque Eólico del Bicentenario with a generating capacity of 125.2 MW, which includes the acquisition and installation of 35 V117 wind turbines of 3.6 MW and associated transmission facilities to be located in the province of Santa Cruz, Argentina (the "Project"). Such financing has been granted by: (i) Inter-American Investment Corporation ("IDB Invest") by itself, and in representation and as "Agent" of the Inter-American Development Bank ("IDB"), (ii) KFW, (iii) KFW IPEX-BANK GMBH (the "EKF Agent"), and (iv) EKF DENMARK'S EXPORT CREDIT AGENCY ("EKF") (the "Creditors") for a total amount of up to US$ 108,000,000 to be repaid in a maximum term of fifteen years, under a scheme of periodic capital installments. This financing combines a loan provided by IDB and IDB Invest for a total amount of up to US$ 50,000,000 and another loan granted by KFW, the EKF Agent and EKF under which KFW will make available to PEBSA a loan for the amount of up to US $ 58,000,000 guaranteed by EKF DENMARK'S EXPORT CREDIT AGENCY (export credit agency of Denmark), through a credit insurance that provides 95% coverage. The mentioned financing includes separate guarantees for this type of operations (such as pledge of shares, pledge of equipment, assignments of Project rights in favor of trusts, promissory notes, etc.) and also includes (i) a guaranty -under New York law- by the shareholders of PEBSA (PCR and Cleanergy Argentina S.A.) in order to guarantee the faithful and timely compliance with each and every one of PEBSA's obligations under the financing documents. The guaranty will survive until the date on which the Project is completed, which will occur approximately nine months after the date of commercial authorization of the wind farm; and (ii) an endorsement by PCR of the promissory notes issued by PEBSA.

In relation to the mentioned loan agreements, the companies agreed certain commitments to do and not to do, common in this type of transactions, including certain limitations to the payment of dividends, the level of indebtedness, the sale of assets and the granting of encumbrances. In addition, such loan agreements contain clauses of compliance with certain financial ratios which non-compliance could lead to the expiration of the term and the consequent immediate maturity of said loans.

b. Negotiable Obligations

On February 12, 2014 the Company issued Negotiable Obligations Class 2 at a annual nominal variable rate BADLAR plus 4,5% for a nominal value of $160 million under the Negotiable Obligations Program of up to US$ 150,000,000 approved by the CNV on July 25, 2013 (the “Program”). On February 12, 2016 PCR settled the last installment of principal and interests of the aforementioned Negotiable Obligations.

On March 4, 2015, the Company issued Negotiable Obligations Class 3 for a nominal value of $246,236,559 under the Program previously mentioned with a fixed rate of 28% for the first 12 months and then a variable rate of BADLAR plus 4.5% in the following 12 months.

On March 3, 2017, PCR paid off the last installment including principal and interest corresponding to Class 3 Negotiable Obligations mentioned earlier. As a result, on December 31, 2017 the Company has no listed securities outstanding.

On November 10, 2017, the Shareholders meeting approved the creation and the terms and general conditions of a new Negotiable Obligations Program (the “New Program”), to a maximum amount of US$400,000,000 or equivalent in other currencies. The terms and conditions of the New Program and the Negotiable Obligations were approved by the Boards of Directors on February 7, 2018.

The creation of the New Program was authorized by Resolution of the CNV on March 28, 2018 and on April 23 CNV approved the public offering of the Class 1 Negotiable Obligations.

Eng. Martín F. Brandi
President

Due to the worsening of the financial market conditions, the Company decided to postpone the issuance of Class 1 Negotiable Obligations in the international market, until those conditions were appropriate for this class of transactions.

12. CLAIMS, CONTINGENCIES, REGULATORY MATTERS AND COMMITMENTS

a. Pending lawsuits

During the normal course of business, the Company has been sued through several legal proceedings in the labor, civil and commercial jurisdictions. The Management of the Company, with the advice of their legal advisors, made a provision, considering their best estimate using as a basis the available information as of the date of issuance of these consolidated financial statements, including fees and legal costs.

b. Regulatory matters

Incentives to increase gas production

On February 14, 2013, Resolution 1/2013 (the “Resolution”) of the former Commission for Planning and Strategic Coordination of the National Hydrocarbon Investment Plan (the "Commission") was published in the Official Gazette. The Resolution established the "Program to Incentive an Additional Injection of Natural Gas” (the “Program”) and invited to gas natural producing companies to submit projects that increase the injection of natural gas to the distribution network, having to comply with a series of established requirements. It also established a compensation resulting from: “… (i) The difference that exist between the price of the Surplus Injection and the effective price collected for the sale of the Surplus Injection, plus (ii) the difference between the Base price and the effective price collected for the sale of the adjusted Surplus Injection…”; these in accordance with the terms and conditions of the Resolutions.

At the same time, the Resolution established a term of five (5) years, extendable at the request of the beneficiary, and subject to the decision of the enforcement authority, to comply with the projects duly presented. If the beneficiary company did not achieve, for one month or more, the production of natural gas committed to its project, it was obliged to compensate for its inability to reach the minimum injection values committed in its project, by importing liquid natural gas and / or other mechanisms. The Program was valid until the end of 2017.

PCR submitted its natural gas injection project to the Commission, obtaining its approval on August 2, 2013 and, on July 5, 2017, received BONAR 2020 USD for US $ 1.4 million (equivalent to 42,330) corresponding to the year 2016.

Further, in connection to the year 2017, the Ministry of Energy and Mining ("MEyM") authorized the cash payment of 191,345 corresponding to the incentives accrued through February 2017. The outstanding balance receivable as of December 31, 2018, of 20,201 was included in the caption "Other Accounts Receivable-current" of the balance sheet as of that date.

Eng. Martín F. Brandi
President

Finally, on April 3, 2018, Resolution 97/2018 of the MEyM was published, approving the procedure for the cancellation of compensations pending settlement and / or payment within the framework of the Program (including the outstanding balance at 31 December 2017 mentioned in the previous paragraph). According to the aforementioned Resolution, the pending compensations would begin to be cancelled as of January 1, 2019 in 30 equal monthly and consecutive installments, according to the conditions established in the same Resolution. On April 16, 2018, the Company confirmed adherence to the aforementioned procedure in accordance with the requirements of the Resolution. The compensation provided by the MEyM for the Company in such Resolution amounts to US$ 5.15 million. The income accrued during the first quarter of 2018 amounted to 108,359. However, art. 55 of the Budget Law No. 27,467 for the year 2019 (supplemented by Resolution No. 54/2019) provided for the authorization to cancel the obligations arising from the provisions of Resolution No. 97/2018 through the issuance of instruments of public debt. Therefore, on February 21, 2019, PCR submitted to the Sub-secretariat of Hydrocarbons and Fuels the Letter to access the bonds provided in the Annex to Resolution No. 54/2019, indicating the account for the deposit of bonds and other requirements.

Accrued revenue for these transactions were recorded in “Other income (expenses), net” for the years ended December 31, 2018 and 2017.

c. Contractual commitments

In addition to the contracts and commitments mentioned in notes 12.e and 13, PCR in the usual course of its business has entered into contracts for the supply of cement, other construction materials, hydrocarbons and electric power, which include the obligation to deliver certain minimum quantities and penalty clauses for non-compliance.

PCR estimates the mentioned commitments will not have a significant effect in the results of operations.

d. Contingent assets

As of December 31, 2018 the Company, through its controlled companies Petroriva S.A. and Dutmy S.A., has the following contingent assets that will be booked as long as the favorable resolution of the contingency is virtually certain.

Fuel price

In March 2002, the companies Petroleos Sud Americanos del Ecuador Petrolamerec S.A., Petroriva S.A. and Compañía Sudamericana de Fósforos del Ecuador Fosforocomp S.A. filed a claim against Petroecuador, requesting compliance with the contractual obligation of the latter to provide diesel for the operations of the contracts at the domestic market price; and consequently, it was also demanded the return amounts paid in excess, in the diesel purchases that were made to Petroproducción for the operations of the Pindo and Palanda Yuca Sur fields, which were provided at the international market price.

In January 2003, the Court of Arbitration of the Chamber of Commerce of Quito issued an award in which it accepted the claims and ordered Petroecuador:

a.- Return the existing difference between the domestic sale price of the fuel acquired for its operations; and the international market price paid by them for the purchase of fuel for their operations, from May 2000 until the date of enforceability of the Award.

b.- Pay the the interests calculated from the date on which the price differences were paid, until the date on which Petroecuador returns the amounts unduly collected.

c.- Stop charging the international market price and collect only the domestic market price for the fuel purchased for their operations.

Eng. Martín F. Brandi
President

On July 30, 2004, the metioned companies filed a demand for enforcement of the arbitration award against Petroecuador and, on September 23, 2004, the judge issued the payment mandate and ordered Petroecuador to pay the companies that integrated the Petrosud-Pretroriva Consortium the sum of US$ 962 thousand (US$ 481 thousand correspond to the Company).

Due to the time elapsed without Petroecuador payment the order, on July 16, 2017, the judge issued a new payment order compelling Petroecuador to pay US$ 1.7 million. Up to the date of issuance of the financial statements, the execution procedure continues. As of December 31, 2018, the updated value added up to US$ 1.8 million.

e. Participation in joint operations

“Colhue Huapi” area

On June 8, 2011 PCR signed with the Chubut’s provincial-company Petrominera Chubut S.E. (“Petrominera”) a contract for the joint exploration and eventual exploitation of Colhue Huapi Area. PCR holds 80% of interest in the joint operation and it acts as the operator for the area.

According to articleN° 7 of the Joint Exploration Contract, the parties agreed on three exploration periods: a first period of 36 months, a second period of 24 months and a third period of 12 months, with a maximum extension of 24 months.

On August 15, 2015, the declaration of commerciality was requested, the granting of an exploitation area for approximately 300 Km2 and the designation of the Area as Colhue Huapi - Exploitation Block - Block A.

As requested, on August 18, 2015, PCR and Petrominera signed an addendum to the aforementioned Joint Exploration Contract, whereby they agreed: i) to declare a block as an exploitation area ("Colhue Huapi - Exploitation Block - Block A "); ii) the realization by PCR of the following investments: (a) 5 exploration wells before July 2016 and 5 additional wells before the expiration date of the second exploration period; (b) development of a three-year program according to the following scheme: the first year will be the drilling of 5 development wells for a value of US$ 5.9 million during the second year will drill 5 development wells for US$ 6.2 million and in the third year, 3 development wells will be drilled for a total of US$ 3.7 million, highlighting that the investments to be made during the first year are an assumed commitment, while the investments for the second and third years are enforceable depending upon the results obtained.

The addendum to the joint operation contract was approved by the the Province in the Decree 1268/16 on October 9, 2016 published on the Official Gazette dated September 12, 2016, which also approved the granting of the Exploitation Block.

Investments in exploration and development of the Colhue Huapi area executed as of December 31, 2017 amounted to US$ 20.9 million. Based on the results obtained, Management estimates that it will not make the additional investments for US$ 9.9 million in the short term (given that investments in the second and third year were dependent upon the results of investments of first year), unless the parties modify the program or the three-year budget.

“Gobernador Ayala V” area

On June 8, 2012 “Pampetrol SAPEM-Petroquímica Comodoro Rivadavia S.A. (Concurso N°02/12)-Joint Operation” (UTE Pampetrol-PCR (Concurso N°02/12)) was created for the exploration, exploitation, storage and transport of oil and gas in the area Gobernador Ayala V. PCR assumed the obligation of drilling an exploration well and performing workovers in two existing exploration wells. As of December 31, 2017, the committed works mentioned above were completed, resulting in 3 natural gas wells.

During fiscal year 2018, the gas dehydrator plant and a 34-km gas pipeline that connects the area with the gas treatment plant located at El Medanito area were completed.

"El Medanito" area

On February 6, 2015 PCR signed with the Province of La Pampa a renegotiation agreement that extends for 10 years (counted since June 19, 2016, expiration date of the original contract), until June 18, 2026, the contract for oil and gas exploration and development in the area “El Medanito”, keeping the main business conditions prevailing at that date.

As a consequence of the aforementioned agreement, the deed of transfer and complementary provincial laws, PCR assumed the commitment to transfer 20% of the rights and obligations under the contract and the area, through the establishment of a consortium. On June 19, 2016, PCR transferred the assets affected to the exploitation of the area at no cost or consideration for Pampetrol SAPEM (“Pampetrol”)

Likewise, PCR assumed the commitment to carry out a development and investment plan in the area amounting US$ 216 million and to make expenditures for the exploitation of the area for US$ 274 million during the extended term.

At the date of the transfer, PCR recorded 201,021 in Mining property account in the Property, plant and equipment item of the Balance Sheet corresponding to the value of assets, net of the liability for assets retirement obligations, transferred to the Province of La Pampa under the agreement referred to above.

Finally, PCR committed to carry out an environmental audit with the intervention of the Sub-Secretary of Ecology of La Pampa, with the objective of identifying environmental issues that may determine the existence of liabilities prior to June 19, 2016. PCR records remediation liabilities as detailed work plans are submitted to the Sub-Secretary of Ecology and, as a result, the costs related to such works may be reasonably estimated.

“Jagüel de los Machos” area

On December 6, 2016, PCR entered into an agreement with Pampetrol to extend the service contract to operate "Jagüel de los Machos" area. According to this contract, PCR assumed the operation of the area to produce hydrocarbons, their treatment, and subsequent commercialization and injection in the respective transport systems until October 28, 2017, subject to investments to be performed in the area provided in the same agreement

Subsequently, on October 2, 2017, the Shareholders’ Meeting of Pampetrol accepted the tender offer made by PCR for the area “Jagüel de Los Machos”, under Public Bid No. 1/17 – Pampetrol S.A.P.E.M.

The concession contract assignment agreements and the joint operation contract were signed on October 10, 2017. Under such agreements and contract, and upon payment of US$ 11.2 million, PCR become joint holder of the exploitation concession granted by the Province of la Pampa to Pampetrol pursuant to Provincial Act No. 3003 and the Exploitation Concession contract entered into between the Province of La Pampa and Pampetrol on July 19, 2017. The interest of PCR and Pampetrol in the joint operation agreement is 80% and 20%, respectively, where PCR acts as operator of the area. The concession term is 25 years as from July 19, 2017, and may be extended for another 10 year term. In October 2017, PCR recorded 289,266 as mining property under Property, plant and equipment. Moreover, PCR committed to carrying out a development, exploitation and workover plan in the area for an amount of US$ 38.5 million over the first 2 years. In addition, it expects to make investments up to US$ 21.6 million between the third and fifth year.

The new joint operation agreement became effective on October 29, 2017, after the expiration of the service contract mentioned above.

25 de Mayo area – "Medanito SE"

Through Provincial Law N° 3,002 dated July 7, 2017, issued by the Province of La Pampa, Pampetrol was granted the concession for the exploitation of the 25 de Mayo-Medanito SE area. In July 2017, the concession contract was signed between the Province of La Pampa and Pampetrol. The concession was granted for a term of 25 years as of July 19, 2017, renewable for an additional ten years period.

Pampetrol called for bids in order to establish a joint operation that operates the area. Subsequently, Pampetrol had to declare the tender void and offered to set up a joint operation for the exploitation of the area. On October 26, 2017, PCR entered into a concession contract assignment agreement and a joint operation agreement with Pampetrol, whereby as from October 29, 2017 and upon payment of US$ 20 million, PCR become joint holder of the exploitation concession for the area "25 de Mayo – Medanito SE" granted by the Province of La Pampa to Pampetrol pursuant to Provincial Act N° 3,002 and the Exploitation Concession contract entered into between the province and Pampetrol on July 19, 2017. The interest of PCR and Pampetrol in the joint operation agreement is 80% and 20%, respectively, where PCR acts as operator of the area. The concession term is 25 years as from July 19, 2017, and may be extended for another 10 year term. In October 2017, PCR recorded 516,464 as mining property under Property, plant and equipment.

Moreover, PCR committed to carrying out a development, exploitation and workover plan in the area for an amount of US$ 29.6 million over the first 2 years. In addition, it expects to make investments up to US$ 19.3 million between the third and fifth year.

"Palanda Yuca Sur" and "Pindo" areas

On July 1, 2016, Petroriva S.A., Petróleos Sudamericanos del Ecuador Petrolamerec S.A. and Compañía Sudamericana de Fósforos del Ecuador Fosforocomp S.A., companies directly and indirectly (through Dutmy SA) controlled by PCR, respectively, signed with the Ecuadorian state through the Hydrocarbons Secretariat, the Modified Contracts No. 3 of the Contracts for the provision of services for the exploration and exploitation of hydrocarbons in the oilfields of Pindo and Palanda - Yuca Sur ("the modified contracts").

The main modifications of the original contracts include: (i) an extension of the original term, which will expire on December 31, 2025 and December 31, 2027 for the Palanda - Yuca Sur field and Pindo field, respectively; and (ii) a commitment to make additional investments for US$ 19 million and US$ 28 million for the Palanda - Yuca Sur field and Pindo field, respectively.

The effectiveness of the modified contracts was subject to the fact that, prior to July 31, 2019 (original expiration date), the theoretical price of the "Oriente" crude oil type published daily by the Petroecuador EP International Trade Management, equals or exceeds US$ 48.95 and US$ 45.69 per barrel of oil, for the Palanda - Yuca Sur field and Pindo field, respectively.

On December 13, 2016, the theoretical price of the "Oriente" crude oil type exceeded the price of US$ 45.69 per barrel of oil, complying with the clause agreed for the Pindo block. This situation was ratified by the Hydrocarbons Secretariat on January 4, 2017. Consequently, the term of the modified contract was extended until December 31, 2027. Likewise, the commitment to make investments for US$ 28 million became mandatory.

On June 11, 2018, the Secretariat of Hydrocarbons of Ecuador informed the Palanda / Yuca Sur Consortium that on October 9, 2017 the final theoretical price of Oriente crude oil reached the value of US$ 49.07, thus exceeding the price of US$ 48.95 defined in the addendum to the contract for the provision of services for the exploration and exploitation of hydrocarbons. Therefore, the extension of the original term of the aforementioned contract was formally declared until December 31, 2025. Likewise, the additional investment obligations of US$ 19 million assumed by the Consortium in said addendum to the contract are computed from 1 January 2018 and for a period of six years, according to an annual schedule.

“El Sosneado” area

In November 2011, the Province of Mendoza passed Executive Order No. 3165 which approved the agreement between PCR and such province in order to extend the original concession term for El Sosneado area by 10 years as from the expiration of the original term in September 2015.

PCR executed an agreement whereby it assumed the following commitments: i) make an Initial Payment for a total amount of US$ 1,445,000 payable in 18 installments; ii) pay to the Province of Mendoza an “Extraordinary Production Royalty” equal to 4% of the production area included in the Letter of Understanding. Moreover, the parties agreed to make additional adjustments in the event of extraordinary profits by way of reduced export taxes or increased monthly average prices of crude oil and/or natural gas based on certain provisions established in the agreement; iii) carry out a work plan including operating expenses and investments for a total amount of US$ 56,420,000 until the expiration of the extended term of the concession, as established in the agreement; iv) make within the Province of Mendoza a donation of US$ 173,400 payable in 18 monthly and equal installments, as “Corporate Social Responsibility”; v) to annually pay an amount equal to 0.3% of the amount paid as “Extraordinary Production Royalty” as donation to an Institutional Strengthening Fund to be used for the purchase of equipment, training, coaching and incentive of employees, logistics and operating expenses of several bodies in the Province of Mendoza specified in the agreement.

The amount agreed upon as initial payment was accounted for as mining property under Property, plant and equipment in the fiscal year 2011.

Contracts for the supply of electricity from wind power

i) Parque Eólico del Bicentenario S.A.

On May 3, 2017, within the RenovAr program (Round 1.5), Parque Eólico del Bicententario S.A. (“PEBSA”), a company controlled indirectly by PCR, entered into an agreement to supply electricity from renewable sources, with Compañía Administradora del Mercado Mayorista Eléctrico S.A. (“CAMMESA”) for the supply of electricity from renewable wind power.

The “Parque Eólico del Bicentenario” will be built and operated in the district of Deseado, Province of Santa Cruz. The contract establishes a supply term of 20 years, computed as from the commercial approval, for a nominal power of 100 MW. The price of energy to be supplied under this contract amounts to US$ 49.50/MWh.

The contract establishes fines to be applied in the event of a delay of more than sixty days in performing the obligations since the date of commercial rating assumed by PEBSA, whose established the sum of US$ 1,388 for each megawatt of contracted power for each day that the Company is delayed. Such fines also is applicable in case of supply deficiency.

PCR, as indirect parent of PEBSA, granted guarantees for an amount of US$ 25 million under the supply contract so that PEBSA can grant the surety insurance to secure its contractual obligations against CAMMESA.

Likewise, PEBSA develops in the same location the project "Parque Eólico del Bicentenario II", conceived as an extension of the "Parque Eólico del Bicentenario", for a nominal power of 25.2 MW. This project will operate within the framework of the Electric Renewable Energy Source Market (MATER), created by-Res. 281-E / 2017, in order to supply electricity to medium and large consumers.

Finally, on October 12, 2018, PEBSA, entered into the contracts for financing the construction, operation and maintenance of both wind farms with a generating capacity of 125.2 MW, which includes the acquisition and installation of 35 wind turbines V117 of 3.6 MW and associated transmission facilities to be located in the Province of Santa Cruz, Argentina. Such financing has been granted by: (i) Inter-American Investment Corporation on its own, and in representation and as "Agent" of the Inter-

American Development Bank, (ii) KFW, (iii) KFW IPEX-BANK GMBH, and (iv) EKF DENMARK'S EXPORT CREDIT AGENCY for a total of up to US $ 108 million to be amortized within a maximum term of fifteen years.

The financing includes usual guarantees for this type of operations (such as pledge of shares, pledge of equipment, assignments of rights of the Project in favor of trusts, promissory notes, among others) and it also includes (i) a bond - under the law of New York- by the shareholders of PEBSA (PCR and Cleanergy Argentina S.A.) in order to guarantee the faithful and timely compliance with each and every one of PEBSA's obligations under the financing documents. The bond will subsist until the Project Completion Date (approximately 9 months from the date of commercial authorization of the wind farm); and (ii) an endorsement by PCR of the promissory notes issued by PEBSA. The mentioned loans were disbursed on December 4, 2018.

ii) Luz de Tres Picos S.A.

Within the RenovAr Program (Round 2, Phase 2), on July 12, 2018, Luz de Tres Picos S.A., a company indirectly controlled by PCR, entered into an electricity supply contract with CAMMESA for the provision of energy from renewable source. The period of supply is 20 years from the date of commercial authorization, for a nominal power of 200 MW. The price of the energy that will be delivered under this contract is US $ 40.27 per MWh and is established in Resolution 488-E / 2017 of the MEyM, published in the Official Gazette on December 20, 2017.

The aforementioned contract is executed in relation to two projects called "Parque Eólico El Mataco" and "Parque Eólico San Jorge", each one for a total of 100 MW, awarded opportunely by means of Resolution 488-E / 2017 of the MEyM, in the framework of the National and International Opened Call for the "RenovAr Program (Round 2 - Phase 2)" convened by CAMMESA through Resolutions MEyM 275-E / 2017 and 473-E / 2017. Prior to the signing of the electricity supply contract with CAMMESA, these projects were unified in a single contract for the supply of electric power, which was renamed "Parque Eólico San Jorge and El Mataco ". The unified project "Parque Eólico San Jorge and El Mataco " is located in the town of Tornquist, Province of Buenos Aires, and must be fully executed within a maximum period of 730 consecutive days from January 29, 2019, the day on which the FODER Fiduciary notified convincingly the subscription of the Guarantee Agreement with the World Bank.

13. BUSINESS COMBINATIONS AND ACQUISITIONS

Acquisition of an interest in the El Difícil area

On July 4, 2017 Dutmy S.A., a controlled entity by PCR, entered into a contract with Petróleos Sud Americanos S.A. (“PS”) for the acquisition of a participation of 35% of the Hydrocarbons Exploitation Agreement – direct operation area of “El Difícil” located in Colombia (the “Agreement”), subject to the authorization of National Agency of Hydrocarbons of Colombia (the “ANH”) and other precedent conditions established by contract.

In addition, the parties entered into a Joint Operating Agreement that will govern the rights and obligations of the parties as to the operations and activities of the El Difícil area, as well as other issues related to the Agreement. The parties have agreed that PS will continue acting as operator for the area.

The acquisition was effective on December 28, 2017, once the conditions precedent established by contract were met. In consideration for the purchase, Dutmy S.A. paid US$ 18,828,146. Furthermore, the Company was required to make investments for the compliance of the exploration program in an amount of US$ 18,000,000 and the remaining balance, if any, is to be assumed by the parties pro rata their respective interest. Finally, Dutmy S.A. agrees to make a supplementary payment of US$ 1,000,000 in the event the binding exploration program proves to be successful, as per the contractual conditions.

The transaction was recorded in accordance with IFRS 3.

Eng. Martín F. Brandi
President

The consideration paid, measured at fair value, amounted to US$ 19,844,962 and was allocated as follows: (i) US$ 10,539,138 to acquired assets; and (ii) US$ 9,305,824 to mining property. The acquired assets do not include cash. The liability recorded for the contingent consideration indicated above was reported under Other long-term liabilities in the balance sheet as of December 31, 2017.

The results of the joint operation as from the acquisition date included in the consolidated statement of profit or loss and other comprehensive income as of December 31, 2017 are not material. In addition, the costs related to the acquisition of the interest have been expensed as incurred.

The purchase of El Difícil area has no tax effects.

Acquisition of Luz de San Jorge S.A., Luz de Sierra S.A. and Luz de Tres Picos S.A.

In October 2017, Dutmy S.A. and Cleanergy S.A., both subsidiaries of PCR, acquired 100% of the shares of Luz de San Jorge S.A., Luz de Sierra S.A. and Luz de Tres Picos S.A. for a total amount of US$ 2,053,871. Moreover, both companies have agreed to make a supplementary payment of US$ 10,000 for each MW awarded under a potential Power Purchase Agreement (PPA) and until a maximum of 200 MW. Such complement was confirmed when the PPA mentioned in Note 12 d ii, was signed.

These companies have wind power measurements in place, permits, authorizations, approvals, rights of usufruct on land and other studies related to the development of a project of wind power generation.

Pursuant to IFRS 3, the acquisition of Luz de San Jorge S.A., Luz de Sierra S.A. and Luz de Tres Picos S.A. was recorded as an asset acquisition.

The fair value of the assets acquired amounts to US$ 4,073,850. The value indicated above was allocated as follows: (i) amortizable intangible assets in an amount of US$ 4,057,489; and (ii) other assets in the amount of US$ 16,361. The liability recorded for contingent consideration mentioned above was included under Other short-term and long-term liabilities in the balance sheet as of December 31, 2017.

Furthermore, the costs related with the acquisition of such companies have been expensed as incurred.

14. FINANCIAL RISK MANAGEMENT

In the normal course of business and financing activities, the Group is exposed to different risks of financial nature that may affect the economic value of its cash flows and assets, and consequently, its results.

Below there is a definition of the risks that the Group faces, a characterization and quantification of those risks and a description of the mitigation measures currently in use by the Group, if appropriate.

Financial instruments by category

The following tables show the financial assets and liabilities by category of financial instruments and a reconciliation with the line presented in the balance sheet, as applicable. Since the items “Accounts receivable”, “Other receivables”, “Accounts payable” and “Other liabilities” include not only financial instruments but also non-financial assets and liabilities (such as tax credits and receivables and liabilities in kind, among others), the reconciliation is shown under the columns “Non-financial Assets” and “Non-financial Liabilities”.

Financial assets	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets subtotal	Non-financial assets	Total
	2018					
Cash and banks	3,122,400	--	--	3,122,400	--	3,122,400
Investments	3,450,370	394,887	--	3,845,257	--	3,845,257
Accounts receivable(2)	1,826,761	--	--	1,826,761	--	1,826,761
Other receivables(1)	678,234	--	--	678,234	4,405,454	5,083,688
Total	9,077,765	394,887	--	9,472,652	4,405,454	13,878,106

(1) Net of allowance for other receivables
(2) Net of allowance for doubtful accounts receivable

Financial assets	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets subtotal	Non-financial assets	Total
	2017					
Cash and banks	652,394	--	--	652,394	--	652,394
Investments	149,592	103,204	147,029	399,825	--	399,825
Accounts receivable(2)	1,911,043	--	--	1,911,043	--	1,911,043
Other receivables(1)	351,119	--	--	351,119	1,747,526	2,098,645
Total	3,064,148	103,204	147,029	3,314,381	1,747,526	5,061,907

(3) Net of allowance for other receivables
(4) Net of allowance for doubtful accounts receivable

Financial liabilities	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Financial liabilities subtotal	Non-financial liabilities	Total
	2018					
Accounts payable	1,686,085	--	--	1,686,085	--	1,686,085
Loans	15,045,594	--	--	15,045,594	--	15,045,594
Other liabilities	478,615	37,700		516,315	--	516,315
Total	17,210,294	37,700	--	17,247,994	--	17,247,994

Financial liabilities	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through other comprehensive income	Financial liabilities subtotal	Non-financial liabilities	Total
	2017					
Accounts payable	1,359,052	--	--	1,359,052	--	1,359,052
Loans	4,094,435	--	--	4,094,435	--	4,094,435
Other liabilities	447,537	18,549	--	466,086	--	466,086
Total	5,901,024	18,549	--	5,919,573	--	5,919,573

Market risk

Eng. Martín F. Brandi
President

The market risk to which the Group is exposed consists on the possibility that the valuation of financial assets or liabilities as well as certain expected cash flows could be adversely affected by changes in the interest rates, exchange rates or in other price variables.

The following is a description of the aforementioned risks as well as a description of the magnitude to which the Group is exposed to, and a sensitivity analysis to possible changes in each one of the relevant market variables.

Exchange rate risk

The value of those financial assets and liabilities denominated in a currency other than the functional currency of the entities of the Group, is subject to variations derived from the exchange rate fluctuations. Significant depreciations of the foreign currencies values, with respect to functional currency of each Group's company, can affect the results of the Group. The Group does not use derivative financial instruments as hedge against exchange rate fluctuations, rather it can purchase or sell in the exchange market foreign currency to the extent needed and in compliance with the applicable regulations.

The Group is also exposed to the fluctuation of the corresponding exchange rates when converting the financial statements of controlled companies that have a functional currency other than the Argentine peso.

The following table describes the effect that would have a variation of 10% in the corresponding exchange rates in the Company's profit or loss, taking into account the financial assets and liabilities exposure in currencies other than the functional currency of each company at year-end:

	Functional currency devaluation (+)	**Profit (Loss)**
Effect on comprehensive income or loss and equity [(1)]	10%	(753,349)

[(1)] It does not include fluctuation of the exchange rate over the translation of financial statements of consolidated companies.

Interest rate risk

The Group is exposed to risks related to interest rates fluctuations to a different extent, depending on the different terms of maturity and currencies in which the loan was borrowed or cash invested in financial assets.

Financial liabilities as of December 31, 2018 include loans with local and international financial institutions to finance working capital and investment needs. Financial assets as of December 31, 2018 include mainly demand deposits, mutual funds, and time fixed deposit.

The strategy to hedge the risk of interest rates is based on the dispersion of financial counterparts and in the diversification of the types of loans and terms of maturity. The Group does not use derivative financial instruments to hedge risks related to interest rates.

Variations in the interest rates may affect the interest income or expense on assets and financial liabilities linked to a variable interest rate; furthermore, they can modify the fair value of financial assets and liabilities bearing a fixed interest rate.

Loans structure as of December 31, 2018 and 2017 depending on the type of interest rate that the corresponding loans bear is as follows:

	2018	2017
Fixed interest rate	8,679,487	3,674,866
Variable interest rate	6,366,107	419,569
Total	15,045,594	4,094,435

Interest rate on the loans denominated in Pesos at variable rates prevailing as of December 31, 2017 correspond to the rate BADLAR plus a spread of 4.50%. For loans in US dollars, the variable rate as of December 31, 2018 and December 31, 2017 corresponds to LIBOR plus an average spread of 4.6% and 3.5%, respectively.

The weighted average interest rates on fixed rate loans in Argentine pesos as of December 31, 2017 amounted to 25.21%. The weighted average interest rates for loans denominated in dollars as of December 31, 2018 and December 31, 2017 amounted to 6.36% and a 5.43%, respectively. The company do not have nominated loans in Argentine pesos as of December 31, 2018.

Variable interest rates are mainly subject to fluctuations in the rate LIBOR.

The estimated impact on the consolidated profit or loss at year-end subject to an increase or decrease of 100 basic points (1%) in variable interest rates is displayed below.

		2018		2017	
	Appreciation (+) /depreciation (-) in the interest rate	**Effect on net income**	**Effect on equity Profit (loss)**	**Effect on net income**	**Effect on equity profit (loss)**
Loans in Argentine pesos	+100	-		(732)	(732)
	-100	-		732	732
Loans in others currency	+100	(44,563)	(44,563)	(11,340)	(11,340)
	-100	44,563	44,563	11,340	11,340
Government securities in US Dollar	+100	--	--	720	720
	-100	--	--	(720)	(720)

Price risks

The prices of hydrocarbons and cement in the domestic market in Argentina are set by negotiations between producers and customers. The price of the wind power generation projects is contractually fixed with CAMMESA. In Ecuador, PCR through its controlled companies receives a fixed remuneration equivalent to a fixed tariff per barrel produced that is updated annually based on the variation in operating costs and the US consumer price index.

The Group does not use derivative financial instruments to hedge risks associated to prices.

Liquidity risk

Liquidity risk is associated to the possibility of a mismatch between the need of funds and the sources thereof.

The Board of Directors is the ultimate responsible for managing liquidity, having established a working framework thereof in order that the Management may administer the financing requirements in the short, medium and long-term, as well as the liquidity management of the Group. The Group manages

Eng. Martín F. Brandi
President

liquidity risk by keeping reserves, adequate financial and loans facilities, continuously monitoring the projected and actual cash flows and conciliating maturity profiles of financial assets and liabilities.

In the following table the maturities of the financial assets and liabilities as of December 31, 2018 are displayed:

	Maturities				
	2019	2020	2021	Following years	Total
Financial assets					
- Investments	3,845,257	--	--	--	3,845,257
- Accounts receivable	1,826,761	--	--	--	1,826,761
- Other receivables	539,202	139,032			678,234
Financial Liabilities					
- Accounts payable	1,686,085	--	--	--	1,686,085
- Loans	2,713,248	4,124,255	2,889,370	5,318,721	15,045,594
- Other liabilities	459,635	56,680	--	--	516,315

Credit risk

Credit risk is defined as the possibility that a third party will not fulfill his contractual obligations, thereby causing a loss for the Group. The Group has adopted a credit conservative policy making a permanent evaluation of the credit status of its customers, as a way to mitigate the risk of financial loss from defaults.

Credit risk in the Group is measured and controlled continuously taking into account the financial conditions of the customers or third parties individually.

The financial instruments of the Group, which are potentially subject to concentration of credit risk, consist mainly of cash and banks balances, investments, accounts receivable and other receivables. The Group invest its cash surplus in high liquidity instruments in Argentina or foreign financial institutions.

In the normal course of business and based on credit analysis continuously performed, the Group extends credit to its customers and to certain related companies. Doubtful account receivables are charge to Profit or loss.

Exhibit E includes the allowances for doubtful accounts as of December 31, 2018 and 2017. These allowances represent the best estimation of the Group of the expected losses in relation to the accounts receivable determined in accordance to the IFRS 9.

The maximum exposure to credit risk of the Group, distinguishing the type of financial instrument is as follows:

	Maximum exposure 2018
Cash and banks	3,122,400
Investments	3,845,257
Accounts receivable	1,826,761
Other receivables	678,234

As of December 31, 2018, 386,600 are included in Accounts receivable corresponding to Trafigura Argentina S.A. and 218,471 to entities controlled by the Ecuadorian Government, representing 26,6% and 12%, respectively of the Group’s Accounts receivable total amount.

Capital management

The Group manages its capital to ensure that the Group entities will be able to continue as a going concern while maximizing the return to its shareholders through the optimization of debt and equity balances.

The structure of the Group consists of financial debt (Note 11) and equity (Note 8). The Group is not subject to any capital requirement imposed by third parties.

15. SUBSEQUENT EVENTS

On January 2, 2019, PCR entered into a loan agreement with BBVA Banco Francés S.A. for US$ 20,000,000 payable in 9 quarterly, equal and consecutive installments. The maturity of the first installment is effective on January 2, 2020. The loan accrues an annual nominal interest rate of 8.75%.

On January 3, 2019, PCR entered into a loan agreement with the Industrial and Commercial Bank of China (Argentina) S.A. for US $ 30,000,000 payable in 9 quarterly, equal and consecutive installments. The maturity of the first installment operates on January 9, 2020. The loan accrues a variable annual nominal interest rate calculated on LIBOR adjusted for tax effects plus a margin of 6.25%.

On March 13, 2019, CAMMESA authorized the Commercial Operation in the Wholesale Electricity Market (MEM) of the Parque Eólico Bicentenario I to dispatch into the Argentine Interconnection System (SADI) of up to 100.8 MW.

In this way, the period of supply of the electric power contracted by CAMMESA for a term of 20 years has begun, in accordance with the terms and conditions set forth in the Renewable Electricity Supply Contract dated May 3, 2017 and their respective addenda.

As of the date of issuance of these consolidated financial statements, there are not other significant subsequent events which effects on the Company’s balance sheet and the results of its operations as of December 31, 2018, if applicable, have not been considered in accordance with applicable IFRS.

Exhibit "A"

PETROQUÍMICA COMODORO RIVADAVIA S.A.

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2018 AND 2017 (Note 2.3)

(amounts expressed in thousands of Argentine pesos – Note 2.2)

	2018												
	Cost						Depreciations						
Item	Value at the beginning of the year	Translation differences	Increases (1) (3)(4) (5)	Transfers	Decreases (6)	Value at the end of the year	Accumulated at the beginning of the year	Rate	Translation differences	Decreases	For the year	Accumulated at the end of the year	Net book value 12-31-2018
Land	42,037	--	--	--	--	42,037	--	-	--	--	--	--	42,037
Buildings	864,991	--	669	--	--	865,660	644,366	2,00%	--	--	23,312	667,678	197,981
Cement facilities and operating equipment	6,643,619	8,861	34,980	308	1,709	6,686,059	3,142,227	3,33%	5,775	1,710	196,136	3,342,428	3,343,630
Oil and gas wells and equipment	14,536,958	2,109,261	453,552	419,499	1,123,103	16,396,167	9,853,237	(2)	1,710,206	355,153	1,043,762	12,252,052	4,144,115
Tools	15,348	50	302	--	--	15,700	13,248	20,00%	59	--	860	14,167	1,533
Furniture and fixtures	166,323	22,346	23,024	14	8,522	203,185	149,151	10,00%	14,870	6,441	10,521	168,101	35,084
Vehicles	347,189	30,069	19,135	(322)	6,066	390,005	246,442	20,00%	24,222	1,446	36,097	305,315	84,690
Quarries	251,223	--	85,356	--	--	336,579	47,776	2,5% 5%	--	--	10,658	58,434	278,145
Works in process	1,128,348	617,702	4,760,732	(486,707)	232,030	5,788,045	--	-	--	--	--	--	5,788,045
Mining property	1,835,581	482,919	7,685	67,208	6,696	2,386,697	555,398	(2)	302,585	--	181,817	1,039,800	1,346,897
Subtotal	25,831,617	3,271,208	5,385,435	--	1,378,126	33,110,134	14,651,845		2,057,717	364,750	1,503,163	17,847,975	15,262,159
Impairment of cement facilities and equipment	(593,271)	--	--	--	--	(593,271)	--		--	--	--	--	(593,271)
Impairment of oil and gas wells and equipment	(76,024)	--	--	--	--	(76,024)	(76,024)		--	--	--	(76,024)	--
Total 12-31-2017	25,162,322	3,271,208	5,385,435	--	1,378,126	32,440,839	14,575,821		2,057,717	364,750	1,503,163	17,771,951	14,668,888

(1) Includes 189,613 for increases of asset retirement obligations.
(2) Depreciation has been calculated following the unit-of-production method (Note 2.10).
(3) Includes increases for 450,514 related to borrowing costs attributed to long term construction of property, plant and equipment.
(4) Includes 447,643 for decreases of asset retirement obligations.

Eng. Martín F. Brandi
President

Exhibit "A" (Cont.)

PETROQUÍMICA COMODORO RIVADAVIA S.A.
PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2018 AND 2017 (Note 2.3)
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	2017												
	Cost						Depreciations						
Item	Value at the beginning of the year	Translation differences	Increases (1) (3)(4)	Transfers	Decreases (3)	Value at the end of the year	Accumulated at the beginning of the year	Rate	Translation differences	Decreases (3)	For the year	Accumulated at the end of the year	Net book value 12-31-2017
Land	42,037	--	--	--	--	42,037	--	-	--	--	--	--	42,037
Buildings	886,050	--	1,134	(22,193)	--	864,991	620,183	2,00%	--	--	24,183	644,366	220,625
Cement facilities and operating equipment	6,541,818	2,496	29,566	71,751	2,012	6,643,619	2,945,005	3,33%	1,225	1,831	197,828	3,142,227	3,501,392
Oil and gas wells and equipment	11,428,337	523,246	1,416,803	1,179,681	11,109	14,536,958	8,687,787	(2)	62,434	5,944	1,108,960	9,853,237	4,683,721
Tools	14,919	84	334	11	--	15,348	12,426	20,00%	50	--	772	13,248	2,100
Furniture and fixtures	159,841	6,853	4,657	(4,252)	776	166,323	133,014	10,00%	5,062	--	11,075	149,151	17,172
Vehicles	324,127	16,168	25,254	(174)	18,186	347,189	216,822	20,00%	8,684	10,406	31,342	246,442	100,747
Quarries	315,693	--	46,215	--	110,685	251,223	34,360	2,5% 5%	--	--	13,416	47,776	203,447
Works in process	725,612	48,461	2,195,127	(1,270,107)	570,745	1,128,348	--	-	--	--	--	--	1,128,348
Mining property	780,197	124,504	885,597	45,283	--	1,835,581	393,386	(2)	76,149	--	85,863	555,398	1,280,183
Subtotal	21,218,631	721,812	4,604,687	--	713,513	25,831,617	13,042,983		153,604	18,181	1,473,439	14,651,845	11,179,772
Impairment of cement facilities and equipment	(421,736)	--	(171,535)	--	--	(593,271)	--		--	--	--	--	(593,271)
Impairment of oil and gas wells and equipment	(64,716)	(11,308)	--	--	--	(76,024)	(64,716)		(11,308)	--	--	(76,024)	--
Total 12-31-2017	20,732,179	710,504	4,433,152	--	713,513	25,162,322	12,978,267		142,296	18,181	1,473,439	14,575,821	10,586,501

(1) Includes 811,525 for increases of asset retirement obligations.
(2) Depreciation has been calculated following the unit-of-production method.
(3) Includes increases of mining property for 850,551 related to the exploitation concession of Area 25 de Mayo – Medanito SE y "Jagúel de los Machos"for 548,094 and 302,457, respectively.
(4) Include increases for 26,360 of financial cost related to the long-term construction of Property, plant, and equipment.
(5) Include 88,693 for decreases of asset retirement obligations

Eng. Martín F. Brandi
President

Exhibit "E"

PETROQUÍMICA COMODORO RIVADAVIA S.A.
PROVISIONS AND ALLOWANCES AS OF DECEMBER 31, 2018 AND 2017 (Note 2.3)
(expressed in thousands of Argentine pesos – Note 2.2)

	2018					2017
Items	**Balances at the beginning of the year**	**Translation differences**	**Increases**	**Decreases and reclassifications**	**Balances at year-end**	
Deducted from current assets:						
Allowance for doubtful accounts receivable	(1,816)	586	(7,751)	--	(8,981)	(1,816)
	(1,816)	586	(7,751)	--	(8,981)	(1,816)
Deducted from non-current assets:						
Allowance for doubtful accounts receivable	(137,672)	(75,570)	--	137,478	(75,764)	(137,672)
Allowance for other receivables	(43,051)	27,020	(62,024)	--	(78,055)	(43,051)
Allowance for obsolescence idle items	(111,991)	--	(77,579)	--	(189,570)	(111,991)
Alloance for obsolescence of Property, plant and equipment	(593,271)	--	--	--	(593,271)	(593,271)
	(885,985)	(48,550)	(139,603)	137,478	(936,660)	(885,985)
Total 12-31-2018	(887,801)	(47,964)	(147,354)	137,478	(945,641)	
Total 12-31-2017						(887,801)
Included in current liabilities:						
Provision for claims and legal contingencies	(2,990)	965	(5,667)	46	(7,646)	(2,990)
	(2,990)	965	(5,667)	46	(7,646)	(2,990)
Included in non-current liabilities						
Provision for claims and legal contingencies	--	--	(3,109)	--	(3,109)	--
Provision for assets retirement obligation	(1,913,141)	617,375	(1,613,560)	804,947	(2,104,379)	(1,913,141)
	(1,913,141)	617,375	(1,616,669)	804,947	(2,107,488)	(1,913,141)
Total 12-31-2018	(1,916,131)	618,340	(1,622,336)	804,993	(2,115,134)	
Total 12-31-2017						(1,916,131)

Eng. Martín F. Brandi
President

Exhibit "F"

PETROQUÍMICA COMODORO RIVADAVIA S.A.
COST OF SALES AND SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (Note 2.3)
(expressed in thousands of Argentine pesos – Note 2.2)

	2018		2017	
Stock at the beginning of year:				
Finished goods	106,677		134,678	
Goods in process	268,391		137,458	
Raw materials	267,150	642,218	260,393	532,529
Plus (less)				
Production cost (Exhibit H)	8,775,965		7,335,053	
Purchuases	400,938		356,557	
Internal consumption translation differences and others	490,921	9,667,824	(552,615)	7,138,995
Less Stock at year end:				
Finished goods	137,446		106,677	
Goods in process	255,759		268,391	
Raw materials	402,112	795,317	267,150	642,218
Total Cost of sales and services		9,514,725		7,029,306

Eng. Martín F. Brandi
President

Exhibit "G"

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017 (Note 2.3)
ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	2018				2017		
	Amount and type of foreign currency		Rate used (1)	Amount in pesos	Amount and type of foreign currency		Amount in pesos
ASSETS							
CURRENT ASSETS							
Cash and banks	US$	77,777	37.50	2,916,656	US$	22,172	607,231
Investments	US$	68,044	37.50	2,551,644	US$	5,462	149,592
Accounts receivable	US$	35,940	37.50	1,347,765	US$	55,710	1,525,727
Other receivables	US$	11,308	37.50	424,031	US$	8,474	232,066
TOTAL CURRENT ASSETS				7,240,096			2,514,616
NON-CURRENT ASSETS							
Investments	US$	--	--	--	US$	5,369	147,029
Deferred income tax	US$	2,037	37.50	76,363	US$	2,073	56,903
Other receivables	US$	3,696	37.50	138,605	US$	4,105	112,434
TOTAL NON-CURRENT ASSETS (2)				214,968			316,366
TOTAL ASSETS				7,455,064			2,830,982
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	US$	(12,438)	37.70	(468,900)	US$	(18,926)	(521,106)
Loans	US$	(73,047)	37.70	(2,753,871)	US$	(38,782)	(1,067,854)
Taxes payable	US$	(8,716)	37.70	(328,578)	US$	(8,039)	(221,346)
Other liabilities	US$	(8,657)	37.70	(326,333)	US$	(8,849)	(243,662)
TOTAL CURRENT LIABILIITIES				(3,877,682)			(2,053,968)
NON-CURRENT LIABILITIES							
Accounts payable	US$	--	--	--	US$	(1,230)	(33,871)
Loans	US$	(332,298)	37.70	(12,527,635)	US$	(105,718)	(2,897,642)
				--	EUR	(2,071)	(70,266)
Salaries and social security	US$	(2,823)	37.70	(106,423)	US$	(2,425)	(66,768)
Deferred Income tax	US$	(90)	37.70	(3,399)	US$	--	--
Other liabilities	US$	(1,503)	37.70	(56,680)	US$	(3,500)	(96,356)
Provisions	US$	(45,554)	37.70	(1,717,396)	US$	(65,822)	(1,812,375)
TOTAL NON-CURRENT LIABILITIES				(14,411,543)			(4,977,278)
TOTAL LIABILITIES				(18,289,225)			(7,031,246)
NET POSITION				(10,834,161)			(4,200,264)

(1) It corresponds to the buy and sell exchange rate for assets and liabilities at year-end, respectively

(2) Additionally, it includes accounts receivable for 75,764 (12-31-2018) and 137,672 (12-31-2017) fully provisioned.

Eng. Martín F. Brandi
President

Exhibit "H"

PETROQUÍMICA COMODORO RIVADAVIA S.A.

COSTS AND EXPENSES FOR THE YEARS ENDED AS OF DECEMBER 31, 2018 AND 2017 (Note 2.3)

(expressed in thousands of Argentine pesos – Note 2.2)

	2018					2017
Items	**Production cost**	**Administrative expenses**	**Marketing expenses**	**Exploration expenses**	**Total**	**Total**
Directors, statutory and audit committees fees	6,291	62,092	--	--	68,383	51,003
Fees and compensation for services	26,982	55,494	7,732	--	90,208	74,490
Salaries and wages	850,819	160,438	35,353	--	1,046,610	968,502
Employees participation in utilities	184,594	21,432	--	--	206,026	188,923
Social Security	133,947	27,377	5,778	--	167,102	187,372
Staff-related expenses	116,935	13,340	1,691	38	132,004	108,149
Marketing and advertising	532	2,435	899	--	3,866	10,831
Taxes, rates and contributions	54,063	25,979	375,147	3,458	458,647	282,260
Depreciation of property, plant and equipment	1,480,033	18,951	4,179	--	1,503,163	1,473,439
Mobility	19,630	8,156	1,483	85	29,354	32,901
Insurance	35,371	4,108	677	--	40,156	32,935
Fuel and lubricants	224,387	1,598	875	1	226,861	149,772
Communications	22,086	6,352	1,358	--	29,796	15,276
Maintenance of machinery and other assets	839,791	9,994	2,810	--	852,595	629,786
Energy	584,861	1,239	43	--	586,143	496,402
Rentals	233,478	4,710	952	--	239,140	148,800
Institutional contributions	621	41,873	1,406	--	43,900	2,356
Third parties services	1,126,338	29,609	4,898	2	1,160,847	1,387,799
Freight of materials and finished goods	524,646	--	132	72	524,850	357,030
Amortization of intangible assets	650	--	--	--	650	6,927
Mining easement	91,296	--	--	--	91,296	70,835
Pipe transportation expenses	3,789	--	71,729	--	75,518	46,157
Environmental conservation	83,983	634	--	1	84,618	64,241
Packages	91,325	--	--	--	91,325	107,269
Dyes and additives	112,181	--	--	--	112,181	60,677
Royalties	1,809,357	--	--	--	1,809,357	1,157,043
Unproductive exploratory wells	--	--	--	2,851	2,851	6,140
Survey costs	--	--	--	149,048	149,048	539,056
Miscellaneous	117,979	14,624	7,942	7,185	147,730	99,366
Total as of 12-31-2018	8,775,965	510,435	525,084	162,741	9,974,225	
Total as of 12-31-2017	7,335,053	408,120	468,251	534,313		8,755,737

Eng. Martín F. Brandi
President

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INDEPENDENT AUDITORS' REPORT

To the President and Directors of
Petroquímica Comodoro Rivadavia S.A.
Alicia Moreau de Justo 2030/2050, 3° floor, Office 304
Ciudad Autónoma de Buenos Aires

1. Identification of the financial statements subject to audit

We have audited the accompanying consolidated financial statements of Petroquímica Comodoro Rivadavia S.A. and its controlled companies (hereinafter, referred to as "Petroquímica Comodoro Rivadavia S.A." or the "Company"), which comprise the consolidated balance sheets as of December 31, 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in notes 1 to 15 and exhibits A, E, F, G and H.

The amounts and other information as of December 31, 2017, restated in constant currency of December 31 2018 as described in Note 2.2. to the accompanying financial statements, are an integral part of such consolidated financial statements and are intended to be read only in relation to the amounts and disclosures relating to those financial statements. As the Company describes in Note 2.23 to the accompanying consolidated financial statements, such information presented for comparative purposes includes modifications to give retrospective effect to the change in the functional currency of certain controlled companies and to the change in the presentation of the interest paid on loans in the statement of cash flow, in order to present the information on a consistent basis with the current year amounts.

2. Responsibility of the Company's Board of Directors for the consolidated financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional financial standards, as they were approved by the International Accounting Standards Board (IASB) and incorporated by the Argentine Securities Exchange Commission (CNV). Additionally, the Company's Board of Directors is responsible for the internal control which it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements.

3. Auditors' responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards (ISA) issued by International Auditing and Assurance Standards Board (IAASB) from the International Federation of Accountants (IFAC), adopted by the FACPCE through its Technical Resolution N° 32 and circulars on IFRS adoption issued by IAASB and IESBA N°1, 2, 3 and 4 from IFAC. Those standards require that we comply with ethic requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures, substantially on a test basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, as well as the assessment of the risks of material misstatement of the financial statements, depend on the auditor's judgment. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Board of Directors and management, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion

In our opinion, the accompanying consolidated financial statements as of December 31, 2018, present, in all material respects, the financial position of Petroquímica Comodoro Rivadavia S.A. and its controlled companies as of December 31, 2018, and the results of their operations, changes in equity and their cash flows for the year then eneded, in accordance with International Financial Reporting Standards.

5. Emphasis of Matter

Without modifying our foregoing opinion, we would like to emphasize the information included in Note 2.2 to the accompanying consolidated financial statements, where the Company states that the financial information disclosed therein, as well as the comparative information corresponding to the previous year, has been retrospectively restated in constant currency of December 2018.

Buenos Aires City, Argentina
March 18, 2019

Deloitte & Co. S.A.

Diego O. De Vivo
Partner

STATUTORY AUDIT COMMITTEE'S REPORT

To the President and Directors of
Petroquímica Comodoro Rivadavia S.A.
Alicia Moreau de Justo 2030/2050, 3° floor, Office 304
Buenos Aires City

1. In accordance with the dispositions of article 294 of Law No. 19,550, the Standards of the Argentine Securities Commission ("CNV") and the requirements of the Buenos Aires Stock Exchange and current professional requirements, we have examined the accompanying consolidated financial statements of Petroquímica Comodoro Rivadavia S.A. and its controlled companies (hereinafter, referred to as "Petroquímica Comodoro Rivadavia S.A." or the "Company"), which comprise the consolidated balance sheet as of December 31, 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in notes 1 to 15 and exhibits A, E, F, G and H.

   The amounts and other information as of December 31, 2017, restated in constant currency of December 31 2018 as described in Note 2.2. to the accompanying financial statements, are an integral part of such consolidated financial statements and are intended to be read only in relation to the amounts and disclosures relating to those financial statements. As the Company describes in Note 2.23 to the accompanying consolidated financial statements, such information presented for comparative purposes includes modifications to give retrospective effect to the change in the functional currency of certain controlled companies and to the change in the presentation of the interest paid on loans in the statement of cash flows, in order to present the information on a consistent basis with the current year amounts.

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), adopted by the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") as professional financial standards, as they were approved by the International Accounting Standards Board ("IASB") and incorporated by the Argentine Securities Exchange Commission ("CNV"). Additionally, the Company's Board of Directors is responsible for the internal control which it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements. Our responsibility is to express an opinion based on the exam carried out pursuant to the scope of work outlined in paragraph 3.

3. We conducted our exam in accordance with Argentine statutory audit standards established in the Technical Resolution ("RT") N° 45 issued by the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE"). Such rules require the application of Argentine auditing standards to the exam of financial information and include the assessment of the consistency of significant information contained in the reviewed documents with the corporate decisions set forth in minutes, and the conformity of those decisions with the law and the Company's bylaws, insofar as formal and documentary aspects are concerned.

In conducting our exam, we have principally considered the Independent auditor's report issued by Deloitte & Co. S.A on March 18, 2019 in accordance with RT N° 32 issued by the FACPCE. Such standard require the auditor comply with ethic requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. We have not assessed the criteria and business decisions in matters of management, financing, sales and exploitation, because these issues are the responsibility of the Company's Board of Directors and Shareholders.

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

4. In our opinion, based on our work, the consolidated financial statements as of December 31, 2018 referred to in paragraph 1 above, present, in all material respects, the financial position of Petroquímica Comodoro Rivadavia S.A. and its controlled companies as of December 31, 2017, and the results of their operations, changes in equity and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

5. Without modifying our foregoing opinion, we would like to emphasize the information included in Note 2.2 to the accompanying consolidated financial statements, where the Company states that the financial information disclosed therein, as well as the comparative information corresponding to the previous year, has been retrospectively restated in currency of December 2018.

6. In compliance with current legal requirements, and in exercise of the control of lawfulness which is our duty, we also report that during the year we have applied the procedures described in article No. 294 of Law No. 19,550 as we considered necessary in the circumstances, and we have no comments to make in this regard.

Buenos Aires City, Argentina
March 18, 2019

Dr. Jorge Luis Diez
Statutory Audit Committe