PETROQUÍMICA COMODORO RIVADAVIA S.A.

Consolidated Financial Statements
as of and for the years ended
December 31, 2019 and 2018
Independent Auditors' Report
Statutory Audit Committee's Report

PETROQUÍMICA COMODORO RIVADAVIA S.A.

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PETROQUÍMICA COMODORO RIVADAVIA S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018

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

	Notes and Exhibits	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and banks		2,716,507	4,803,264
Investments	5.a	2,418,748	5,915,251
Accounts receivable	5.b	3,545,250	2,810,150
Other receivables	5.c	2,300,179	2,226,962
Inventories	5.d	2,179,947	2,233,583
Total Current Assets		13,160,631	17,989,210
NON-CURRENT ASSETS			
Other receivables	5.c	494,586	5,593,397
Deferred income tax	9	506,789	117,471
Inventories	5.d	14,384	69,985
Property, plant and equipment	Exhibit A	36,680,503	22,565,503
Right of use assets	5.e	859,505	--
Intangible assets	5.f	344,620	589,487
Total Non-current assets		38,900,387	28,935,843
TOTAL ASSETS		52,061,018	46,925,053

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

PETROQUÍMICA COMODORO RIVADAVIA S.A.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Notes and Exhibits	2019	2018
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	5.g	2,141,549	2,593,745
Lease liability	5.h	134,860	--
Loans	5.i	8,859,149	4,173,855
Salaries and social security taxes payable		688,486	803,474
Taxes payable	5.j	646,548	752,036
Other liabilities	5.k	1,168,268	707,068
Provisions	Exhibit E	28,679	11,762
Total Current liabilities		13,667,539	9,041,940
NON- CURRENT LIABILITIES			
Accounts payable		12,386	--
Lease liability	5.h	773,516	--
Loans	5.i	16,160,990	18,971,144
Salaries and social security taxes payable		266,081	226,577
Deferred income tax	9	3,066,904	1,335,271
Other liabilities	5.k	49,053	87,192
Provisions	Exhibit E	2,547,870	3,241,999
Total Non-current liabilities		22,876,800	23,862,183
TOTAL LIABILITIES		36,544,339	32,904,123
EQUITY			
Shareholders' contributions		2,013,759	2,013,759
Retained earnings		13,494,342	11,997,838
Equity attributable to owners of the Company		15,508,101	14,011,597
Non-controlling interest		8,578	9,333
Total equity		15,516,679	14,020,930
TOTAL LIABILITIES AND EQUITY		52,061,018	46,925,053

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

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Notes and Exhibits	2019	2018
Revenue from sales of goods	10	16,648,115	16,052,333
Revenue from services rendered	10	6,466,969	4,614,072
Cost of sales and services sold	Exhibit F	(14,815,888)	(14,636,730)
Gross profit		8,299,196	6,029,675
Marketing expenses	Exhibit H	(935,312)	(807,749)
Exploration expenses	Exhibit H	(600,925)	(250,348)
Administrative expenses	Exhibit H	(751,666)	(785,214)
Other expenses – Impairment of Property, plant and equipment[1]		(214,296)	--
Other income and expenses, net	6.a	106,860	856,865
Operating income	10	5,903,857	5,043,229
Financial and holding gains (losses), net	6.b	(2,836,155)	(3,499,010)
Income before income tax		3,067,702	1,544,219
Income tax	9	(1,699,752)	(962,772)
Net income		1,367,950	581,447
Other comprehensive income			
Translation differences [2]	2.18.d	560,631	2,005,408
Fair value gain (loss) on investments [3]	2.18.d	--	4,049
Remeasurement of employee defined benefit obligations [3] [4]	2.18.d	--	(2,457)
Other comprehensive income		560,631	2,007,000
Total comprehensive income		1,928,581	2,588,447
Profit attributable to:			
Owners of the Company		1,365,527	577,390
Non-controlling interest		2,423	4,057
		1,367,950	581,447
Total comprehensive income attributable to:			
Owners of the Company		1,926,158	2,584,390
Non-controlling interest		2,423	4,057
		1,928,581	2,588,447

(1) Argentine oil & gas.
(2) Do not have tax effect.
(3) Net of income tax effect.
(4) Immediately reclassified to retained earnings.

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

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	2019												
	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 at the beginning of the year	72,074	1,451,564	490,121	2,013,759	50,355	5,668,517	10,098	2,578,252	3,690,616	11,997,838	14,011,597	9,333	14,020,930
Ordinary and Extraordinary Shareholders´ meeting dated April 16 and September 16, 2019 (Note 8):													
-Cash dividends	--	--	--	--	--	(161,171)	--	--	(268,483)	(429,654)	(429,654)	--	(429,654)
-Appropriation to General reserve	--	--	--	--	--	3,422,133	--	--	(3,422,133)	--	--	--	--
Net income for the year	--	--	--	--	--	--	--	--	1,365,527	1,365,527	1,365,527	2,423	1,367,950
Other comprehensive income for the year	--	--	--	--	--	--	--	560,631	--	560,631	560,631	--	560,631
Other equity movements that affect non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	(3,178)	(3,178)
Balances at the year-end	72,074	1,451,564	490,121	2,013,759	50,355	8,929,479	10,098	3,138,883	1,365,527	13,494,342	15,508,101	8,578	15,516,679

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

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

2018

	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**
Balance at the beginning of the year	72,074	1,451,564	490,121	2,013,759	50,355	5,833,712	10,098	568,795	3,713,914	10,176,874	12,190,633	7,915	12,198,548
Ordinary and Extraordinary Shareholders´ meetings dated April 9 and September 26, 2018, (Note 8):													
-Cash dividends	--	--	--	--	--	(494,530)	--	--	(268,896)	(763,426)	(763,426)	--	(763,426)
-Appropriation to General reserve	--	--	--	--	--	329,335	--	--	(329,335)	--	--	--	--
Net income for the year	--	--	--	--	--	--	--	--	577,390	577,390	577,390	4,057	581,447
Other comprehensive income for the year		--	--	--		--	--	2,007,000	--	2,007,000	2,007,000	--	2,007,000
Reclassification from other comprehensive income [(1)]	--	--	--	--	--	--	--	2,457	(2,457)	--	--	--	--
Other equity movements that affect non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	(2,639)	(2,639)
Balances at the year-end	72,074	1,451,564	490,121	2,013,759	50,355	5,668,517	10,098	2,578,252	3,690,616	11,997,838	14,011,597	9,333	14,020,930

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

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

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(amounts expressed in thousands of Argentine pesos – Note 2.2)

	Note	2019	2018
Cash flows from operating activities			
Net income for the year		1,367,950	581,447
Adjustments to reconcile net income to net cash flows generated by operating activities			
Income tax		1,699,752	962,772
Interest income/expenses, net		1,211,224	863,451
Depreciation of Property, plant and equipment		3,323,225	2,312,352
Amortization of intangible assets		20,318	1,000
Amortization of Right of use assets		109,993	--
Decreases of property, plant and equipment		646,015	824,131
Decreases of intangible assets		155,697	75,801
Effect of exchange rate differences and restatements, net		1,626,613	1,567,335
Allowance for obsolescence and idle items		562	119,342
Allowance for impairment of Property, plant and equipment		214,296	--
Accretion of discount of lease liability		20,972	161,352
Other accretion of discount		141,170	--
Results of current investments		(1,185,187)	--
Changes in assets and liabilities			
Accounts receivable		(628,892)	414,212
Other receivables		(426,602)	(2,938,130)
Inventory		57,243	(491,818)
Accounts payable		(291,058)	628,418
Salaries and social security		(126,465)	222,780
Taxes payables		(191,945)	284,793
Other liabilities		456,623	(171,845)
Provisions		(722,749)	(34,417)
Income tax payment		(709,369)	(784,161)
Net cash flows generated by operating activities		6,769,386	4,598,815
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(12,649,022)	(8,981,463)
Acquisitions of intangible assets		(25,529)	(129,891)
Interest received		69,669	--
Acquisitions of government securities		(5,008,103)	--
Proceeds from government securities		6,193,290	285,641
Net cash flows used in investing activities		(11,419,695)	(8,825,713)
Cash flows from financing activities			
Payment of loans		(5,920,891)	(2,409,542)
Payment of interest from loans		(1,692,406)	(841,974)
Payment of leases		(139,950)	--
Loans received		6,151,164	16,454,540
Net variation of account overdraft		290,601	--
Payment of dividends		(539,024)	(648,528)
Net cash flows (used in) generated by financing activities		(1,850,506)	12,554,496
Net (decrease) increase in cash		(6,500,815)	8,327,598
Cash and cash equivalents at the beginning of the year	2.19	10,718,515	1,392,475
Effect of exchange rate variation on cash in foreign currencies		917,555	998,442
Cash and cash equivalents at year-end	2.19	5,135,255	10,718,515

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

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

Eng. Martín F. Brandi
President

PETROQUÍMICA COMODORO RIVADAVIA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(amounts expressed in thousands of Argentine pesos – Note 2.2, except where otherwise indicated)

1. GENERAL INFORMATION

Petroquímica Comodoro Rivadavia S.A. (the "Company" or "PCR" and together with its subsidiaries referred to as "The Group") is a company incorporated under the laws of 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.

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, 2019 have been prepared in accordance with the "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 by the Argentine Securities Exchange Commission ("CNV").

These financial statements recognize the effect of the fluctuations of the financial performance of the currency in the purchasing power of the currency method according to 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, 2018, 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 year-end currency, 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.

The consolidated financial statements have been translated into English for the convenience of English-speaking readers. The accompanying consolidated financial statements are the English translation of those originally issued by Petroquímica Comodoro Rivadavia S.A. in Spanish and prepared in accordance with International Financial Reporting Standards as filed with the CNV.

2.2 Financial information presented in functional currency

In recent years, the level of inflation in Argentine has been high, and in the last three years, the inflation rate has exceeded 100% at December 31, 2018, with no expectation of a significant reduction in the short-term. Likewise, the presence of qualitative indicators of high inflation, provided in IAS 29, showed coincident evidence. Thus, on September 29, 2018, the FACPCE issued the Resolution CD No. 107/18, modified by Resolution JG No. 553/19, which established, between other issues, that Argentina must be considered a hyperinflationary country in professional accounting standards´ terms since July 1, 2018, in concordance with international professional bodies´ 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 has been not able to present financial statements adjusted for inflation due to the existence of

Decree No. 664/03 which forbade official entities (CNV included) to accept filings of financial statements adjusted by inflation.

On December 4, 2018, Law No. 27,468 was published. This Law derogated Decree No. 1.269/02 and all its amendments (including Decree No. 644/03 previously mentioned). The new Law has been in force since December 28, 2018, when CNV published Resolution No. 777/18, which established that annual, special and interim financial statements must be presented in constant currency since December 31, 2018.

In accordance with IAS 29, the amounts of the financial statements that are not expressed in the currency of the period in which they are reported must be re-expressed for inflation applying a general price index. For this purpose, and as established by Resolution JG No. 539 of the FACPCE, coefficients calculated from indexes published by the Federation have been applied, resulting from combining 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 of these financial statements was 53.83% in the fiscal year ended on December 31, 2019, and 47.65% 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 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 for the exchange of such assets.

The consolidated financial statements 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 Group, 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 10, 2020.

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

2.4 Basis of consolidation

The Company has consolidated its financial statements with those of its subsidiaries. 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.

The Company reevaluates whether or not it has control in a subsidiary if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are consolidated from the date control is transferred to the Company, and they cease to be consolidated from the date control is lost.

Profit and each component of other comprehensive income are attributed to controlling and non-controlling interests. The comprehensive income of subsidiaries is attributed to controlling and non-controlling interests even if it results in a deficit in the latter.

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 statements includes the following subsidiaries, whose fiscal year ends on December 31, 2019:

			Interest (1)	
Entity	**Country**	**Main Activity**	**2019**	**2018**
Petroriva S.A.	Ecuador	Oil Exploitation	99.990%	99.990%
Petromix S.A.	Argentina	Sales of building materials, transport of materials and oil services	98.000%	98.000%
Surpat S.A.	Argentina	Wholesale of cement	98.000%	98.000%
Trading Patagonia S.A.	Chile	Trading of cement	99.990%	99.990%
PCR Logística S.A.	Argentina	Freight transport	95.000%	95.000%
Cemenriva S.A.	Ecuador	Wholesale of cement	99.875%	99.875%
Dutmy S.A.	Uruguay	Holding Company	100.000%	100.000%
Timex S.R.L	Argentina	Quarry Exploitation	99.950%	99.950%
Parque Eólico del Bicentenario S.A.	Argentina	Generation of electrical power	99.962%	99.962%
Energía del Norte S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Renergy Argentina S A	Argentina	Generation of electrical power	99.964%	99.964%
Energías Argentinas Renovables S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Renergy Austral S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Renergy Patagonia S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Cleanergy Argentina S.A.	Argentina	Generation of electrical power	99.962%	99.962%
Potenciar Argentina S.A.	Argentina	Generation of electrical power	99.939%	99.939%
Green Energy S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Energias Limpias S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Windenergy Argentina S.A.	Argentina	Generation of electrical power	99.964%	99.964%
Luz de Tres Picos S.A.	Argentina	Generation of electrical power	99.965%	99.998%

Luz de Sierra S.A.	Argentina	Generation of electrical power	99.998%	99.998%
Luz de San Jorge S.A.	Argentina	Generation of electrical power	99.998%	99.998%
GEAR I S.A.	Argentina	Generation of electrical power	99.964%	99.964%
GEAR II S.A.	Argentina	Energy	99.964%	99.964%
GEAR III S.A.	Argentina	Energy	99.964%	99.964%
GEAR IV S.A.	Argentina	Energy	99.964%	99.964%
GEAR V S.A.	Argentina	Energy	99.964%	99.964%

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

2.5 Interests in joint operations

A joint operation is an agreement in which the parties have joint control of the agreement so they have the right to the assets and obligations for the liabilities, related to the agreement. Joint control is the contractual agreement to share control of a business, which only exists when decisions about relevant activities require the approval of all parties that share control.

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 Group 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, in accordance with the agreement of the parties.

As of December 31, 2019 the Group participates in the following joint operations, whose fiscal year ends at December 31:

Business	Area	Type	Interest	Operator
UTE Pampetrol – PCR (Contrato No. 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, 2019 and 2018 and the operative costs for the years ended as of December 31, 2019 and 2018, related to the interest in joint operations included in the consolidated financial statements, are as follows:

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President

	2019	2018
Current Assets	949,032	451,126
Non-current Assets	5,019,952	3,430,870
Total Assets	5,968,984	3,881,996
Liabilities	2,316,602	1,067,588
Non-current liabilities	538,247	1,353,925
Total Liabilities	2,854,849	2,421,513

	2019	2018
Operating costs	7,861,366	6,177,592

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 on the commercial rebate that the Group may grant. The Group recognizes revenues excluding the amounts that are received form 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 development 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 revenue. 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 contract, 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.

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Income from the generation of electrical energy from renewable sources is recognized based on the dispatch of energy for each wind farm. Said activity is recognized as a performance obligation satisfied over time, measured by hours, and then income is recognized monthly in accordance with the PPAs. The Group has no other performance obligations once the energy has been dispatched. The Group's Directors and Management have evaluated that performance obligations are satisfied over time since the client simultaneously receives and consumes the benefits provided by the Group's performance as it is performed. The consideration is contractually determined based on the contractual sale prices. This activity is billed and paid monthly according to established contractual due dates.

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

The Group as lessee

The Group evaluates whether an arrangement contains a lease at its source. The Group recognizes a right-of-use asset and a lease liability with respect to all leases in which it is a lessee, except for short-term leases (term of 12 months or less) and low-value assets. For these leases, the Group recognizes lease payments as an operating expense under the straight-line method throughout the term of the arrangement, unless another method is more representative of the pattern of time in which the economic benefits from consumption of leased assets occurs. The Group did not identify low-value leases other than those whose underlying assets correspond to printers, cellular equipment, computers, photocopiers, among others, which are not significant.

The lease liability is initially measured at the present value of the installments pending payment on the start date, discounted by the rate implicit in the contract. If this rate cannot be easily determined, the Group uses incremental rates.

The lease liability is subsequently measured by increasing the book value to reflect the interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect the rent payments made.

The Group revalues the lease liability (and makes the corresponding adjustment to the asset for related right of use) provided that:

- The lease term is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the evaluation of the purchase option exercise, in which case the lease liability is measured by discounting the updated rental payments using an updated discount rate.

- The rent payments are modified as a consequence of changes in indexes or rate or a change in the expected payment under a guaranteed residual value, in which cases the lease liability is revalued discounting the updated rent payments using the same discount rate (unless the change in rent payments is due to a change in a variable interest rate, in which case an updated discount rate is used.)

- A lease is amended and the modification of the lease is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the modified lease, discounting updated rental payments using a discount rate updated to the effective date of the modification.

The Group did not make any of the adjustments mentioned in the exercises presented.

Assets for rights of use consist of the initial measurement of the corresponding lease liability, the rent payments made on or before the commencement date, less any lease incentives received and any direct initial cost. Subsequent valuation is cost less accumulated depreciation and impairment losses.

If the Group incurs an obligation arising from costs to dismantle and remove a leased asset, restore the place where it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37. To the extent that costs relate to a right-of-use asset, costs are included in the asset for related use rights, unless such costs are incurred to generate inventories.

Right-of-use assets are depreciated over the shorter period between the lease period and the useful life of the underlying asset.

The Group applies IAS 36 to determine if a right of use asset is impaired and accounts for any impairment loss identified as described in the Impairment of property, plant and equipment policy.

Assets for rights of use and liabilities for leases are presented as a separate item in the balance sheet.

The lease agreements in which the Group is a lessee correspond mainly to the rental of:

- Exploitation facilities and equipment: include equipment for production facilities and equipment in fields such as extraction pumps. These contracts have an average duration of three to five years, for which there are guaranteed minimum payments based on the availability of these assets and, in turn, variable payments calculated from a rate per unit of use (pesos per hour / day of use). ;
- Land: mainly includes land for the installation of wind farms, whose contracts have a duration of 30 - 35 years and for which there are guaranteed minimum quotas.

The Group recognized assets for right of use and liabilities for leases of 976,246 and 972,365, respectively on January 1, 2019 in the balance sheet, measured at the present value of future payments. Likewise, a dismantling liability of 3,881 was recognized under non-current provisions. The rate used to discount lease liabilities amounted to 7.11% (Argentina) and 6.98% (Ecuador). The application of this standard had no effect on the accumulated results since the Group applied the simplified model without restating the comparative figures, recognizing an asset for right of use equivalent to the liabilities for leasing and decommissioning on the initial date of transition (January 1, 2019). No impairment adjustments were detected from provisions of onerous contracts related to these right-of-use assets.

The Group as lessor

No contracts were identified where the Group acted as lessor during the years ended December 31, 2019 and 2018.

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.

Eng. Martín F. Brandi
President

The Management of the Group defined the peso, legal currency of Argentina as the functional currency for PCR and the subsidiary companies operating in such country, except for Parque Eólico del Bicentenario (“PEBSA”) and Luz de Tres Picos S.A. which are subsidiary companies with 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. Taking into consideration the currency in which the prices of the aforementioned PPAs were set and from the signing date, these subsidiaries have defined the United States dollar as a functional currency, as well as companies controlled by PCR with operations abroad..

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 at the end of each year, according to what it is mentioned Note 2.2.

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 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.

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 in real terms, that is, 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 current income tax and the deferred tax.

a. Current tax

The current income tax 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 subsidiaries 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 each Company for each fiscal year will be in line with 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 No. 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 No. 27,430 was published. This Law reduced the currently statutory rate for income taxes from 35% for 2017 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 January 1, 2018 and 13% as from 2020.

Finally, on December 23, 2019, was published in the Oficial Gazette, the law No. 27,541 on Social Solidarity and Productive Reactivation in the Framework of the Public Emergency was published in the Official Gazette, which was suspended until fiscal years beginning on January 1, 2021 inclusive, the reduction of the aforementioned income tax rate that will remain at 30% during the suspension period. Likewise, the retention on dividends for accrued earnings will be 7% during the same period.

Tax inflation adjustment

Law No. 27,468 published in the Official Gazette on December 4, 2018 established that for the purposes of applying the tax inflation adjustment procedure, it would be effective for the years beginning on or after January 1, 2018. Regarding of the first, second and third year from its validity, this procedure would be applicable in the event that the variation of the CPI, calculated from the beginning and until the end of each of those years exceeded 55%, 30% and in 15%, for the first, second and third year of application, respectively.

The Group applied the tax inflation adjustment procedure as of December 31, 2019, considering that the accumulated CPI at the end of the year exceeded the aforementioned 30%. Likewise, by application of Law N ° 27,541 mentioned above, the positive or negative effect that arises from the calculation of the adjustment for tax inflation should be attributed one sixth in the fiscal period of the initial calculation and the remaining five sixth, in equal parts, in the five following immediate fiscal periods.

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, financial cost 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 2.9.

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.

2.12 Impairment of property, plant and equipment

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 flows 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 include discount rate, 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 assets uses cash flows 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.

In accordance with the mentioned Note 12.e, the Company has recorded a provision for impairment of Property, plant and equipment, corresponding to the Ayala V area for 105,532 with charge on Other expenses – Impairment of Property, plant and equipment of the profit or loss and other comprehensive income statement as of December 31, 2019. The discount rate used to determine the discounted future expected cash flows at December 31, 2019 amounted to 18.85% after of taxes.

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 are valued at the lower of the production cost restated in closing currency as mentioned in note 2.2 and its net realization value. The cost includes direct materials, labor costs, and general expenses incurred to bring inventories to their current location and condition. Cost is calculated using the weighted average cost method. The net realizable value represents the estimated sale price less all the estimated costs of completion and the costs incurred in marketing, sales and distribution.

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

Financial assets and liabilities are recognized when the Group becomes a part of the contractual provisions of the instruments.

a) Financial assets

The Group 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 with 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.

On each balance sheet date, the Group 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. In order to determine the expected loss, the Group applies the following criteria:

a) For Accounts receivable, it used the simplified method provided in IFRS 9 for the recognition of expected credit losses throughout the credit life. According to this method, an expected uncollectibility rate calculated based on historical unpaid rates adjusted to future economic conditions.
b) For the other financial assets, it concluded that the credit risk of each asset has not increased since its initial registration and, consequently, it has estimated the impairment based on the expected loss over the next twelve months.

The Group 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.

b) Financial liabilities

Financial liabilities are initially recognized at their fair value less the costs incurred in the transaction. Since the Company does not have any specific financial liabilities with characteristics that required the accounting of a fair value, in accordance with current IFRS, after initial recognition, the financial liabilities are measured at amortized cost using the effective interest rate 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.

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

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

2.17 Derivative financial instruments

As of December 31, 2019 and 2018, the Group did not hold any derivative financial instruments.

2.18 Equity

a) Capital stock and Capital adjustment

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

b) Share premium

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

c) 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, as of that moment, they have been restated in the closing currency by applying the adjustment procedure described in the Note. 2.2, considering the activity of each fiscal year.

d) 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, as of that moment, they have been re-expressed in closing currency applying the adjustment procedure described in the Note. 2.2, considering the movements recorded during 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 profit 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, 2017	572,844	(4,049)	--	568,795
Income (loss) for the year	2,005,408	--	(2,457)	2,002,951
Reclassification to financial and holding losses for sales of the year	--	4,049	--	4,049
Transfer to unappropriated retained earnings	--	--	2,457	2,457
Balances as of December 31, 2018	2,578,252	--	--	2,578,252
Income for the year	560,631	--	--	560,631
Balances as of December 31, 2019	3,138,883	--	--	3,138,883

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 flows statement

For the purposes of the consolidated cash flows 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.

	2019	**2018**
Cash and banks	2,716,507	4,803,264
Current investments	2,418,748	5,915,251
Total cash and cash equivalents	5,135,255	10,718,515

During fiscal years ended December 31, 2019 and 2018 the non-cash investing and financing activities correspond mainly to:

	2019	**2018**
Increases in the provision for asset retirement obligations capitalized as property, plant and equipment	344,267	291,686
Financial costs capitalized as property plant and equipment	574,558	693,037
Property, plant and equipment additions financed with accounts payable	--	224,432
Transfers to Property, plant and equipment by intangible assets	85,422	--
Amortization of right of use capitalized as property, plant and equipment	21,031	--

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 Group has not classified any financial instrument measured at fair value within this category and;

Level 3 inputs are unobservable inputs for the instrument. The Group 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 governmebnt 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:

	2019	2018
	Level 1	Level 1
Mutual funds	664,688	607,464

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

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

	2019		2018	
	Amortized cost	Fair value	Amortized cost	Fair value
At amortized cost				
Loans	25,020,139	24,693,499	23,144,999	22,402,422

2.21 Employment benefits

Short term employment benefits

The Group recognizes a liability by employment benefit with respect to wages and salaries, annual vacations, supplementary annual salary and sick leave in the sale of service period for the undiscounted amount for the benefits expected to be paid for that service.

The liabilities recognized for short-term employment benefits are valued at the undiscounted amount for the benefits expected to be paid for that service.

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 relocation 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, 2019 and 2018 amounts to approximately 33.7% and 33.9% respectively. 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 Classification of current and non-current items

The Group presents the assets and liabilities in the financial statements classified as current and non-current. An asset is classified as current when the Group:

- expects to realize the asset or intend to sell or consume it in its normal cycle of operation;
- maintains the asset mainly for trading purposes;
- expects to realize the asset into the following twelve months after the year in which it is reported; or
- the asset is cash or cash equivalent unless it is restricted and cannot be exchanged or used to settle a liability for a minimum period of twelve months after the end of the reporting year.

All other assets are classified as non-current.

A liability is classified as current when the Group:

- expects to settle the liability in its normal cycle of operation;
- maintains the liability mainly for trading purposes;
- the liability must be settled within twelve months following the closing date of the year in which it is reported; or
- You do not have an unconditional right to postpone the cancellation of the liability for at least the twelve months following the closing date of the year in question.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, in all cases.

3. NEW STANDARDS AND INTERPRETATIONS ADOPTED

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, 2019. Effects from the application of IFRS 16 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 16

The Group implemented IFRS 16 (issued by the IASB in January 2016), which establishes new or modified requirements about lease accounting. It introduces significant changes to the lessee's accounting, without considering the differences between an operating and financial lease and requiring the recognition of an asset for rights of use and a liability for leasing at date of all leases, except those that are considered short term or low value assets. In contrast to the lessee's accounting, the requirements for the lessor remain significantly unchanged. Details for the new requirements are described in note 2. The initial impact of the adoption of IFRS 16 in the Group's financial statements is described below.

The initial application date of IFRS 16 for the Group was January 1, 2019.

(a) Impact of the new definition of lease

The Group has determined to apply the practical solution available for the transition to IFRS 16 so as not to reassess whether a contract is or contains a lease. Therefore, the definition of a lease in accordance with IAS 17 and IFRIC 4 continues to apply to contracts entered into or modified prior to January 1, 2019.

The change in the definition of a lease mainly refers to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the "risks and benefits" approach of IAS 17 and IFRIC 4.

The Group applies the definition of a lease and the related guidelines outlined in IFRS 16 to all contracts entered into or amended on or after January 1, 2019. For the initial adoption of IFRS 16, the Group carried out a draft implementation, which revealed that the new definition of leasing under IFRS 16 does not significantly change the scope of contracts that meet the definition of leasing for the Group.

(b) Impact of accounting as lessee

(i) Previous operating leases

IFRS 16 changes the way in which the Group accounts for leases previously classified as operating leases under IAS 17, which were kept out of the financial statements.

When applying IFRS 16, for all leases (except those mentioned below), the Group:

a) Recognizes assets for use rights and lease liabilities in the balance sheet, initially measured at the present value of the series of future lease payments.
b) Recognizes the depreciation of the assets for use rights and the interest generated by the lease liabilities in the consolidated statement of profit or loss and other comprehensive income.
c) Separates the total amount of cash paid to capital (presented within financing activities) and to interests (presented within financing activities) in the statement of cash flows.

Lease incentives (for example, rent-free periods) are recognized in the initial measurement as part of the rights-of-use assets and the lease liabilities, when under IAS 17 they generated the recognition of a lease incentive, amortized as a reduction of leasing expenses, generally under the straight line method.

Under IFRS 16, rights-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (with a term of 12 months or less) and for low-value assets (such as computers, small items of office furniture and telephones), the Group has chosen to recognize a lease expense under the straight-line method , as permitted by IFRS 16.

The application of IFRS 16 has an impact on the Company's cash flows statement. Under IFRS 16, lessees must present:

- short-term lease payments, low-value asset lease payments and variable-income lease payments that are not included in the measurement of the lease liability, as part of operating activities;
- cash paid for interest on the lease liability either as operating activities or financing activities, as permitted by IAS 7 (the Company has decided to include the interest paid as part of the financing activities); and
- cash payments for the capital portion of the lease liability, as part of financing activities.

(ii) Previous financial leases

The main differences between IFRS 16 and IAS 17 with respect to contracts classified as financial leases is the measurement of the residual value of the guarantees provided by the lessor to the lessee. IFRS 16 requires the Group to recognize as part of lease liabilities only the amount expected to be paid under a residual value guarantee, as opposed to the maximum amount of the guarantee required by IAS 17. This change did not generate any material impact on the Group's financial statements.

(c) Impact of accounting as lessor

IFRS 16 does not contain material changes in the way a lessor accounts for a lease. Under IFRS 16, a lessor continues to classify leases as finance leases or operating leases and the accounting for these two types of leases is carried out differently.

On the other hand, IFRS 16 changed and expanded the necessary disclosures, in particular those regarding how the lessor manages the risks resulting from the residual interest in leased assets.

Under IFRS 16, an intermediate lessor must account for the main lease and the sublease as two separate contracts. The intermediate lessor should classify the sublease as a finance lease or operating lease in reference to the right-of-use asset resulting from the main lease (and not in reference to the underlying asset as it was under IAS 17).

Impact of applying other amendments to IFRS standards and interpretations that are effective for periods beginning on or after January 1, 2019

In the current year, the Group has adopted a series of modifications to the IFRS standards and interpretations issued by the IASB. Its adoption has had no material impact on the disclosures or amounts reported in these financial statements.

Amendments to IFRS 9 Prepaid characteristics with negative compensation	The amendments to IFRS 9 clarify that, in order to assess whether a prepayment meets the condition of 'principal and interest payments only' (SPPI), the party exercising the option may pay or receive reasonable compensation for prepayment regardless of reason for prepayment. In other words, financial assets with prepaid characteristics with negative compensation do not necessarily fail the SPPI test.
Amendments to IAS 28 Long-term interests in associates and joint ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applicable. This includes long-term interests that, in substance, form part of the net investments in an associate or joint venture. The Group applies IFRS 9 to such long-term interests to which IAS 28 previously applied. In applying IFRS 9, the Group does not take into account any adjustments to the carrying amount of long-term interests required by IAS 28 (for example, adjustments to the carrying amount of long-term investments arising from the allocation of losses of the investee or the impairment assessment in accordance with IAS 28).
Annual improvements to IFRS 2015-2017 Cycle Amendments to IAS 12 Income Tax, IAS 23 Borrowing Costs, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	Annual improvements include modifications to four standards. IAS 12 Income Tax The amendments clarify that the consequences of income tax on dividends must be recognized in the income statement, in other comprehensive income or in capital as the transactions that generated the distributable earnings were originally recognized. This applies regardless of whether different tax rates apply to distributed and undistributed earnings. IAS 23 Borrowing Costs The amendments clarify that, if any specific loan remains outstanding after the related asset is ready for its intended use or sale, the loan is part of the funds borrowed when calculating the capitalization rate of general loans. IFRS 3 Business combinations The amendments clarify that when control of a business that is a joint operation is obtained, the requirements for a staged business combination apply, including the reevaluation of its previously held interest (PHI) in the joint operation to fair value. The previously held interest subject to remeasurement includes unrecognized assets, liabilities and goodwill related to the joint operation. IFRS 11 Joint agreements The amendments clarify that when a party participating in a joint operation did not have joint control, and obtains joint control, the previously held participation in the joint operation should not be reevaluated.
Modifications to IAS 19 Modification, reduction or liquidation of the employee benefit plan	The amendments clarify that past service cost (or settlement gain or loss) is calculated by measuring the defined benefit liability or asset, using current assumptions and comparing the benefits offered and the plan assets before and after the modification. (reduction or liquidation) of the plan, but ignoring the effect of the asset ceiling (which can arise when the defined benefit plan is in a surplus position). IAS 19 now clarifies that the change in the effect of the asset ceiling that may result from the modification (reduction or liquidation) of the plan is determined through a second step and is normally recognized in other comprehensive income.

	The paragraphs related to the measurement of the current cost of the service and the net interest on the defined benefit liability (asset). You will now be required to use the updated assumptions of the remeasurement to determine the current cost of service and net interest after the plan modification (reduction or settlement) and for the remainder of the reporting period. In the case of net interest, the modifications make it clear that for the period after the plan modification (reduction or liquidation), the net interest is calculated by multiplying the defined benefit liability (asset) revalued according to IAS 19:99 with the discount rate used in the new remeasurement (taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset).

IFRIC 23 Uncertainty in Income Tax Treatment	IFRIC 23 establishes how to determine the accounting tax position when there is uncertainty regarding income tax treatments. Interpretation requires:
	• determine whether uncertain tax positions are evaluated separately or as a group; and
	• assess whether the tax authority is likely to accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax returns:
	    o If so, the accounting tax position must be determined in a manner consistent with the tax treatment used in income tax returns.
	    o If not, the effect of uncertainty should be reflected in determining the accounting tax position using the most probable amount or the expected value method.

There are no other IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2019 that have a significant effect on these financial statements, or other IFRS or IFRIC interpretations that are not yet effective and that are expect them to have a significant impact on the Group's financial statements.

b) New and revised IFRS standards that are not yet effective.

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet in force:

IFRS 17	*Insurance contracts*
IFRS 10 and IAS 28 (modification)	*Sale or contribution of assets between an investor and its associate or joint venture*
Modifications to IFRS 3	*Defining a business*
Modifications to IAS 1 and IAS 8	*Definition of materiality*
Conceptual framework	*IFRS Conceptual Framework*
IASB amendments to IFRS 7 and IFRS 9	*Related to the reform of the Interbank Offered Rate (“IBOR”)*
IAS 1 amendments	*Clarifications on liability classification*

The Group's Management and Directors do not expect that the adoption of the aforementioned standards will have a significant impact on the Group's financial statements in future periods. The changes introduced by the aforementioned standards are briefly described below:

IFRS 17 Insurance contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance contracts.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation characteristics, which is described as the variable rate approach. The general model is simplified if certain criteria are met by measuring the liability for the remaining coverage using the premium allocation method.

The general model will use current assumptions to estimate the amount, timing, and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of options and guarantees on the insured.

The Standard is effective for annual periods beginning on or after January 1, 2021, with early application permitted. It is applied retrospectively unless it is not feasible, in which case the modified retrospective approach or the fair value approach is applied. A draft of the changes to IFRS 17 addresses the implementation concerns and difficulties that were identified after the publication of IFRS 17. One of the main proposed changes is to postpone the date of initial application of IFRS 17 for one year. , to the reporting periods beginning on or after January 1, 2022.

In accordance with the transition requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately prior to the date of the initial application.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments establish that gains or losses resulting from loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in profit or loss from the parent only to the extent that the unrelated investor share in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments held in any former subsidiary (which has become an associate or a joint venture that is accounted for using the equity method) at fair value are recognized in profit or loss of the previous parent, only to the extent of the participation of unrelated investors in the new associate or joint venture.

The effective date of the modifications has not yet been set by the IASB; however, early application is permitted. The Group's management anticipates that the application of these modifications may have an impact on the Group's financial statements in future periods in the event that such transactions arise.

Modifications to IFRS 3 Definition of a business

The amendments clarify that, while businesses usually have outputs, outputs are not required for a series of integrated activities and assets to qualify as a business. To be considered a business, a series of activities and acquired assets must include, as a minimum, an input and a substantial process that together contribute significantly to the ability to generate outputs.

Additional guidance is provided to help determine if a substantial process has been acquired.

The amendments introduce an optional test to identify the fair value concentration, which allows a simplified assessment of whether a series of activities and assets acquired is not a business if substantially all the fair value of the gross assets acquired is concentrated in a unique identifiable asset or a group of similar assets.

The amendments apply prospectively to all business combinations and asset acquisitions whose acquisition date is on or after the first reporting period beginning on or after January 1, 2020, with early adoption permitted.

Modifications to IAS 1 and IAS 8 Definition of materiality

The amendments are intended to simplify the definition of materiality in IAS 1, making it easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of obscuring material information with immaterial information has been included in the new definition.

The limit for influential materiality for users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of materiality in IAS 8 has been replaced by a reference to the definition of materiality in IAS 1. In addition, the IASB amended other standards and the Conceptual Framework that contained a definition of materiality or reference to the term materiality to ensure consistency. .

The amendment will be applied prospectively for reporting periods beginning on or after January 1, 2020, with early application permitted.

IFRS Conceptual Framework

Along with the revised Conceptual Framework, which entered into force on its publication on March 29, 2018, the IASB also issued the amendments to references to the IFRS Conceptual Framework. The document contains amendments to IFRS 2, 3, 6, 14, IAS 1, 8, 34, 37, 38, IFRIC 12, 19, 20, 22 and SIC 32.

However, not all modifications update the pronouncements regarding references to the Conceptual Framework to refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version they refer to (the IASC Framework adopted by the IASB in 2001, the 2010 IASB Framework or the 2018 revised Framework) or to indicate that the definitions in the Standard have not been updated with new definitions developed in the revised Conceptual Framework.

The modifications, which are actually updates, are effective for annual periods beginning on or after January 1, 2020, with early adoption permitted.

IASB amendments to IFRS 7 and IFRS 9 related to the IBOR reform

The IASB published amendments on September 26, 2019, which "are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the gradual elimination of benchmark interest rate indices such as Interbank Offered Rate (IBOR)". Specifically, the amendments:

- modify the specific hedge accounting requirements so that entities apply those requirements as if the interest rate reference index on which the covered cash flows are based and the cash flows of the hedging instrument are not altered due to the reform of the benchmark interest rate index;

- apply to all hedging relationships directly affected by the reform of the benchmark interest rate index; and

- require specific disclosures about the extent to which the amendments affect the entities' hedging relationships.

- The amendments are effective for fiscal years beginning on or after January 1, 2020 and must be applied retrospectively. Early application is allowed.

Amendments to IAS 1 to clarify the classification of liabilities

Amendments to the classification of liabilities as current or non-current (amendments to IAS 1) affect only the presentation of liabilities in the financial position statement, not the amount or timing of recognition of any asset, income or liability expense, or the information that the entities reveal about these concepts. The modifications:

- clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make it explicit that only the rights in force "at the end of the reporting period" should affect the classification of a liability;

- clarify that the classification is not affected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make it clear that the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and will apply retroactively. Early application is allow.

There are no other interpretations of IFRS or IFRIC that have not yet entered into force and that are expected to have a significant impact on the Company.

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 and right of use assets: 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 makes assumptions and judgments concerning future prices, levels of production, production costs, future demand, regulatory conditions, discount rate 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, 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 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 subsidiaries. The Group's Board of Directors 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 the Company used to use in the payment, labor, material, investment and other costs, as well as the financing and collection derived from its operating activities and the regulatory and legal environment and industry background, applicable to the country concessions.

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

	2019	2018
Assets		
a) Investments		
Current		
Mutual funds	664,688	607,464
Time deposit[(1)]	1,754,060	5,137,656
Interest-bearing account	--	170,131
	2,418,748[(2)]	5,915,251[(2)]

[(1)]Includes 1,182,506 (12-31-2019) equivalent to US $ 19,744 thousand corresponding to the guarantee fund dedicated to the cancellation of the next debt services (capital and interest), associated with the contracts signed by PEBSA on October 12, 2018 for the financing of the construction, operation and maintenance of the Bicentennial Wind Farm with the Inter-American Investment Corporation itself, and on behalf and agent of the Inter-American Development Bank, KFW, KFW Ipex-Bank GMBH and EKF Denmark's Export Credit Agency.

[(2)] Includes 1,754,060 (12-31-2019) and 3,925,255 (12-31-2018) in foreign currency (Exhibit G - See Note 2.8)

	2019	2018
b) Accounts receivable		
Current		
Common debtors	3,578,019	2,819,408
Debtors under legal proceedings	3,481	4,558
	3,581,500	2,823,966
Allowance for doubtful accounts receivable (Exhibit E)	(36,250)	(13,816)
	3,545,250	2,810,150

[(1)] Include 3,084,053 (12-31-2019) and 2,073,299 (12-31-2018) in foreign currency (Exhibit G – Note 2.8).

	2019	2018
Non-current		
Common debtors in foreign currency	133,238	116,550
Allowance for doubtful accounts receivable (Exhibit E)	(133,238)	(116,550)
	--	--

	2019	2018
c) Other receivables		
Current		
Advances to suppliers	262,846	351,446
Tax credits	1,298,845	981,580
Prepaid expenses	80,742	57,441
Collateral deposit	9,927	7,029
Joint Operation ("JO") partners	186,376	203,000
Receivables from sales on behalf of JO	266,770	388,698
Incentives to increase gas production receivable	119,340	109,246
Oil contract guarantees (Note 12.e)	36,847	--
Miscellaneous	38,486	128,522
	2,300,179[(1)]	2,226,962[(1)]

[(1)] Include 859,011 (12-31-2019) and 652,297 (12-31-2018) in foreign currency (Exhibit G – Note 2.8).

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Non-current	2019	2018
Advances to suppliers	149,239	4,972,931
Incentives to increase gas production receivable	59,469	166,627
Loans to employees	71,506	47,119
Tax credits	213,549	406,590
JO partners	117,923	117,296
Oil contract guarantees (Note 12.e)	49,053	--
Miscellaneous	27,868	2,908
	688,607	5,713,471
Allowance for doubtful other receivables (Exhibit E)	(194,021)	(120,074)
	494,586[(1)]	5,593,397[(1)]

[(1)] Include 179,591 (12-31-2019) and 213,219 (12-31-2018) in foreign currency (Exhibit G – Note 2.8).

d) Inventories

Current		
Finished goods	205,284	186,291
Goods in process	325,427	393,440
Raw materials	545,540	618,579
Materials	1,103,696	1,035,273
	2,179,947	2,233,583
Non-current		
Finished goods	26,847	25,145
Materials	284,660	336,460
	311,507	361,605
Allowance for obsolescence and idle items (Exhibit E)	(297,123)	(291,620)
	14,384	69,985

e) Right of use assets

The evolution of the Group's right-of-use assets for the year ended December 31, 2019 is as follows:

	Land[(1)]	Facilities and operating equipment (2)	Total
Balance at the beginning	--	--	--
Cost			
Balance for initial application of IFRS 16	702,191	274,055	976,246
Increases	--	70,064	70,064
Decreases and reclassifications	--	(85,011)	(85,011)
Translation differences	22,947	9,167	32,114
Total at the year-end	725,138	268,275	993,413
Accumulated Amortization			
Increases[(3)]	(24,350)	(106,674)	(131,024)
Translation differences	(430)	(2,454)	(2,884)
Total at the year-end	(24,780)	(109,128)	(133,908)
Balance at the year-end	700,358	159,147	859,505

(1) Defined useful life 25 years.
(2) Defined useful life 2,5 - 5 years.
(3) Include 21,031 transferred to works in process – property, plant and equipment.

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f) Intangible assets[1]

	Wind studies and easements	Other	Total
Net book value at the beginning	565,667	23,820	589,487
Cost			
Initial balance	565,667	65,668	631,335
Increases	13,639	11,890	25,529
Decreases[2]	(240,786)	(333)	(241,119)
Translation differences	(8,959)	--	(8,959)
Total at the end of the year	329,561	77,225	406,786
Accumulated Amortization			
Balance at the beginning	--	(41,848)	(41,848)
Increases	(2,604)	(17,714)	(20,318)
Total at the year-end	(2,604)	(59,562)	(62,166)
Net book value at the year-end	326,957	17,663	344,620

(1) Corresponds 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.

(2) Include 85,422 transferred to property, plant and equipment.

	2019	2018
Liabilities		
g) Accounts payable [1]		
Current		
Suppliers	2,032,355	2,279,587
Related parties (Note 7)	27,250	23,136
Deferred income	81,944	291,022
	2,141,549	2,593,745

(1) Include 742,654 (12-31-2019) and 721,320 (12-31-2018) in foreign currency (Exhibit G – Note 2.8).

h) Lease liability

	2019	2018
Current		
Lease liability in US$ (Exhibit G- Note 2.8)	134,860	--
	134,860	--
Non-current		
Lease liability in US$ (Exhibit G- Note 2.8)	773,516	--
	773,516	--

The lease liability evolution is set out below:

Balance for initial application of IFRS 16	972,365
Increases of leases	70,064
Decreases of leases	(84,373)
Payment of leases	(139,950)
Accretion of discount[1]	62,697
Restatement effect	27,573
Balance as of December 31, 2019	908,376

(1) Include 41,725 transferred to property plant and equipment.

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	2019	2018
i) Loans		
Current		
Bank loans in US$ (1) (Exhibit G- Note 2.8)	8,445,629	4,173,855
Bank loans in local currency	122,919	--
Account overdraft	290,601	
	8,859,149	4,173,855

(1) Net of floating cost for 47,662 (12-31-2019) and 62,491 (12-31-2018).

	2019	2018
Non-current		
Bank loans in US$ (1) (Exhibit G- Note 2.8)	16,082,490	18,971,144
Bank loans in local currency(2)	78,500	--
	16,160,990	18,971,144

(1) Net of floating cost for 235,161 (12-31-2019) and 300,418 (12-31-2018).
(2) Net of floating cost for 1,500 (12-31-2019).

Note 11 includes additional information about the Group loan whose evolutions is set out below:

	2019	2018
Balances at the beginning	23,144,999	6,298,568
Interest loss	1,384,201	363,604
Financial costs capitalized	532,833	693,037
Foreign exchange differences	1,129,638	2,586,766
Interest paid	(1,692,406)	(841,974)
Proceeds	6,151,164	16,454,540
Net variation of account overdraft	290,601	--
Payments of loans	(5,920,891)	(2,409,542)
Balances at the year-end	25,020,139	23,144,999

	2019	2018
j) Taxes payable		
Current		
Income tax payable	540,574	464,972
Tax withholdings	86,001	88,583
Value added tax	7,657	141,283
Gross income tax	12,316	57,198
	646,548(1)	752,036(1)

(1) Include 343,275 (12-31-2019) and 505,459 (12-31-2018) in foreign currency (Exhibit G – Note 2.8).

	2019	2018
k) Other liabilities		
Current		
Royalties payable	225,889	179,910
Sales on behalf of JO partners to be settled	150,409	223,426
JO Partners	621,184	--
Provision for fees to Directors (Note 7)	24,797	16,072
Dividends payable (Note 7)	12,556	118,860
Debt for business combinations and assets acquisitions (Note 13)	60,113	59,139
Miscellaneous	73,320	109,661
	1,168,268(1)	707,068(1)

(1) Include 929,847 (12-31-2019) and 502,006 (12-31-2018) in foreign currency (Exhibit G – Note 2.8).

	2019	2018
Non current		
Debt for business combinations and assets acquisitions (Note 13)	--	87,192
Miscellaneous	49,053	--
	49,053(1)	87,192(1)

(1) Include 49,053 (12-31-2019) and 87,192 (12-31-2019) in foreign currency (Exhibit G – Note 2.8).

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

a) Other income and expenses, net

	Profit (Loss)	
	2019	2018
Production and reserves incentives	--	166,691
Gain on property, plant and equipment sales	4,310	3,580
Tax on debits and credits on bank accounts	(295,438)	(236,411)
Charges related to non-productive assets	(21,543)	(79,734)
Provision for claims and contingencies	(34,280)	(13,500)
Allowance for doubtful accounts receivable and other receivables	(127,092)	116,073
Allowance for obsolescence and idle items	(562)	(119,342)
Reestimation of costs due to asset retirement obligations	753,048	503,530
Miscellaneous	(171,583)	515,978
Total other income and expenses, net	106,860	856,865

b) Financial and holding gains (losses), net

<u>Financial Incomes</u>		
Gain (losses) from current investment	1,185,187	--
Total financial incomes	1,185,187	--
<u>Financial cost</u>		
Interest, net	(1,211,224)	(855,798)
Foreign exchange differences, net	(1,156,740)	(1,495,019)
Accretion of discount of lease liability	(20,972)	--
Others Accretion of discount	(141,170)	(161,352)
Loss from exposure to changes in the purchasing power of the currency, net	(1,080,773)	(652,760)
Other financial results, net	(410,463)	(334,081)
Total financial cost	(4,021,342)	(3,499,010)
Total financial and holding gains (losses), net	(2,836,155)	(3,499,010)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The balances as of December 31, 2019 and 2018 deriving from transactions with related parties to the Group, are as follows:

2019	Accounts payable	Other liabilities
Related companies		
Rental Patagonia S.A.(1)	(21,597)	--
APMB Servicios y Transportes S.A. (1)	(5,399)	--
Bahía Solano S.A.(1)	(254)	--
Management and Shareholders	--	(37,353)
Total	(27,250)	(37,353)

2018	Accounts payable	Other liabilities
Related companies		
Rental Patagonia S.A. .(1)	(23,136)	--
Management and Shareholders	--	(134,932)
Total	(23,136)	(134,932)

The transactions with related parties during the years ended December 31, 2019 and 2018 are the following:

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	Purchases, fees and services	
	2019	**2018**
Related companies		
Rental Patagonia S.A.(1)	(210,540)	(200,690)
APMB Servicios y Transportes S.A. (1)	(52,498)	(49,632)
Bahía Solano S.A.(1)	(3,282)	--
Management and Shareholders	(53,362)	(95,518)
Total	(319,682)	(345,840)

(1) Provision of uncovering service of the limestone quarry located in the town of Pico Truncado.

Compensation made to key Management of the Company (including its Directors) amounted to 103,325 and 68,054 for the years ended December 31, 2019 and 2018, respectively. They totally correspond to short-term compensations.

8. STOCKHOLDERS´ EQUITY

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

As of December 31, 2019, 34 members of the families Brandi and Cavallo, control the Company through direct and indirect participation of 99.96% of the Capital.

On April 16, 2019, the Ordinary and Extraordinary Shareholders Meeting approved the distribution of cash dividends in the amount of 268,483 and appropriated the other retained earnings to the General purpose reserve previously created pursuant to the provisions of section 70 of the Corporation's Law 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 September 16, 2019, the Extraordinary Shareholders´ Meeting approved the distribution of cash dividends in the amount of 161,171 out of the General purpose reserve.

On April 9, 2018, the Extraordinary Shareholders´ Meeting approved the distribution of cash dividends in the amount of 268,896 and appropriated 329,335 to the General purpose reserve.

On September 26, 2018, the Extraordinary Shareholders´ Meeting approved the distribution of cash dividends in the amount of 494,530 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 No. 27,430 this withholding is eliminated for profits incurred as from 2018.

Finally, the Tax Reform Law No. 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. TAX INCOME

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

Deferred tax	Balance at the beginning	Translation and restatment effects	Charges of the year and transfers	Balance at the year-end
Deferred tax assets, net				
Tax loss carryfoward[(1)]	122	43	109,978	110,143
Non-deductible provisions and others	117,349	26,617	324,301	468,267
Capitalized financial charges	--	--	(14,395)	(14,395)
Deferred tax inflation adjustment	--	--	(57,226)	(57,226)
12-31--2019	117,471	26,660	362,658	506,789
12-31-2018	87,535	31,913	(1,977)	117,471

Deferred tax liability, net	Balance at the beginning	Translation and restatment effects	Charges of the year and transfers	Balance at the year-end
Property, plant and equipment	(3,079,720)	(17,475)	(456,569)	(3,553,764)
Tax loss carryfoward[(1)]	1,081,931	(230,704)	774,551	1,625,778
Capitalized financial charges	(45,433)	--	(16,487)	(61,920)
Tax benefits	(37,020)	12,955	14,505	(9,560)
Exploration expenses	230,836	(80,779)	(9,333)	140,724
Non-deductible provisions and others	601,132	(251,764)	49,242	398,610
Profits of foreing companies	(86,997)	--	86,997	--
Deferred tax inflation adjustment	--	155,628	(1,762,400)	(1,606,772)
12-31-2019	(1,335,271)	(412,139)	(1,319,494)	(3,066,904)
12-31-2018	(1,032,492)	(96,608)	(206,171)	(1,335,271)

(1) The carryforward losses have maturity 122 (2024), 110,021 (2025), 28 (2026), 10,927 (2027), 504,472 (2028) and 1,110,351 (2029) For companies governed according to Law 27,191 of Electric Power the statute of limitations is 10 years.

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:

	2019	2018
Net income before income tax	3,067,702	1,544,219
Applicable tax rate	30%	30%
Tax rate applied to net income before income tax	(920,310)	(463,266)
Permanent differences at the tax rate		
- Non-deductible expenses	(67,191)	(12,900)
- Effect of the tax reform	148,496	(19,129)
- Differences of rates	468,027	30,862
- Result from exposure to changes in the purchasing power of the currency and remeasurement to functional currency	616,193	(789,494)
-Tax inflation adjustment	(1,959,230)	--
- Other	14,263	291,155
Income tax total charge	(1,699,752)	(962,772)
- Current tax charge	(742,916)	(754,624)
- Deferred tax charge	(956,836)	(208,148)
Total Income tax charge	(1,699,752)	(962,772)

10. BUSINESS SEGMENT REPORTING

Business segments are grouped considering the way in which the most responsible decision maker of the Group allocates resources and evaluates profitability.

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, location where they take place.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Company has five business segments as follows:

- Oil and gas Argentina: It includes the exploration, development, production and sale of crude oil and gas from the fields in Argentina.
- Oil Ecuador: It includes the exploration, development, production and sale of crude associated with service contract oil in the fields in Ecuador.
- Oil and gas Colombia: It includes the oil and gas exploration, production and sale transactions in Colombia.
- Cement: It 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: It 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: It 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.

Balance as of December 31, 2019

	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	11,395,290	--	562,990	4,471,864	231,267	19,831	--	(33,127)	16,648,115
Revenue from services rendered	67,906	4,829,123	--	--	--	1,569,940	--	--	6,466,969
Other expenses – impartment of property, plant and equipment	214,296	--	--	--	--	--	--	--	214,296
Operating income	2,541,781	2,118,714	(468,603)	1,005,864	(12,042)	1,146,957	(409,520)	(19,294)	5,903,857
Total Assets	8,575,818	6,868,113	1,939,407	7,856,689	913,808	25,691,821	1,229,519	(1,014,157)	52,061,018
Total Liabilities	3,625,063	2,345,690	689,128	1,216,751	8,116	21,306,457	8,363,322	(1,010,188)	36,544,339
Acquisition of property, plant and equipment	2,390,404	1,639,628	--	369,598	28,006	13,619,692	117,841	--	18,165,169
Depreciation of property, plant and equipment	(1,701,360)	(613,241)	(265,793)	(358,753)	(26,840)	(332,070)	(25,168)	--	(3,323,225)

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Balance as of December 31, 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	11,740,977	--	421,452	4,328,596	187,342	--	--	(626,034)	16,052,333
Revenue from services rendered	409,505	4,404,885	--	126,186	--	--	--	(326,504)	4,614,072
Operating income	2,772,935	2,371,239	(14,333)	461,070	12,067	(37,889)	(478,222)	(43,638)	5,043,229
Total Assets	9,502,427	5,835,855	1,592,905	7,678,375	897,644	20,181,227	1,383,661	(147,041)	46,925,053
Total Liabilities	5,393,821	2,033,294	205,506	1,679,771	167,808	17,455,547	6,128,208	(159,834)	32,904,121
Acquisition of property, plant and equipment	1,248,581	132,664	437,487	224,106	208,741	5,968,050	64,916	--	8,284,545
Depreciation of property, plant and equipment	(1,525,056)	(298,301)	(84,765)	(369,004)	(8,069)	--	(27,158)	--	(2,312,353)

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, 2019 and 2018, respectively is detail below. Likewise, the breakdown of non-current assets by geography is set out to each of the year:

Balance as of December 31, 2019:

	Argentina	Ecuador	Chile	Colombia	Consolidation adjustments	Total
Revenue from sales of goods:	15,750,919	--	846,599	562,990	(512,393)	16,648,115
Revenue from services rendered:	1,637,846	4,829,123	--	--	--	6,466,969
Non-current assets	33,906,176	3,298,734	21,438	1,674,039	--	38,900,387

Balance as of December 31, 2018:

	Argentina	Ecuador	Chile	Colombia	Consolidation adjustments	Total
Revenue from sales of goods:	15,685,821	--	571,094	421,451	(626,033)	16,052,333
Revenue from services rendered:	535,692	4,404,885	--	--	(326,505)	4,614,072
Non-current assets	25,282,658	2,089,873	31,083	1,532,229		28,935,843

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Balance as of December 31, 2019:

	Local market	Export	Consolidation adjustments	Total
Gas	1,730,666	--	--	1,730,666
Oil(1)	15,112,447	--	--	15,112,447
Cement	3,864,424	508,955	--	4,373,379
Concrete blocks and dry mortars	227,829	3,438	--	231,267
Energy	1,569,940	--	--	1,569,940
Other goods and services	97,385	--	--	97,385
Total	22,602,691	512,393	--	23,115,084

Balance as of December 31, 2018:

	Local market	Export	Consolidation adjustments	Total
Gas	2,308,157	--	--	2,308,157
Oil(1)	14,668,661	--	(326,505)	14,342,156
Cement	3,998,869	329,727	(626,033)	3,702,563
Concrete blocks and dry mortars	187,342	--	--	187,342
Other goods and services	126,187	--	--	126,187
Total	21,289,216	329,727	(952,538)	20,666,405

(1) Include 4,829,123 y 4,404,885 of Revenue from services rendered by the Oil Ecuador segment for the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2018 sales amounting 3,927 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%, from the total revenue from sales of goods and services rendered by the Group.

Additionally, in the fiscal years ended December 31, 2019 and 2018, approximately $ 7,330 and 2,071 million of sales were recorded related to Trafigura Argentina S.A., which are included in the oil and gas Argentine segment, representing approximately 32% and 11.70% respectively, of total revenues from sales of goods and of services rendered of the Group.

Likewise, in these fiscal years, sales were recorded for approximately 4,829 million and 4,404 million related to companies controlled by the Ecuadorian government, which are included in the Oil Ecuador segment, representing approximately 20.89% and 21.3%, respectively, of the total revenue from sales of goods and services by the Group.

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11. LOANS

a. Bank debt

Outstanding bank borrowings as of December 31,2019 are detailed below:

Suscription date	Financial entity	Currency	Amount(1)	Fees	Maturity 1° fee	Final Maturity	Rate
06-22-2016	Industrial and Commercial Bank of China (Argentina) S.A.	US$	30,000,000	15 fees quarterly, equal and consecutive	12-27-2017	June-2021	fixed annual nominal 6.75%
09-28-2016	Banco de la Ciudad de Buenos Aires	US$	14,000,000	14 fees quarterly, equal and consecutive	06-28-2017	September-2020	fixed annual nominal 4.5% or variable based on Libor + 3% per year. the highest
06-27-2017	HSBC Bank Argentina S.A.	US$	25,000,000	9 fees quarterly, equal and consecutive	06-27-2018	June -2020	fixed annual nominal 4.75%
06-29-2017	BBVA Francés S.A. Bank	US$	20,000,000	15 fees quarterly, equal and consecutive	12-28-2018	June -2022	fixed annual nominal 4.85%
10-6-2017	BBVA Francés S.A. Bank	US$	5,000,000	15 fees quarterly, equal and consecutive	04-6-2019	October-2022	fixed annual nominal 5.5%
10-9-2017	BBVA Francés S.A. Bank	US$	15,000,000	15 fees quarterly, equal and consecutive	04-9-2019	October-2022	fixed annual nominal 5.5%
10-12-2017	HSBC Bank Argentina S.A.	US$	15,000,000	9 fees quarterly, equal and consecutive	10-12-2018	October-2020	fixed annual nominal 6%
12-7-2017	Galicia y Buenos Aires S.A. Bank	US$	5,000,000	12 fes quarterly, equal and consecutive	03-7-2018	December-2020	fixed annual nominal 5.5%
12-28-2017	Galicia y Buenos Aires S.A. Bank	US$	5,000,000	9 fees quarterly, equal and consecutive	12-28-2018	December-2020	fixed annual nominal 5.75%
08-28-2018	Itaú Unibanco S.A., Sucursal Nassau, y Banco de Galicia y Buenos Aires S.A.	US$	80,000,000(1) (divided into two sections of 40,000,000 each)	22 fees monthly, iguales y consecutivas	November-2019	August-2021	One tranche accrue a nominal fixed annual rate of 8.5% and the other tranches a variable annual rate based on 30-day Libor + 5.75%
01-2-2019	BBVA Francés S.A. Bank	US$	20,000,000	9 fees quarterly, equal and consecutive	01-2-2020	January-2022	fixed annual nominal 8,75%
01-3-2019	Industrial and Commercial Bank of China (Argentina) S.A.	US$	30,000,000	9 fees quarterly, equal and consecutive	01-9-2020	January-2022	Annual nominal variable based on Libor adjusted for tax effects + 6.25%
05-30-2019	HSBC Bank Argentina S.A. (2)	US$	10,000,000	9 fees quarterly, equal and consecutive	05-30-2020	June-2022	fixed annual 9%
07-2-2019	Santander Río S.A. Bank(2)	US$	20,000,000	7 cuotas quarterly and consecutive	09-30-2020	March-2022	fixed annual nominal 9%

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Suscription date	Financial entity	Currency	Amount[1]	Fees	Maturity 1° fee	Final Maturity	Rate
07-5-2019	Itaú Unibanco S.A. sucursal Nassau Bank[2]	US$	64,000,000	14,000,000 in 6 fees monthly, equal and consecutive 50,000,000 in 32 fees monthly, equal and consecutive	July-2019 December-2021	July-2024	Annual based on Libor + 4.5% payable monthly
07-5-2019	Itaú Unibanco S.A. sucursal Nassau Bank[3]	US$	20,000,000 (available since 07-12-2019)	1 fee	July-2020	July-2020	Annual 8.03% payable monthly
07-5-2019	Itaú Unibanco S.A. sucursal Nassau(Bank[3]	US$	10,000,000 [3]	1 fee	07-5-2022	July-2022	Annual based on Libor + 4.5% payable monthly
11-26-2019	Patagonia S.A. Bank	AR$	500,000,000 [5]	--	March-2020	March-2020	Monthly 4.58% on the overdrawn balance
12-20-2019	BBVA Argentina S.A. Bank [2]	AR$	200,000,000	8 fees quarterly, equal and consecutive	03-20-2020	December-2021	Badlar + 10%

(1) Numbers expressed in whole numbers.
(2) Loans secured by promissory notes.
(3) On July 5, 2019, PCR agreed with Itaú Unibanco S.A. Nassau branch Bank, the readjustment of the US $ 100 million loan dated January 4, 2018 with final maturity in January 2023. From the signed addendum, PCR canceled US $ 36 million of the capital debt in force at the time of signing and refinanced the payment of the remaining debt for US $ 64 million according to the following detail: US $ 14 million payable in six equal and consecutive monthly installments from July 2019 and US $ 50 million payable in thirty-two installments equal and consecutive monthly as of December 2021. The new loan accrues interest at an annual rate based on Libor plus a margin of 4.5% and are payable monthly.
(4) Pre-financing of PCR exports to its subsidiary Trading Patagonia S.A.
(5) Account overdraft agreement.

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) 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 denominated in English as the Project Completion Date, which has not yet occurred 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. Corporate Bonds

On November 10, 2017, the Shareholders meeting approved the creation and the terms and general conditions of a Corporate Bonds Program (the “Program”), to a maximum amount of US$400,000,000 or equivalent in other currencies. The terms and conditions of the Program and the Corporate Bonds that are issued under it were approved by the Boards of Directors on February 7, 2018.

The creation of the Program was authorized by Resolution of the CNV on March 28, 2018.

On January 8, 2020, the Company's Directors, in exercise of the powers originally delegated by the Extraordinary General Meeting of Shareholders on November 10, 2017, approved the issuance of the Corporate Bonds and the particular terms and conditions of the themselves (see additionally Note 14).

12. CLAIMS, CONTINGENCIES, REGULATORY MATTERS, COMMITMENTS AND ECONOMIC SITUATION

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 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 exists 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.

Regarding PCR, it submitted its natural gas injection project to the Commission, obtaining its approval on August 2, 2013.

As a result of this action, and for the period corresponding to 2016, PCR received, on July 5, 2017, BONAR 2020 USD for US $ 1.4 million.

With regard to the year 2017, the Ministry of Energy and Mining ("MEyM") authorized the cash payment of the incentives accrued through February 2017.

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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 the aforementioned Resolution amounts to US$ 5.15 million. 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 Res. No. 97/2018 through the issuance of instruments of public debt. This way, 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” at December 31, 2018.

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, 2019 the Company, through its subsidiaries 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 national 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 national 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 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 national market price for the fuel purchased for their operations.

On July 30, 2004, the 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 intesisted the Petrosud-Pretroriva Consortium have the sum of US$ 962 thousand.

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 present value added to up US$ 1.9 million.

e. Participation in joint operations

"El Medanito" area (Argentina)

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$ 216.2 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 as 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 (Argentina)

On December 6, 2016, PCR entered into an agreement with Pampetrol to extend the service contract to operate "Jagüel de los Machos" area, province of La Pampa. 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 become effective on October 29, 2017, after the expiration of the service contract mentioned above.

25 de Mayo" area – "Medanito SE" (Argentina)

Through Provincial Law No. 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 No. 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.

"El Sosneado" area (Argentina)

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.

“Colhue Huapi” area (Argentina)

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.

In art. 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 an area of approx. 300 km2 and the designation of the Area as Colhue Huapi - Exploitation Lot - 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 of 401,2 Km2 as an exploitation area ("Colhue Huapi - Lot de Exploitation - 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 is an assumed commitment, while the investments committed for the second and third years depend on the results obtained.

The addendum to the joint operation contract was approved by 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.

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, the Company does not make the additional investments for US $ 9.9 million in the short term (given that investments in the second and third year depend on the results).

Finally, on September 5, 2019, PCR made presentations to Petrominera Chubut SE, the Ministry of Hydrocarbons and the Ministry of the Environment and Sustainable Development Control, informing that it would not choose to request an extension in the term of the exploration area and that it would proceed to reverse said part of the area upon maturity, which operated on September 9, 2019.

Regarding the Exploitation Lot, the Company is about to start the process of reversing it to Petrominera Chubut S.E., considering that the exploitation of the lot has become uneconomic in the current context.

“Gobernador Ayala V” area (Argentina)

On June 8, 2012 “Pampetrol SAPEM-Petroquímica Comodoro Rivadavia S.A. (Concurso No. 02/12)-Joint Operation” (UTE Pampetrol-PCR (Concurso No. 02/12)) was created for the exploration, exploitation, storage and transport of oil and gas in the area Gobernador Ayala V, province of La Pampa. 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 gas wells.

During the fiscal year 2018, the gas dehydrator plant and a 34 km gas pipeline that connects it with the gas treatment plant located at El Medanito area were completed. Finally, the area began to produce during the month of March 2019.

However, due to the Argentine financial-economic context mentioned below, and the deterioration of hydrocarbon prices, the Group has recorded a provision for deterioration of property, plant and equipment corresponding to the area for 105,532, charged to the item Other expenses - impairment of property, plant and equipment from the income statement and other comprehensive income as of December 31, 2019. The discount rate used to determine the expected future cash flows discounted as of December 31, 2019 amounted to 18,85% after tax

“Palanda Yuca Sur” and “Pindo” areas (Ecuador)

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.

Sahino and Arazá-Este areas (Ecuador)

On August 21, 2018, the Ecuador Hydrocarbon Tender Committee (COLH) convened the XII International Tender for the Exploration and Exploitation of Hydrocarbons in Ecuador, called “Intercampos Round”, in which Petróleos Sud Americanos del Ecuador Petrolamerec SA (“Petrolamerec”), a company indirectly controlled by PCR, decided to participate. Through Official Communication No. 7 of February 15, 2019, the Hydrocarbon Tender Committee (COLH) published the list of qualified companies, which included Petrolamerec in the operator category.

Subsequently, through Resolutions MERNNR-MERNNR-2019-0001-RM and MERNNR-MERNNR-2019-0007-RM of April 18, 2019, the Minister of Energy and Non-Renewable Natural Resources awards the participation contracts for exploration and / or exploitation of hydrocarbons (crude oil) in the Sahino and Arazá-Este blocks of the Ecuadorian Amazon region ("the contracts") to the aforementioned company.

Finally, on April 23, 2019, Petrolamerec received the notifications for the award of these blocks and on May 22, 2019, signed the contracts with the aforementioned Ministry.

In accordance with the provisions of the contracts signed, Petrolamerec is committed to carrying out activities and investments in 3D seismic reprocessing, surface geochemistry and 3 exploratory wells in each contract, for which it will have a term of 4 years and may be extended up to 2 years. , upon justification by Petrolamerec. The required operational activities will begin within the first six months from the inscription of the contract in the Hydrocarbons Registry (May 30, 2019). As part of the tender and in order to normalize the offers, the Ministry of Energy and Non-renewable Natural Resources, a mechanism for evaluating the activities committed by Petrolamerec, which are called Equivalent Work Units (UTE) and set a value of US $ 3,500 for each UTE committed to exploratory activities. In the Arazá East Block, the Company determined 11,124.20 UTES and in the Sahino Block 11,150.80 UTES, which, when valued at the amount set by each UTE, obtains a reference value in dollars of US $ 38.9 million for Arazá Este and US $ 39 million for Sahino. The Ministry requested from the Company bank guarantees corresponding to 20% of these securities, which were contracted by Petrolamerec and delivered to the Ministry.

El Difícil (Colombia)

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

Likewise, the parties signed a Joint Operating Agreement -Joint Operating Agreement-, which would govern their rights and obligations with respect to the operations and activities of the El Difícil area, as well as other matters related to the Agreement. The parties agreed that PS would continue to be the operator of the area.

Once the preceding contractual conditions were met, on December 28, 2017 the purchase of the area was made. In consideration for the purchase, Dutmy S.A. paid US $ 18.8 million. Likewise, the Company undertook to make investments to comply with the mandatory Exploration Program for US $ 18 million and the remaining balance, if any, will be assumed by the parties in proportion to their interest in participating in the Agreement. Finally, Dutmy S.A. it was obliged to disburse an additional US $ 1 million in favor of PS, in the event that said mandatory exploratory program is successful in accordance with the conditions established in the contract. Based on the results obtained from the exploratory program completed to date, the Group has evaluated that the disbursement of the price supplement will not be required.

f. Contracts for the supply of electricity from wind power

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 “CAMMESA” for the supply of electricity from renewable wind power.

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

PCR, who indirectly controls PEBSA, granted endorsements 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.

Finally, on March 13, 2019, CAMMESA authorized the commercial operation in the Wholesale Electricity Market (MEM) of the Bicentennial I Wind Farm for a net power to be injected into the Argentine Interconnection System (SADI) of up to 100.8 MW. In this way, the period of supply of the electrical energy contracted by CAMMESA began for a period of 20 years, in full in accordance with the terms and conditions set forth in the renewable electricity supply contract dated May 3 from 2017 before mentioned

Likewise, PEBSA developed in the same location the project "Parque Eólico del Bicentenario II" whose commercial authorization in the MEM was granted as of April 19, 2019. This park was conceived as an extension of the "Parque Eólico del Bicentenario", for a nominal power of 25.2 MW. This project operates within the framework of the Electric Renewable Energy Source Market (MATER), created by-Resolution No. 281-E / 2017, in order to supply electricity to medium and large consumers.

Previously, on October 12, 2018, PEBSA was entered into the contracts for financing the construction, operation and maintenance of both wind farms, which includes the acquisition and installation of 35 wind turbines V117 of 3.6 MW and associated transmission facilities. Such financing was 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 own 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 SA) 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 date denominated in English like Project Completion Date, which has not happened yet; and (ii) an endorsement by PCR of the promissory notes issued by PEBSA. The mentioned loans were disbursed on December 4, 2018.

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 rating, for a nominal power of 200 MW. The price of the energy that will be delivered under this contract is US $ 40.27 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, adjudicated 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 from 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.

On December 14, 2018, Luz de Tres Picos S.A. transferred its contractual position in favor of PCR in relation to the signed offer letters, corresponding to the civil and electrical works to be carried out in the San Jorge - El Mataco Wind Farm, in charge of the companies Lineas de Transmission del Litoral SA, Alumini Fujian AR SA - Sowic S.A., Unión Transitoria de Empresas, and Milicic S.A. In this framework, on December 17, 2018, the Company notified the contractors of the aforementioned assignment.

In the framework of the contracts signed by Luz de Tres Picos S.A. with suppliers for the construction of the "San Jorge and El Mataco Wind Farm", Luz de Tres Picos S.A. issued a deferred payment check in the amount of 2,010 million as guarantee of payment and compliance with the contract.

During the last quarter of 2019 Luz de Tres Picos S.A. It made spot energy sales under partial commercial ratings received in November and December 2019. Likewise, in February 2020, the commercial rating of 26 additional wind turbines (98.8 MW / h) was obtained.

g. Price of hydrocarbons

On August 16, 2019, the Decree of Necessity and Urgency No. 566/2019 (the "DNU") was published in the Official Gazette, which established that deliveries of crude oil made in the local market during the 90 consecutive days after upon the entry into force of the DNU, they should be invoiced and paid at the price agreed between the producing and refining companies as of August 9, 2019, applying a reference exchange rate of $ 45.19 per US dollar and a BRENT reference price. US $ 59 per barrel (“reference barrel”). Likewise, said DNU provided that the cap price for gasoline and diesel in all its qualities, marketed by refining companies and / or wholesale and / or retail vendors, in all sales channels, during the aforementioned period, could not be higher than the price in force on August 9, 2019.

Subsequently, Decree No. 601/2019, published in the Official Gazette dated September 2, 2019, and Resolutions of the Ministry of Energy Government No. 557/2019 and No. 688/2019, published in the Official Gazette with dates September 19, 2019 and November 1, 2019 (respectively), staggered the exchange rate to $ 46.69, $ 49.30 and $ 51.77 per US dollar, respectively, from the date of their respective publications. These exchange rates must be applied to the reference barrel, whose value had been set by the aforementioned DNU.
By virtue of the aforementioned, the Company carried out its oil commercialization operations from August 16, 2019 until November 13, 2019, in accordance with the parameters established in the DNU and the aforementioned complementary regulations. Subsequently, prices were set based on negotiations between the Company and its customers.

h) Recent evolution of the Argentine economic-financial context in which the Group operates

During the year ended December 31, 2019, and to a greater extent in recent months, a growing rise has been observed in the general level of prices, the cost of wages, interest rates and the exchange rate of foreign currency, as well such as volatility in other variables of the economy, which has impacted the figures in these financial statements.

After the significant devaluation of the Argentine peso that occurred in mid-August 2019, the National Government adopted various measures that modified rules in force until that date and that had an effect on the aforementioned variables. In August 2019, the National Government established a reprogramming of payments for certain portions of the state debt and as of September 2019, an exchange control was implemented for the foreign currency, as well as shorter terms for the liquidation of foreign currency from exporters.

Likewise, on December 23, 2019, the aforementioned Law No. 27,541 on Social Solidarity and Productive Reactivation in the Framework of the Public Emergency was published in the Official Gazette, from which the new National Government adopted a series of measures with the objective of attending to the distortions that the economy presented in its fiscal aspects, of reserves of the Central Bank and general social situation.

The Board and Management of the Group continuously monitor the evolution of the issues described, as well as possible additional modifications of regulations that may be implemented by the National Government, and evaluate the impacts that these may have on their equity, financial position, results and cash flows future funds, according to said changes and modifications may be produced.

13. 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.

To this end, the Group's Corporate Finance function offers services to businesses, coordinates access to national and international financial markets, supervises and manages the financial risks related to the Group's operations. These risks include market risk (including exchange rate risk, interest rate risk at fair value and price risk), credit risk, liquidity risk and cash flows interest rate risk.

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”.

	2019					
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**
Cash and banks	2,716,507	--	--	2,716,507	--	2,716,507
Investments	1,754,060	664,688	--	2,418,748	--	2,418,748
Accounts receivable[(2)]	3,545,250	--	--	3,545,250	--	3,545,250
Other receivables[(1)]	779,742	--	--	779,742	2,015,023	2,794,765
Total	8,795,559	664,688	--	9,460,247	2,015,023	11,475,270

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

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President

Financial assets	2018 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
Cash and banks	4,803,264	--	--	4,803,264	--	4,803,264
Investments	777,595	5,137,656	--	5,915,251	--	5,915,251
Accounts receivable[2]	2,810,150	--	--	2,810,150	--	2,810,150
Other receivables[1]	1,043,344	--	--	1,043,344	6,777,015	7,820,359
Total	9,434,353	5,137,656	--	14,572,009	6,777,015	21,349,024

[1] Net of allowance for other receivables
[2] Net of allowance for doubtful accounts receivable

Financial liabilities	2019 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
Accounts payable	2,071,991	--	--	2,071,991	81,944	2,153,935
Lease liability	908,376	--	--	908,376	--	908,376
Loans	25,020,139	--	--	25,020,139	--	25,020,139
Other liabilities	1,217,321	--	--	1,217,321	--	1,217,321
Total	29,217,827	--	--	29,217,827	81,944	29,299,771

Financial liabilities	2018 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
Accounts payable	2,593,745	--	--	2,593,745	--	2,593,745
Loans	23,144,999	--	--	23,144,999	--	23,144,999
Other liabilities	707,068	87,192	--	794,260	--	794,260
Total	26,445,812	87,192	--	26,533,004	--	26,533,004

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President

Gains and losses on financial and non-financial instruments are allocated to the following categories:

31-12-2019

	Financial Assets / Liabilities at amortized cost	Financial Assets / Liabilities at fair value through other comprehensive income	Non-financial Assets/ Liabilities	Total
Income of current investment	--	1,185,187	--	1,185,187
Interest, net	(1,398,733)	189,576	(2,067)	(1,211,224)
Foreign exchange differences, net	(271,150)	--	(885,590)	(1,156,740)
Accretion of discount of lease liability	(20,972)	--	--	(20,972)
Others Accretion of discount	(141,170)	--	--	(141,170)
Loss from exposure to changes in the purchasing power of the currency, net	(325,733)	--	(755,040)	(1,080,773)
Other financial results, net	(255,040)	--	(155,423)	(410,463)
	(2,412,798)	1,374,763	(1,798,120)	(2,836,155)

31-12-2019

	Financial Assets / Liabilities at amortized cost	Financial Assets / Liabilities at fair value through other comprehensive income	Non-financial Assets/ Liabilities	Total
Income of current investment	(815,772)	(31,949)	(8,077)	(855,798)
Interest, net	96,488	--	(1,591,507)	(1,495,019)
Foreign exchange differences, net	(161,352)	--	--	(161,352)
Others Accretion of discount	(142,110)	--	(510,650)	(652,760)
Loss from exposure to changes in the purchasing power of the currency, net	(344,094)	--	10,013	(334,081)
Other financial results, net	(1,366,840)	(31,949)	(2,100,221)	(3,499,010)
	(815,772)	(31,949)	(8,077)	(855,798)

Market risk

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 exchange rates, the interest 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 subsidiaries 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 Group'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) before taxes
Effect on comprehensive income or loss and equity (1)	10%	(1,613,049)

(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, 2019 include (a) "Project Finance" type loan maturing in 2033 (Note 11); (b) loans with local and international financial institutions to finance working capital and investment needs. Financial assets as of December 31, 2019 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, 2019 and 2018 depending on the type of interest rate that the corresponding loans bear is as follows:

	2019	2018
Fixed interest rate	15,794,473	13,351,863
Variable interest rate	9,225,666	9,793,136
Total	25,020,139	23,144,999

The tranches included in the "Project Finance" loan are based on: a) 80% at a fixed rate plus a margin (between 4.0 and 5.5%); b) a variable LIBOR rate + the aforementioned margin.

For loans in dollars at a fixed rate, the weighted average interest as of December 31, 2019 and 2018 amounts to 7.42% and 6.36%, respectively.

For loans in dollars, the variable rate at December 31, 2019 and 2018 corresponds to LIBOR plus an average margin of 5.22% and 4.60%, respectively.

For loans in pesos, the variable interest rate as of December 31, 2019 corresponds to the BADLAR rate plus an average margin of 10%. The company did not have nominated loans in Argentine pesos on 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.

		2019		2018	
	Appreciation (+) /depreciation (-) in the interest rate	Effect on net income after tax income	Effect on equity Profit (loss)	Effect on net income after tax income	Effect on equity profit (loss)
Loans in Argentine pesos	+100	(1,400)	(1,400)	--	--
	-100	1,400	1,400	--	--
Loans in US$	+100	(61,380)	(63,164)	13,351,863	13,351,863
	-100	61,380	63,164	9,793,136	9,793,136

Price risks

The prices of hydrocarbons and cement in the domestic market in Argentina are set by negotiations between producers and customers. The price for the wind power generation was contractually fixed with CAMMESA through a “Renewable Electric Power Supply Contract”. It is based on a fixed base price per MWh with an incentive structure and annual update. In Ecuador, PCR through its subsidiaries 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 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 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, 2019 are displayed:

	Maturities				
	2020	2021	2022	Following years	Total
Financial assets					
- Investments	2,418,748	--	--	--	2,418,748
- Accounts receivable	3,545,250	--	--	--	3,545,250
- Other receivables	620,899	158,843	--	--	779,742
Financial Liabilities					
- Accounts payable	2,059,605	12,386			2,071,991
- Lease liability	134,860	141,671	51,907	579,938	908,376
- Loans	8,859,149	5,398,883	3,591,419	7,170,688	25,020,139
- Other liabilities	1,168,268	49,053	--	--	1,217,321

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.

Eng. Martín F. Brandi
President

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 invests its cash surplus in high liquidity instruments in Argentine 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, 2019 and 2018. 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 2019
Cash and banks	2,716,507
Investments	2,418,748
Accounts receivable	3,545,250
Other receivables	779,742

As of December 31, 2019, 771,573 are included in Accounts receivable corresponding to entities controlled by the Ecuadorian Government, representing 22%, 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, except for what is mentioned in Note 11

14. SUBSEQUENT EVENTS

On January 2, 2020, PCR signed a loan agreement with Banco de Galicia y Buenos Aires S.A.U. for 800,000 one year term. The loan earns interest at the Badlar rate plus a 9% margin adjusted for gross income. The loan is guaranteed by a promissory note.

Likewise, within the framework of the Corporate Bonds Program approved by the Shareholders Meeting dated November 10, 2017 mentioned in Note 11.b and authorized by Resolution of the CNV dated March 28, 2018, dated February 6, 2020, the Company published a subscription notice inviting investors to subscribe offers for three different classes of Corporate Bonds for a total nominal value of the equivalent of up to US $ 10,000,000, expandable by up to the equivalent of US $ 60,000,000 to be issued under the Program, namely: (i) Simple Corporate Bonds (not convertible into shares) Class 2, denominated and payable in United States dollars at a fixed interest rate maturing 12 months from the date of issue and settlement (the “Class 2 Corporate Bonds” or “Class 2”, interchangeably); (ii) Simple Corporate Bonds (not convertible into shares) Class 3, denominated in US dollars (to be subscribed in pesos at the initial exchange rate and payable in pesos at the exchange rate applicable at a fixed interest rate maturing at 12 months from the date of issue and settlement (the “Class 3 Corporate Bonds” or “Class 3”, interchangeably), and (iii) Simple Corporate Bonds (not convertible into shares) Class 4, denominated and payable in pesos at interest rate variable maturing 12 months from its issue and settlement date (the “Class 4 Corporate Bonds” or “Class 4”, interchangeably, and together with Class 2 and Class 3, the “Corporate Bonds”).

The Company has received offers for more than US $ 60,000,000, on February 17, 2020, the Company issued the Class 2 Corporate Bonds for a total of US $ 36,962,246 at a fixed annual interest rate of 9%; Class 3 Corporate Bonds for a total of US $ 11,235,154 at a fixed annual interest rate of 8.10% and Class 4 Corporate Bonds for a total of 500,828 at a variable annual interest rate equivalent to private BADLAR plus a margin 650 basis points.

Following the failure of negotiations between the main members of the Organization of Petroleum Exporting Countries (OPEC +) to implement new production quota agreements due at the end of March 2020, in addition to the sharp drop in global demand projections of energy due to the impact of the coronavirus, the price of oil plummeted in international markets by around 30% on March 9, 2020.

The Group's Directors and Management are monitoring the evolution of prices and evaluating the impacts that variations may have on their equity, financial position, results and future cash flows, as such changes and modifications take place.

As of the date of issuance of these consolidated financial statements, there are no other significant subsequent events which effects on the Company’s balance sheet and the results of operations as of December 31, 2019, 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, 2019 AND 2018

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

	2019												
	Cost						Depreciations						
Item	Value at the beginning of the year	Translation differences	Increases (1) (3)	Transfers	Decreases (4)	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
Land	64,667	--	--	--	(1,924)	62,743	--	--	--	--	--	--	62,743
Buildings	1,331,665	--	63,014	393,201	--	1,787,880	1,027,105	2.00%	--	--	46,299	1,073,404	714,476
Cement facilities and operating equipment	10,285,326	1,120	79,521	432,347	(873)	10,797,441	5,141,737	3.33%	3,525	--	304,567	5,449,829	5,347,612
Oil and gas wells and equipment	25,222,619	291,532	1,155,234	2,416,747	(816,627)	28,269,505	18,847,626	(2)	214,275	(293,854)	2,206,921	20,974,968	7,294,537
Tools	24,152	3	91	--	(50)	24,196	21,794	20.00 %	--	--	916	22,710	1,486
Furniture and fixtures	312,564	11,462	17,901	--	(3,978)	337,949	258,595	10,00 %	2,507	(7,888)	21,103	274,317	63,632
Vehicles	599,955	5,406	96,453	--	(20,410)	681,404	469,674	20.00 %	4,695	(11,622)	58,981	521,728	159,676
Quarries	517,767	--	239,956	--	(300)	757,423	89,890	2.50% 5.00%	--	--	17,750	107,640	649,783
Wind farm towers and facilities	--	--	--	10,560,079	--	10,560,079	--	4.00%	9,060	--	325,459	334,519	10,225,560
Works in process	8,903,889	547,937	16,499,602	(13,873,280)	(691,424)	11,386,724	--	--	--	--	--	--	11,386,724
Mining property	3,671,513	120,045	13,397	70,906	(56,502)	3,819,359	1,599,550	(2)	86,131	--	341,229	2,026,910	1,792,449
Subtotal	50,934,117	977,505	18,165,169	--	(1,592,088)	68,484,703	27,455,971		320,193	(313,364)	3,323,225	30,786,025	37,698,678
Impairment of cement facilities and equipment	(912,643)	--	--	--	--	(912,643)	--		--	--	--	--	(912,643)
Impairment of oil and gas wells and equipment	--	--	(214,296)	--	108,764	(105,532)	--		--	--	--	--	(105,532)
Total 12-31-2019	50,021,474	977,505	17,950,873	--	(1,483,324)	67,466,528	27,455,971		320,193	(313,364)	3,323,225	30,786,025	36,680,503

(1) Includes 344,267 for increases of asset retirement obligations.
(2) Depreciation has been calculated following the unit-of-production method (Note 2.10).
(3) Includes increases for 574,558 related to borrowing costs attributed to long term construction of property, plant and equipment, 85,422 related to transfers of intangible assets and 21,031 relates to amortization of right of use assets.
(4) Includes 523,945 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, 2019 AND 2018

(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)	Transfers	Decreases (4)	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
Land	64,667	--	--	--	--	64,667	--	--	--	--	--	--	64,667
Buildings	1,330,636	--	1,029	--	--	1,331,665	991,244	2.00%	--	--	35,861	1,027,105	304,560
Cement facilities and operating equipment	10,220,039	13,631	53,811	474	(2,629)	10,285,326	4,833,763	3,.3%	8,882	(2,629)	301,721	5,141,737	5,143,589
Oil and gas wells and equipment	22,362,552	3,244,729	697,710	645,324	(1,727,696)	25,222,619	15,157,471	(2)	2,630,851	(546,340)	1,605,644	18,847,626	6,374,993
Tools	23,610	77	465	--	--	24,152	20,380	20.00%	91	--	1,323	21,794	2,358
Furniture and fixtures	255,859	34,375	35,418	22	(13,110)	312,564	229,443	10.00%	22,875	(9,908)	16,185	258,595	53,969
Vehicles	534,089	46,256	29,436	(495)	(9,331)	599,955	379,108	20.00%	37,263	(2,226)	55,529	469,674	130,281
Quarries	386,462	--	131,305	--	--	517,767	73,495	2.50% 5.00%	--	--	16,395	89,890	427,877
Works in process	1,735,765	950,226	7,323,548	(748,713)	(356,937)	8,903,889	--	--	--	--	--	--	8,903,889
Mining property	2,823,718	742,886	11,822	103,388	(10,301)	3,671,513	854,382	(2)	465,474	--	279,694	1,599,550	2,071,963
Subtotal	39,737,397	5,032,180	8,284,544	--	(2,120,004)	50,934,117	22,539,286		3,165,436	(561,103)	2,312,352	27,455,971	23,478,146
Impairment of cement facilities and equipment	(912,643)	--	--	--	--	(912,643)	--		--	--	--	--	(912,643)
Total 12-31-2018	38,824,754	5,032,180	8,284,544	--	(2,120,004)	50,021,474	22,539,286		3,165,436	(561,103)	2,312,352	27,455,971	22,565,503

(1) Includes 291,686 for increases of asset retirement obligations.
(2) Depreciation has been calculated following the unit-of-production method.
(3) Include increases for 693,037 of financial cost related to the long-term construction of Property, plant, and equipment.
(4) Include 734,770 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, 2019 AND 2018
(expressed in thousands of Argentine pesos – Note 2.2)

	2019					2018
Items	Balances at the beginning of the year	Translation differences	Increases	Decreases and reclassifications	Balances at year- end	12-31-2018
Deducted from current assets:						
Allowance for doubtful accounts receivable	(13,816)	8,123	(39,146)	8,589	(36,250)	(13,816)
	(13,816)	8,123	(39,146)	8,589	(36,250)	(13,816)
Deducted from non-current assets:						
Allowance for doubtful accounts receivable	(116,550)	(3,706)	(12,982)	--	(133,238)	(116,550)
Allowance for doubtful other receivables	(120,074)	56,814	(164,088)	33,327	(194,021)	(120,074)
Allowance for obsolescence idle items	(291,620)	(2,088)	(7,662)	4,247	(297,123)	(291,620)
Alloance for obsolescence of Property, plant and equipment	(912,643)	--	(214,296)	108,764	(1,018,175)	(912,643)
	(1,440,887)	51,020	(399,028)	146,338	(1,642,557)	(1,440,887)
Total 12-31-2019	(1,454,703)	59,143	(438,174)	154,927	(1,678,807)	
Total 12-31-2018	(1,365,725)	(73,785)	(226,679)	211,486		(1,454,703)
Included in current liabilities:						
Provision for claims and legal contingencies	(11,762)	4,751	(36,930)	15,262	(28,679)	(11,762)
	(11,762)	4,751	(36,930)	15,262	(28,679)	(11,762)
Included in non-current liabilities						
Provision for claims and legal contingencies	(4,783)	(29)	--	4,812	--	(4,783)
Provision for assets retirement obligation	(3,237,216)	(20,698)	(557,625)	1,267,669	(2,547,870)	(3,237,216)
	(3,241,999)	(20,727)	(557,625)	1,272,481	(2,547,870)	(3,241,999)
Total 12-31-2019	(3,253,761)	(15,976)	(594,555)	1,287,743	(2,576,549)	
Total 12-31-2018	(2,947,631)	951,209	(2,495,679)	1,238,340		(3,253,761)

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Exhibit "F"

PETROQUÍMICA COMODORO RIVADAVIA S.A.
COST OF SALES AND SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(expressed in thousands of Argentine pesos – Note 2.2)

	2019		2018	
Stock at the beginning of year:				
Finished goods	211,436		164,104	
Goods in process	393,440		412,872	
Raw materials	618,579	1,223,455	410,963	987,939
Plus (less)				
Production cost (Exhibit H)	14,074,553		13,500,277	
Purchases, Internal consumption and others	620,978	14,695,531	1,371,969	14,872,246
Less Stock at year end:				
Finished goods	232,131		211,436	
Goods in process	325,427		393,440	
Raw materials	545,540	(1,103,098)	618,579	(1,223,455)
Total Cost of sales and services		14,815,888		14,636,730

Eng. Martín F. Brandi
President

Exhibit "G"

PETROQUÍMICA COMODORO RIVADAVIA S.A.
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND 2018
ASSETS AND LIABILITIES IN FOREIGN CURRENCY

	2019				2018		
	Amount and type of foreign currency (in thousands)		Rate used [1]	Amount in thousands of pesos	Amount and type of foreign currency		Amount in pesos
ASSETS							
CURRENT ASSETS						77,777	4,486,762
Cash and banks	US$	38,874	59.69	2,320,373	US$	68,044	3,925,255
Investments	US$	29,386	59.69	1,754,060	US$	35,940	2,073,299
Accounts receivable	US$	51,668	59.69	3,084,053	US$	11,308	652,297
Other receivables	US$	14,391	59.69	859,011	US$		11,137,613
TOTAL CURRENT ASSETS				8,017,497			
NON-CURRENT ASSETS						2,037	117,471
Deferred income tax	US$	7,843	59.69	468,121	US$	3,696	213,219
Other receivables	US$	3,009	59.69	179,591	US$		330,690
TOTAL NON-CURRENT ASSETS [2]				647,712			11,468,303
TOTAL ASSETS				8,665,209			
LIABILITIES							
CURRENT LIABILITIES						(12,438)	(721,320)
Accounts payable	US$	(12,400)	59.89	(742,654)	US$		
Lease liability	US$	(2,252)	59.89	(134,860)		(73,047)	(4,236,346)
Loans	US$	(141,815)	59.89	(8,493,291)	US$		
Salaries and social security	US$	(3,419)	59.89	(204,735)		(8,716)	(505,459)
Taxes payable	US$	(5,732)	59.89	(343,275)	US$	(8,657)	(502,006)
Other liabilities	US$	(15,526)	59.89	(929,847)	US$		(5,965,131)
TOTAL CURRENT LIABILIITIES				(10,848,662)			
NON-CURRENT LIABILITIES						--	--
Accounts payable	US$	(207)	59.89	(12,385)	US$		
Lease liability	US$	(12,916)	59.89	(773,516)		(332,298)	(19,271,562)
Loans	US$	(272,460)	59.89	(16,317,651)	US$	(2,823)	(163,713)
Salaries and social security	US$	(7,291)	59.89	(436,682)	US$	(90)	(5,229)
Deferral Incomes	US$	--	--	--	US$	(1,503)	(87,192)
Other liabilities	US$	(819)	59.89	(49,053)	US$	(45,554)	(2,641,912)
Provisions	US$	(36,197)	59.89	(2,167,852)	US$		(22,169,608)
TOTAL NON-CURRENT LIABILITIES				(19,757,139)			(28,134,739)
TOTAL LIABILITIES				(30,605,801)			(16,666,436)
NET POSITION				(21,940,592)		77,777	4,486,762

(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 133,238 (12-31-2019) and 116,550 (12-31-2018) fully provisioned.

Eng. Martín F. Brandi
President

Exhibit "H"

PETROQUÍMICA COMODORO RIVADAVIA S.A.

INFORMATION REQUIRED BY ART. 64 INC. B) OF LAW No. 19,550 CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(expressed in thousands of Argentine pesos – Note 2.2)

	2019				
Items	**Production cost**	**Marketing expenses**	**Exploration expenses**	**Administrative expenses**	**Total**
Directors, statutory and audit committees fees	--	--	--	58,128	58,128
Fees and compensation for services	67,959	12,887	--	107,569	188,415
Salaries and wages	1,232,503	51,188	--	222,937	1,506,628
Employees participation in utilities	334,968	--	--	48,056	383,024
Social Security	259,054	8,714	--	57,576	325,344
Staff-related expenses	181,571	5,976	60	22,528	210,135
Marketing and advertising	940	1,780	7	4,506	7,233
Taxes, rates and contributions	80,090	593,486	263	22,562	696,401
Depreciation of property, plant and equipment	3,286,050	7,511	--	29,664	3,323,225
Amortization of right of use assets	109,993	--	--	--	109,993
Mobility	50,213	2,514	1,389	12,830	66,946
Insurance	63,577	879	7,128	2,131	73,715
Fuel and lubricants	359,706	1,487	1	2,230	363,424
Communications	31,015	1,689	--	14,031	46,735
Maintenance of machinery and other assets	1,104,194	5,886	1	20,169	1,130,250
Energy	762,775	69	--	1,617	764,461
Rentals	247,679	1,367	--	2,454	251,500
Institutional contributions	1,459	1,632	--	366	3,457
Third parties services	1,985,069	7,259	12,516	90,698	2,095,542
Freight of materials and finished goods	482,553	101	--	9	482,663
Amortization of intangible assets	20,318	--	--	--	20,318
Mining easement	238,386	--	3,030	768	242,184
Pipe transportation expenses	1,895	157,251	--	--	159,146
Environmental conservation	130,446	13,052	--	65	143,563
Packages	126,424	--	--	--	126,424
Dyes and additives	231,433	--	--	--	231,433
Royalties	2,573,739	--	--	--	2,573,739
Soil study expenses	--	--	28,635	--	28,635
Unproductive exploratory wells	499	--	539,792	--	540,291
Miscellaneous	110,045	60,584	8,103	30,772	209,504
Total as of 12-31-2019	14,074,553	935,312	600,925	751,666	16,362,456

Eng. Martín F. Brandi
President

Exhibit "H"

PETROQUÍMICA COMODORO RIVADAVIA S.A.

INFORMATION REQUIRED BY ART. 64 INC. B) OF LAW No. 19,550 CORRESPONDING TO THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(expressed in thousands of Argentine pesos – Note 2.1)

			2018		
Items	**Production cost**	**Marketing expenses**	**Exploration expenses**	**Administrative expenses**	**Total**
Directors, statutory and audit committees fees	9,678	--	--	95,518	105,196
Fees and compensation for services	41,507	11,894	--	85,368	138,769
Salaries and wages	1,308,835	54,384	--	246,806	1,610,025
Employees participation in utilities	283,965	-	--	32,969	316,934
Social Security	206,054	8,888	--	42,115	257,057
Staff-related expenses	179,884	2,601	58	20,521	203,064
Marketing and advertising	818	1,383	--	3,746	5,947
Taxes, rates and contributions	83,166	577,098	5,320	39,964	705,548
Depreciation of property, plant and equipment	2,276,770	6,429	--	29,153	2,312,352
Mobility	30,197	2,281	131	12,547	45,156
Insurance	54,412	1,041	--	6,319	61,772
Fuel and lubricants	345,180	1,346	2	2,458	348,986
Communications	33,975	2,089	--	9,771	45,835
Maintenance of machinery and other assets	1,291,871	4,323	--	15,374	1,311,568
Energy	899,706	66	--	1,906	901,678
Rentals	359,165	1,464	--	7,246	367,875
Institutional contributions	955	2,163	--	64,414	67,532
Third parties services	1,732,673	7,535	3	45,548	1,785,759
Freight of materials and finished goods	807,076	203	111	--	807,390
Amortization of intangible assets	1,000	--	--	--	1000
Mining easement	140,443	--	--	--	140,443
Pipe transportation expenses	5,829	110,342	--	--	116,171
Environmental conservation	129,193	--	2	975	130,170
Packages	140,487	--	--	--	140,487
Dyes and additives	172,571	--	--	--	172,571
Royalties	2,783,377	--	--	--	2,783,377
Unproductive exploratory wells	--	--	4,386	--	4,386
Soil study expenses	--	--	229,284	--	229,284
Miscellaneous	181,490	12,219	11,051	22,496	227,256
Total as of 12-31-2018	13,500,277	807,749	250,348	785,214	15,343,588

Eng. Martín F. Brandi
President

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English translation of the report originally issued in Spanish, except for the omission of paragraph 4. related to formal legal requirements for reporting in Argentina and for the inclusion of paragraph 5.

INDEPENDENT AUDITORS' REPORT

To the President and Directors of
Petroquímica Comodoro Rivadavia S.A.
CUIT N°: 30-56359811-1
Alicia Moreau de Justo 2030/2050, 3° floor, Office 304
Buenos Aires City

1. Identification of the financial statements subject to audit

We have audited the accompanying consolidated financial statements of Petroquímica Comodoro Rivadavia S.A. (hereinafter, referred to as "Petroquímica Comodoro Rivadavia S.A." or the "Company") and its controlled companies (which are detailed in note 2.4 to those consolidated financial statements), which comprise the consolidated balance sheets as of December 31, 2019, 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 14 and exhibits A, E, F, G and H.

The figures and other information corresponding to the fiscal year ended on December 31, 2018, restated in constant currency of December 31 2019 as described in Note 2.2. to the accompanying consolidated financial statements, are an integral part of such consolidated financial statements and are intended to be read only in relation to the figures and disclosures relating to the current fiscal year.

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 No. 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 consolidated financial statements mentioned in the first paragraph of chapter 1 of this report, present fairly, in all material respects, the consolidated financial position of Petroquímica Comodoro Rivadavia S.A. and its subsidiaries as of December 31, 2019, and their consolidated results of operations and other comprehensive income, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

5. Other matter

The consolidated financial statements referred to in section 1 have been translated into English for the convenience of English-speaking readers. The accompanying consolidated financial statements are the English translation of those originally issued by Petroquímica Comodoro Rivadavia S.A. in Spanish and prepared in accordance with International Financial Reporting Standards as filed with the CNV.

Buenos Aires City, Argentina
March 10, 2020

Deloitte & Co. S.A.

FERNANDO G. DEL POZO
Partner

English translation of the report originally issued in Spanish, except for the omission of certain disclosures related to formal legal requirements for reporting in Argentina and for the inclusion of the last paragraph.

STATUTORY AUDIT COMMITTEE'S REPORT

To the President and Directors of
Petroquímica Comodoro Rivadavia S.A.
C.U.I.T. N° 30-56359811-1
Alicia Moreau de Justo 2030/2050, 3° floor, Office 304
Buenos Aires City

In our capacity as members of the Audit Committee of Petroquímica Comodoro Rivadavia S.A. (hereinafter, the "Company"), we have examined, with the scope described in chapter 2, the documents detailed in chapter 1 below. The preparation and issuance of the aforementioned documents are the responsibility of the Company's Board of Directors in the exercise of its exclusive functions. Our responsibility is to report on these documents based on the work carried out with the scope mentioned in chapter 2.

1. Examined documents

a) Consolidated balance sheets as of December 31, 2019.

b) Consolidated income statement and other comprehensive income for the year ended December 31, 2019.

c) Consolidated statement of changes in net equity for the year ended December 31, 2019.

d) Consolidated statement of cash flows for the year ended December 31, 2019.

e) Notes 1 to 14 and annexes A, E, F, G and H, corresponding to the year ended December 31, 2019.

f) Report of the Board of Directors for the year ended December 31, 2019 and the Corporate Governance Code, Annex IV of Chapter XXIII, Periodic Information Regime of the Regulations of the Argentine Securities Commission ("CNV") (NT 2013).

g) Informative review required by the Argentine Securities Commission, for the year ended December 31, 2019.

2. Scope of work

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 over the documents detailed in chapter 1, we have principally considered the Independent auditor's report issued by Deloitte & Co. S.A on March 10, 2020 in accordance with RT No. 32 and other resolutions 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.

Likewise, in relation to the consolidated informative review corresponding to the fiscal year ended on December 31, 2019, we have verified that it contains the information required by the Argentine Securities Commission, in what is within our competence, that its numerical data agree with the Company accounting records and other pertinent documentation.

3. Opinion

In our opinion, based on the work mentioned in chapter 2 of this report:

a) The consolidated financial statements of Petroquímica Comodoro Rivadavia S.A. as of December 31, 2019 mentioned in chapter 1 inc. a) to e) of this report reasonably present, in all its significant aspects, the consolidated financial position of Petroquímica Comodoro Rivadavia S.A. as of December 31, 2019 and its consolidated results and other comprehensive income, the changes in its consolidated net equity and the consolidated cash flows for the fiscal year ended on that date, in accordance with International Financial Reporting Standards.

b) The consolidated financial statements as of December 31, 2019 of Petroquímica Comodoro Rivadavia S.A. are disclosed in accordance with the provisions of Law No. 19550 and in the applicable regulations of the Argentine Securities Commission.

c) With respect to the informative review required by the Argentine Securities Commission, prepared by the Board of Directors and mentioned in section g) of Chapter 1 of this report, we have no observations to make regarding what is within our competence.

Additionally, we also inform 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, including attendance at meetings of the Company's Board of Directors.

The consolidated financial statements referred to in section 1 have been translated into English for the convenience of English-speaking readers. The accompanying consolidated financial statements are the English translation of those originally issued by Petroquímica Comodoro Rivadavia S.A. in Spanish and prepared in accordance with International Financial Reporting Standards as filed with the CNV.

Buenos Aires City, Argentina
March 10, 2020

Dr. Jorge Luis Diez
Statutory Audit Committe