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COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

Glossary

$	=	Peso
USD	=	United States dollar
m3	=	Cubic meter
Mm3	=	Thousands of cubic meters
MMm3	=	Millions of cubic meters
tn	=	Ton
Mtn	=	Thousands of tons
V/N	=	Par value
WTI	=	West Texas Intermediate
bbl	=	Barrel
BTU	=	British thermal unit
MMBTU	=	One million BTUs
UTE	=	Joint Operations

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COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2018 and 2017 and for the fiscal years as of December 31, 2018 and 2017

"Free translation from the original in Spanish for publication in Argentina"

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

Legal address: Bonpland 1745 - Autonomous City of Buenos Aires, Argentina

FISCAL YEAR NO. 98

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017

AND FOR THE FISCAL YEARS ENDED CEMBER 31, 2018 AND 2017

Company's main line of business:	Exploration and exploitation of hydrocarbons and byproducts
Date of registration with the Public Registry of Commerce:	October 15, 1920, under number 136, folio 26, book 41, volume A of Corporations
Latest amendments to Bylaws:	September 12, 2007, December 19, 2013 and April 17, 2015
Registration number with the Superintendence of Commercial Companies:	1648
Date of termination of the incorporation agreement:	September 1, 2100
Name of parent company:	Latin Exploration S.L.U. (1)
Parent company's main line of business:	Investment and financial activities
Equity interest held by the parent company in share capital and votes:	70.00% (1)

CAPITAL STATUS (2) - In pesos -

	Subscribed, issued and paid-up at 12/31/2018
Ordinary shares with a par value of 1 per share:	
Class A shares entitled to 1 vote	279,396,499
Class B shares entitled to 1 vote	119,741,357
	399,137,856

(1) Note 26 to the consolidated financial statements
(2) Note 15 to the consolidated financial statements

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2018 AND 2017.
(In thousands of pesos)

	Note	12.31.2018	12.31.2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	13,673,830	11,738,230
Investments in associates	9	7,629,554	2,968,808
Other receivables	10	1,406,972	198,830
Trade receivables	12	351,467	90,012
Total Non-Current Assets		23,061,823	14,995,880
CURRENT ASSETS			
Inventories	11	851,434	703,155
Other receivables	10	2,757,160	2,313,450
Trade receivables	12	4,802,701	1,164,601
Other investments	13	326,886	283,414
Cash and cash equivalents	14	1,033,415	344,480
Total Current Assets		9,771,596	4,809,100
TOTAL ASSETS		32,833,419	19,804,980
EQUITY			
Share Capital	15	399,138	399,138
Capital adjustment		1,235,386	1,235,386
Reserves	16	381,736	1,086,237
Retained earnings	17	3,731,881	2,704,634
Other comprehensive income		4,104,612	166,388
Total equity attributable to the Owners of the Company		9,852,753	5,591,783
Non-controlling interests		-	-
TOTAL EQUITY		9,852,753	5,591,783
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for legal claims and others proceedings	18	56,560	48,262
Other provisions	19	1,373,749	1,287,368
Deferred tax liabilities	27	422,598	378,543
Tax payables	20	25,631	59,011
Financial debts	21	14,385,872	8,580,051
Trade payables	23	-	82,603
Total Non-Current Liabilities		16,264,410	10,435,838
CURRENT LIABILITIES			
Other provisions	19	1,549	17,475
Other liabilities	22	141,780	150,070
Tax payables	20	203,668	73,920
Salaries and social security contributions		239,863	39,828
Financial debts	21	2,531,720	1,696,849
Trade payables	23	3,597,676	1,799,217
Total Current Liabilities		6,716,256	3,777,359
TOTAL LIABILITIES		22,980,666	14,213,197
TOTAL EQUITY AND LIABILITIES		32,833,419	19,804,980

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

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COMPAÑÍA GENERAL DE COMBUSTIBLES S.A.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of pesos)

	Note	12.31.2018	12.31.2017
Revenues	24 a)	17,708,913	7,959,885
Cost of revenues	24 b)	(11,148,549)	(7,790,418)
Gross profit		**6,560,364**	**169,467**
Selling expenses	24 c)	(361,795)	(170,529)
Administrative expenses	24 d)	(794,403)	(496,107)
Other operating income (expenses)	24 e)	(348,257)	-
Other income and expenses, net	24 f)	(381,353)	(270,610)
Operating income		**4,674,556**	**(767,779)**
Net gain on equity investees	24 g)	1,011,163	784,977
Financial income	24 h)	47,520	45,414
Financial costs	24 h)	(1,536,385)	(991,815)
Result for exposure to the purchasing power of the currency			
Capital adjustment	24 h)	(129,214)	(244,107)
Other financial results	24 h)	(3,557,785)	718,076
Gain/(Loss) before income tax		**509,855**	**(455,234)**
Income tax	27	(34,882)	106,857
Gain/(Loss) for the year		**474,973**	**(348,377)**
OTHER COMPREHENSIVE INCOME(LOSS)			
Items that are not reclassified to profit and loss			
Asset revaluation reserve	3,2,3,3)	3,467,045	-
Items that may be reclassified to profit and loss			
Currency translation difference	3,2,11)	471,179	(35,024)
Total other comprehensive income for the year, net of income tax		**3,938,224**	**(35,024)**
Total comprehensive income for the year –Gain/(Loss)		**4,413,197**	**(383,401)**
Net income, attributable to:			
Owners of the Company		474,973	(343,106)
Non-controlling interests		-	(5,271)
		474,973	**(348,377)**
Total comprehensive income, attributable to:			
Owners of the Company		4,413,197	(378,130)
Non-controlling interests		-	(5,271)
		4,413,197	**(383,401)**
Result per share basic and diluted	25	**1,200**	**(0,860)**

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of pesos)

	Share Capital (Note 15)	Capital Adjustment	Legal Reserve (Note 16)	Discretionary Reserve (Note 16) (1)	Other (Note 16)	Retained earnings / accumulated (losses) (Note 17)	Other comprehensive income: Asset revaluation reserve(note 3.2.3.3)	Other comprehensive income: Currency translation difference	Equity attributable to Owners of the Company	Non-controlling interest	Total
Balances at December 31, 2016	**399,138**	**1,235,386**	**32,228**	**1,762,673**	**(317,905)**	**2,656,981**	-	**201,412**	**5,969,913**	**15,365**	**5,985,278**
Resolution of the Ordinary General Meeting of Shareholders dated April 21, 2017:											
- Appropriation of retained earnings	-	-	-	(390,759)	-	390,759	-	-	-	-	-
Acquisition of non-controlling interest - Unitec Energy (Note 3.2.2)	-	-	-	-	-	-	-	-	-	(10,094)	(10,094)
Net result of the year – (Loss)	-	-	-	-	-	(343,106)	-	-	(343,106)	(5,271)	(348,377)
Other comprehensive result– (Loss)	-	-	-	-	-	-	-	(35,024)	(35,024)	-	(35,024)
Balances at December 31, 2017	**399,138**	**1,235,386**	**32,228**	**1,371,914**	**(317,905)**	**2,704,634**	-	**166,388**	**5,591,783**	-	**5,591,783**
Resolution of the Ordinary General Meeting of Shareholders dated April 27, 2018:											
- Absorption of accumulated losses	-	-	-	(552,274)	-	552,274	-	-	-	-	-
Resolution of the Ordinary General Meeting of Shareholders dated August 1, 2018:											
- Dividends distribution to shareholders	-	-	-	(152,227)	-	-	-	-	(152,227)	-	(152,227)
Net result of the year – Gain	-	-	-	-	-	474,973	-	-	474,973	-	474,973
Changes in other comprehensive income for the year-	-	-	-	-	-	-	3,467,045	471,179	3,938,224	-	3,938,224
Balances at December 31, 2018	**399,138**	**1,235,386**	**32,228**	**667,413**	**(317,905)**	**3,731,881**	**3,467,045**	**637,567**	**9,852,753**	**15,365**	**9,852,753**

(1) For maintenance of working capital and future dividends
The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

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COMPAÑÍA GENERAL DE COMBUSTIBLES S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of pesos)

	Note	12.31.2018	12.31.2017
Cash flow from operating activities			
Net loss for the year		474,973	(348,377)
Adjustments to arrive at net cash flow provided by operating activities:			
Depreciation of property, plant and equipment	8	3,675,894	2,262,114
Loss on disposal of property, plant and equipment	8	358,593	2,099
Gain on investments valued under the equity method	24 g)	(1,011,163)	(784,977)
Financial results, net	24 h)	4,862,888	78,064
Impairment allowance for non-financial assets	24 f)	181,341	132,720
Increase in allowances for receivables, net	24 f)	209,431	214,009
(Decrease) / Increase in provision for legal claims and proceedings	24 f)	25,197	(14,173)
Gas imbalance credit	24 b)	(11,316)	(8,828)
Income accrued net of collections under the Petróleo Plus Program, the Gas Plan and incentives for production	24 a) and 24 e)	(2,197,513)	(1,682,467)
(Gain) on assignment of the CNQ6 El Sauce area	24 f)	-	(19,070)
Result for the 50% assignment of La Maggie concession	24 f)	78,658	-
Transfer working interest result "Concession Palmar Largo"	24 f)	(12,107)	-
Other income (expenses)		129,214	244,107
Accrued income tax	27	34,882	(106,857)
Changes in operating assets and liabilities:			
Decrease in receivables		(3,424,763)	452,717
Decrease (increase) in inventories		(148,350)	606,033
Increase in non-financial debts		2,494,430	1,072,873
Income tax paid		(86,509)	(111,629)
Net cash flow from operating activities		**5,633,780**	**1,988,358**
Cash flows from investment activities			
Acquisition of property, plant and equipment	8	(5,925,219)	(4,002,600)
Acquisition of ownership interests in associates		14,764	46,756
Reduction of capital of associate	9 b)	63,562	286,705
Net purchase (sale) of others investments		(152,227)	-
Dividends collected	9 b)	244,879	114,136
Net cash flow used in investment activities		**(5,754,241)**	**(3,555,003)**
Cash flows from financing activities			
Interest paid on financial debts	21	(1,262,306)	(908,251)
Financial debts settled	21	(3,077,687)	(2,328,188)
Financial debts obtained	21	4,670,026	1,971,128
Net cash flow (used in) provided by financing activities		**330,033**	**(1,265,311)**
(Decrease) Increase in cash, cash equivalents, and bank overdraft facilities		**209,572**	**(2,831,956)**
Cash, cash equivalents and bank overdrafts at the beginning of the year		342,482	3,451,440
Financial results generated by cash, cash equivalents, and bank overdrafts		481,361	(277,002)
Cash, cash equivalents and bank overdrafts at the end of the year (Note 14)	14	**1,033,415**	**342,482**
Changes not entailing movements of funds:			
Acquisition of property, plant and equipment pending settlement	8	(37,260)	(161,879)
Capitalization of financial costs	8	71,331	75,442
Cost of asset retirement and environmental remediation capitalized in property, plant and equipment	8	560,222	307,129

The accompanying notes 1 to 33 are an integral part of these consolidated financial statements.

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COMPAÑIA GENERAL DE COMBUSTIBLES S.A.
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017 AND FOR THE FISCAL YEARS ENDE DECEMBER 31, 2018 AND 2017

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NOTE 1 – GENERAL INFORMATION

1.1 - The Company - Purpose of theses Consolidated Financial Statements

Compañía General de Combustibles S.A. ("CGC" or "the Company", or together with its subsidiaries "the Group") is a corporation organized under the laws of the Republic of Argentina, registered with the Public Registry of Commerce on October 15, 1920. The incorporation agreement will expire on September 1, 2100 and its legal address is Bonpland 1745, Autonomous City of Buenos Aires, Argentina.

CGC business activities are focused on the energy sector, specifically consisting of the exploration and production of oil and gas (upstream) and gas transportation (midstream). Upstream activities are carried out both individually and through joint agreements, and midstream activities through associated companies.

1.2 - Group of Control

The Company is controlled by Latin Exploration S.L.U. ("LE"), a Spanish company (see Note 15).

NOTE 2 - REGULATORY FRAMEWORK OF THE OIL&GAS SECTORS

Federal Hydrocarbons Law No. 17319

Fields property

Law 17319 set forth in its original wording that the liquid and gaseous hydrocarbons fields located in the territory of Argentina and in its continental shelf were the non-transferable property of the National Government that was not subject to the statute of limitations. However, this was amended and ownership was transferred to the Provinces where the fields in question were situated.

Exploration and exploitation of oil and gas are performed through exploration permits, operating concessions, and contracts for exploitation or partnership/joint venture agreements.

Operating concessions shall be in effect for 25 years following the granting date, plus the non-elapsed term of the exploration permit. Further, the concession term may be extended for up to 10 additional years; to that end, the concession operator must have complied with all of its obligations. When a concession expires or is concluded, all the hydrocarbon wells, operation and maintenance equipment and facilities will automatically be transferred to the Province in which the reservoir is located, or to the National Government in the case of reservoirs under federal jurisdiction, with no compensation or indemnity for the holder of the concession.

Payment of royalties and fee

Pursuant to the Hydrocarbons Law, the holders of the exploration permits and of the operating concessions must pay royalties to the Provincial or National Government (according to the location of the fields). The royalties are paid at 15% (exploration permits) or 12% (operating concession) of the estimated wellhead value (i.e. the price at the point where the product is delivered, less the transportation and treatment costs and other deductions) of the production of crude oil and the volumes of natural gas marketed and 3% of the fee. In addition, they must pay a variable annual fee per square kilometer or fraction thereof of the permit or concession area (sections 57 and 58), which is periodically set by the National Executive Branch.

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Federal Law No. 26197

Law No. 26197, an amendment to the Hydrocarbons Law, establishes that the fields of liquid and gaseous hydrocarbons located in the Argentine territory and its continental shelf are the non-transferable property of the National Government or the pertinent Provincial Governments that is not subject to the statute of limitations, according to the territorial area where they are located.

New regulations on export duties for hydrocarbons

Law No. 25562 was not extended and export duties have been ineffective since January 6, 2017.

On September 4, 2018, the National Executive Branch issued Decree No 793/2018 establishing until December 31, 2010 an export duty of 12% on all goods for consumption included in the tariff positions of the Mercosur Common Nomenclature ("NCM").

This export duty may not exceed 4 pesos per each United States Dollar of the taxed value or official FOB price, as applicable. For goods other than primary products, this limit shall be 3 pesos per each United States Dollar of the taxed value of the official FOB price, as applicable.

On November 15, 2018, section 81 of National Budget Law No. 27467 delegated in the National Executive Branch, as part of the powers in Sections 755 and related provisions of Law No. 22415 (Customs Code), the power to set export duties whose rate may in no case exceed THIRTY PERCENT (30%) of the taxed value or the official FOB price. A maximum percentage of TWELVE PERCENT (12%) has also been established for those goods that were not subject to export duties at Sunday, September 2, 2018 or that were taxed at ZERO PERCENT (0%) at that date. The National Executive Branch may exercise this power until December 31, 2020.

Further, the Budget Law for 2019 ratified Decree 793/2018 and any other law or regulation that has been issued in the exercise of those powers.

Foreign exchange system - Obligation to trade in the Argentine market 100% of the amounts in foreign currency from exports of crude oil and byproducts

Decree No. 1722 dated October 25, 2011 reinstated the obligation to bring and trade in the foreign exchange market all of the amounts denominated in foreign currency arising from exports of crude oil and byproducts, natural gas and liquefied gases. Under this decree, CGC is required to trade 100% of the foreign currency amounts collected from its exports of goods and services.

Agreement for the Supply of Propane Gas and Propane Gas Distribution Network

On July 15, 2002, the former Ministry of Economy confirmed the "AGREEMENT TO STABILIZE THE WHOLESALE PRICE OF LIQUEFIED PETROLEUM GAS ("LPG")" through Resolution No. 196/2002 to ensure LPG stable supply conditions and supply price ("Agreement to Stabilize LPG Wholesale Prices"). This agreement was effective until September 30, 2002.

On April 22, 2003, upon expiration of the Agreement to Stabilize LPG Wholesale Prices, the former Ministry of Economy executed with the LPG Producers a new agreement called "Agreement for the Supply of Propane Gas and Propane Gas Distribution Networks", confirmed by Decree No. 934/2003 ("Agreement for the Supply of Propane Gas and Networks").

As of this date, the Agreement for the Supply of Propane Gas and Networks has been renewed on several occasions, the last one being "Sixteenth Agreement for the Extension of the Agreement for the Supply of Propane Gas and Propane Gas Distribution Networks" of May 30, 2018 ("Sixteenth Agreement for Extension"). The Sixteenth Agreement for Extension is effective until April 1, 2019.

The "economic compensation" earned by the parties to the Sixteenth Agreement for Extension arises from the difference between: net income earned from the sale of propane gas to Distributors and/or Sub distributors of Propane Gas through Networks at the Agreed-Upon Price, and net income that would have been earned from these sales if performed at the LPG price-Export Parity, as defined by Article 4 of Resolution No. 792 of the ENERGY SECRETARIAT, regulating Law No. 26020, in exercise of the Enforcement Authority.

At December 31, 2018 and 2017, income for $ 45.8 million and $ 53.8 million, respectively, was registered from the line incentives of the caption Income in the Consolidated Statement of Comprehensive Income (see Note 24 a).

E-market for gas

Decree No. 180/04 created an electronic market for gas ("MEG") for the daily transactions of natural gas spot sales, with a secondary market for transportation and distribution services, and established information requirements for purchasers and sellers of natural gas related to the corresponding commercial transactions.

Procedures to direct gas production in order to meet domestic demand

On October 4, 2010, Resolution No. 1410/2010 of ENARGAS was published in the Official Gazette, with the approval of a "Procedure for Gas Requests, Confirmations and Control" implementing new guidelines for the dispatch of natural gas, applicable to all persons in the gas industry, and imposing new and more severe restrictions on free disposition of gas by producers.

Resolution No. 89/2016 of the Energy and Mining Ministry was published in the Official Gazette on June 1, 2016, establishing the natural gas volumes Gas Distributors may request to meet Priority Demand, under the provisions of ENARGAS Resolution No. 1410 dated September 28, 2010. Furthermore, said Resolution maintained for the above-mentioned volumes the allocation rules set out by Resolution No. 599/2007 of the former ENERGY SECRETARIAT, and application of its criteria was also extended by Resolution No. 172/2011 of that Secretariat. Lastly, Resolution No. 89/2016 authorizes natural gas producers to formalize natural gas purchase and sale agreements with Natural Gas Distributors to meet Priority Demand, with the aim of deducting those contracted volumes by the quantities the producer is to deliver in the basin in question, under the obligations to supply the domestic market, as set forth by ENARGAS Resolution No. 1410/2010.

Complementarily to Resolution No. 89/2016 of the Energy and Mining Ministry, ENARGAS resolution No. 3833/2016 was published in the Official Gazette on June 10, 2016, establishing the SUPPLEMENTARY PROCEDURE FOR GAS REQUESTS, CONFIRMATIONS AND CONTROL which contemplates the new rules for the administration of natural gas dispatches and complements and modifies the Internal Regulations of Dispatch Centers approved by ENARGAS Resolution No. 716/98 and the Procedure for Requests, Confirmation and Control of Gas established by ENARGAS Resolution No. 1410/2010.

On June 6, 2017, ENARGAS adopted Resolution No. 4502/17 approving the Procedure for dispatch administration in the Emergency Executive Committee ("CEE"), which has modified the gas delivery and confirmation procedure approved by ENARGAS Resolution No. 3833/16 and established measures and criteria to be adopted in cases of supply crises declared by Carriers, Gas Distribution Companies or the ENARGAS, which make it difficult to satisfy Priority Demand for Natural Gas. Among these measures, the CEE (or if the CEE does not agree) the ENARGAS, will define how Priority Demand will be satisfied considering the natural gas volumes made available in each basin by each producer and discounting the volumes that have been purchased to meet Priority Demand.

On May 18, 2018, ENARGAS Resolution No. 56/2018 was adopted which approved the PROVISIONAL PROCEDURE FOR DISPATCH ADMINISTRATION IN THE EMERGENCY EXECUTIVE COMMITTEE, establishing the criteria the natural gas industry operators shall follow in the cases where priority demand for gas cannot be satisfied. This procedure will be applied from May 23, 2019 at 6:00 a.m. to October 1, 2018 at 6:00 a.m. (The "Provisional Procedure").

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On June 26, 2018, ENARGAS adopted Resolution No. 124/2018 approving (i) the restated text of ENARGAS Resolutions Nos. 716/98, I-1410/10, I-3833/16, I-4407/17, I-4502/17 and 244/18 effective as from June 30, 2018 at 06:00 a.m. (the "Internal Regulations of the Dispatch Centers (restated text, 2018)") and repealing ENARGAS Resolutions Nos. I-1410/10, I-3833/16 and I-4502/17 as they oppose to and/or are incompatible with the Internal Regulations of the Dispatch Centers (restated text, 2018).

Satisfaction of priority demand

As part of the process for the normalization of the energy sector, the Ministry of Energy and Mining called a meeting to discuss with natural gas producers, including CGC and ENARSA, the basic conditions for the supply contracts to be executed for Network Distribution of Natural Gas effective January 1, 2018. At the meeting, the Ministry of Energy and Mining informed that in view of the expiry of the extension period established through Law No. 27200 for the public emergency declared in 2002, Law No. 24076 resumed full effectiveness. This law establishes that the price in natural gas supply agreements will be freely determined by supply and demand.

On November 29, 2017, natural gas producers, including CGC and ENARSA, signed, at the instigation of the Ministry of Energy and Mining, the Terms and Conditions for Supply of Natural Gas to Gas Network Distribution Companies (the "Terms and Conditions").

The Terms and Conditions set forth the basic guidelines to secure adequate supply of natural gas to Gas Distribution Companies, and thereby to residential and commercial end consumers. The Terms and Conditions further establish a plan for the gradual reduction of subsidies, all this as part of the process for the normalization of the natural gas market, which occurs over the life of the Terms and Conditions until December 31, 2019, including the transition period until said normalization.

The most important guidelines set forth in the Terms and Conditions are the following: (i) to secure adequate supply of natural gas to Gas Distribution Companies, and thereby to residential and commercial end consumers; (ii) the continuity of the plan for the gradual reduction of subsidies, all this as part of the process for the normalization of the natural gas market, which occurs over the life of those Terms and Conditions until December 31, 2019; (iii) the acknowledgment of the right to pass on to tariffs paid by users and consumers the purchase cost of gas; (iv) the prices of gas for each basin for the next two years, in United States dollars; (v) ENARSA assumes the responsibility for satisfying demand in the areas benefiting from the subsidies on household consumption of gas.

The Company entered into, under the Bidding Terms and Conditions, natural gas supply contracts with Metrogas S.A., Gas Natural BAN S.A. and Camuzzi Gas Pampeana S.A., effective from January 1, 2018 to December 31, 2018.

As a result of the variation in the exchange rate parity, producers and distributors of natural gas started renegotiations of the special agreements signed under the Bidding Terms and Conditions, with prices denominated in United States dollars.

The renegotiation process has not finished yet; it includes two main issues: i) payment of debts generated by the differences between the exchange rate paid by distributors and the exchange rate set forth in the contracts (period April-September 2018); and ii) the gas price to be charged in the period October-December 2018.

As to the debts accrued by the exchange differences, the recovery mechanism has yet to be defined and implemented, since SGE Resolution No. 20/2018 was published on October 5, 2018, stating the following: for the differences between the price of gas set forth in the contracts and the price of gas recognized in the end rates charged by the distribution service providers, valued on the basis of the gas volumes purchased from April 1 to September 30, 2018, the ENARGAS would instruct the distribution service providers to recover the credit in favor of producers on a separate line in their customer invoices, in 24 installments as from January 1, 2019. However, Resolution No. 20/2018 was subsequently revoked "in the public interest" by Resolution No. 41/2018, published on October 12, 2018.

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On November 15, 2018, the National Executive Branch issued Emergency Decree No. 1053/2018 (DNU 1053/18) establishing in its section 7 a mechanism for voluntary adherence whereby the National State will exceptionally defray payment of the monthly accumulated daily differences between the price of natural gas purchased by the network distribution service providers and the price of natural gas included in the rate schedules effective between April 1, 2018 and March 31, 2019, generated exclusively by the exchange rate variations and corresponding to the volumes of natural gas delivered within that period (the "Adherence Mechanism for the Settlement of Debts owed by Distributors as a result of the Exchange Rate Differences"). The amounts payable shall be determined by the NATIONAL GAS REGULATORY AUTHORITY (ENARGAS) and shall be paid in 30 consecutive monthly installments as from October 1, 2019. The installments shall be collected by the Distributors, which shall be responsible for making the payments to the suppliers of natural gas immediately.

The Adherence Mechanism for the Settlement of Debts owed by Distributors as a result of the Exchange Rate Differences shall only apply to the network distributors of natural gas and the suppliers of natural gas that adhere to this installment plan and expressly waive any right to file action or claim as a result of the accumulated daily differences referred to in the first paragraph.

To date, the ENARGAS has not yet implemented the Adherence Mechanism for the Settlement of Debts owed by Distributors as a result of the Exchange Rate Differences.

New maximum prices at the point of entry into the transportation system (PIST, its acronym in Spanish) for electricity generation.

Resolution No. 46/2018 of the Ministry of Energy and Mining was published in the Official Gazette on August 1, 2018, instructing the Electric Energy Undersecretariat to order the necessary measures for Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA) to implement competitive mechanisms to ensure gas availability for electricity generation, and setting the new maximum prices for natural gas (20% lower than the ones then in effect) at the PIST, for each originating basin. These prices shall apply to the volumes of natural gas for generation of electricity for sale at the WEM or, in general, for the provision of the public utility electricity distribution service effective August 1, 2018 ("Resolution 46/2018").

On December 19, 2018, the Government Secretariat of Energy issued Note NO-2018-66680075-APN-SGE#MHA instructing CAMMESA to apply, under Resolution 46/2018, the new reference prices for each seasonal period of 2019. In that note, it also instructed CAMMESA to adopt those prices as the maximum reference prices pursuant to the provisions of Annex 13 to the PROCEDURES FOR THE SCHEDULING OF THE OPERATION, CARGO DISPATCH AND CALCULATION OF PRICES, under Resolution No. 61 dated April 29, 1992 of the former ELECTRIC ENERGY SECRETARIAT and other complementary or amending regulations.

On November 7, 2018, SGE Resolution No. 70/2018, which amended Resolution No. 95/2013 of the former Energy Secretariat, was published in the Official Gazette, whereby the Generating Agents, Co-generators and Self-generators in the WEM are empowered to make fuel supply contracts for electric energy generation. In addition, the Resolution established that generation costs with own fuel will be valued in accordance with the mechanism to recognize Variable Production Costs accepted by CAMMESA.

New exports of natural gas

On November 27, 2017, Decree 962/2017 was published authorizing among other aspects the export of natural gas, establishing the following principles for such export authorizations: 1) the authorizations shall be granted by MINEM, after evaluation of the requests; 2) the export agreements involving the construction of new facilities and/or new connections to gas pipelines, or the use of any of the existing systems, as well as other transport alternatives, shall be approved by MINEM, upon intervention of the ENARGAS; 3) the authorizations to be issued by MINEM may contemplate the export of gas surpluses at the quantities set out therein, provided that they are subject to interruption in the event of domestic supply problems. In this case, the approval of each gas surplus export transaction will not be necessary for the authorization, only the respective contract stating the interrupted supply condition and the absence of compensation in the event of interruption shall be submitted to the ENARGAS, for information purposes only.

MINEM Resolution No. 104/2018, subsequently amended by SGE Resolution No. 9/2018, was published in the Official Gazette on August 22, 2018. That resolution set forth: i) a new Procedure for the Authorization of Exports of Natural Gas; ii) repealed Resolution No. 299/98 of the former Energy Secretariat and its amending resolutions, and established that the export permits granted under the resolutions being repealed shall follow the Procedure for Authorization of Exports of Natural Gas; iii) repealed Resolution No. 131/01 of the former Secretariat of Energy and Mining and its amending resolutions; iv) repealed Resolution No. 265/04 of the former Secretariat of Energy and Mining and its amending resolutions; v) repealed Resolution No. 883/05 of the former Secretariat of Energy and its amending resolutions; vi) repealed Resolution No. 8/17 of the former MINEM and its amending resolutions; and vii) delegated in the Undersecretariat of Hydrocarbon Resources the tasks entrusted in this new Procedure. Under Resolution No. 104/2018, in the case of the applications for export related to a project included in MINEM Resolution No. 46-E/2017 (Incentive Program for Unconventional Gas Production), the volumes of natural gas shall not be computed as part of and/or within the Production included under that Program.

Within that framework, the Government Secretariat of Energy granted Compañía General de Combustibles S.A. (i) an authorization to export natural gas to the Republic of Chile, destined for Methanex Chile Spa, on a long-term interruptible supply basis, from its own conventional exploitation areas located in the Austral Basin (province of Santa Cruz), as reported by the Company, for a maximum volume of seven hundred and fifty thousand cubic meters per day (750,000 m^3/day) of natural gas of 9,300 kcal/m^3 until June 1, 2020 at 6:00 a.m. (SGE Resolution No. 12/2018); and (ii) an authorization to export natural gas to the Republic of Chile, destined for Colbún S.A, on a short-term interruptible supply basis, from its own conventional exploitation areas located in the Austral Basin (province of Santa Cruz) and third party exploitation areas located in the Neuquina Basin, for a maximum volume of one million three hundred thousand cubic meters per day (1,300,000 m^3/day) of natural gas of 9,300 kcal/m3 until May 1, 2019 at 6:00 a.m. Gas supply authorized herein may be interrupted to ensure supply in the domestic market. (SGE Resolution No. 57/2018). (SGE Resolution No. 57/2018).

On January 16, 2019, the Government Secretariat of Energy authorized Compañía General de Combustibles S.A. to export natural gas in excess of the daily volumes set forth in sections 1 of SGE Resolutions Nos. 12/2018 and 57/2018. The excess natural gas volumes exported will be given accounting recognition as part of the total volumes authorized for export.

New system for registration of exports of liquid hydrocarbons

Resolution 241/2017 of the Secretariat of Hydrocarbons Resources of the Ministry of Energy and Mining was published in the Official Gazette on October 2, 2017, establishing a new administrative procedure for the Registration of Contracts for Export Transactions (exports of crude oil and other liquid hydrocarbons) created by Decree 645/2002, and repealing Resolutions of the former SE 38/2002, 202/2002, 1679/2004 and 1338/2006, as well as Regulation 168/2005 issued by the former SSC.

This new procedure facilitates registration of export transactions via the Internet. It also reduced the list of products requiring authorization for export, as follows: (I) crude oil, (ii) naphthas, (iii) gas oil, (iv) crude propane, (v) propane, (vi) butane and (viii) liquefied petroleum gas mix.

Incentive programs to boost the production of hydrocarbon and reserves

Gas Plus Program

Under Energy Secretariat Resolution No. 24/08 the "Gas Plus" program was created to encourage production of natural gas resulting from the discovery of new reserves, new fields, tight gas, etc. The natural gas produced under the Gas Plus program will not be subject to the Agreement 2007-2011 approved by Energy Secretariat

Resolution 599/07. To be included in the program, it is necessary for the producer to sign Agreement 2007-2011 and remain as a party to that agreement.

The Energy Secretariat approved under Resolutions Nos. 319/10 and 85/12 the *Well TPT.St.AG.ap-1001 ST* and *Well TPT.St.CD-1007* projects presented under the terms of the Gas Plus program by Tecpetrol, in its capacity as operator of the Aguaragüe hydrocarbon area, located in the Province of Salta and in which CGC holds an interest of 5%.

Also, the Energy Secretariat approved under Resolution No. 1083/10 the Alto Las Hormigas Project presented by CGC for the Angostura hydrocarbon area located in the Province of Río Negro and a concession to operate the Alto Las Hormigas field was requested, which has not yet been approved.

The project EaFN in the area of Estancia Agua Fresca was approved through Resolution 136/2015, issued by the Energy Secretariat (currently, the Ministry of Energy and Mining).

In view of the above, the natural gas production that CGC obtains from those projects would be governed by the provisions of the Gas Plus program.

Incentive Program for the Excess Natural Gas Injection for Companies with Reduced Injection

The Incentive Program for the Excess Natural Gas Injection for Companies with Reduced Injection was regulated by the Committee for Strategic Planning and Coordination of the National Hydrocarbons Investment Plan, the "Committee" (recently dissolved by decree 272/15 and whose functions were assigned to the Ministry of Energy and Mining) through Resolution No. 60/2013 as amended (Resolutions No. 22/2014 and No. 139/2014), which fixed a price that varies between USD 4/MMBTU and USD 7,5 /MMBTU, according to the highest production curve.

On July 23, 2014, the Company was registered in the abovementioned plan through Resolution No. 134/2014 of the Economic Policy and Development Planning Secretariat from the Ministry of Economy and Public Finance with effective date retroactive to June 1, 2014.

On July 15, 2015, the Committee approved Resolution No. 123/15, which defines the Rules for the purchase, sale and assignment of areas, rights and interests within the Program, which determines that companies acquiring, selling or assigning areas, rights or interests shall make the related filing within 10 days from the date of the transaction.

On July 17, 2015, the Company informed the Committee of the acquisition of Petrobras Argentina assets with effect as from April 1, 2015. On September 9, 2015, the Committee issued Resolution No. 170/2015, by means of which it approved the amendments to the basic injection, the adjusted basic injection and the 10% theoretical adjustment curve, and the 5% theoretical since April 1, 2015, filed by the Company relating to Gas II Plan, approved by the Committee through Resolution No. 134/2014.

At December 31, 2017, the Company had recognized as revenue the benefits from the incentive program for gas injection for $1.7 billion on the incentives line, in income, in the consolidated statement of comprehensive income (see Note 24 a)).

Decree No 704/2016

On May 20, 2016, Decree No. 704/2016 dictated the issuance of additional Argentine Bonds in US dollars at an annual rate of 8% maturing in 2020 ("BONAR 2020"), which will be used, among other purposes, to settle outstanding obligations under the Incentive Program for the Excess Natural Gas Injection ("Gas Plan"). As a result, on May 24, 2016, the Company expressed its consent in writing to the terms and scope of Decree No. 704/2016 (the "Letter of Acceptance"), whereby it accepted the settlement of the outstanding amounts in consideration of the Gas Plan until December 31, 2015. According to the settlement methodology reported by the Office of Hydrocarbons the amount due was $242.5 million. In June 2016, the Company received BONAR

2020 for an original nominal value of USD 15.7 million. At December 31, 2018 and 2017, the balance of other receivables under the Stimulus Program for the Excess Natural Gas Injection shows a 12-month accrual not yet paid for approximately $ 2,007 and $ 1,540 million, respectively.

Incentives programs had a maximum duration of five years, and ended on December 31, 2017 without having been renewed.

Resolution No. 97/2018 - Procedure for the Settlement of Compensations Pending Determination and/or Payment under the Incentive Program for the Excess Natural Gas Injection for Companies with Reduced Injection (Gas II Plan).

On April 3, 2018, Resolution No. 97/2018 of the Ministry of Energy and Mining (the "Resolution") was published in the Official Gazette of Argentina. This Resolution establishes a procedure for the voluntary settlement of compensations owed under the Incentive Program for the Excess Natural Gas Injection for injections performed during 2017. In April 2018 the Company adhered to the settlement mechanism, with a proposal consisting in paying 30 equal and consecutive monthly installments as of January 2019. The installments will be denominated in US dollars, to be paid in pesos at the monthly average exchange rate corresponding to the month immediately prior to the due date of each installment.

On November 15, 2018, the Law No. 27467 on the National Budget was passed; its Section 55 authorizes the Body for the Coordination of the Financial Administration Systems to issue public debt instruments with a minimum amortization term of 30 days and for an amount of up to USD one thousand and six hundred million (USD 1,600,000,000), for the service of the obligations that arise from the provisions of the Procedure for Settlement.

On January 30, 2019, the Company received Note NOA-2019-057994595-APN-DNEH#MHA announcing that the sum of the Included Compensations calculated under Resolution No. 97/2018 amounted to USD 59,385,260. In this Note, the Energy Secretariat informed that the settlement of the Included Compensations would be made by means of bonds denominated in US dollars to be repaid in 30 installments, and requested for an account number in Caja de Valores in which the bonds would be deposited. The Company informed of the custody account through a letter dated January 31, 2019.

On February 19, 2019, the Energy Secretariat, through Resolution No. 54/2019 (RESOL-2019-54-APN-SGE#MHA), decided that the obligations arising from Resolution No. 97/2018 would be settled in accordance with the provisions of Section 55 of Law No. 27467; it also stated that, in order to request fulfillment of the pending payments derived from Gas II Plan and other programs, the Beneficiary Companies should express their consent by filing a letter of acceptance (IF-2019-10233114-APN-SSHYC#MHA) with the Hydrocarbons and Fuels Undersecretariat under the Energy Secretariat of the Ministry of Treasury, within a period of ten (10) days after the date of notice.

On February 22, 2019, to comply with the provisions of Section 2 of Resolution No. 54/2019 (RESOL-2019-54-APN-SGE#MHA), the Company presented the Hydrocarbons and Fuels Undersecretariat under the Energy Secretariat of the Ministry of Treasury with the letter of acceptance.

On February 26, 2019, the Finance Secretariat and the Treasury Secretariat dictated Joint Resolution No. 21/2019 whereby, within the framework of Section 55 of Law No. 27.467, they provided for the issuance of "BONOS PROGRAMAS GAS NATURAL" (Natural Gas Programs Bonds) for the purpose of complying with the obligations arising from the Procedure for Settlement, pursuant to the following financial conditions: (i) Amount: up to a face value of US dollars one thousand and six hundred million (USD 1,600,000,000); (ii) Issue date: February 27, 2019; (iii) Maturity date: June 28, 2021; (iv) Term: two (2) years and four (4) months; (v) Issue Price: hundred percent (100%); (vi) Issue currency: US dollars; (vi) Payment currency: in pesos, at the exchange rate resulting from the simple arithmetic average of the Reference Exchange Rates of BCRA (Argentine Central Bank) Communication "A" 3500 for the five (5) business days prior to the fourth business day preceding the due date of each debt service; (vii) The issuer may decide to make the payment in US dollars, provided that this is notified through the Registry Agent of the bonds with fifteen (15) business days' notice

before the pertinent due date; (viii) Amortization: twenty-nine (29) consecutive monthly installments, the first of them representing six point sixty-six percent (6.66%) of the original face value, the next eighteen (18) installments of three point thirty-three percent (3.33%) of the original face value and the remaining ten (10) installments of three point thirty-four percent (3.34%) of the original face value. The first installment will be paid on February 28, 2019 and as from March 28, 2019, every installment will be paid on the 28th of each month, until maturity date. If the due date of an amortization installment were other than a business day, the payment date will be the business day immediately following the original due date; (ix) Interest: no interest will be accrued; (x) Minimum denomination: face value of US dollars one (USD 1); (xi) Ownership: Global Certificates will be issued to the name of the Central Office for Recording and Determination of Public Liabilities and Financial Trusts (CRYL) under the BCRA, in its capacity as Registry Agent of the Bonds; (xii) Tax exemptions: bondholders will be entitled to all the tax exemptions declared by the laws and regulations enforced on the matter; (xiii) Attention to financial services: the payments will be implemented through the BCRA by means of transfers of funds to the respective cash accounts owned by the holders of registry accounts in that entity; (xiv) Trading: The bonds will be credited in the accounts of the companies participating in the Plan and from that moment onwards they may not be transferred or traded until maturity date. Caja de Valores S.A. will freeze the bonds in the accounts of the participating companies.
Incentive Program for Investments in Production Development of Natural Gas extracted from Unconventional Reservoirs

MINEM Resolution 46-E/2017

MINEM Resolution 46-E/2017 was published on March 6, 2017, whereby the Incentive Program for Investments in Production Development of Natural Gas extracted from Unconventional Reservoirs was created. The aim of this program is to encourage investments for the production of natural gas from unconventional reservoirs at the Neuquina Basin, and will be in effect from the date of its publication until December 31, 2021 (the "Incentive Plan for Unconventional Gas").

The Resolution establishes a remuneration for the produced volumes of Unconventional Gas in the areas covered by the concession in the Neuquina Basin and included in the Program. To that end, the concession must have a specific investment plan, approved by the Provincial Competent Authority, with the authorization of the Office of Hydrocarbons.

The remuneration amount will result from subtracting the weighted average unit Effective Price obtained from natural gas sales to the domestic market, including both conventional and unconventional gas, and the unit Minimum Price set under the Resolution for each year, multiplied by the production volumes of unconventional gas. The Minimum Prices set by the Resolution are 7.50 USD/MMBTU for the year 2018; 7.00 USD/MMBTU for the year 2019; 6.50 USD/MMBTU for the year 2020 and 6.00 USD/MMBTU for the year 2021.

The remunerations under the Program will be paid, for each concession included in the Program, at 88% to companies and 12%, to the Province corresponding to each concession area included in the Program. On November 2, MINEM Resolution 419-E/2017 was published, and its Annex will replace the similar Annex to Resolution 46-E/2017. The new resolution has amended the former in relation to the following issues:

a) The Initial Production computed will be "the monthly average Unconventional Gas production calculated for the period between July 2016 and June 2017". And that the Included Production, for the purposes of the remunerations, will be i) for the concession areas with an Initial Production of less than 500,000 m3/day, the total monthly production of Unconventional Gas obtained from that Included Concession, to which the requesting company is entitled, and ii) for the concession areas with an Initial Production in excess of 500,000 m3/day, the total monthly production of Unconventional Gas obtained from that Included Concession, to which the requesting company is entitled, net of the Initial Production;
b) It modifies the definition of Effective Price, previously defined as "the weighted average price per volume of the total sales of natural gas by each company to the domestic market", and now defined as the "weighted average price per volume of the total sales of natural gas in the Republic of Argentina, which will be published by the Office of Hydrocarbons", regulating the application of the guidelines for making this calculation; and

c) The following requirement is introduced to qualify for the Program: that the investment plan to be submitted for each concession reaches a mean annual production, in any consecutive period of twelve months prior to December 31, 2019, equal to or higher than 500,000 m3/day. And the obligation to refund the amounts of the remunerations received (plus interest) corresponding to the concession areas that do not reach the above-mentioned production volume, and that SRH may require presentation of a bond insurance policy to guarantee refund of the remunerations collected by the participating companies, and the power to suspend payments if the required insurance policy is not presented.

No modifications have been made to the definitions of Included Unconventional Gas and Included Concessions, or to the Price, Payment Dates, Method, and Control of Production, among other issues included in the annex approved by Resolution 46-E/2017. MINEM Resolution No. 447-E/2017 was published on November 17, 2017, extending application of the Incentive Program for Investments in Production Development of Natural Gas extracted from Unconventional Reservoirs (applicable to Neuquina Basin, created under MINEM Resolution No. 46-E/2017 and modified by MINEM Resolution No. 419-E/2017) to the production of natural gas from unconventional reservoirs situated in the Austral Basin.

Under Resolution No. 38/2018 dated January 27, 2018, the Office of Hydrocarbons with the Ministry of Energy and Mining approved Compañía General de Combustibles S.A. adherence to the Incentive Program for Investments in Production Development of Natural Gas extracted from Unconventional Reservoirs, as concessionaire for exploitation of the area Campo Indio Este-El Cerrito, situated in the Province of Santa Cruz. Under this Resolution, CGC was empowered to receive remunerations accrued as a result of its adherence to that program as from January 2018 (the "Included Concession").

On December 28, the Company restated the previous months' Interim Payments based on the projection for production of the Included Concession presented with the request for adherence to the Incentive Program for Unconventional Gas, interpreting that these projections would be the maximum volume to be considered in the calculation of compensation, either interim or final. The Company rejected this change in the interpretation of the legal system applicable to the Incentive Program for Unconventional Gas and reserved the pertinent right to receive, at the moment of determining and calculating the final compensations (Payment Adjustment), an amount equivalent to the actual volumes of production from the Included Concession.

At December 31, 2018, the Company has recorded as income the benefits from the Incentive Program for Investments in Production Development of Natural Gas extracted from Unconventional Reservoirs, in the line Incentives under the caption Income of the consolidated statement of comprehensive income, for $ 3,042.6 million (see Note 24 a)).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 - Basis for preparation and presentation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as issued by the International Accounting Standards Board ("IASB"). All IFRS issued by the IASB, effective at the time of preparing these consolidated financial statements have been applied.

The CNV through General Resolution No. 622/13 established the application of Technical Pronouncements No. 26 and No. 29 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE), adopting the International Financing Reporting Standards (IFRS) issued by the IASB, for entities included in the public offering regime under Law No.17811 and its amendments, either due to their capital or their corporate bonds, or entities that have requested authorization to be included in the aforementioned regime. According to the professional accounting standard and regulatory provisions mentioned above, IFRS are of mandatory application by the Company as from its inclusion in the public offering regime.

Presentation in the consolidated statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are regarded as current if they mature within one year or within the normal business cycle of the Group, or are held for sale.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Several balance sheet and income statement items have been grouped in the interests of clarity. These items are stated and explained separately in the notes to the consolidated financial statements. The income statement is structured according to the function of expense method, with the nature of the expenses classified in the notes.

The consolidated financial statements are presented in thousands of Argentine pesos unless otherwise stated. All amounts are rounded off to thousands of Pesos unless otherwise stated. As such, insignificant rounding differences may occur. A dash ("—") indicates that no data was reported for a specific line item in the relevant financial year or period or when the pertinent figure, after rounding, amounts to nil.

Unit of measurement

International Accounting Standard No. 29 "Financial Reporting in hyperinflationary economies" ("IAS 29") requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the closing of the reporting fiscal year, irrespective of whether they are based on the historical cost or current cost methods. To this end, in general terms, the inflation rate should be computed in the non-monetary items as from the acquisition date or the revaluation date, as applicable. These requirements also include the comparative information of the financial statements.

To determine the existence of a hyperinflationary economy under the terms of IAS 29, the standard details a series of factors to consider, including a cumulative inflation rate over three years that is close to or exceeds 100%. For this reason, in accordance with IAS 29, the Argentine economy must be considered as high inflationary starting on July 1, 2018.

In turn, Law No. 27468 (Official Gazette December 4, 2018) modified Section 10 of Law No. 23928 and amendments, and provided that the repeal of the all regulations that establish or authorize index-adjustment, monetary restatement, cost variation or any other way of restatement of debts, taxes, prices or tariffs of goods, works or services/utilities, does not apply to the financial statements, to which the provisions of Section 62 in fine of General Companies Law No. 19550 (restated text 1984), as amended, will continue to apply. That law also repealed Decree No. 1269/2002 dated July 16, 2002, as amended, and delegated to the National Executive Branch, through its control authorities, the power to set the effective date of the rules governing financial statements to be filed. Therefore, under General Resolution 777/2018 (Official Gazette December 28, 2018), the National Securities Commission (CNV) established that the issuing entities under its control shall apply to financial statements for annual, interim and special periods ending on or after December 31, 2018 the method of restatement to constant currency, pursuant to IAS 29.

According to IAS 29, the financial statements of entities reporting in the currency of a hyperinflationary economy shall be stated in terms of the current measuring unit at the date of the financial statements. At the closing date of the Statement of financial position amounts not already expressed in terms of the measuring unit current at the date of the financial statements shall be restated by applying a general price index. All items in the statement of income shall be expressed in terms of the measuring unit current at the date of the financial statements by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

The adjustment for inflation applied to opening balances was calculated based on the indexes established by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) and the price indexes published by the National Institute of Statistics and Census (INDEC).

Below are the main procedures to be applied for the adjustment for inflation mentioned above:
- Monetary assets and liabilities recorded at the monetary unit current at year end are not restated as they are already expressed in terms of the monetary unit current at the date of the financial statements;
- Non-monetary assets and liabilities accounted for at their acquisition cost at the balance sheet date and equity items are restated by applying the corresponding index adjustments;
-All items in the statement of income are adjusted by applying the relevant conversion factors;
- The effect of inflation on the Company's net monetary position shall be included in the statement of income within Financial results, under the caption "Gain or loss on exposure to changes in the purchasing power of the currency (R.E.C.P.A.M.)";
- Comparative amounts have been inflation-adjusted following the same procedure explained above.

In the first period of application of this standard, the equity accounts were restated as follows:
- The capital was restated from the date it was contributed or the date of the last accounting adjustment for inflation, whatever happened later. The resulting amount was incorporated to the Capital adjustment account.
- The translation difference was restated in real terms;
- Other comprehensive income items were restated as from each date of accounting allocation; and
- Other reserves were not restated in the first application of the standard.

The preparation of these financial statements in accordance with IFRS requires making estimates and assessments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of issue of these financial statements, as well as the income and expenses recorded in the fiscal year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.1.b) - Deposit of corporate and accounting documentation

Pursuant to General Resolution No. 629/14 of the National Securities Commission, we report that the documentation supporting the Company's accounting and management operations and the accounts books and corporate books of CGC are deposited in the offices located at Bonpland 1745, City of Buenos Aires, and in the warehouses of the supplier Iron Mountain Argentina S.A., with business address at Amancio Alcorta 2482, Autonomous City of Buenos Aires.

3.2 – Accounting Policies

The accounting policies adopted for these Consolidated Financial Statements are explained below. The accounting policies are apply consistently for all presented periods except those with contrary indication.

3.2.1 – New accounting standards

The following standards amendments and interpretations have been issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC"), but they are not yet effective at December 31, 2018 and not early adopted by the Group.

IFRS 9 - Financial Instruments

In July 2014, the IASB published the full version of IFRS 9, Financial Instruments, which established the classification, measurement and recognition of financial assets and liabilities, simplifying the classification of financial assets, and introduce a new model of expected loss impairment. This standard is applicable for fiscal years commencing on or after January 1, 2018.

As a result of the analysis of the new standard, the key changes will relate to documentation of policies and hedging strategies, as well as the estimation and timing of recognition of expected losses on receivables from customers. The Group has decided to apply the option that allows not to restate comparative periods to be presented in the year of initial application.

Based on the analysis performed to date, the initial adoption of the new impairment requirements is estimated to result in an increase less than $ 500 over the bad debt provision balance on customer receivables previously recognized under IAS 39 (Financial Instruments: Recognition and Measurement).

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from contracts with customers establishing the new model for the recognition of revenue from contracts with customers. This standard repeals the current guidance for revenue recognition included in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

For the application of IFRS 15, the Company applied a modified retrospective approach, with the first application day being January 1, 2018. In accordance with this method, the Company applied IFRS 15 to all contracts in force on the date of its first application. That is why the comparative information at December 31, 2017 was not modified and is disclosed in accordance with IAS 11, IAS 18 and its interpretations.

The core principle of the model is compliance with performance obligations with customers. IFRS 15 provides a single five-step model based on principles:

Step 1: Identify the contract(s) with the customer.
Step 2: Identify separate performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The new revenue model applies to all contracts with customers, except for contracts that are within the scope of other IFRS on leases, insurance contracts and financial instruments. Recognition of interest and revenue earned on dividends are outside the scope of this standard.

Under IFRS 15, a mechanism is implemented for allocating the transaction price to various performance obligations. An entity must recognize revenues once performance obligations are satisfied, i.e., when control on goods or services is transferred to the customer. The standard also specifies the accounting for the incremental costs of obtaining a contract with a customer and for the costs directly incurred to fulfil the contract.

As a result of the analysis performed, the Company's management has concluded that the practices for revenue recognition applied by the Company following IAS 18, IAS 11 and interpretations of the standards in force at December 31, 2017 are consistent with the requirements of IFRS 15. In view of its analysis, the Company did not record any adjustment to accumulated gains/losses at January 1, 2018.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 - Leases. The new standard will allow the recognition of almost all leases recognized on the Statement of Financial Position, given that the distinction between operating and financial leases is removed.

IFRS 16 will mostly affect lessees accounting and will result in almost all lease agreements being recognized in the statement of financial position. The new standard eliminates the current distinction between operating and financial leases, and requires recognition of a new lease asset (the right to use the leased item) and a financial liability representing the obligation to pay rentals, for practically all lease agreements. There is an optional exemption for short-term and low value leases.

The statement of income will also be affected, because total expense is generally higher at the inception of the lease term and lower in later years. Further, rent expense will be replaced by depreciation and interest expense, which will modify key indicators such as EBITDA.

Operating cash flows will be larger, as cash payments for the principal portion of the lease liability are classified within financing activities. Only the portion of the payment corresponding to interest may be disclosed as an operating cash flow.

Lessors accounting will not change substantially. Some differences may arise from the new guidance on the definition of a lease. According to IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset.

The Company has assessed the impact of applying IFRS 16 on the financial statements, which generates assets and liabilities that at January 1, 2019 would amount to $ 2,310 million.

3.3 Basis of Consolidation

The consolidated financial statements of CGC at December 31, 2018 were consolidated with the financial statements of the following subsidiaries:

Company	Country	Functional currency	Number of shares (direct and indirect interest)	% of interest (direct and indirect)	Number of possible votes
Compañía General de Combustibles Internacional Corp. (2)	Panama	US dollar	100	100%	100

(1) Merge within and into CGC as from January 1, 2018 (see note 15)
(2) Dormant companies.

At December 31, 2017 and 2016, the financial statements of CGC have been consolidated with the financial statements of Unitec Energy S.A. (merged Company, effective January 1, 2018) and with Compañía General de Combustibles Chile Ltda (dormant Company under liquidation process).

Merger through absorption of Unitec Energy S.A. (the merged company) and Compañía General de Combustibles S.A. (the merging and 100% holding company) at 1 January, 2018

On December 21, 2017 the Board of Compañía General de Combustibles S.A. it has approved the merger by absorption between the Company, as an acquiring company and its 100% controlled company Unitec Energy S.A., as a company absorbed under the terms of article 82 of the General Companies Law No. 19,550 and its amendments. This merger took effect on January 1, 2018 and will allow greater resources efficiencies and taking advantage of a greater scale of business and experience of the acquiring company. As from that date, the entire rights, obligations, assets and liabilities of the absorbed company are incorporated into the assets of the absorber.

On June 21, 2018, the Final Agreement of Merger through Absorption was issued, and on June 28, 2018, the proceedings to request the registration began with the Superintendence of Commercial Companies and the National Securities Commission (CNV). At the date of these financial statements.

Subsidiaries are all entities over which the group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group accounts for acquisitions using the purchase method of accounting as prescribed by IFRS 3. The acquisition cost is determined as the fair value of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire at the acquisition date. Costs directly attributable to the acquisition are charged to income (loss) as incurred.

The excess of consideration over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Given that the functional currency of some subsidiaries is different from the Company's functional currency, foreign exchange gains or losses arising from translating intercompany transactions and balances, in a currency other than the Company's functional currency, are generated. These gains or losses are included in Income (loss) other financial results, in the Consolidated Statement of Comprehensive Income.

Subsidiaries' accounting policies have been updated, where necessary, to ensure consistency with the accounting policies of the Group.

3.3.3 Participation in joint arrangements and associates

3.3.3.1 Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control involves the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of the parties. The Company has analyzed the nature of its joint arrangements and determined that they represent joint operations. In consequence, the Company recognizes in its financial statements the rights to assets, and obligations for liabilities, revenue from ordinary activities and expenses relating to its participation in joint operations of the various consortiums (See note 29.c)

3.3.3.2 Associates

Associates are all entities over which the Company has significant influence, which is defined as the power to participate in the financial and operating policy decisions of the investee without the power to control or jointly control those policies and is generally accompanied by a shareholding of between 20% and 50% of the voting power of the investee.

The Company accounts for its investment in associates using the equity method, except for the investment in Petronado S.A. (see Note 25. (5)). Under the equity method, on initial recognition the investment in an associate is recognized at cost, including the goodwill recognized at the acquisition date. The carrying amount is then increased or decreased to recognize the Company's share of the subsequent profit or loss of the investee and to include that share of the investee's profit or loss in the Company's profit or loss.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Associates' accounting policies have been updated, where necessary, to ensure consistency with the accounting policies of the Group.

To value the investments in associates, each of them is considered a cash-generating unit (CGU), and it is analyzed if at each closing date there is objective evidence that an investment in an associate is not recoverable. The impairment amount, if any, is calculated as the difference between the recoverable value of the associate and its carrying value and recognizes the resulting amount in the Consolidated Statement of Comprehensive

Income.

3.2.3.3) Adoption of the Revaluation model in Midstream assets as from September 30, 2018

Effective September 30, 2018, the Board of Directors of the Company decided to use, within the two models provided for on IAS 16 - Property, plant and equipment, the revaluation model for the valuation of its essential assets, comprising the gas pipeline systems, including gas pipelines, fields and compressor plants. The change of the valuation criteria from the cost model to the revaluation model is applied prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

This change in accounting policies allows assessing the assets subject to revaluation to their fair value and, in this way, offering more reliable information in the Statement of financial position. Additionally, it has been determined that this group of assets comprises a category of assets pursuant to IFRS 13, considering the nature, characteristics and inherent risks.

For the application of such model, associate companies use the services of independent experts, which were shared with the Board of Directors. The Board approved the revaluation and using experts based on their attributes such as their knowledge of the market, reputation and independence. Furthermore, the Board of Directors decides, after discussing with experts and associates, the valuation methods and, where applicable, the entry data to be used in each case.

Revaluations must be conducted as frequently as necessary so that the value in the accounting records does not differ significantly from the fair value of the assets at the date of each measurement.

To measure the fair value of assets subject to revaluation, the income approach is used as valuation technique, as established in IFRS 13 *Fair Value Measurement.* The Company uses a model of cash flows discounted prepared on the basis of estimates regarding the future behavior of certain variables which are sensitive in determining the fair value: (i) volumes of transport hired and volumes of transport sold as interruptible transport; (ii) gas transportation tariffs; (iii) operating and maintenance costs; (iv) necessary investment for the maintenance of the operating gas pipeline maintenance; (v) weighted discount rate; and (vi) macroeconomic variables, such as inflation rate, devaluation rate, etc.

This valuation method is classified under IFRS 13, as hierarchy of fair value Level 3.

The increase of the carrying value of an asset as a consequence of a revaluation is recognized under Other comprehensive income, net of the corresponding deferred tax. The effect of the revaluation conducted on the associates Gasoducto Gasandes (Argentina) S.A., Gasinvest S.A. and Transportadora de Gas del Norte S.A. to the interest of CGC, increased to $ 3,467,045. In the case of the investment in the associate Gasoducto Gasandes S.A. (Chile) and considering it has an impairment allowance of Property, plant and equipment recognized, based on cash flows estimates prepared on evidence available as of December 31, 2018, the impairment allowance in the associate Gasoducto Gasandes S.A. (Chile) was partially reversed, whose effect to the interest of CGC increased to $87,510 thousand, recording such reversal in the Statement of Comprehensive Income, under Income from investments in Associates.

The increases due to revaluations are recognized in the Statement of Comprehensive Income under the caption Other comprehensive income and they are accumulated in the Reserve for revaluation of assets of the Statement of Changes in Shareholders' Equity, unless such increase implies a reduction of the revaluation of that asset previously recognized in the Statement of Income, in which case the increase is recognized in the Statement of Income. A reduction due to revaluation is recognized in the Statement of Income, unless such reduction is offset by an increase in the revaluation of the same asset previously recognized in the Reserve for revaluation of assets. At the time of sale of a revalued asset, any Reserve for the revaluation of assets related to that asset is transferred to Accumulated gains/losses.

In accordance with the restated text of the CNV, at year-end the positive balance of the "Reserve for revaluation of assets" may not be distributed, capitalized or allocated to absorb accumulated losses, but must be computed as part of accumulated gains/losses for the purposes of comparison to determine the Company's situation under sections 31, 32 and 206 of Commercial Companies Law No 19550.

Depreciation of revalued assets is recognized in the statement of income for the year. At the closing of the year, a reversal of the reserve for revaluation of assets to Accumulated gains/losses is recorded due to the difference between depreciation based on the revalued book value of the asset and depreciation based on the original cost of the asset.

Based on the measurements conducted for the application of the revaluation model, the following differences have been determined in connection with the carrying values measured by the cost model, for assets subject to revaluation at December 31, 2018:

	Asset revaluation reserve	Income from investments in associates
Gasinvest S.A.	3,320,186	-
Gasoducto GasAndes (Argentina) S.A.	140,075	-
Transportadora de Gas del Norte S.A.	6,784	-
Gasoducto GasAndes S.A. (Chile)	-	87,510
Total	**3,467,045**	**87,510**

3.2.4 Foreign currency translation

3.2.4.1 Functional and presentation currency

For each of the consolidated entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies.

These consolidated financial statements are presented in Argentine pesos, which is the Group's presentation currency.

Upon compliance with the conditions established in IAS 29 to consider Argentina as a hyperinflationary economy, these financial statements should be restated as indicated in note 3.1.a)

3.2.4.2 Balances and transactions

Foreign currency transactions are translated into the Company's functional currency at the exchange rate prevailing at the date of the transaction or valuation when items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income. Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income (loss) within "Other financial results".

3.2.4.3 Subsidiaries and associates

The results and financial position of the subsidiaries and associates with a functional currency other than the Group's presentation currency are translated into the Group's presentation currency as follows:

- • assets and liabilities at period end are translated at the exchange rate of that date;

- • revenues and expenses are translated at average exchange rates (unless this average does not represent a reasonable approximation of the cumulative effect of the rates prevailing at the date of each transaction, in which case such income and expenses are translated at the exchange rate at the date of each transaction); and
- • shareholders' equity and reserves transactions are translated at the end of year exchange rate,

The exchange differences resulting from this process are reported in Other comprehensive income. When the investment is sold or otherwise disposed of, in whole or in part, the exchange differences are recognized in the Consolidated Statement of Comprehensive Income as part of the proceeds from sale or disposition.

3.2.5 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and all accumulated impairment loss, which have been restated for inflation in accordance with IAS 29 see note 3.1.a).

For work in progress where construction extends over a substantial amount of time, financial costs relating to third party funding are capitalized until the asset built can be used. In the fiscal years ended December 31, 2018 and 2017 financial costs were capitalized in the amount of $71,331 and $75,442, respectively (see Note 8).

I) Oil and gas exploration activities

The Company applies IFRS 6 "Exploration for and Evaluation of Mineral Resources" to account for its oil and gas exploration and evaluation activities.

As a result, in accordance with IFRS 6, the Company capitalizes oil and gas exploration and evaluation expenses, such as topographical, geological, geochemical and geophysical studies; exploratory drilling; evaluation of oil and gas reserves, and mining property associated with unproven reserves, such as assets for exploration and evaluation as a special category (Exploration and evaluation assets) within Property, plant and equipment. The costs prior to obtaining an exploration permit are expensed. This means that exploration costs are temporarily capitalized until the results of the exploration efforts are evaluated to determine if there are sufficient hydrocarbon reserves to commercially exploit them.

If exploration and evaluation activities do not conclude that there are sufficient hydrocarbon reserves, the amounts capitalized are expensed at the time this conclusion is reached. Exploration and evaluation assets in relation to which reserves were identified are tested for impairment, prior to reclassification of the line "Production facilities and wells".

Exploration and evaluation assets are not subject to depreciation or amortization.

II) Oil and gas development activities

Development costs are costs incurred to develop and produce proven reserves and provide facilities for extraction, collection and storage of oil and gas. This item includes payments of exploitation concession rights, which are recorded under "Mining Property" line.

Development costs incurred to drill development wells (successful and dry) and to construct facilities or install equipment for production purposes are capitalized and classified as "Work in progress" until their completion. Once productive, these wells are reclassified to "Production facilities and wells" and depreciation begins income (loss).

Subsequent costs are capitalized only if they are an improvement and/or extend the useful life of the asset and/or increase the production capacity of the asset and/or it is probable that there is an increase in net cash flows of the asset.

The costs of maintenance and repair that only restore production to its original level are charged to income (loss) the consolidated statement of comprehensive income.

The costs of asset retirement obligation and well plugging obligations are capitalized at discounted value, together with the assets that gave rise (within the "Production facilities and wells" line) to them and are depreciated using the units of production method. In addition, a liability is recognized for this item at the estimated value of the discounted amounts payable. These values are adjusted when necessary based on changes in current costs, the date on which wells will be abandoned and/or any other information available. (See Note 3.2.14.1).

III) Depreciation

Below is a detail of depreciation methods during the estimated useful life of property, plant and equipment:

i) The acquisition cost of property with proven reserves is depreciated using the unit of production method, through the application of the ratio between hydrocarbons produced and estimated total proven reserves.

ii) Assets for the development of hydrocarbons (plants, wells and exploitation and production facilities) are depreciated on a licensed area by license area, using the unit of production method, through the application of the ratio between the hydrocarbons produced and estimated developed and proven reserves.

Changes in the estimate of reserves are recognized prospectively.

iii) For assets whose service capacity is not directly related with the production of hydrocarbons, the straight line method is using the followings rates:

Caption	Rate %
Furniture and fixtures	10.00
Machinery, equipment and facilities	10.00
Software and computer equipment	33.33
Real estate	4.00
Vehicles	20.00

Depreciation rates are reviewed every year and it is compared whether the remaining useful life differs from that previously estimated. The effect of these changes are recognized in the period in which they are determined in the Consolidated Statement of Comprehensive Income (Loss).

Gains and losses from the sale of assets are calculated by comparing the consideration to the carrying amount, and are recognized in the Consolidated Statement of Comprehensive Income (Loss) within Other operating income (expenses).

IV) Impairment of property, plant and equipment

The items recorded as property, plant and equipment do not exceed their recoverable value. When there are events or circumstances that indicate a potential impairment, an impairment test is performed at the level of identifiable cash flows:

- Exploration and evaluation costs are examined on a regular basis by Management to ensure that the value recorded is recoverable. Such verification is made at least once a year (at the end of the year) and whenever there are triggering events of a possible value write-down. Events and triggers include the evaluation of seismic data, requirements to abandon areas without renewal of exploration rights, unsuccessful results of drilling and studies, non-compliance of exploration commitments, lack of planned investments and unfavorable market, political and economic conditions.

As of December 31, 2018 were allocated $ 348,257 exploration expenses. As of December 31, 2017, no exploration expenses were allocated.

- Property, plant and equipment (excluding exploration and evaluation costs): are assessed for recoverability when events or changes to circumstances (including significant decrease in the market value of the assets, in the prices of the main products sold by the Company or in the oil and gas reserves, as well as changes in the regulatory framework in which the operations are developed, significant increases in operating costs, or obsolescence evidence or physical damage) may indicate that the value of an asset or CGU may not be recoverable. The carrying value of an asset is adjusted down to its recoverable value in case it exceeds such value.

  The recoverable value of assets is in general the estimated value in use as from the future cash flows from the use of those assets, discounted at a rate that reflects the cost of capital employed. For its calculation, the company uses projection of cash flows based on the best available estimates of income, expenses and investments considering relevant past events and expectations as regards the development of the business and market. The changes in sales prices of hydrocarbons, costs, investments and exchange rates are some of the most significant factors involved in the calculation. The Company verifies that the cash flows do not exceed temporarily the limit of the productive life of oil fields and/or the termination of permits, agreements or exploitation agreements.

  In subsequent periods to the recording of the impairment, the pertinence of its reversal is analyzed as long as changes are verified in the estimates made to determine the recoverable values. In that case, the accounting measurement of the asset or CGU rises to the lower amount between: a) the accounting measurement that the asset or cash generating unit would have had if the impairment loss would have never been recognized; and b) its recoverable value.

  At December 31, 2018 and 2017, the impairment allowance of non-financial assets amounts to $ 430,716 and $ 437,074, respectively. (See Note 8).

3.2.6 Inventories

Inventories comprise crude oil and materials. Inventories are valued at the lower of the acquisition cost or net realizable value. Cost is determined using weight average price (WAP) method. The cost of inventories includes expenses incurred in the production or acquisition, and other costs necessary to take them to their current condition and location.

Net realizable value is the sales price estimated in the normal course of business, less applicable estimated costs to sell.

The evaluation of the recoverable value is made at year-end; any decreases in the carrying value are recognized in the Consolidated Statement of Comprehensive Income (Loss).

3.2.7 Financial Instruments

Financial assets and financial liabilities are recognized when an entity within the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or (loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated income statement.

Financial assets

The Group classifies its financial assets in the following categories: those to be measured subsequently at amortized cost and those to be measured at fair value. This classification depends on the business model followed by the Group to manage its financial assets and the characteristics of the contractual cash flows of the financial assets.

3.2.7.1 Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet the following criteria: the objective of the Group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

3.2.7.2 Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it has been acquired mainly for the purpose of being sold in the short-term.

3.2.7.3 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets at amortized cost are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statements of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

A gain or loss on a debt instrument that is subsequently measured at fair value and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of comprehensive income within "financial results, net" in the period in which they arise.

A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired and through the amortization process using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset carried at amortized cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3.2.7.4 Impairment of financial assets

The Company determines at the closing date of the financial statements if there is objective evidence of the reduction in the value of a financial asset or group of financial assets.

Impairment losses of financial assets are recognized when there is objective evidence of impairment as a result of one or more events occurred subsequently to the initial recognition of the financial asset and such events have an impact on the cash flows for that financial asset or group of assets that may be reliably estimated.

Impairment tests triggering events may include evidence of debtors or group of debtors experiencing significant financial difficulties, non-compliance or payment of principal and interest in arrears, the probability of debtors being declared bankrupt or subject to any other type of financial reorganization, and when observable data indicate that there is a measurable decrease in future estimated cash flows, such as changes in the default charges or in the economic conditions co-related with breaches.

The impairment loss is measured as the difference between the carrying value of the asset and present value of future estimated cash flows (excluding future credit losses not incurred) discounted at the original effective interest rate of the financial asset and is recognized in the consolidated statement of comprehensive income. As a practical recommendation, the Company may measure the impairment based on the fair value of an instrument using an observable market price. If, in a subsequent period, the amount of the impairment loss and the write-down may be objectively related with an event that takes place after having recognized the impairment (for example, an improvement in the debtor's credit rating), the reversal of the impairment loss previously recognized is recorded in the statement of comprehensive income.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the exact rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in the consolidated statement of comprehensive income.

3.2.8 Trade receivables and payables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method, net of the impairment allowance, if applicable.

An allowance for trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables, and based on legal counsel reports, post-closing collections, pledges received, and overall financial situation of the debtors.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the combined statements of comprehensive income within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the statements of comprehensive income.

Trade payables are initially recognized at fair value and subsequently valued at amortized cost using the effective interest method, whenever the impact of the discounting is significant

3.2.9 Other receivables and liabilities

Other receivables and liabilities have been initially valued at fair value and subsequently valued at amortized cost using the effective interest method, less allowance for trade receivables, if any.

In the case of receivables to incentivize production of hydrocarbons above the industry average, which were granted in favor of CGC within the framework of the Oil and Gas programs created by the National Government, these are recognized as an item of revenue in the Consolidated Statement of Comprehensive Income (Loss) and as credits within Other Receivables in the Consolidated Statement of Financial Position.

3.2.10 Cash and cash equivalents

Cash and cash equivalents include cash, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts repayable on demand and integral to the Group's cash management strategy are included as a component of cash and cash equivalents for purposes of the statement of cash flows.

Bank overdrafts are classified as "Financial debts" in the Consolidated Statement of Financial Position.

3.2.11 Equity accounts

The recognition of activities in this caption is made based on decisions in Shareholders' meetings, legal and regulatory standards.

- Share Capital
  Share capital represents the capital issued, which is formed by contributions made by shareholders. It is represented by ordinary nominative non-endorsable shares of $1 face value each.

- Capital adjustment
  The difference between the share capital stated in constant currency and the historical nominal value has been disclosed in the Capital adjustment account, within Equity.

- Irrevocable capital contributions
  It includes the irrevocable contributions for the future subscription of shares made by the Shareholders, which were recorded at original value and accepted by the Company's Board of Directors (Note 15).

- Legal reserve
  In accordance with legal provisions of General Companies Law No. 19550, 5% of the net profits from the statement of comprehensive income (loss) for the year plus/less the adjustments to prior years, transfers from other comprehensive income to retained earnings / accumulated losses of prior years, must be allocated to the legal reserve until it reaches 20% of the share capital. This reserve is stated in constant monetary units, according to the guidelines of Note 3.1.a).

- Discretionary reserve
  It corresponds to the allocation made by the Company's Shareholder', whereby a specific amount is allocated to set up a special reserve mainly aimed at maintaining the Company's productive activities, which are focused on the exploration and production of oil and gas. This reserve is stated in constant monetary units, according to the guidelines of Note 3.1.a)

- Other comprehensive income
  The exchange differences generated by the effect of the conversion into Argentine currency of the interest in foreign related companies and the asset revaluation reserve detailed in note 3.2.3.3) are included in the account "Other comprehensive income".

- Retained earnings/accumulated losses

  They comprise retained earnings or accumulated losses, which if positive may be distributed by a decision of the Shareholders as long as they are not subject to legal restrictions, such as that mentioned in the "Legal Reserve" paragraph.

  They comprise the results from prior years, which were not distributed, the amounts transferred from other comprehensive income and prior year adjustments due to the effect of the application of IFRS.

  In case there are accumulated losses to be absorbed at year-end to be considered at the Shareholders' Meeting, below is the order that should be followed for offsetting them against other balances:

  1. Reserved profits
     a. Discretionary reserve
     b. Legal reserve
  2. Additional paid-in capital
  3. Share Capital

- Distribution of dividends

  The distribution of dividends among the owners of the Company is recognized as a liability in the financial statements in the fiscal year in which the dividends are approved by the Company's Shareholders' Meeting.

- Non-controlling interest

  Non-controlling interest represents the interest of third parties other than the owners of the Company on equity.

3.2.12 Financial debts

Borrowings are initially recognized at fair value, net of the transaction costs incurred. In subsequent periods, borrowings are valued at amortized cost. Any difference between the amount received (net of transaction costs) and the redemption amount is recognized in the consolidated statement of comprehensive income over the term of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Company has the right to defer the borrowing's payment for at least 12 months subsequent to the date of the financial statements.

3.2.13 Income tax and minimum notional income tax

3.2.13.1 Current and deferred income taxes

The charge for income tax for the year comprises current and deferred tax. Tax is recognized in the combined statements of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case, it is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in each country where the consolidating subsidiaries currently operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred taxes assets and liabilities are shown netted when there is a legal right to offset current tax assets with current tax liabilities and when the Group has the intention and ability to settle tax balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group is able to control the timing of dividends from its subsidiaries and does not expect to remit overseas earnings in the near future in a way that would result in a charge to taxable profit. Hence, deferred tax is recognized in respect of the retained earnings of overseas subsidiaries only to the extent that, at the date of the combined statements of financial position, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary.

3.2.13.2 Minimum notional income tax

Tax on minimum notional income in Argentina was imposed by Law No. 25063 in 1998 for a term of ten years; its application was successively extended until December 30, 2019. On July 22, 2016, this tax was repealed by Law No. 27260 effective for fiscal years commencing on January 1, 2019. This tax complements income tax; while this latter is levied on tax profits for the year, the minimum notional income tax is a minimum tax levied on the potential income of certain productive assets at the rate of one percent, thus the Company's tax obligation will agree with the higher of both taxes. If in a fiscal year, however, the minimum notional income tax obligation exceeds the income tax liability, the surplus will be computable as a payment on account of income tax through the next ten years.

3.13.3 Tax reform in Argentina

On December 29, 2017, the National Executive Branch enacted Law 27430 on Income Tax. This law introduced several changes to the income tax treatment, among others: (a) Income tax rate: The income tax rates for Argentine companies will be reduced gradually from 35% to 30% for fiscal periods beginning on or after January 1, 2018 until December 31, 2019, and to 25% for fiscal periods beginning on or after January 1, 2020; (b) tax on dividends. A tax is levied on dividends or profits distributed, among others, by Argentine companies or permanent establishments to: individuals, undivided estates or foreign beneficiaries, according to the following rates: (i) dividends on profits generated in the fiscal years beginning on or after January 1, 2018 until December 31, 2019 will be subject to a 7% withholding; and (ii) dividends on profits obtained in fiscal years beginning on or after January 1, 2020 will be subject to a 13% withholding; (c) dividends on profits obtained until the previous year commenced January 1, 2018 will continue to be subject, for all beneficiaries thereof, to a withholding of 35% from the amount in excess of distributable retained earnings free of taxes (equalization tax transition period); (d) optional tax revaluation: The law prescribes that companies may choose to have their Argentine-based assets that generate taxable income revalued for tax purposes. The special tax on the amount of the revaluation depends on the asset: 8% for real property other than inventories, 15% for real property-inventories, and 10% for personal property and other items of property. Once an option has been exercised for an item of property, the other items of the same category must be written up. This tax is not deductible from income tax, nor is the taxable result arising from the revaluation subject to that tax. At the date of these financial statements, the Company is considering exercising this option; (e) Index-adjustments of deductions. Acquisitions or investments made in the fiscal years beginning on or after January 1, 2018 will be index-adjusted based on the Domestic Consumer Price Index ("IPC", its acronym in Spanish) published by the

National Institute of Statistics and Census ("INDEC", its acronym in Spanish). This will increase the deductible depreciation and its computable cost in the event of a sale.

The effect of the application of the changes as of December 31, 2018 and December 31, 2017 in income tax rates on deferred tax assets and liabilities, in line with the tax reform detailed above, based on the expected year of realization is a gain of $ 27,636 and a loss of $110,842 (See Note 27).

3.2.14 Provisions

Provisions are recognized when the Company has a present legal or assumed obligation as a result of past events; (it is probable that an outflow of resources involving economic benefits will be required to settle the obligation) and the amount of the obligation has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in provisions as a result of the passing of time are recorded in the consolidated statements of comprehensive income under "Financial costs".

The Group bases its provisions on up-to-date developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating and settling matters.

The most significant provisions recognized by the Group are:

- Asset retirement obligation and abandonment remediation: for the calculation, the Company considered the plan for the abandonment of wells until the end of the concession and valued them at abandonment estimated cost, discounted at a rate that reflects the specific risks of liabilities and time value of money (see Note 3.2.5 II). Asset retirement obligations of the area once operations have been completed led Management to make estimates of long-term retirement costs and of the remaining period up to retirement.

- Gas imbalance: it corresponds to the volume of gas owed due to the gas production allocated to the company above the production resulting from its contractual participation in the area Aguaragüe. For this calculation, the Company considered the return curve agreed between the parties until the end of the concession and valued it based on the lower of the estimated production cost or book value (see Note 19).

- Legal claims and other proceedings: The Company and its subsidiaries are, from time to time, subject to various claims, lawsuits and other legal proceedings, including customer claims, in which third parties are seeking payment for alleged damages, reimbursement for losses or indemnity. Some of these claims, lawsuits and other legal proceedings are subject to substantial uncertainties. Accordingly, the potential liability with respect to such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management, with the assistance of legal counsel, periodically reviews the status of each significant matter and assesses potential financial exposure. If a potential loss from a claim, lawsuit or proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded. Accruals for loss contingencies reflect a reasonable estimate of the losses to be incurred based on information available to management as of the date of preparation of the financial statements, and take into consideration the Group's litigation and settlement strategies.

The Group believes that the aggregate provisions recorded for losses in these consolidated financial statements, are adequate based upon currently available information.

3.2.15 Balances with related parties

Receivables and liabilities held with the parent and other related parties arising from different transactions have been valued according to the conditions agreed upon by the parties involved (Note 26).

3.2.16 Revenue recognition

Revenues are measured at the fair value of the consideration received or to be received, representing the amounts receivable for the sale of goods and/or services. Revenues are recognized when control on goods or services is transferred to the customer and the consideration is set in an amount that reflects the consideration to which the Company expects to be entitled, and when the specific criteria for each of the Company's activities are met, as mentioned below.

Income from the sale of crude oil, natural gas, propane, butane and fuel are recognized with the transfer of ownership in accordance with the terms of the related contracts, which occurs when the client holds possession of the product, assuming its risks and rewards, prices have been determined and their collectability has been reasonably ensured.

Income from sales for oil and natural gas production activities, in which the Company has a joint participation with other producers, are recognized on the basis of the contractual participation that the Company has in each Joint Operation (UTE) irrespective of the actual allocation. Any imbalances between the actual and contractual allocation will give rise to the recognition of a liability or a receivable, based on the production allocated to the Company above or below the production resulting from its contractual participation in the Joint Operation. At December 31, 2018 and 2017, the Company has provision liabilities for gas imbalance for an amount of $11,455 and $22,701 respectively, which correspond to 113.05 and 151.75 million of cubic meters, respectively (Note 19).

Benefits from the programs to incentivize production of crude oil and gas are recognized at the time the conditions to access the benefit have been complied with and their collection is reasonably assured.

Other revenue is recognized based on accrual.

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), which is the Group's Board. The CODM is responsible for allocating resources and assessing performance of the operating segments. The operating segments are described in Note 6.

For management purposes, the Company analyzes its business based on the energy sector in which it operates, mainly upstream and midstream activities. Therefore, the Group identified the following segments: "Exploration and production of oil and gas" comprising the exploration and production of oil and gas and "Gas Transportation" comprising the Group's equity investments in gas transportation companies. Assets, liabilities and results from corporate structure are included as "Central Structure".

NOTE 4- FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

4.1.1. Market risk

The market risk is the potential loss due to adverse movements in market variables. The Company is exposed to various types of market risks: foreign exchange rate, interest rate and price.

For each of the market risks described below a sensitivity analysis is included of the main risks inherent in the financial instruments, showing how income and equity might be affected as required by IFRS 7, *Financial Instruments Disclosures*

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The sensitivity analysis used variations in the risk factors representative of their historical behavior. The estimates made account for both favorable and unfavorable variations. The impact on income and/or equity is estimated based on the financial instruments held by the Company at the end of each year.

a) Foreign exchange risk

The foreign exchange risk arises when future commercial transactions or the assets or liabilities recognized are stated in a currency other than the entity's functional currency.

The Group´s results and financial position are subject to fluctuations in the exchange rates of the currencies used to transact by the Group. The currency with the highest exposure is the US dollar. The Company's exposure to currencies other than the US dollar is not significant. Significant depreciation of the Argentine peso, the Company's functional currency and the Group´s presentation currency, regarding the US dollar, can adversely affect the Group.

The Group is also exposed to the fluctuation of the exchange rates used to translate the consolidated financial statements of Group companies that use a functional currency other than the Argentine peso.

The carrying amounts of monetary assets and liabilities denominated in foreign currency at the closing of each fiscal year are the following:

	2018				2017	
	Class of foreign currency		Amount of foreign currency	Exchange rate applicable $	Amount in Argentine pesos	Amount in foreign currency
CURRENT ASSETS						
Cash and banks	US$	18,614	37.5	698,008	5,482	150,132
	Quetzales			-	36	133
	Bolívares			-	3,066	25
	$ chilenos			-	19,696	877
Other investments						
Placements of funds	USD	8,174	37.5	306,517	10,920	299,059
Trade receivables						
Accounts receivable	USD	85,748	37.5	3,215,565	20,834	570,563
Other receivables						
Related companies	USD				621	9,805
Other receivables	USD	24,183	37.5	906,847	1,943	53,211
	Chilean pesos			-	43,902	1,955
	Guatemalan quetzal			-	49	185
	Venezuelan bolivar			-	14,066	115
Total Current Assets				5,126,937		1,076,255
NON-CURRENT ASSETS						
Trade receivables	US$			-	1,688	46,229
Other receivables	US$	33,305	37.5	1,248,928		
Related companies	US$	2,500	37.5	93,750		
Total Non-Current Assets				1,342,678		46,229
TOTAL ASSETS				6,469,615		1,122,484
CURRENT LIABILITIES						
Trade payables	USD				14	396
	USD	76,264	37.7	2,875,156	36,837	1,014,276
	Venezuelan bolivar				22,361	183
	Chilean pesos				2,255	100
Financial debts	USD	67,154	37.7	2,531,720	61,716	1,699,321
Salaries and social security contributions	Venezuelan bolivar			-	28,493	233
Tax payables	Guatemalan quetzal			-	2	7
	Venezuelan bolivar			-	541	4
Total Current Liabilities				5,406,876		2,714,520
NON-CURRENT LIABILITIES						
Trade payables	USD			-	3,000	82,603
Financial debts	USD	381,588	37.7	14,385,872	311,612	8,580,051

Total Non-Current Liabilities	14,385,872	8,662,654
TOTAL LIABILITIES	19,792,748	11,377,174
TOTAL	(13,323,133)	(10,254,690)

The Group holds approximately 100% of its financial liabilities in US dollars.

The Group does not have derivative instruments to hedge foreign exchange fluctuations.

The table below shows the effect that a 20% variation would have on the exchange rates disclosed in income (loss) and in the Company's shareholders' equity, considering the exposure of its financial assets and liabilities denominated in a currency other than the Argentine peso at the end of the period.

	12.31.2018		12.31.2017
Net Asset (Liability) position in thousand US dollars	(353,398,743)		(372,431,652)
Exchange rate at year-end	37,70		18,649
Exposure to the purchasing power of the currency			1,4764
Effect of sensitivity stated in pesos	(2,664,626,523)		(2,050,938,358)
Applied sensitivity	20%		20%

The sensitivity of comprehensive income and equity as of December 31, 2018 and 2017, as a result of the appreciation of the rate of exchange on financial assets and liabilities denominated in USD would have meant a decrease in comprehensive income and equity of ($2,664,627) and ($2,050,398), respectively.

b) Commodities price risk

International prices of crude oil and gas have historically relied on different factors such as, international supply and demand, political and economic circumstances in oil and gas producing regions, climate conditions, competition with other sources of energy, government regulations and global conflicts and terrorism. The Company does not have control and will not gain control on factors affecting oil and gas international prices. International prices have fluctuated and it is likely that they will continue fluctuating significantly. The government adopted a convergence policy between the local and the international benchmark price, which ended on December 31, 2017.

At December 31, 2018 and 2017, the Company had no futures contracts or financial derivatives of commodities prices. On February 2, 2018 the Company has entered into a commodity price agreement of the "put" type, which covers the decrease in the price of the international markets of the "Brent of oil", below the US $ 65 / barrel for the period from February 1, 2018 to October 31, 2018, for an amount of 691,883 bbl., paying a premium of US $ 2.2 million. (See note 38).

c) Interest rate risk

The Company may be exposed to risks related to fluctuations in interest rates, depending on the different maturity dates and currencies in which a loan was taken or cash invested in financial assets.

Financial liabilities include Corporate Bonds, local financial loans and credit facilities from local banks. These loans are mainly used for working capital and investments. As regards to short-term financial assets, they basically include sight deposits, term deposits and units in mutual funds.

The Company does not use derivative financial instruments to hedge interest rate risks.

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The variations in interest rates may affect income or expenses arising from interest on financial assets and liabilities at a floating rate. Furthermore, they can affect the fair value of financial assets and liabilities accruing a fixed interest rate.

At December 31, 2017 and 2016, approximately 100% and 99%, respectively, of the total financial liabilities were subject to fixed interest rates and the remainder, to variable interest rates.

The table below shows the breakdown of the Company's loans by interest rate and currency in which they are denominated:

	12.31.2018	12.31.2017
Fixed rate:		
United States dollar	16,917,592	10,274,902
Subtotal fixed-rate loans	**16,917,592**	**10,274,902**
Variable rate:		
Argentine peso	-	1,998
Subtotal variable-rate loans	-	**1,998**
Total financial debts	**16,917,592**	**10,276,900**

The information on the Company's financial debts and related interest rates is included in Note 21.

The Company's overdrafts subject to variable interest rates amounted to $1,998 at December 31, 2017. In view of its low materiality, the Company is not exposed to a significant risk of cash flows as a result of variations in interest rates.

4.1.2. Credit risk

Credit risk is the possibility the Company has of suffering losses arising from non-compliance with contractual obligations by third parties.

The credit risk to which the Company is exposed mainly arises from credit sales made to its customers, advances to suppliers or other third parties, and cash resources and deposits and investments in financial institutions.

The Company's credit risk is measured and controlled by customer or individual third party.

The provisions for insolvency are determined meeting the following criteria:

- Receivables aging
- Existence of debts in receivership
- The analysis of the customer's capacity to repay the receivables provided

In the fiscal year ended December 31, 2018, 27% approximately of the Company's hydrocarbon sales revenue were generated by crude oil and the remaining 73% by natural gas and liquids.

At December 31, 2018, Company's trade receivables totaled $ 5,386,482, 90% of which will expire in the short term and the other 7% is classified as non-current and correspond to: a) a $20,382 nominal value of a receivable from Camuzzi, Gas del Sur S.A. recorded at present value for $24,687; and b) $384,242 nominal value of a receivable from gas distributors (Camuzzi Gas Pampeana S.A., Gas Natural Ban S.A. y Metrogas S.A.), recorded at present value for $331,085 and c) a pre-reorganization proceeding receivable from customer Oil Combustibles S.A., disclosed at its present value of $162,646. In these cases, for the determination of present values, the Company uses a benchmark rate representative of the time value of money and the estimated collection term.

The Company sets up an allowance for doubtful accounts which reflects the best estimate of possible losses related to trade receivables and other credits.

The credit risk of liquid funds and other financial investments is limited since the parties are bank institutions with adequate credit ratings.

4.1.3. Liquidity risk

The liquidity risk is mainly associated with: (i) the Company's capacity to finance its investments and business plans with stable financing sources, (ii) its level of indebtedness, and (iii) the type of due dates of the financial debt.
The Board of Directors and Management supervises current and future business projections to: (i) structure its financial liabilities so that their due dates do not interfere with the current business flow in the short and medium term, considering the conditions at each date in the credit markets to which it has access, and (ii) maintain its asset positions in instruments with adequate liquidity.

The Company's Administration & Finance department invests cash surpluses in interest-bearing accounts, such as time deposits, mutual funds and corporate bonds, choosing instruments with appropriate due dates and adequate credit quality and liquidity to obtain a sufficient margin, as determined in the projections mentioned above.

The Company maintains diversified funding sources, including banks and capital markets, and is exposed to refinancing risk at maturity date.

Below is an analysis of the Company's financial liabilities considering contractual due dates. The amounts disclosed in the table are contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2018			
Overdraft facilities	1,998	-	-
Bank loans	2,240,694	85,611	-
Corporate Bonds	289,028	-	14,300,261
Total	**2,531,720**	**85,611**	**14,300,261**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At December 31, 2017			
Overdraft facilities	1,564	-	-
Bank loans	560,463	-	-
Corporate Bonds	637,704	50,657	4,860,029
Total	**1,199,731**	**50,657**	**4,860,029**

4.2 Capital risk management

The main objective of the Company's capital management is to maintain the credit rating and capital ratios to finance its business and maximize the value for its shareholders.

Further, CGC seeks to maintain a certain fund-generating level of operating activities to meet its investment plan, as well as all its commitments.

The Company monitors capital based on the leverage ratio. This ratio is calculated by dividing net debt by equity. Net debt corresponds to the total debt (including current and non-current financial debts) less cash and cash equivalents and current financial assets at fair value through profit and losses. Total equity corresponds to equity attributed to its owners as it is shown in the statement of financial position, plus net debt.

At December 31, 2018 and 2017, leverage ratios were the following:

	12.31.2018	12.31.2017
Total loans	16,917,592	10,276,900
Less: cash and cash equivalents and financial assets at fair value through profit or loss	(1,033,415)	(342,482)
Net debt	15,884,177	9,934,418
Total principal	25,736,930	15,526,201
Leverage ratio	61.70%	64%

4.3 Fair value estimate

The Company classifies the measurements of financial instruments at fair value using a fair value hierarchy, which reflects the relevance of the variables used to carry out such measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: unobservable inputs for the asset or liability.

The value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is considered active when the quoted prices are regularly available through a stock exchange, financial agent, sectoral institution, or regulatory agency and such prices show transactions regularly performed at current market value between independent parties. The quoted market price used for financial assets held by the Company is the current offering price. These instruments are included in Level 1.

The fair value of financial instruments not traded in active markets is determined using valuation techniques. These valuation techniques maximize the use of observable market information, where available, and tend not to rely on the Company's specific estimates. If all the significant variables to calculate the fair value of a financial instrument are observable, the instrument is included in Level 2.

If one or more variables used to calculate the fair value are not observable in the market, the instrument is included in Level 3.

The following table shows the financial assets of the Group stated at fair value at December 31, 2017 and 2016.

At 12.31.2018	Level 1	Level 2	Level 3	Total
Assets				
Cash and Cash equivalents				
Mutual funds	195,498	-	-	195,498
Other investments:				
Government securities	306,517			306,517
Publicly traded shares	20,369	-	-	-
Total current assets	**522,384**	-	-	**522,384**

At 12.31.2017	Level 1	Level 2	Level 3	Total
Assets				
Fair value investments:				
Government Securities	280,662	-	-	280,662
Total current assets	**280,662**	-	-	**280,662**
Investments in associates:				
Petronado S.A. (Venezuela) (Note 9)	-	-	16,336	16,336
Total non-current assets	-	-	**16,336**	**16,336**

NOTE 5 - CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The Group has identified the following areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated combined financial statements.

a) Hydrocarbon reserves

Reserves are the volumes of oil and gas (expressed in m3 of oil equivalent) which generate or are related to an economic gain in the areas where the Company operates or has an investment (direct or indirect) and on which it has rights over its exploitation.

There are various factors that create uncertainty as to the estimate of proven reserves and of future production profiles, development costs and prices, including several factors beyond the control of the producer. The procedure for calculating reserves is a subjective process for estimation of crude oil and natural gas to be recovered from the subsoil, which causes certain level of uncertainty. Reserves are estimated based on the quality of the geological and engineering information at the date of calculation and interpretation.

Reserve estimates are adjusted if changes in the aspects considered for their evaluation so justify it, or at least, once a year. The reserves estimates at December 31, 2017 were prepared the Company’s technical staff and the areas of Austral Basin in Argentina were audited by DeGolyer and MacNaughton (Note 33).

b) Asset retirement obligation and provision for well abandonment

Asset retirement and well abandonment obligations once operations have been completed led Management to make estimates of long-term retirement costs and of the remaining period up to retirement. It should be mentioned that technology, costs and political, environmental and safety considerations constantly change, giving rise to possible differences between actual future results and estimates.

c) Assets impairment

For the purpose of assessing the recoverability of non-financial assets, these assets are grouped together in the lower levels for which there are cash flows individually identifiable.

The Company regularly assesses the recoverability of Property, plant and equipment, which includes exploration and evaluation assets, as mentioned in Note 3.2.5.IV), when there are events or circumstances indicating potential impairment triggers. The estimate of future cash flows includes making estimates about two key elements: reserves and future prices. The estimate of future prices requires the use of significant judgments about uncertain future events. Reserves were discussed in paragraph a) to this Note.

The carrying amount of Property, plant and equipment is considered impaired by the Company when the value-in-use, calculated based on the estimated cash flows expected from those assets, discounted and separately identifiable, or their net realizable value are lower than their carrying amounts. This analysis is made at the lowest level for which there are identifiable cash flows (CGUs).

Considering the above, CGC’s assets have been grouped into nine CGUs, as detailed below:
-Upstream segment: Assets in this segment have been grouped considering the basins in Argentina and whether they are operated by CGC or not. In the Austral Basin, seven CGU were defined:

a) El Cerrito
b) Dos Hermanos
c) Campo Boleadoras

d) Campo Indio
e) María Inés
f) Cóndor
g) La Maggie

Two CGUs have been defined in other basins of the Upstream Segment: h) Angostura, in the Neuquina Basin, and i) the Aguaragüe Joint Venture, in the Northwestern Basin.

Also, there are Exploratory Areas not yet defined as CGU: a) Estancia Chiripá, b) Tapi Aike, c) Glencross, and d) Piedrabuena.

-Midstream Segment: Assets in this segment have been grouped within the CGU CGC Gas Transportation, which includes the assets related to the natural gas transportation business (equity interests in the companies TGN, TGM and GasAndes).

Recoverable value is the higher of fair value less cost to sell and the value to the use. In assessing the value to the use, the estimated future net cash flows are discounted at their present value applying a rate that reflects the weighted average cost of capital employed. If the recoverable value of a CGU is lower than its book value, its book value is reduced to its recoverable value, recognizing an impairment loss in the statement of comprehensive income. Impairment losses are distributed among the CGU assets in proportion to its net book value. Consequently, upon recognition of an impairment loss corresponding to a depreciable asset, the future depreciation base will take into account the reduction in the asset value due to any accumulated impairment loss. When new events or changes in the existing circumstances take place, evidencing that an impairment loss recorded in a prior period may have disappeared or been reduced, a new estimate is made of the recoverable value of the respective asset to see whether the reversal of the impairment losses recorded in prior periods is appropriate. In case of a reversal, the book value of the asset (or of the CGU) increases up to the revised estimate of its recoverable value, such that this new value does not exceed the book value that would have been determined if no impairment loss had been recognized in prior periods for the asset (or CGU).

Methodology for estimating recoverable values

The methodology for estimating the recoverable value of Property, plant and equipment and intangible assets consists in the use of the higher of: i) the calculation of the value in use from the future cash flows expected to be derived from the operation of the assets, discounted at a rate that reflects the weighted average cost of capital, and if available, ii) the price that would be received to sell the assets in an orderly transaction between market participants at the date of the consolidated financial statements, less costs of disposal of the assets, if the estimate can be reasonably obtained. To estimate value in use, cash flows projections are used based upon the best estimates available of CGU income and expenses by using sector forecasts, past results and future expectations of business and market development. Among the most sensitive aspects included in the projections used in all CGU, the following stand out: purchase and sale prices of hydrocarbons (including tariffs applicable to gas transportation), regulations in force, estimate of cost increases, payroll costs, and investments.

The determination of the discounted cash flows from Upstream assets is based on projections approved by management and involves a set of sensitive estimates and assumptions, such as the evolution of hydrocarbon production levels, its sale price, the evolution of the curve of future prices of hydrocarbons, inflation, exchange rates, costs and other outflows of funds, based on the best estimate that the Company expects in relation to its operations and the available market information.

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

The cash flows of the Midstream businesses are estimated, among other issues, based upon the expected evolution of sales, unit contribution margins, fixed costs and investment flows, in accordance with the expectations considered in the specific strategic plans of each business. Cash flows are prepared based on estimates regarding the future behavior of certain variables that are sensitive in the determination of recoverable value, among others: (i) nature, timing and modality of the rate increases and recognition of cost adjustments; (ii) projections of gas demand; (iii) evolution of the costs to be incurred, and; (iv) macroeconomic variables, such as growth rates, inflation rates, exchange rates, etc.

At the time of estimating future cash flows, critical judgment by Management is required. Actual cash flows and values may significantly vary from expected future cash flows and the related values obtained through discount techniques.

At December 31, 2018 and 2017, the impairment allowance of exploration and production assets amounts to $ 430,716 and $ 437,074, respectively.

In the fiscal year ended December 31, 2018 and 2017, an impairment loss was recognized for a total of $ 181,341 and $ 132,720, respectively. This is related to the Dos Hermanos and La Maggie CGUs and was mainly the consequence of the lower level of production expected from the drilling plan and the characteristics of the reservoir. This loss was calculated as the difference between the carrying amount of the assets and their value in use determined based on the estimated future cash flows discounted at an annual rate of 12%. The depreciation charge is included under Other operating income and expenses in the Statement of Comprehensive Income.

At December 31, 2018, the balance of the impairment allowance of non-financial assets amounts to $ 430,716 ($ 437,074 in 2017) and includes: $ 380,690 ($ 437074 in 2017) corresponding to Dos Hermanos CGU and $ 50,026 to La Maggie CGU.

Assets affected by impairment are mainly the plant, wells and exploitation and production facilities.

d) Costs of exploration and evaluation

Exploration and evaluation costs may include: license acquisition, geological and geophysical studies (*i.e.*, seismic), direct labor costs and drilling costs of exploratory wells. No depreciation and/or amortization are charged during the exploration and evaluation phase. Upon completion of the evaluation phase, the prospects are either transferred to oil and gas properties or charged to expense (exploration costs) in the period in which the determination is made, depending whether they have found reserves. All field development costs are considered construction in progress until they are finished and capitalized within oil and gas properties, and are subject to depreciation once complete. Such costs may include the acquisition and installation of production facilities, development drilling costs (including dry holes, service wells and seismic surveys for development purposes), project-related engineering and the acquisition costs of rights and concessions related to proved properties.

e) Determination of the income tax charge and deferred taxes

Significant estimates are made to determine both current and deferred tax liabilities / assets. Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized, based on management's assumptions relating to the amounts and timing of future taxable profits. The Group must then determine the possibility that deferred tax assets will be utilized and offset against future taxable profits. The actual results may differ from these estimates, for instance due to changes in the business climate, changed tax legislation, or the outcome of the final review by tax authorities and tax courts of tax returns.

The amount of income tax the Group pays is subject to evaluation of assessment proceedings by income tax authorities, which may result in adjustments to its carried forward tax losses. Its estimate of the potential outcome for any uncertain tax issue is highly judgmental.

f) Provision for legal claims and other proceedings

The Company is subject to several complaints, lawsuits and litigation arising from the normal course of business, which in most cases cannot be accurately estimated. The Company assesses s the status of each case, its potential financial exposure and likelihood of occurrence, applying the criteria described in Note 3.2.14., and in certain cases, with the assistance of external legal advisors.

NOTE 6 –SEGMENT INFORMATION

IFRS 8 "Operating Segments" requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and to assess performance. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, which in the case of the Group is the Board of Directors.

The Group has two operating and reportable segments, which are organized based upon similar economic characteristics, nature of products offered, production processes, type and class of customers and distribution methods, as follows:

- “Upstream”: includes the results of joint operations in oil and gas exploration and production areas;
- “Midstream”: includes the gains (losses) on equity investments in gas transportation companies, TGN, TGM and GasAndes.

Central Structure includes expenses common to the segments, such as administrative expenses, tax on financial transactions, interest on financial liabilities and income tax, incurred by the Group in the normal course of business, which are not allocated to the segments.

The CODM uses Adjusted Segment EBITDA to make decisions to allocate resources and to monitor the performance of the segments.

Adjusted Segment EBITDA is defined as consolidated segment operating income (loss) excluding depreciation and impairments of property, plant & equipment; write off of E&E assets; allowance for trade and other receivables credits (charges); provision for legal claims and other proceedings credits (charges); gains (losses) on relinquishment of areas; taxes on financial transactions, and including cash dividends from equity method investees.

Total Adjusted EBITDA is defined as the sum of Adjusted Segment EBITDA for all segments.

The following tables present information with respect to the Group's two reportable segments for the years ended December 31, 2018 and 2017:

	12.31.2018			
	Upstream	**Midstream**	**Central Structure**	**Total**
Revenues	17,708,913	-	-	17,708,913
Cost of revenues	(7,380,403)	-	-	(7,380,403)
Gross profit	**10,328,510**	-	-	**10,328,510**
Selling expenses	(361,795)	-	-	(361,795)
Administrative expenses	-	-	(748,172)	(748,172)
Other operating income (expenses)	(32,899)	146,173	-	113,274
Total Adjusted EBITDA	**9,933,816**	**146,173**	**(748,172)**	**9,331,817**

	12.31.2018			
	Upstream	**Midstream**	**Central Structure**	**Total**
Exploration Expenses	(348,257)	-	-	(348,257)
Other operating income (expenses)	(78,658)	-	(234,628)	(313,286)
Depreciation of property, plant and equipment	(3,658,736)	-	(17,158)	(3,675,894)
Impairment of property, plant and equipment	(181,341)	-	-	(181,341)
Tax on financial transactions	(109,410)	-	(29,073)	(138,483)
Net gain on equity investees	-	1,011,163	-	1,011,163
Subtotal	**5,557,414**	**1,157,336**	**(1,029,031)**	**5,685,719**
Financial income	-	-	47,520	47,520
Financial costs	-	-	(1,536,385)	(1,536,385)
Gain/loss for exposure to the purchasing power of the currency	-	-	(129,214)	(129,214)
Other financial results	-	-	(3,557,785)	(3,557,785)
Income before income tax	**5,557,414**	**1,157,336**	**(6,204,895)**	**509,855**
Income tax	(1,549,563)	(36,543)	1,551,224	(34,882)
Loss for the year	**4,007,851**	**1,120,793**	**(4,653,671)**	**474,973**
Adjusted EBITDA				**9,331,817**
Dividends collected from investments in associates (Note 9.b)				**244,879**
Adjusted EBITDA with dividends collected from investments in associates				**9,576,696**

	12.31.2017			
	Upstream	**Midstream**	**Central Structure**	**Total**
Revenues	7,959,885	-	-	7,959,885
Cost of revenues	(5,509,221)	-	-	(5,509,221)
Gross profit	**2,450,664**	**-**	**-**	**2,450,664**
Administrative expenses	(170,529)	-	-	(170,529)
Central Structure Expenses	-	-	(442,250)	-
Other operating income (expenses)	(2,170)	63,395	-	(2,170)
Total Adjusted EBITDA	**2,277,965**	**63,395**	**(442,250)**	**2,277,965**
Other operating income (expenses)				(58,095)
Depreciation of property, plant and equipment	19,070	-	(218,185)	(199,115)
Impairment of property, plant and equipment	(2,223,320)	-	(38,794)	(2,262,114)
Tax on financial transactions	(132,720)	-	-	(132,720)
Net gain on equity investees	(57,877)	-	(15,063)	(72,940)
Subtotal	-	784,977	-	784,977
Financial income	-	-	45,414	45,414
Financial costs	-	-	(991,815)	(991,815)
Gain/loss for exposure to the purchasing power of the currency	-	-	(244,107)	(244,107)
Other financial results	-	-	718,076	718,076
Income before income tax	**(116,882)**	**848,372**	**(1,186,724)**	**(455,234)**
Income tax	(173,975)	(15,849)	296,681	106,857
Income/(Loss) for the year	**(290,857)**	**832,523**	**(890,043)**	**(348,377)**
Adjusted EBITDA				**1,899,110**
Dividends collected from investments in associates (Note 9.b)				**114,136**
Adjusted EBITDA with dividends collected from investments in associates				**2,013,246**

NOTE 7 - FINANCIAL INSTRUMENTS

Financial instruments by category

ASSETS	12.31.2018	12.31.2017
Financial assets at amortized cost:		
Other receivables	4,164,132	2,512,280
Trade receivables	5,154,168	1,254,613
Other investments	20,369	2,752
Cash and cash equivalents	837,917	328,835
Total	**10,176,586**	**4,098,480**
Financial assets at fair value through profit and loss:		
Cash and cash equivalents	195,498	15,645
Investments in associates	306,517	280,662
Total	**502,015**	**296,307**
LIABILITIES		
Financial liabilities at amortized cost:		
Trade payables	3,597,676	1,881,820
Financial debts	16,917,592	10,276,900
Other liabilities	610,942	322,828
Total	**21,126,210**	**12,481,548**

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NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Main account	Original values					Depreciation				Net	Net
	Value at the beginning of year	Additions	Transfers	Disposal (2)	Value at end of year	Accumulated at the beginning of the year	Disposal	For the year	Accumulated at end of year	at - 12.31.2018	at - 12.31.2017
DEVELOPMENT AND PRODUCTION ASSETS											
Wells and production facilities	15,475,137	764,458	4,981,103	(1,233,517)	19,987,181	7,295,921	(654,285)	2,749,430	9,391,066	10,596,115	8,179,216
Other production-related assets	69,690	448	10,399	(133)	80,404	45,659	(2,161)	11,253	54,751	25,653	24,031
Mining property	4,334,401	35,485	8,419	(480,122)	3,898,183	2,207,406	(457,710)	897,878	2,647,573	1,250,610	2,126,995
Materials and spare parts	13,435	401	-	(2,335)	11,501	-	-	-	-	11,501	13,435
Work in progress (1)	845,327	5,062,377	(4,723,613)	(277)	1,183,814	-	-	-	-	1,183,814	845,327
Subtotal	**20,737,990**	**5,863,169**	**276,308**	**(1,716,384)**	**25,161,083**	**9,548,986**	**(1,114,156)**	**3,658,561**	**12,093,390**	**13,067,693**	**11,189,004**
EXPLORATION AND EVALUATION ASSETS	**866,028**	**632,962**	**(169,936)**	**(331,204)**	**997,850**	**-**	**-**	**-**	**-**	**997,850**	**866,028**
CENTRAL MANAGEMENT ASSETS	**265,492**	**23,381**	**(106,372)**	**(1,293)**	**181,208**	**145,220**	**(20,348)**	**17,333**	**142,205**	**39,003**	**120,272**
TOTAL 12.31.2018	**21,869,510**	**6,519,512**	**-**	**(2,048,881)**	**26,340,141**	**9,694,206**	**(1,134,504)**	**3,675,894**	**12,235,595**	**14,104,546**	
TOTAL 12.31.2017	**18,004,908**	**4,223,292**	**-**	**(358,690)**	**21,869,510**	**7,608,603**	**(176,511)**	**2,262,114**	**9,694,206**		**12,175,304**
Allowance for Property, plant and equipment										**(430,716)**	**(437,074)**
TOTAL										**13,673,830**	**11,738,230**

(1) The cost of works in progress the construction of which extends over time includes, where applicable, financial costs accrued from financing through third party capital. In the fiscal year ended December 31, 2018 and December 31, 2017, $ 71,331 and $ 75,442, respectively, were recorded for the capitalization of financial costs.

(2) The fiscal year ended December 31, 2018 includes: $ 368,066 as original value of depreciations, #down for the assignment of 50% of La Maggie Concession (see Farm out - Note 28(2)), and a total of $ 187,699 as original value net of depreciations, down for the #termination of the agreement for Operation of extraction of hydrocarbons at risk for the Sarmiento area (see Note 28(3)), a total of $ 194,510 for the return of the Mata Amarilla area (see Note 28 (5)) and $ 153,747 for investments that cannot be recovered in the Angostura area (see Note 29 (a)).
These financial costs include in the fiscal year ended December 31, 2017 the write-off of assets for the assignment of an interest in the CNQ6-El Sauce area for $ 180,079, which had been included in the obsolescence allowance for non-financial assets (Note 28 (4)).

The changes in the allowance for Property, plant and equipment are as follows:

	12.31.2018	12.31.2017
Balance at the beginning of year	437,074	484,433
Increases (1)	181,341	132,720
Decreases (2)	(187,699)	(180,079)
Balance at year end	**430,716**	**437,074**

(1) Allocated to other operating income (expenses)
(2) Corresponds to the write-off resulting from the relinquishment of the interest in 2018 in Sarmiento area and in 2017 in the CNQ6-El Sauce area (Note 28.a) (3)).

NOTE 9 - INVESTMENTS IN ASSOCIATES

a) Below is a detail of the investments in associates at December 31, 2018 and 2017:

Company	12.31.2018	12.31.2017
Investments in Associates		
Gasinvest S.A.	6,852,767	2,302,622
Gasoducto GasAndes Argentina S.A.	427,282	219,633
Gasoducto GasAndes S.A. (Chile)	270,602	166,766
Transportadora de Gas del Norte S.A.	13,679	4,677
Transportadora de Gas del Mercosur S.A. (2)	36,336	211,750
Andes Operaciones y Servicios S.A. (Chile)	28,888	19,597
Subtotal	**7,629,554**	**2,925,045**
Other investments		
Petronado S.A. (Venezuela) (3)	-	16,336
Other investments	-	14,765
Subtotal	**7,629,554**	**31,101**
Goodwill (1)	-	12,662
Total investments	**7,629,554**	**2,968,808**

(1) Originated in the acquisition of an interest in Gasoducto GasAndes S.A. (Chile) on October 7, 2014.
(2) See Note 30 (2)
(3) See Note 30 (5)

b) Below are the changes in the investments in associates at December 31, 2017 and 2016:

	12.31.2018	12.31.2017
At the beginning of the year	2,968,808	2,382,052
Translation differences	471,179	(35,024)
Result of investments in Associates (note 24.f)	1,011,163	784,977
Acquisition of ownership interests in associates (Note 30 (4))	3,467,045	-
Dividends collected	(244,879)	(114,136)
Associates' capital reduction	(14,764)	(46,756)
Goodwill reduction	(12,662)	-
Result for valuation at fair value of Petronado S.A.	(16,336)	(2,305)
At the end of the year	**7,629,554**	**2,968,808**

c) The accounting information related to the investments in associates (according to CGC's percentage of participation) is shown below:

COMPANY	12.31.2018			
	Assets	**Liabilities**	**Income/(loss)**	**Income from sales**
Gasinvest S.A.	6,877,121	24,353	885,363	-
Gasoducto GasAndes Argentina S.A.	543,599	116,318	34,320	164,599
Gasoducto GasAndes S.A. (Chile)	606,513	335,911	89,254	182,196
Andes Operaciones y Servicios S.A. (Chile)	43,730	14,842	1,906	65,694
Transportadora de Gas del Mercosur S.A.	56,499	14,578	(1,431)	227
Transportadora de Gas del Norte S.A.	21,767	8,088	1,751	5,580

COMPANY	12.31.2017			
	Assets	**Liabilities**	**Income/(loss)**	**Income from sales**
Gasinvest S.A.	2,302,913	291	494,746	-
Gasoducto GasAndes Argentina S.A.	270,219	50,587	40,225	146,891
Gasoducto GasAndes S.A. (Chile)	452,960	286,195	36,009	152,852
Andes Operaciones y Servicios S.A. (Chile)	30,789	11,192	1,231	46,847
Transportadora de Gas del Mercosur S.A.	356,674	144,923	211,751	114
Transportadora de Gas del Norte S.A.	11,691	7,014	1,016	2,945

NOTE 10 - OTHER RECEIVABLES

	12.31.2018	**12.31.2017**
Non-current:		
Related parties (Note 26 a))	207,170	180,855
Minimum notional income tax	101,996	142,251
Value added tax	-	35,868
Income Tax	56,032	-
Production Incentive program Credits (Nota 2)	1,155,178	-
Echo Energy CDL OP Ltd (Nota 28(2))	93,750	-
Sundry	16	59
Allowance for other receivables	(207,170)	(160,203)
Total	**1,406,972**	**198,830**
Current:		
Receivables under Petróleo Plus Program	1,697,527	-
Receivables under the incentive program for Gas Injection	852,660	1,540,518
Receivables from the propane gas supply agreement	17,688	29,966
Receivables from export refunds from Patagonia ports	25,988	18,980
Related parties (Note 26 a))	7,091	4,444
Value added tax	19,815	451,615
Income tax	33,560	172,017
Other tax credits	2,038	19,952
Advances to suppliers	29,324	6,312
Expenses to be recovered	13,759	42,612
Pre-paid insurance	5,752	4,121
Echo Energy CDL OP Ltd (Note 28(2))	13,508	-
Escrow	254	-
Pre-paid canon	23,082	-
Sundry	15,114	22,913
Total	**2,757,160**	**2,313,450**

Activity in the allowance for other receivables is as follows:

	12.31.2018	12.31.2017
Non-Current		
Balance at the beginning of year	160,203	165,964
Gain/loss for exposure to the purchasing power of the currency	(51,698)	(32,975)
Increases (1)	98,665	27,214
Balance at year end	**207,170**	**160,203**

(1) $ 54,689 and $ 144,823 were charged to other operating income (expenses), and $43,976 and $(117,609) were charged to other financial results in 2018 and 2017, respectively.

NOTE 11 - INVENTORIES

	12.31.2018	12.31.2017
Oil and byproducts	444,796	395,115
Materials and spare parts	406,638	308,040
Total	**851,434**	**703,155**

NOTE 12 - TRADE RECEIVABLES

	12.31.2018	12.31.2017
Non-Current		
Ordinary (1)	351,467	36,449
Pre-reorganizational credit	162,646	118,303
Less: Allowance for doubtful accounts	(162,646)	(64,740)
Total	**351,467**	**90,012**
Current		
Ordinary	4,782,369	1,214,392
Less: Allowance for doubtful accounts	(69,668)	(49,791)
Total	**4,802,701**	**1,164,601**

(1) See Note 4.1.2

Activity in the allowance for doubtful accounts is as follows:

	12.31.2018	12.31.2017
Balance at the beginning of year	114,531	56,588
Gain/loss for exposure to the purchasing power of the currency	(36,959)	(11,243)
Increases (Note 24 e))	154,742	69,186
Balance at year end	**232,314**	**114,531**

Accounts receivable covered by the allowance correspond to certain customers that are delayed in their payments more than six months.

At December 31, 2017 and 2016, the amounts of trade receivables for $ 4,782,369 and $ 1,214,392 respectively, fully complied with contractual terms and their fair value did not significantly differ from the carrying amount.

The aging of these balances is as follows:

	12.31.2018	12.31.2017
Past due		
From 0 to 3 months	547,773	23,951
From 3 to 6 months	369,590	32,314
From 6 to 9 months	9,209	7,379
From 9 to 12 months	8,231	1,530
Over a year	214,874	40,882
To be due		
From 0 to 3 months	3,632,692	1,108,336
Total	**4,782,369**	**1,214,392**

The carrying amount of trade receivables is stated in the following currencies:

	12.31.2018	12.31.2017
Argentine peso	1,566,804	643,829
United States dollar	3,215,565	570,563
Total	**4,782,369**	**1,214,392**

NOTE 13 - OTHER INVESTMENTS

Current:	12.31.2018	12.31.2017
Corporate Bonds	-	2,752
Publicly traded shares	20,369	-
Government securities (1)	306,517	280,662
Total	**326,886**	**283,414**

(1) At December 31, 2018, it includes 44,197,166 units of the mutual fund "Alpha Pesos".

NOTE 14 - CASH AND CASH EQUIVALENTS

	12.31.2018	12.31.2017
Cash and imprest fund	334	359
Banks	837,583	328,476
Mutual funds (1)	195,498	-
Related parties (Note 26 a)	-	15,645
Total	**1,033,415**	**344,480**

(1) At December 31, 2018 and 2017, they include 8,228,653 and 9,073,648, respectively, in Argentine Bonds denominated in US dollars 8% due in 2020 (Bonar 2020 US dollars), received as provided for by Decree No. 704/2016. The bonds were subject to the restrictions indicated in said Decree until December 31, 2017.

For purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:

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	12.31.2018	12.31.2017
Cash and banks	837,917	328,835
Mutual funds	195,498	-
Placements of funds	-	15,645
Time deposits (less than 3 months)	-	(1,998)
Total	**1,033,415**	**342,482**

NOTE 15 - SHARE CAPITAL AND IRREVOCABLE CAPITAL CONTRIBUTIONS

Share Capital

Compañía General de Combustibles has two classes of ordinary, registered, non-endorsable shares of one (1) vote each (Class "A" and "B"), , 279,396,499 of which are class "A" shares and 119,741,357 are class "B" shares, with 70% ownership by Latin Exploration S.L. and 30% by Sociedad Comercial del Plata S.A.

At December 31, 2018 and December 31, 2017, the capital stock amounts to $ 399,138 and has been fully subscribed, paid-up and registered.

NOTE 16 - RESERVES

	Legal reserve	Discretionary Reserve (1)	Other (2)	Total Reserves
Balances at December 31, 2016	**32,228**	**1,762,673**	**(317,905)**	**1,476,996**
Ordinary General Shareholders' Meeting dated March 31, 2016 (income appropriation):	-	(390,759)	-	(390,759)
Balances at December 31, 2017	**32,228**	**1,371,914**	**(317,905)**	**1,086,237**
Ordinary Shareholders' Meeting dated April 21, 2017 (absorption of accumulated losses):	-	(552,274)	-	(552,274)
Resolution of the Ordinary General Meeting of Shareholders dated August 1, 2018: - Dividends distribution to shareholders	-	(152,227)	-	(152,227)
Balances at December 31, 2018	**32,228**	**667,413**	**(317,905)**	**381,736**

(1) For maintenance of working capital and distribution of future dividends and/or absorption of losses. The amounts included under this caption were established by the Shareholders' Meetings that approved the pertinent annual financial statements.

(2) Corresponds to the difference between the price paid and the carrying amount of the acquisition of Unitec Energy S.A. in 2015.

NOTE 17 - RETAINED EARNINGS / ACCRUATED DEFICIT

	12.31.2018	12.31.2017
Balances at December 31, 2016		**2,656,981**
Ordinary General Shareholders' Meeting held on March 31, 2016 (appropriation of earnings)		390,759
Net loss for the year		(343,106)
Balances at December 31, 2017	**2,704,634**	**2,704,634**
Ordinary General Shareholders' Meeting held on April 21, 2017 (absorption of accumulated losses)	552,274	
Net loss for the year	474,973	
Balances at December 31, 2018	**3,731,881**	

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	Assets revaluation reserve	Currency Translation difference	Total
Balances at December 31, 2016	-	**201.412**	**201.412**
Currency translation difference	-	(35.024)	(35.024)
Balances at December 31, 2017	-	**166.388**	**166.388**
Assets revaluation reserve (note 3.2.3.3)	3.467.045	-	3.467.045
Currency translation difference	-	471.179	471.179
Balances at December 31, 2018	**3.467.045**	**637.567**	**4.104.612**

NOTE 18 –PROVISION FOR LEGAL CLAIMS AND PROCEEDINGS

At the date of issuance of these financial statements, the Company and the regulatory authorities have interpretation differences referred to the calculation of hydrocarbon royalties. It is estimated that the resolution of these situations will not cause significant impacts not considered in these financial statements.

	12.31.2018	12.31.2017
Non-Current		
Balance at the beginning of year	48,262	20,357
R.E.C.P.A.M.	(15,574)	(4,045)
Increases / (decreases) (1)	23,872	31,950
Balance at year end	**56,560**	**48,262**

	12.31.2018	12.31.2017
Current		
Balance at the beginning of year	-	57,716
Gain/loss for exposure to the purchasing power of the currency		(11,468)
(Decreases) increases (1)	-	(46,249)
Balance at year end	-	-

(1) $ 25,197 and $32,076 allocated to other operating income (expenses) in 2018 and 2017, and $ (687) and $ (126) to other financial results in 2018 and 2017.

NOTE 19 - PROVISIONS

	12.31.2018	12.31.2017
Non-current:		
Gas imbalance (Note 3.2.14. and 3.2.16)	9,921	20,214
Asset retirement obligation and provision for abandonment remediation (Note 3.2.14.1)	1,344,456	1,263,084
Sundry	19,372	4,070
Total	**1,373,749**	**1,287,368**

	12.31.2018	12.31.2017
Current:		
Gas imbalance (Note 3.2.14. and 3.2.16)	1,534	2,486
Fees for reorganization trustees	15	2,917
Sundry	-	12,072
Total	**1,549**	**17,475**

The changes in the provision for gas imbalance and asset retirement obligation and abandonment remediation are as follows:

	Gas imbalance Non-Current	Gas imbalance Current	Asset retirement obligation and provision for abandonment remediation Non-Current	Total Non-Current	Total Current
Balances at the beginning of year	20,214	2,486	1,263,084	1,283,298	2,486
Increases charged to Assets (1)	-	-	560,222	560,222	-
Charged to income/(loss) (2)	(10,364)	(952)	-	(10,364)	(952)
Gain/loss for exposure to the purchasing power of the currency	-	-	(407,600)	(407,600)	-
Present value/exchange difference (3)	71	-	97,177	97,248	-
Transfer working interest result "Concession Palmar Largo"(4)	-	-	(12,107)	(12,107)	-
Result for the 50% assignment of La Maggie concession (4)	-	-	(156,320)	(156,320)	-
Balances at year end	**9,921**	**1,534**	**1,344,456**	**1,354,377**	**1,534**

(1) Allocated to Property, plant and equipment.
(2) Allocated to costs of sales.
(3) Allocated to financial costs.
(4) See Note 28.a) (3).

NOTE 20 - TAX PAYABLES

	12.31.2018	12.31.2017
Non-current:		
Payment plan, Section 32 Law No. 11683	22,333	52,115
Payment plan Law No. 26476	-	1,127
Payment plan - AFIP General Resolution No. 3451	3,298	5,769
Total	**25,631**	**59,011**
Current:		
Provision for turnover tax	3,429	1,137
Value added tax	65,960	-
Other taxes	-	769
Collection Gas surcharge section 75 Ley No. 25565	34,339	-
Tax withholdings and collections	85,261	52,870
Payment plan, Section 32 Law No. 11683	12,965	16,297
Payment plan Law No. 26476	763	1,552
Payment plan - AFIP General Resolution No. 3451	610	766
Sundry	341	529
Total	**203,668**	**73,920**

NOTE 21 - FINANCIAL DEBTS

	12.31.2018	12.31.2017
Non-current:		
Bank loans	107,445	395,859
Corporate Bonds	14,278,427	8,184,192
Total	**14,385,872**	**8,580,051**
Current:		
Overdrafts	-	1,998
Bank loans	2,054,069	1,595,091
Corporate Bonds	477,651	99,760
Total	**2,531,720**	**1,696,849**

Breakdown	December 31, 2018	December 31, 2017	Annual interest rate	Date Expiration	Currency / kind
Financial debts					
NON-CURRENT					
Bank loans					
Syndicated bank loans (Note 21.b)	-	395,859	6,25%	2018-2019	Dollar
Bank Santander	107,445		5,00%	2019-2010	Dollar
Subtotal	107,445	-	5,00%	2019-2020	Dollar
Corporate Bonds					
Corporate Bonds - class A - (Note 21.1)	11,276,497	8,184,192	9,50 %	2021	Dollar
Corporate Bonds - class 10 (Note 21.1)	3,001,930	-	9,70 %	2021	Dollar
Subtotal	**14,278,427**	**8,184,192**			
Total non-current assets	**14,385,872**	**8,580,051**			
CURRENT					
Bank loans					
Syndicated bank loans (Note 21.b)	546,074	1,595,091	6,25%	2018-2019	Dollar
Bank overdraft	-	1,998	23,00%	-	Pesos
Banco Itau	188,624	-	8,00%	2019	Dollar
Banco Citibank	188,681	-	7,00%	2019	Dollar
Banco ICBC	227,099	-	5,80%	2019	Dollar
Banco Santander	324,631	-	5,00%	2019-2020	Dollar
Banco Macro S,A,	385,567	-	5,80%	2019	Dollar
Banco Macro S.A.	382,017	-	7,25%	2019	Dollar
Subtotal	**2,242,693**	**1,597,089**			
Corporate Bonds					
Accrued interests from Corporate Bonds (Not2 21,a y c)	289,027	99,760			Dollar
Subtotal	**289,027**	**99,760**			
Total current	**2,531,720**	**1,696,849**			
TOTAL	**16,917,592**	**10,276,900**			

The carrying value of financial debts approximates their fair value with 0.67% difference.

The activity in financial debts at December 31, 2018 and 2017 is shown below:

	12.31.2018	12.31.2017
Balance at the beginning	10,276,900	11,258,761
Overdraft facilities, net	(1,998)	(884)
Interest accrued	1,620,330	1,009,391
Effect of exchange rate variation	4,692,327	(725,057)
Loans obtained	4,670,026	1,971,128
Payments of principal	(3,077,687)	(2,328,188)
Payments of interest	(1,262,306)	(908,251)
Balance at period end	**16,917,592**	**10,276,900**

21. a) <u>International Program for the issue of Corporate Bonds</u>

On November 7, 2016, Class "A" Corporate Bonds for USD 300 million were issued and settled at a nominal annual fixed rate of 9.5%, under the negotiable obligation issue program for a maximum nominal value of up to USD 300 million, outstanding at any time, as approved by the Ordinary and Extraordinary Meeting of Shareholders held on February 1, 2016 and authorized by CNV Resolution 18026 dated April 21, 2016. Principal amortization and maturity shall be in a sole payment within five years counted as from the issue date (November 7, 2021). Interest is paid semi-annually, on May 7 and November 7. The first interest payment date was May 7, 2017. The cost related to the new debt amounted to $86,447.

Under the terms and conditions set out in relation to the issuance of these Corporate Bonds under the international program, CGC will be required to comply with certain restrictions on indebtedness, restricted payments (including dividends), the setting up of liens, and other requirements. At the date of issue of these financial statements, we have complied with the agreed upon restrictions.

21. b) <u>Syndicated Loan Agreement in US Dollars executed on February 20, 2017 and disbursed on February 21 and March 15, 2017</u>

On February 20, 2017, the Company executed a Syndicated Loan Agreement in US Dollars with Industrial and Commercial Bank of China (Argentina) S.A. (ICBC), as administrative agent, for an amount of up to USD 72,000,000. Funds for USD 64,000,000 were received on February 21, 2017 and USD 8,000,000 on March 15, 2017 and will be applied to capital expenditures and working capital.

The syndicated loan in US dollars accrues interest at a fixed annual rate of 6.25%. Interest was paid on a quarterly basis, and the first interest installment was fall due on May 21, 2017. Principal was repaid in five equal and consecutive quarterly installments, with the first one falling due on February 21, 2018 and the last installment, on February 21, 2019.

21. c) <u>Issuance of Class 10 Negotiable Obligations</u>

On January 12, 2018, Class "10" Negotiable Obligations for USD 100 million were issued and settled at a nominal annual fixed rate of 9.7%, under the Negotiable Obligation Issue Program for a maximum nominal value of up to USD 250 million, outstanding at any time, authorized by CNV Resolution 17570, dated December 10, 2014. Principal amortization and maturity shall be in a sole payment within 42 months counted as from the issue date (July 12, 2021). Interest is paid semi-annually, on January 12 and July 12, the first interest payment date being July 12, 2018.

Class 10 Negotiable Obligations are simple Negotiable Obligations, not convertible into shares, issued pursuant to Negotiable Obligations Law No. 23575 (jointly with its amendments, the "Negotiable Obligations Law") without recourse to CGC and with right of recourse. The Negotiable Obligations are without recourse because the only source of payment will be the funds obtained from (i) dividend payments and/or other distributions under shares in Gasinvest S.A., Gasoducto Gasandes (Argentina) S.A. and Gasoducto Gasandes S.A. owned by the Company ("the encumbered shares"), and/or (ii) the sale and/or public auction of those shares. Principal, interest and other items owed under the Negotiable Obligations shall be paid exclusively with the Available Funds (as defined below). If on any interest payment date there are not sufficient available funds to pay, in whole or in part, the amounts for compensatory interest owed under the Negotiable Obligations and payable on that Interest Payment Date, compensatory interest payable in whole or in part on that Interest Payment Date exceeding the amount of the Available Funds existing on that Interest Payment Date shall be automatically capitalized on that Interest Payment Date.

Company's obligation regarding payments that are to be made under the Negotiable Obligations shall be limited exclusively to apply and/or cause to apply the Available Funds to the payment of principal, interest and other items owed under the Negotiable Obligations, as prescribed herein, and the Company will assume no responsibility in case that the Available Funds are not sufficient, for any reason, to fully repay the amounts of principal, interest and other items owed under the Negotiable Obligations. If, after all of the amounts of principal, interest and other items owed under the Negotiable Obligations have been paid, any remainder of Encumbered Shares and/or Available Funds still exists, those Encumbered Shares and/or Available Funds shall be the exclusive property of the Company.

To guarantee that the Available Funds will be applied exclusively to the payment of principal, interest and other items owed under the Negotiable Obligations, on December 27, 2017 the Company and the Collateral Agent (Banco de Valores S.A.) entered into: (i) a share pledge agreement, whereby the Company will grant in favor of the Collateral Agent, to the benefit of the holders, a first priority security interest on the Gasinvest Shares; and (ii) a trust agreement, whereby the Company will create a trust to the benefit of the holders of class 10 Negotiable Obligations, whose trust assets will be the Available Funds, which will be received and kept by the Collateral Agent, as trustee, in one or more trust accounts in dollars and/or pesos, and used by the trustee to make the payments of principal, interest and other items under the Negotiable Obligations. The Shares in Gasoducto Gasandes (Argentina) S.A. and Gasoducto Gasandes S.A. will not be pledged under the Pledge Contract or under any other document.

The net proceeds from the placement of the Negotiable Obligations was applied by the Company, as prescribed by Section 36 of the Negotiable Obligations Law, in particular, as follows: (i) the investment in physical assets situated in Argentina, particularly to investments in the exploration and exploitation of hydrocarbons in the province of Santa Cruz (Austral basin); (ii) the refinancing of liabilities; and (iii) the supply of working capital in Argentina. The Company may temporarily invest the funds not yet applied in Permitted Investments.

Under the terms and conditions set out in relation to the issuance of these Negotiable Obligations under the international program, CGC will be required to comply with certain restrictions on indebtedness, restricted payments (including dividends), the setting up of liens, and other requirements.

On July 12, 2018, the payments of interest corresponding to the first semi-annual interest installment was due for an amount of USD 4,810,136.99. As a trustee, Banco de Valores S.A. applied the amount of the USD 2,358,000.00 (Trust available funds) from the collection of dividends, and the amount of the USD 2,452,136.99 from CGC contributions to the trust account for the total repayment of the interest installment.

On September 10, 2018, the amount of USD 20,222,466.85 was early amortized in order to comply with the obligations under the terms and conditions of issuance of these Negotiable Obligations. The outstanding nominal value of Class 10 Negotiable Obligations after the amortization amounts to USD 79,777,533.15.

21. d) Frequent Issuer

On November 8, 2018, the Company filed before the CNV a document for a registration request as frequent issuer under the CNV regime, which was approved by the Board of Directors of the Company on August 8, 2018.

NOTE 22 - OTHER LIABILITIES

	12.31.2018	12.31.2017
Current:		
Oil and gas royalties	141,780	84,904
Sundry (1)	-	65,166
Total	**141,780**	**150,070**

(1) Corresponding to an advance payment to Echo Energy Plc. for the joint investment agreements in exploration (Note 28 (2))

NOTE 23 - TRADE PAYABLES

	12.31.2018	12.31.2017
Non-current:		
Ordinary suppliers (1)	-	82,603
Total	**-**	**82,603**
Current:		
Ordinary suppliers (1)	1,832,527	1,019,035
Ordinary suppliers of joint ventures	68,149	30,180
Related parties (Note 26 a))	100,541	170,224
Invoices to be received	1,596,459	579,778
Total	**3,597,676**	**1,799,217**

NOTE 24 - BREAKDOWN OF MAIN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) CAPTIONS

a) Revenue

	12.31.2018	12.31.2017
Crude oil delivered	3,762,208	3,221,926
Gas delivered	10,363,254	2,754,052
Other revenues	618,026	277,795
Incentive programs	3,088,491	1,706,112
Withholdings from exports of hydrocarbons	(124,066)	-
Total	**17,708,913**	**7,959,885**

b) Cost of revenue

	12.31.2018	12.31.2017
Stocks at the beginning	703,155	1,309,188
Purchases	2,438,959	369,018
Inventory consumption	(664,905)	(436,016)
Expenses attributable to cost of revenue (1)	9,522,774	7,251,383
Stocks at year end (Note 11)	(851,434)	(703,155)
Total	**11,148,549**	**7,790,418**

(1) Expenses attributable to cost of revenue

	12.31.2018	12.31.2017
Fees and compensation for services	29,694	6,566
Outsourced services	2,446,709	2,461,264
Salaries, wages and social security contributions	326,341	292,285
Other expenses on personnel	34,289	31,130
Depreciation of property, plant and equipment	3,658,736	2,223,320
Taxes, duties and contributions	112,900	59,680
Fuel, gas and electricity	124,330	88,801
General insurance	37,020	30,535
Spare parts and repairs	511,440	490,555
Wells maintenance	241,597	260,594
Office expenses	106,208	91,638
Travel and per diem	150	6,930
Royalties, fee and easements	1,723,900	1,026,918
Gas imbalance	(11,316)	(8,828)
Environmental control	180,776	189,995
Total	**9,522,774**	**7,251,383**

c) Selling expenses

	12.31.2018	12.31.2017
Turnover tax	361,795	170,529
Total	**361,795**	**170,529**

d) Administrative expenses

	12.31.2018	12.31.2017
Fees and compensation for services	223,314	135,261
Salaries, wages and social security contributions	355,932	180,300
Other expenses on personnel	14,812	12,077
Depreciation of property, plant and equipment	17,158	38,794
Taxes, duties and contributions	41,032	32,878
General insurance	11,009	2,835
Spare parts and repairs	40,427	41,906
Office expenses	22,241	14,697
Travel and per diem	18,702	14,859
Communications	7,360	6,517
Other	42,416	15,983
Total	**794,403**	**496,107**

e) Other operating income (expenses)

	12.31.2018	12.31.2017
Fees for services rendered	151,663	71,279
Outsourced services	(80,743)	(11,823)
Charge for impairment provision for non-financial assets (Note 8)	(181,341)	(132,720)
Incentives under Petróleo Plus program	-	9,653
Credit (Charge) for allowance for other receivables (Note 10)	(54,689)	(144,823)
(Charge) for allowance for trade receivables (Note 12)	(154,742)	(69,186)
Credit (Charge) for provision for lawsuits and contingencies (Note 18)	(25,197)	14,173
Expenses related to reorganization proceedings	1,208	(188)
Turnover tax	(5,490)	(7,884)
Result for the 50% assignment of La Maggie concession (Note 28 (2)	(78,658)	-
Transfer working interest result CNQ6-El Sauce area (Note 28 (4)	-	19,070
Transfer working interest result "Concession Palmar Largo" area (Note 28 (6)	12,107	-

Sundry	34,529	(18,161)
Total	**(381,353)**	**(270,610)**

f) Gains (losses) on investments valued under the equity method

Associate	12.31.2018	12.31.2017
Gasinvest S.A.	885,363	494,746
Gasoducto GasAndes Argentina S.A.	34,320	40,225
Gasoducto GasAndes S.A. (Chile)	89,254	36,009
Andes Operaciones y Servicios S.A. (Chile)	1,906	1,231
Transportadora de Gas del Norte S.A.	1,751	1,016
Transportadora de Gas del Mercosur S.A.	(1,431)	211,750
Total	**1,011,163**	**784,977**

g) Financial results

	12.31.2018	12.31.2017
Financial income		
Interest	47,520	45,414
Total	**47,520**	**45,414**
Financial costs		
Interest	(1,536,385)	(991,815)
Total	**(1,536,385)**	**(991,815)**
Result for exposure to the purchasing power of the currency		
R.E.C.P.A.M. (note 3,1,a)	(129,214)	(244,107)
Total	**(129,214)**	**(244,107)**
Other financial results		
Income from measurement of financial instruments at fair value	14,964	(50,061)
Exchange differences, net	(3,460,318)	842,956
Other financial expenses	(112,431)	(74,819)
Total	**(3,557,785)**	**718,076**

NOTE 25 – EARNINGS PER SHARE

The basic loss per share is calculated by dividing the income allocable to the owner of the Company's shares by the weighted average number of ordinary shares outstanding during the fiscal year, excluding treasury stock acquired by the Company (Note 15).

The Company does not have preferred shares or debt convertible to shares, so the basic loss per share are equal to the diluted loss per share.

	12.31.2018	12.31.2017
Net income/(loss) allocable to the owner of the Company	474,973	(343,106)
Weighted average number of ordinary outstanding shares	399,138	399,138
Basic and diluted net income/(loss) per share (pesos)	**1,200**	**(0,860)**

NOTE 26 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

At December 31, 2018 and 2017, the Company was controlled by Latin Exploration S.L.U., a company based in Spain. The ultimate parent company of the Group is Southern Cone Foundation, a foundation set up in Liechtenstein.

At December 31, 2018 and 2017, Latin Exploration S.L.U. holds 70% of CGC's shares and voting rights, and Sociedad Comercial del Plata the remaining 30% (see Note 15 to these financial statements).

a) Balances with related parties at December 31, 2018 and 2017 are included below:

	12.31.2018	12.31.2017
Other investments		
Current:		
Transportadora de Gas del Mercosur S.A.	-	15,645
Other receivables		
Non-Current:		
Latin Exploration SL		29,557
Petronado S.A.	207,170	151,298
Total	207,170	180,855
Current:		
Gasoducto GasAndes S.A. (Argentina)	7,091	4,444
Total	7,091	4,444
Trade payables		
Gasoducto Gas Andes S,A, (Argentina)	17,028	
Corredor Americano S.A.	83,513	170,224
	100,541	170,224

b) The main transactions with related parties for the years ended December 31, 2018 and 2017 are included below:

Company	12.31.2018 Sale of services	Interest earned	Dividends collected	Outsourced services
Associated companies				
Transportadora de Gas del Norte S.A.	2,378		233	-
Gasoducto GasAndes Argentina S.A.	40,282	-	34,083	-
Gasoducto GasAndes S.A. (Chile)	-	-	36,579	-
Transportadora de Gas del Mercosur S.A.	-	356	173,984	-
Other companies				
Corredor Americano S.A. (1)	-	-	-	758,595

Company	12.31.2017			
	Sale of services	**Interest earned**	**Dividends collected**	**Outsourced services**
Associated companies				
Transportadora de Gas del Norte S.A.	11,593	11,931	-	-
Gasoducto GasAndes S.A.	35,997	-	63,120	-
Other companies	-	-	51,016	-
Transportadora de Gas del Mercosur S.A.	-	973	-	-
Petronado S.A.				
Corredor Americano S.A. (1)	-	-	-	790,465

(1) Corredor Americano S.A. is a related entity since it is under the indirect control of the same shareholders as CGC

The remuneration of the key management personnel related to services provided (salaries and other services rendered) accrued in the years ended December 31, 2018 and 2017 amounts to $ 269,470, and $ 110,201, respectively.

NOTE 27 - INCOME TAX

Accounting standards require income tax to be accounted for under the deferred tax method. This criterion implies recognizing assets and liabilities items for deferred tax, in the cases in which there are temporary differences between the accounting valuation and the tax valuation of assets and liabilities and for the recoverable tax losses.

The breakdown of the income tax included in the Consolidated Statement of Comprehensive Income (Loss) and the breakdown of deferred income tax is the following:

	12.31.2018	**12.31.2017**
Income tax for the year		
Current tax - Loss		(1,299)
Deferred tax - Income	(34,882)	108,156
Total Income tax	**(34,882)**	**106,857**

Detail of the main components of net deferred tax assets and liabilities is as follows:

	12.31.2018	**12.31.2017**
Deferred tax assets		
Property, plant and equipment	16,839	4,713
Provision for lawsuits	14,300	12,066
Asset retirement obligation	336,803	316,788
Allowance for doubtful accounts	109,871	66,457
Inventories - crude oil, materials and spare parts	535,686	411,893
Tax losses	40,364	-
Other	16,935	-
Total deferred tax assets	**1,070,798**	**811,917**
Deferred tax liabilities		
Property, plant and equipment	(1,436,891)	(1,141,154)
Other	(56,505)	(16,742)
Impairment of financial assets	-	(32,564)
Total deferred tax liabilities	**(1,493,396)**	**(1,190,460)**
Total net deferred tax assets	**(422,598)**	**(378,543)**

Net deferred Assets:	**At the beginning**	**Account activity for the year**	**At year-end**
Impairment provision for non-financial assets	4,713	12,126	16,839
Provision for lawsuits	12,066	2,234	14,300
Asset retirement obligation	316,788	20,015	336,803
Allowance for doubtful accounts	66,457	43,414	109,871
Inventories - crude oil, materials and spare parts	(32,564)	72,928	40,364
Property, plant and equipment and intangible assets	(1,141,154)	(295,737)	(1,436,891)
Tax losses(*)	411,893	123,793	535,686
Other	(16,742)	(22,828)	(39,570)
Total	**(378,543)**	**(44,055)**	**(422,598)**

(*)Company Management is evaluating the recovery of tax losses taking into consideration, among others, the projected business profitability and the tax planning strategies, on the basis of the tax losses expiration term. Available evidence, both positive and negative, properly evaluated has been considered in the analysis. The Company's tax losses at the expected recovery rate at December 31, 2018 are as follows:

Date of generation	**Available through**	**Amount**
2015	2020	64,564
2016	2021	28,810
2017	2022	184,094
2018	2023	258,218
		535,686

Reconciliation between the income tax charge for the year and what would result from applying the tax rate imposed by the legislation in force on the accounting income is as follows:

	12.31.2018	**12.31.2017**
Income before income tax	509,855	(455,234)
Tax rate in effect, applied on income for the year	30%	35%
Subtotal	(152,956)	159,332
Effect of change in tax rate (Note 3.2.13.3)	27,636	(110,842)
Effect of permanent differences and provisions	90,438	58,367
Total income tax	**(34,882)**	**106,857**

NOTE 28 - PARTICIPATION IN OIL AND GAS BLOCKS

The Company recognizes in its financial statements the assets, liabilities, revenue from ordinary activities and expenses relating to its participation in joint arrangements for hydrocarbon exploration and production. At December 31, 2017 and 2016, the financial statements and management reports of the joint operations at those dates were used.

a) The blocks and joint operations in which CGC participated during fiscal years ended December 31, 2017 and 2016 (see also Note 29) are shown below.

Basin	Area	% participation		Operator	Term	Activity
Argentina						
Noroeste	Aguaragüe	5.00		Tecpetrol S,A,	2027	Exploration and exploitation
						Exploration and exploitation
Austral	El Cerrito	100.00	(1)	CGC	2052	Exploration and exploitation
	Dos Hermanos	100.00	(1)	CGC	2027 / 2034 / 2037	Exploration and exploitation
	Campo Boleadoras	100.00	(1)	CGC	2027 / 2033 / 2034	Exploration and exploitation
	Campo Indio Este / El Cerrito	100.00	(1)	CGC	2028 / 2058	Exploration and exploitation
	María Inés	100.00	(1)	CGC	2027 / 2028	Exploration and exploitation
	Cóndor	100.00	(1)	CGC	2027	Exploration and exploitation
	La Maggie	50.00	(1) (2)	CGC	2026 / 2027	Exploration and exploitation
	Glencross	87.00		CGC	2033	Exploration
	Estancia Chiripa	87.00		CGC	2033	Exploration
	Tapi Aike	50.00	(2)	CGC	(2)	Exploration
	Piedrabuena	100.00		CGC	29 d)	Exploration
Neuquina	Angostura	100.00		CGC	29 a)	Exploration
Venezuela	Campo Onado	26.004		Petronado S,A,	2026 29 b)	Exploration
Guatemala	A-9-96	100.00		CGC	29 c)	Exploration

(1) As from January 1, 2018, the Company has started to consider these areas in the Southern Basin instead of the Santa Cruz I, Santa Cruz I Oeste, Santa Cruz II and Laguna de los Capones areas that were considered until December 31, 2017. This change was introduced with the purpose of updating the areas on which CGC operates.

(2) On October 31, 2017, the Company executed with Echo Energy PLC. ("Echo Energy") joint investment agreements for the exploitation of four blocks in the Austral Basin in the Province of Santa Cruz. In light of these agreements, the following joint ventures (UTEs) were created in fiscal year 2018:

- Joint Venture "Compañía General de Combustibles S.A. - ECO ENERGY CDL OP LTD SUC.ARG. - AREA CDL" to develop, up to 50%, joint operations in the Santa Cruz I Fractions C and D and Laguna de los Capones ("La Maggie") areas.

  In fiscal year 2018 the Company has recognized the effect of the joint investment and farm-out agreements, generating a loss in real terms of $ 78,658 included in the P&L for the year, which was recorded under Other income and expenses, net. In addition, at December 31, 2018 we have recognized, under Non-current receivables, the right for CGC to receive a payment for USD 2.5 million (equivalent to thousands of $ 93,750) upon completion of the first stage, estimated at 18 months.

- Joint Venture "CGC S.A. - ECO ENERGY CDL OP LTD SUC.ARG. - TAPI AIKE" to develop, up to 50%, joint operations in the Tapi Aike area.

In the two agreements, the Company will be the area operator.

(3) On July 30, 2018, the termination of the agreement for Operation of extraction of hydrocarbons At Risk ("SOAR") on the Sarmiento Area, located in the province of Chubut was signed with YPF S.A. (holder of the concession). Therefore, the capitalized investments under Property, plant and equipment, conducted in that area, were written off.

(4) On July 20, 2017, CGC (as Assignee) and Central Argentina International LLC (Argentine Branch) (as Assignor) appeared before the Energy Secretariat in the province of Neuquén to request authorization from the Provincial Executive Branch to assign in favor of the assignee all of the rights and obligations corresponding to the Assignor's interest in the Concession for the Exploitation of CNQ6-El Sauce area. On August 4, 2017, CGC informed Energía Compañía Petrolera S.A. that it had assumed 100% of the rights and obligations arising under the Concession for the Exploitation of CNQ6-El Sauce area, and assigned them to Energía Compañía Petrolera S.A. To that end, CGC agreed to transfer the possession and operation of the concession effective September 1, 2017. On August 15, 2017, the Company and Energía Compañía Petrolera S.A. requested from the Energy Secretariat in the Province of Neuquen authorization for that assignment. To date, the authorizations of the two assignments under the terms of Section 72 of the Hydrocarbons Law have not been granted.

(5) On December 21, 2018 the Company filed a waiver and reversal of the total Mata Amarilla area in the Austral Basin, Province of Santa Cruz, with the Energy Institute of the Province of Santa Cruz ("IESC"). As a result, investments made in that area in the amount of $ 185,857 (see Note 24(e)) were written off.

(6) Since no agreement was reached on the extension of the concession between High Luck, the Operator, and the Province of Formosa, on November 5, 2018 the Province of Formosa issued Provincial Decree No. 301 declaring the termination of the concession on the Palmar Largo area for expiration of the concession term. Furthermore, the Province of Formosa notified the Operator through Note 145/18 that the companies should return the area to REFSA (hydrocarbons state-owned company) on December 1, 2018.

At December 31, 2018, profit in the amount of $ 12,107 was charged to Other operating income and expenses for the termination of the Concession.

b) The total amounts of the consolidated statements of financial position relating to the participation of the Company in joint operations at December 31, 2018 and 2017 and the income statements for the fiscal years ended December 31, 2018 and 2017 are shown below.

	12.31.2018	**12.31.2017**
Non-current assets	236,869	257,652
Current assets	41,086	8,332
Total assets	**277,955**	**265,984**
Non-current liabilities	54,019	51,066
Current liabilities	68,551	30,755
Total liabilities	**122,570**	**82,821**

	12.31.2018	**12.31.2017**
Operating loss (*)	295,631	201,597
Net loss (*)	383,227	160,959

(*) Sales in joint operations are not included since production is directly assigned to each of the participants (see Note 3.2.16).

c) Investment commitments: at December 31, 2018 the Company's participation in minimum commitments in these areas amounted to USD 99.5 million approximately, USD 18.2 million of which correspond to the Angostura area and USD 76.4 to the Tapi Aike area (Note 28 a) (4)).

d) Paso Fuhr area: On February 28, 2019, the area known as "Paso Fuhr" was awarded to the company and YPF S.A. It was established that CGC would be the operator of the area. See Note 32 of Subsequent events to these financial statements.

NOTE 29 - SITUATION OF THE OIL AND GAS BLOCKS

a) Angostura

To honor the investment commitments pending from the first exploration period, the company filed with the enforcement authority a new proposal for investment plan, adapted to the geological features of the field. Following negotiations and analysis by the Secretariat of Hydrocarbons, on November 13, 2017, an addendum to the contract arising from public bid 1/2007 was signed between the Province of Río Negro, represented by the Energy Secretary, and CGC, whereby the company was granted an extension of the exploration period for 18 months counted as from its approval by a Provincial Executive Branch Decree. Under this addendum, CGC undertakes to perform in the area 3,652 working units, equivalent to seven repairs of wells and the drilling of seven exploratory wells. On May 8, 2018 the Province of Río Negro, through Decree No. 482/18 approved the addendum to the contract for the Angostura area dated November 13, 2017. Accordingly, from that date onwards CGC has an 18-month extension period to comply with the investments schedule.

At December 31, 2018, CGC has capitalized in Property, Plant and Equipment $ 245,5 million corresponding to assessment and exploration investments made in the Angostura area, which to date have not been sufficient to confirm the existence of sufficient hydrocarbons to justify their commercial development. As of December 31, 2018 $ 153,747 exploration expenses were allocated to results

b) Campo Onado (Venezuela)

Transactions in Venezuela since April 1, 2006 are performed through the company Petronado S.A., instead of the Onado Joint Venture. CGC holds 26.004% of equity interests in that company (see Note30 (4)).

c) A-9-96 (Guatemala)

In July 1997, the Company was granted 100% of the seismic exploration rights of the A-9-96 area (Contract 4-98) in Guatemala. Exploration activities within this area, located in the central production area of Guatemala, started in 1998. In accordance with the bidding terms and conditions and under the exploration contract, once the Company has recovered all investments made, it will share net profits with the government of Guatemala.

In its bid, the Company granted 48.84% of net profits obtained in A-9-96 area in relation to the production levels until 20,000 bbl. /day.

On July 16, 2012, the Company signed an agreement for the assignment of all rights, interests and obligations under Contract 4-98 to Quattro Exploration & Production in consideration of the assignee's taking over all investment commitments and related obligations. On December 5, 2012, notes were filed with the Ministry of Energy and Mining requesting the authorization of the assignment, which has not been granted to date.

The Company set up an allowance for impairment of related assets (tax credits).

d) <u>Exploration areas - Piedrabuena and Mata Amarilla</u>

At December 31, 2018, following the merger of the Company with United Energy S.A. effective January 1, 2018, the Company is the only holder of exploration permits and concessionaire of exploitation of hydrocarbon on the areas of Piedrabuena and Mata Amarilla, located in the Province of Santa Cruz. The exploration permits are in the second exploration period. On December 21, 2018, the Company filed a waiver and reversal of the total Mata Amarilla area in the Austral Basin, Province of Santa Cruz, with the Energy Institute of the Province of Santa Cruz ("IESC"). As a result, investments made in that area in the amount of $ 194,510 (see Note 24(e)) were written off.

NOTE 30 - SITUATION OF ASSOCIATES AND OTHER COMPANIES

Investments in companies where CGC does not have a controlling interest are mainly investments in companies engaged in natural gas transportation. The list of investments is included below:

Company	Ref.	Participation %	
		12.31.2018	12.31.2017
Associated companies			
Gasinvest S,A,	(1) (5)	40,8574	40,8574
Gasoducto GasAndes Argentina S,A,		39,9999	39,9999
Gasoducto GasAndes S,A, (Chile)		39,9999	39,9999
Andes Operaciones y Servicios S,A, (Chile)		50,0000	50,0000
Transportadora de Gas del Norte S,A,	(3)	0,0465	0,0465
Transportadora de Gas del Mercosur S,A,	(2) (5)	10,8988	10,8988
Other companies			
Petronado S.A. (Venezuela)	(5)	26.0040	26.0040

(1) Parent company of Transportadora de Gas de Norte S.A. holding 56.3538% of equity interests.

(2) According to the financial statements of Transportadora Gas del Mercosur S.A. (TGM), as a result of the energy crisis affecting Argentina and problems relating to the gas shortage in the domestic market, the National Government issued a series of regulations to limit exports of gas. In this context, disputes relating to contracts have arisen between TGM and its only customer, YPF S.A. ("YPF"), due to difficulties in the availability of natural gas which affect the only user of the transportation capacity of the Company's gas pipeline, the Brazilian thermal power plant AES Uruguaiana Emprendimentos S.A. ("AES U").

(3) On December 20, 2017, the Extraordinary Meeting of Shareholders of TGM resolved by majority vote to approve the execution of a settlement agreement with YPF (the "Settlement Agreement"), which put an end to the dispute between the parties.
In essence, the Settlement Agreement, which was also approved by the Board of Directors of YPF, is in full force and effect and there has been contract performance, sets forth YPF's obligation to pay TGM as compensation the sum of USD 107 million in January 2018, plus USD 7 million in seven (7) equal annual installments between February 2018 and February 2024, as full and final payment for all legal and arbitration proceedings, and claims TGM might enforce against YPF under the arbitration awards.

YPF paid the USD 107 million compensatory installment under the Settlement Agreement on January 2, 2018. Additionally, on February 1, 2018, YPF paid the first annual installment for said compensation in an amount of USD 1 million.

TGM and YPF entered into an interruptible gas transportation contract for export. In December 2017, the Company and YPF entered into a transportation contract under the special conditions of the Interruptible Transportation Service for Export ("STI", its Spanish acronym) for a maximum volume of 2.8 MMm3/day, from Aldea Brasilera, Province of Entre Ríos, to the locality of Paso de los Libres, Province of Corrientes. This contract will remain in effect from December 29, 2017 to December 28, 2027. As consideration for the STI, YPF will pay the Company USD 32 per one thousand cubic meters carried, in accordance with the provisions of Decree 689/2002. YPF irrevocably undertakes to pay TGM annually, per each year from 2018 up to and including 2024, as non-refundable payment on account of the contractual price, the amount of USD 1,857,143 per annum, as payment on account, whether it has made use of the STI or not. This payment on account entitles YPF to exercise a make up gas right between 2018 and 2024.

Considering the settlement agreement reached by YPF and TGM, the Company has reversed the obsolescence allowance that covered the investment in TGM, and has recorded the investment by the equity method at December 31, 2017.

(4) The financial statements of Transportadora Gas del Norte S.A. (TGN) show that due to the significant changes that have occurred in the main macroeconomic variables in Argentina since 2001, the National Government has passed laws and issued decrees and regulations since January 2002 that deeply changed the economic model then in effect, and had a major impact on the economic and financial equation of the Company, its business and regulatory framework.

The Comprehensive Agreement also fixed the rules for TGN's tariff review. Between April 2014 and December 2017, TGN was allowed several temporary tariff increases. It was not until March 2018 that ENARGAS implemented the tariff schedules resulting from the Integral Tariff Review ("ITR") this agency has been performing since March 2016. From April 1, 2017 to March 31, 2022, the Company must implement a Mandatory Investment Plan for approximately $ 5,600 million, which will be adjusted in the same proportion as the tariffs charged by TGN.

In order for the tariffs to remain at real values over time and thus be able to meet the demands of the operation and maintenance of the gas pipeline system, the comprehensive tariff review conducted by the ENARGAS introduces non-automatic semi-annual transportation tariff adjustments, between five-year reviews, regarding observable variations in the prices related to the cost of the service, so as to maintain the economic and financial sustainability of the rendered service and its quality.

CGC's direct and indirect interest in TGN accounts for 23.07% at December 31, 2017.

(5) On July 10, 2014 Compañía General de Combustibles S.A. and Tecpetrol Internacional S.L.U. (jointly referred to as the "Buyers") and Total Gas y Electricidad Argentina S.A. and Total GasAndes S.A. (jointly referred to as the "Sellers") entered into a share purchase agreement relating to the equity interests the Sellers hold in Transportadora Gas del Norte S.A. ("TGN") and in its parent company GASINVEST S.A. ("GASINVEST"). The Sellers jointly hold 0.0309% of TGN capital, plus 15.35% indirectly through GASINVEST.

This transaction was mainly subject to the ENARGAS approval of the sale of the GASINVEST shares described above and of the assignment of the Technical Assistance Contract. Upon compliance with the purchase and sale conditions in February 2016, and after payment of the price of $78,608, and the transfer of the shares on March 3, 2016, CGC's interest in TGN and GASINVEST amounts to 0.0466% and 40.85% of capital, respectively, and CGC's direct and indirect interest in TGN amounts to 23.07% at December 31, 2017.

(6) In September 1997, the Government of Venezuela and a joint venture, including Compañía General de Combustibles S.A. (holding a majority interest), entered into an agreement by means of which the Government of Venezuela granted the companies a right of exploration of Campo Onado for a term of 20 years.

Under the contract of production, the Government of Venezuela holds exclusive property rights on all the hydrocarbons extracted within the area, while the joint venture receives the total net proceeds from the sale until the settlement period, and between 30% and 60% for the following years.
In 2005, the Government of Venezuela announced the mandatory conversion of the 32 operating agreements entered into by and between Petróleos de Venezuela S.A. ("PDVSA") affiliates and privately held oil companies between 1992 and 1997. Among those agreements, we can mention the Campo Onado Third Round Operating Agreement entered into on July 29, 1997 by and between CGC and Corpoven, S.A. a PDVSA affiliate (the "Operating Agreement"). The conversion includes the migration of the operating agreements to partially state-owned companies in accordance with the Hydrocarbons Organic Law (Government's interest higher than 50%).

In August 2006, the conversion of the operating agreements was signed. It was determined that privately held oil companies would hold an interest of 40% while the Government of Venezuela would hold 60%.

As a result of this migration process, the Operating Agreement of Campo Onado became Petronado S.A., a partially state-owned company.

According to the new corporate structure, CGC holds 26.004% of Petronado S.A.

Petronado S.A., as well as the other partially state-owned company, must sell to PDVSA all liquid hydrocarbons they produce within the defined area, according to a price formula related to international benchmarks such as WTS and WTI.

Venezuela is facing a deep economic crisis: oil is at its lowest price in more than a decade (and Venezuela relies on the export of oil as its main source of income), there is skyrocketing inflation and shortage of products. This has forced the Government into issuing a decree declaring the Economic Emergency on January 14, 2016, and will allow President Nicolás Maduro to adopt special measures to develop strategic policies that will help to reformulate the financial and productive system of Venezuela. It is expected that in 2018 the volume of foreign currency offered and/or approved through the controlled exchange system will decline even more.

Additionally, modifications in the exchange mechanisms have created uncertainties relating to financial reporting as new exchange rates used to remeasure assets and liabilities denominated in Venezuelan bolívar and related income and expenses have to be reconsidered.

Despite the difficult situation for operations in Venezuela, the Company will continue doing business that country in a foreseeable future through its associate, Petronado S.A.

After assessing different factors, the Company decided that since October 1, 2015 material influence has been lost over the entity, mainly due to the lack of access to accounting information. As a result, the investment in Petronado S.A. is recorded at fair value with changes through profits and losses in accordance with IAS 39 and IFRS 9 (instead of using the equity method). The initial measurement will be the value recorded at October 1, 2015 based on the financial information available at that date.

This is the reason why income was recognized in 2017 and 2016 in the amount of $ 947 and $ 197, respectively, under Financial Results from measurement at fair value of the financial instruments to disclose under non-current investments the fair value of the investment in Petronado S.A. of $ 11,064 and $ 10,117 in 2017 and 2016, respectively.

(7) On July 27, 2011, CGC and Tecpetrol Internacional S.L. ("Tecpetrol") jointly filed for arbitration proceedings with the International Chamber of Commerce (ICC) against Argentinean Pipeline Holding Company S.A. (APHC) - formerly, Petronas S.A. ("Petronas") for breach of the shareholders' pre-emption right as a result of the transfer of the equity interests Petronas held in TGM and Gasinvest S.A. (companies where CGC, Tecpetrol and Petronas are shareholders, jointly with other companies).

On June 26, 2013, the Arbitral Tribunal rendered the Final Award in which - after stating that CGC and Tecpetrol validly issued their acceptance of the offer according to the Shareholders' Agreements - it ordered APHC to:
i.- comply with the stock purchase agreement entered by and between APHC and CGC/Tecpetrol based on the acceptance of the offer; and
ii.- pay CGC and Tecpetrol $ 278 plus interest as from June 14, 2012 for loss of profits for the dividends accrued from the shares at issue.

However, the Arbitral Tribunal explained that it could not order enforcement measures regarding the Final Award on RPM given its jurisdiction and the fact that RPM has not taken part of the agreement, which determined the tribunal's powers to enforce it.

This did not mean that the Final Award could not be enforced against RPM either through an out-of-court procedure or through a competent authority due to the effects of the notice of pendency, its bad faith and the limitations appearing in the title to the shares acquired.

Therefore, on July 12, 2013 CGC and Tecpetrol served notice on SADESA and RPM Gas regarding the Final Award, which, according to the title deed and the notice of pendency, was applicable to them.

Furthermore, the companies were requested to ask the pertinent companies to register all properties, assets and rights included in the CCA in favor of CGC's and Tecpetrol. RPM Gas and Sadesa repudiated this request.

CGC and Tecpetrol asked for supplementary precautionary measures in court. However, these measures were denied on the grounds that third parties' rights cannot be affected by precautionary measures.

Panel F, however, allowed the commencement by CGC and Tecpetrol of an ordinary judicial proceeding against RPM Gas.

On July 11, 2014, CGC and Tecpetrol started at the Federal Commercial Court of Original Jurisdiction in and for the City of Buenos Aires No. 18, Clerk's Office No. 35 ordinary proceedings against RPM GAS S.A. requesting that the Court ordered this company to transfer to them all the shares, receivables, rights and obligations, under the CCA entered into between APHC and CGC/Tecpetrol. To date, the judge deemed the complaint to have been answered by RPM and ordered that notice of the documentary evidence offered should be served.

In the event of a favorable ruling for CGC, CGC equity interests in TGM and Gasinvest would increase by 1.867% and 6.0951%, respectively.

NOTE 31- SECURED AND RESTRICTED ASSETS AND OTHER SURETIES GRANTED

At December 31, 2017 and 2016 the Company did not hold restricted assets. See constitution of a security interest in detail in the subsequent events note (Note 21 c). The Company has posted a bond in favor of the First Instance Court with jurisdiction over Commercial Matters in and for the City of Buenos Aires No. 18, Office No. 36, to secure payment of the allowed claim to AFIP in the framework of case 49,374 on insolvency proceedings of Compañía General de Combustibles S.A., which was included in the installment plan regulated by Law No. 26476.

NOTE 32 - SUBSEQUENT EVENTS

After December 31, 2018, no event, situation or circumstance that is not publicly known and that affects or may significantly affect the Company's financial or economic position has occurred in addition to those mentioned in the notes to these consolidated financial statements, except for the following: In the framework of the bidding process IESC No. 2/17, on February 28, 2019 the Executive Branch of the Province of Santa Cruz issued Decree No. 0199/2019 awarding to CGC and YPF the exploration permit for the Paso Fuhr area, located in the Province of Santa Cruz, in the west margin of the Austral Basin. It is an area of 4,668 Km2, between the Cerrito Fracción 2 and La Paz concessions, where CGC will be the operator. As a result, progress will be made on conventional targets and tight gas of the Basin, currently explored and developed by CGC. Both companies decided to join efforts in this bid to maximize the experience each has acquired over the last years.

NOTE 33 – OIL AND GAS RESERVES

Oil and gas reserves (Information not covered by the Auditors' Report))

The following table reflects the estimated proved oil reserves (including crude oil, condensate and natural gas liquids (NGL)) and natural gas as of December 31, 2018 (Note 5 a)):

	Proved developed		Proved undevelopeds		Total proved developed reserves	
	Crude oil, condensate y NGL (a)	Natural gas (b)	Crude oil, condensate y NGL (a)	Natural gas (b)	Crude oil, condensate y NGL (a)	Natural gas (b)
Argentina	1,266	5,843	324	2,731	1,590	8,574
Total	1,266	5,843	324	2,731	1,590	8,574

(a) In thousands of m3
(b) In millions of m3

"Free translation from the original in Spanish for publication in Argentina"

INDEPENDENT AUDITORS' REPORT

To the Shareholders, President and Directors of
Compañía General de Combustibles S.A.
Legal address: Bonpland 1745
Autonomous City of Buenos Aires
Tax ID number 30-50673393 -2

Report on the financial statements

We have audited the accompanying consolidated financial statements of Compañía General de Combustibles S.A. and its subsidiary (hereinafter "the Company"), including the consolidated statement of financial position at December 31, 2018 and the consolidated statements of comprehensive income, statement of changes in equity and cash flows for the year then ended, as well as a summary of the most significant accounting policies and other explanatory information.

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

Board's responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these consolidated financial statements under International Financial Reporting Standards (IFRS) adopted by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) as professional accounting standards and incorporated into the regulations of the National Securities Commission (CNV), as approved by the International Accounting Standards Board (IASB). Further, the Board of Directors is responsible for the existence of adequate internal control to prepare consolidated financial statements free of any material misstatements due to errors or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements, based on our audit. We performed our audit in accordance with International Auditing Standards (IAS) as adopted by the FACPCE through Technical Pronouncement No. 32 and related adoption circulars. These standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from any material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements due to fraud or error. In making those risk assessments, the auditor must consider internal control relevant to the Company's preparation and reasonable presentation of the consolidated 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 significant estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements mentioned in the first paragraph present fairly, in all material respects, the consolidated financial position of Compañía General de Combustibles S.A. at December 31, 2018, its consolidated statements of comprehensive income and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Report on compliance with regulations in force

In accordance with current regulations, we report that, in connection with Compañía General de Combustibles S.A.:

a) the consolidated financial statements of Compañía General de Combustibles S.A. are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our competence, they are in compliance with the provisions of the Companies Law and pertinent resolutions of the National Securities Commission;

b) the separate financial statements of Compañía General de Combustibles S.A. arise from accounting records kept in all formal respects in conformity with legal provisions, which maintain the security and integrity conditions on the basis of which they were authorized by the National Securities Commission;

c) we have read the summary of activity on which, as regards those matters that are within our field of competence, we have no observations to make;

d) at December 31, 2018, the debt accrued by Compañía General de Combustibles S.A. in favor of the Argentine Integrated Social Security System amounted, according to the Company's accounting records and calculations, to $ 15,226,088.73, none of which was claimable at that date;

e) as required by section 21, subsection e), Chapter III, Part VI, Title II of the rules issued by the National Securities Commission, we report that total fees for auditing and related services billed to the Company during the fiscal year ended December 31, 2018 account for:

e.1) 93% of the total fees for services billed to the Company for all items during that fiscal year;
e.2) 51% of the total fees for services for auditing and related services billed to the Company, its parent companies, subsidiaries and related companies during that year;
e.3) 46% of the total fees for services billed to the Company, its parent companies, subsidiaries and related companies for all items during that year;

f) we have applied the anti-money laundering and financing of terrorism procedures for Compañía General de Combustibles S.A. comprised in the professional standards issued by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires.

Autonomous City of Buenos Aires, March 11, 2019

PRICE WATERHOUSE & CO. S.R.L.

(Partner)
Hernán Rodríguez Cancelo