ANNUAL REPORT AND FINANCIAL STATEMENTS

at December 31st, 2019

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

CGC

COMPAÑÍA GENERAL
DE COMBUSTIBLES S.A.

ANNUAL REPORT 2019

CONTENTS

ANNUAL REPORT

BOARD OF DIRECTORS

Chairman	Eduardo Hugo Antranik Eurnekian
Vice-chairman	Juan Pablo Freijo
Director	Daniel Kokogian
Director	Jorge Alberto Del Aguila
Director	Fernando Victor Pelaez
Directo	Alain Petitjean
Director	Dante Rubén Patritti
Director	Matías María Brea
Director	Ignacio Noel

SUPERVISORY' COMMITTEE

Members

Carlos Oscar Bianchi

Carlos Fernando Bianchi

Mariano Miguel De Apellaniz

ANNUAL REPORT

To the Shareholders:

In line with the applicable legal and regulatory provisions, the Board of Directors submits for your consideration the Annual Report, Inventory, Informative Review, the financial statements which comprise the corresponding statements of Financial Position, Comprehensive Income, Changes in Equity, Cash Flows, and notes, and the additional information required by section 12, chapter III, title IV of the rules of the National Securities Commission, for the 100th fiscal year ended December 31st, 2019. This information should be read, analyzed and interpreted as a whole in order to have a full view of the relevant corporate matters for the fiscal year.

The financial statements have been prepared in accordance with accounting standards and regulations from the control authorities, which are detailed in their Notes.

I. MACROECONOMIC CONTEXT DURING FISCAL YEAR 2019

The Company's activity is exposed to the changes in the main variables of the country´s macroeconomic context, since its activities are focused mainly on the Argentine market.

In 2019, the Argentine economy continued conditioned by the financial crisis and the recession initiated in 2018 and by the second program with the International Monetary Fund (IMF) signed in October of that year. The electoral process had also an impact on the situation where the ruling party, Juntos por el Cambio, did not obtain a favorable result in the primary elections (PASO) of August 2019, which was confirmed with the triumph scored by the party Frente para Todos in the elections of October 27th, 2019, with the party ticket Alberto Fernández – Cristina Fernández de Kirchner winning in the first round.

Fernández beat Macri by 8 points (48.1% to 40.4%).In the PASO the gap was over 16 points. Geographically, Juntos por el Cambio won in districts such as the City of Buenos Aires, the central provinces and the interior of the Province of Buenos Aires, but was defeated in Greater Buenos Aires, the north and the south of the country. Therefore, Juntos por el Cambio won the first minority at the Chamber of Deputies, and Frente de Todos, a step behind. In the Senate, the Frente de Todos party became the first minority, with capacity to obtain its own majority.

At the economic level, the 2018 crisis resulted in a search for an agreement with the IMF that could finance the 2019 government program. Despite this agreement, its economic program was interrupted by the end of October 2019, after the presidential elections.

The IMF agreement avoided a default on the public debt, but could not stop the monetary/exchange crisis. Worth mentioning that the agreement had a three-year term and was for a total of US$56.8 billion. Out of this total, US$44.0 billion were disbursed until the agreement interruption in October/November 2019, almost covering the total financing needs.

The program had three basic pillars in relation to goals and conditions for 2019: zero primary fiscal deficit, zero growth in the monetary base, and limited exchange rate intervention by the Argentine Central Bank (BCRA).

With regards to fiscal accounts, decisions were taken to comply with the primary deficit goal by the end of 2018: increase in tax collection by reapplying duties on exports, decrease in export refunds, increase in statistics fees on imports, cut in public works, more efficiencies in public administration and fewer transfers to the provinces.

The zero growth rule in the monetary base closed off the factors of primary monetary emission: such as financing the Treasury and interest on LELIQ (liquidity bills for monetary regulation) which should be refinanced with more LELIQ. However, this rule began to relax as from September 2019 with a monetary issuance to finance the Treasury and then interest on LELIQ, plus the currency issuance on November 2019.This led to a 28% annual growth in the monetary base in 2019, well above the 13% annual growth set originally in the program.

The third pillar originally defined a floating area of no foreign exchange intervention. However, the program relaxed this aspect in April/May 2019, allowing BCRA´s interventions in the foreign exchange market in the case that, due to the electoral uncertainty, a temporary increase in the dollar demand would occur, and so prevent excessive exchange rate volatility.

During the first half of 2019, and until the PASO elections in August 2019, the high foreign currency offer generated by the trade surplus supplied the dollar demand for savings around US$1,000 million, in monthly averages, and a net outflow from foreign currency portfolios of another US$1,000 million, without the BCRA selling foreign currency. However, it was impossible to prevent dollar exchange rate volatility, that increased 20% between the beginning of February and May 2019, and then went back 5% in June and July 2019.

Facing the larger with foreign exchange volatility, the benchmark interest rate increased again reaching 74% p.a. in May 2019. This dynamic in the benchmark nominal rate resulted in interest rates highs in historical terms, boosting the contraction bias of the monetary policy.

In August 2019, the primary elections changed the financial and macroeconomic context. The outcome of the PASO elections triggered additional pressures on the exchange rate market, leading to a collapse in the value of sovereign debt and stocks, and a drain of dollar deposits from the financial system.

The retail exchange rate depreciated around 35% to reach AR$/US$58 at the end of September 2019, and the country risk measured by JP Morgan EMBI index increased 780 points in July 2019, to reach 2,130 points at the end of September 2019. After the PASO, gross international reserves also decreased by US$17,600 million, to US$48,700 million from US$66,300 at the end of September 2019, due to the drain in dollar deposits from the financial system (US$7,300 million), Treasury debt payments (US$6,700 million) and dollars sales by the BCRA in the foreign exchange market (US$3,400 million).

These events forced the government to postpone short-term debt payments (Letes and Lecaps) due to the complete closing of the market to refinance these maturities, and led to the introduction of foreign exchange controls to stop the dollar sales by the BCRA, and the fall in reserves. Nonetheless, since October 2019 the BCRA continued selling dollars in the foreign exchange market (for a total of US$3,946 million) and gross international reserves fell to

US$43,260 million by the end of that month. Before the elections, the exchange rate hit a peak of 64.5 pesos per dollar.

As a result of the sharp increase in the demand for dollars, on October 30, 2019 the BCRA decided to tighten exchange controls by reducing to 200 dollars the monthly limit each individual could buy for hoarding. This measure was aimed at preserving reserves, and in thus, between November and December 2019 the BCRA purchased US$3,274 million in the foreign exchange market. In these last two months the drain in dollar deposits was also stopped. By the end of December 2019, the stock of gross international reserves amounted to US$45,190 million, falling almost US$25,000 million compared with the peak recorded in July. The retail exchange rate ended the year at 63 pesos per dollar, 62% over the year.

The rise in interest rates produced a sharp credit slowdown and a deeper recession. Private sector loans in pesos, that had a very dynamic performance during the first part of 2018 (50% annual increase in loans), fell nominally every month from October 2018 until June 2019, resulting in a strong fall in actual terms (deducting inflation for the period). During the second half of the year, loans stopped falling and began growing in nominal terms, closing a 17% year-on-year increase, well below the projected 55% annual inflation rate .

In this context, GDP remained recessive mode. Between the fourth quarter of 2018 and the first of 2019, impact on the level of activity was higher, turning into a 6.1% and 5.8% GDP fall, respectively. This speedup in the downturn of the activity level was mainly due to the fall recorded in industry and trade, plus contractions of the financial and construction sectors at levels between 7 to 10%.

In the second quarter of 2019 the activity level recovered by 0.8% annual. This was mainly due to the 46.5% year-on-year growth in the agricultural harvest that added 5 points to growth. The industrial, construction and commerce sectors reduced the fall, but, in contrast with the agricultural sector, the banking system started to record strong negative figures, which worsened in the last quarter of 2019, after posting almost 15% reduction. However, due to financial pressures, devaluation and the interest rate hike recorded after the primary elections, GDP fell 1.7% annually in the third quarter of 2019, and all partial indicators showed a fall in GDP, that is expected to end up resulting in a 2.1% recession in 2019.

On the other hand, the consumer price index increased 53.8% p.a. in 2019, above the 47% in 2018.

Regarding public finances, the primary deficit of the public sector ended at 2.6 points of the GDP in 2018, improving with respect to the 3.8 points recorded in 2017 and complying the goal set in the IMF agreement (2.7 points). For 2019, the agreement required to continue with the fiscal discipline, setting a zero primary tax deficit goal and a partial $20 billion surplus goal for the first half of the year of, which was overachieved by producing more than $30 billion surplus. The key aspect of this achievement was the sustained income growth over primary expenses, led by exports duties and capital inflows (including fixed assets sales of state-owned companies and transfers from the Sustainability Guarantee Fund).

With respect to financing, after the signing of the IMF agreement by mid-2018, the main source for foreign currency debts payments were disbursements made by that entity. In April 2019, the IMF disbursed funds for almost US$11 billion, followed by a US$5.4 billion disbursement in July. Due to the high levels of country risk Argentina, with no access to the international markets, focused on the local market, where bonds were issued with maturities below two years and enlarging the issuance of short-term bills with capitalized interest (LECAP) and CER adjusted bills (LECER). During most of the year, the attention was on achieving the highest possible rate of renewal for bills, both in pesos and in dollars. During the first two months of 2019 bills were almost renewed in full but out to short terms (within 2019); it was not until May/June 2019 that bills were renewed with maturities in 2020. However, after the primary elections and the subsequent increase in country risk and the local financial turmoil, the rate of renewal was null and bills held by institutional investors were reprofiled, to be paid in three installments with maturity extensions of up to six months.

Focusing on the external sector, the recession and the drop in the peso value led to import shrinks for the second consecutive year. Imports in 2019 amounted to US$49,125 million, a 25% annual decrease. Exports, on the other hand, accumulated a 5.4% annual increase, totaling US$65,115 million; the trade balance closed the year with a US$15,990 million surplus, reversing the US$3,701 million deficit recorded in 2018.

The new government, that took office on December 10, appointed Martín Guzman as Finance Minister and Miguel Ángel Pesce as President of the Central Bank. The first step of the new government was to send an Economic Emergency Law (Law on Social Solidarity and Reactivation of Productivity within the Public Emergency Framework) to be discussed at special sessions in Congress, and was passed by the Executive Branch on December 23rd, 2019.

The Law declared public emergency and authorized the Executive Branch to renegotiate public debt and determined the review and freeze in tariffs for public services for 180 days. In addition, it also included a pack of tax measures focused on an increase on exports duties, a 30% taxation on dollar purchases for savings, on any dollar purchases with credit card and an increase in the Personal Assets tax rates. With regards to public expense, the principal measure was the suspension of the mobility formula on pensions for 180 days and the replacement of this automatic adjustment by two increases to be determined by decree in March and June. The Financial Management Law was also modified to provide the Executive Branch with freedom to reallocate budgetary items. Lastly, among other measures, Treasury was authorized to use BCRA reserves to pay debts through the issuance of non-transferable bills.

In terms of specific matters of the international oil activity, the crude oil price (Brent) reached US$67.31 at the end of December 2019, 23.3% increase from US$54.57 at the end of December 2018.

Total crude oil production in Argentina increased 4.0% year-on-year in 2019 and unconventional production by approximately 50%, showing the relevance of this type of reservoirs when considering oil resources in Argentina.

In this sense, it should be mentioned that while total gas production increased 4.8% year-on-year in 2019, unconventional production –*shale and tight*– did so by approximately 25%, reflecting the importance of this type of reservoirs when considering gas resources in Argentina.

The growth in total gas production in Argentina was mainly recorded in the Neuquén basin, which showed a 4.9% variation if compared with the rise in total production, while it grew 23.5% if compared with the increase in unconventional production.

In addition, while the volumes produced were less important, the Austral basin, where the Company has most of its assets, recorded higher levels of production of unconventional gas, showing a year-on-year variation of 40% in its level of production.

The financial and economic measures implemented by the Government as from August 2019, such as the freezing of the price of crude oil and fuels and foreign exchange controls plus the lack of predictability and uncertainty as to the energy policy led the industry to diminish its activity level (number of operating rigs reduced and drilling activity decreased). Based on data from the Argentine Institute of Oil and Gas (IAPG), 902 wells were drilled in 2019, while 1,030 wells were drilled in 2018, or 12% reduction.

The volatility of the Argentine economy and the measures adopted by the Argentine government have had –and are expected to continue having- a significant impact on the Company's business activity.

The main actions carried out by the government during 2019 related with the upstream segment included the following:

- **Incentives to unconventional natural gas through prices:** The incentive policy for the production of unconventional resources was maintained, with a US$7.0 per million of BTU price for 2019 of gradually decreasing around US$0.50 until 2021 to reach US$6.0 per million of BTU. However, and due to the success of the Fortín de Piedra concession which doubled the production curve originally estimated, the Energy Secretariat announced a reinterpretation of the calculation of incentives corresponding to the payments of the economic compensation provided for by Resolution No. 46/2017, setting a limit to it based on production volumes estimated at the original presentations, which are likely to affect the activity.

- Through the **Emergency Decree (DNU) No. 566/2019** passed by the President with General Agreement of the Ministers, dated August 15th, 2019, and effective as from August 16th, 2019 (the "Decree 566/2019"), the Argentine government determined that during the period as from the effective date of Decree 566/2019 to ninety (90) calendar days subsequent to it (the "Effective Date of Decree 566/2019") **(i)** crude oil should be delivered in the local market during the Effective Date of Decree 566/2019, billed and paid at the price agreed upon between producers and refiners at August 9th, 2019, applying a reference interest rate of $45.19 per US$1.00 and a Brent reference price of US$59.00 per barrel; **(ii)** that the cap price of fuels and gas oil in all its qualities, traded by the refiners and/or wholesale and/or retail vendor companies in the country, at all its sales channels, during the Effective Date of Decree 566/2019, could not be higher than that in force at August 9, 2019; **(iii)** that during Effective Date of Decree 566/2019, refiners and/or wholesale and/or retail vendor companies in the country, should meet, at the prices fixed by Decree 566/2019, total national demand for liquid fuels in Argentina, in accordance with the volumes required as from the common practices of the Argentine market, supplying in a regular and ongoing basis every area making up the Argentine territory; and **(iv)** the hydrocarbon producers in Argentina should meet total demand for crude oil required by refiners in the Argentine market, supplying in a regular and ongoing basis every refinery located in the Argentine territory.

Through DNU No. 601/2019 of August 30th, 2019 the exchange rate fixed by Decree 566/2019 was adjusted, setting a reference exchange rate of $46.69 per US$1.00. Subsequently, the Resolutions from the Energy Secretariat No. 557/2019 and 688/2019 were passed, published in the Official Gazette dated September 19th, 2019 and November 1st, 2019, respectively, which gradually raised the exchange rate to $49.30 per US$1.00 and $51.77 per US$1.00, respectively, as from the date of its respective publication.

- The Executive Branch, through Decree No. 609/2019 published in the Official Gazette on September 1st, 2019, established that until December 31st, 2019, the equivalent value of the export of goods and services must be brought in to the country in foreign currency and/or negotiated in the exchange market in the conditions and terms established by the BCRA. In the case of service exports, the BCRA established, through Circular CAMEX 1 – 805, that collections of service exports should be brought in and exchanged in the local exchange market in a term not higher than 5 (five) business days as from the date of their collection abroad, or in the country, or as from their deposit in accounts abroad.

  On December 28th, 2019, the Executive Branch issued Decree No. 91/2019 replacing Section 1 of Decree No. 609/2019, which had laid down until December 31st, 2019 the obligation of bringing into the country in foreign currency and/or negotiating in the exchange market the equivalent value of the export of goods and services, maintaining such obligation, without a time limit as to its effective date.

  In addition, on October 28th, 2019, the BCRA issued Communication "A" 6815, whereby it imposed new limitations to the purchase of foreign currency with the purpose of preserving reserves.

  Through Communication "A" 6856 of December 30th, 2019, the BCRA established that the Exchange Regulations will remain in force for an undefined period.

- Through Law No. 27541, published in the Official Gazette of December 23rd, 2019, the National Congress declared public emergency in economic, financial, tax, administrative, social security, rates, energy, health and social terms, conferring the Executive Branch some legislative powers under the terms of Section 76 of the National Constitution until December 31st, 2020.

  Among the powers conferred was that of "regulating the restructuring of the rates of the energy system with distributive equity and productive sustainability and reorder the operation of the regulatory entities to ensure an efficient management."

  This emergency law had a title referred to the energy system, which includes the following regulations:

  - The Executive Branch was authorized to maintain unmodified natural gas tariffs under federal jurisdiction and to initiate the renegotiation of the current comprehensive tariff review or to conduct an extraordinary review, under the terms of Laws Nos. 24065, 24076 and other concordant norms" as from the enforcement of the law and for a maximum period of up to 180 days, aiming at reducing the actual tariff burden on households, businesses and industries by 2020.

- The Executive Branch was authorized to intervene the administration of the National Electricity Regulatory Entity (ENRE) and the National Gas Regulatory Entity ("ENARGAS") for one year; and

- It authorized the Executive Branch to impose export duties whose rate could not exceed 33% of the taxable value or the official FOB price of the goods to be exported. This power could be exercised until December 31st, 2021.This same law, as regards certain goods and assumptions, did not allow to exceed certain export duties on exports. This was also present in the following cases: **(i)** 15% for those goods not subject to export duties at September 2nd, 2018 or taxed at 0% at that date; and **(ii)** 8% of the taxable value or the official FOB price for hydrocarbons and mining.

It should be mentioned that the Company works in an economic context whose main variables have been strongly volatile. Stocks of the main listed companies, sovereign bonds and the Argentine peso have dropped sharply. In this context and within the framework of the Solidarity Law, the new government that came to office in December 2019, tightened the restrictions in the exchange market, began the renegotiation of the public debt, increased the tax pressure, set price agreements and no longer indexed retirement plans and pensions.

Company Management closely monitors the situations described above to determine the possible actions to be taken and identify the potential impact on the Company's economic and financial position.

II. Summary of the most salient Events of the Fiscal Year

- ✓ **CGC production growth for the fourth consecutive year, ranking the Company as the fifth gas producer in the country:** At December 2019, the Company was ranked as the fifth gas producer in Argentina according to information published by the IAPG, with a daily production of 5.2 million cubic meters, and was the only firm in the gas ranking with no assets in Vaca Muerta fields.

- ✓ In terms of wellhead production, annual gas production increased 28% compared with 2018, while proven gas reserve replacement (1P) was of 108%. This success was supported by the development and exploration campaigns carried out in the unconventional reservoirs of Campo Indio Este-El Cerrito.

- ✓ **CGC began the most extensive 3D seismic survey program in the history of the Austral Basin:** CGC seismic works in the Austral basin (between January and May 2019 three 3D seismic surveys were carried out for a total of 1,542 km^2), plus those conducted by the oil company ENAP at the beginning of the year, represented the historical landmark in the most important 3D seismic survey campaign in the history of the region, key to broaden the reserves horizon in the Province of Santa Cruz.

- ✓ **CGC opened the first underground natural gas storage system in the Province of Santa Cruz:** The project "Underground natural gas storage (ASGN)" in Sur Río Chico foresees an investment of US$50 million for its full completion and will allow preserving natural gas in underground reservoirs located at significant depths for commercial purposes. It is the second storage field in Argentina, and will allow gas produced by the Sur Rio Chico Project but not demanded to be supplied to the ASGN during low-demand seasons and be extracted in winter, when demand grows.

- ✓ The opening was carried out on February 10th, 2020 with the presence of the governor of the province and other authorities from the provincial government and the company, where the president of CGC explained the benefits of the project and ensured that "the heart of CGC is in the Austral Basin, where there is a huge potential for development. We are convinced that if we continue investing in creative initiatives as those mentioned above, we will continue contributing to boost the energy sector, the basin and the Province of Santa Cruz."

- ✓ **CGC strengthened its active role in the internal and external market both in crude oil as well as in gas:** Natural gas sales of own production in 2019 amounted to 1,963 MMm^3, accounting for an increase of 422 MMm^3 (27.38%) compared with the amounts sold in the previous year.

- ✓ **CGC continued developing its exports to Chile in 2019, that started in 2018:** Export volumes sold in 2019 amounted to forty million two hundred thousand cubic meters (40.2 MMm^3), totaling 3.6% above the volumes traded in the previous year.

- ✓ **Agreement with RPM Gas S.A.**: The Company and Tecpetrol Internacional S.L.U. were granted favorable arbitration against Argentinean Pipeline Holding Company, a subsidiary of Petronas Group, which transferred to RPM Gas S.A. shares equivalent to 18.28% of the capital stock entitled to one vote from Gasinvest S.A. Such transfer was made without complying with the terms for the purchase option right the Company and Tecpetrol had pursuant to the Gasinvest shareholders' agreement. As a result, the Company and Tecpetrol filed a claim against RPM Gas S.A. based on which an "*anotación de litis*" was recorded in the Gasinvest S.A. Shareholders' register.

On October 29th, 2019, a transactional agreement was achieved with RPM Gas S.A., whereby its exit was agreed, with the share capital in Gasinvest S.A. being divided in halves between the Company and Tecpetrol Internacional S.L. Furthermore, the following was agreed:(i) recording in equal parts in favor of the Company and Tecpetrol of the rights and obligations derived from the Technical Assistance Agreement with TGN which were originally from Argentinean Pipeline Holding Company S.A.; (ii) transfer in favor of RPM Gas S.A. of US$8,300,000 corresponding to the amounts attached in Gasinvest and those allocated to TGN for payments to Argentinean Pipeline Holding Company S.A. within the framework of the Technical Assistance Agreement with TGN; (iii) transfer in favor of the Company and Tecpetrol, in equal parts, of the balance of the amounts allocated by TGN under the Technical Assistance Agreement, deducting the amount corresponding to RPM Gas S.A. as indicated above; and (iv) recording of certain amounts allocated by TGM under certain loan agreements in the following proportion: 66.7% in favor of Tecpetrol and 33.3% in favor of the Company.

- ✓ **EBITDA**: The Company's EBITDA for fiscal year 2019 reached $18.700 million, having increased $3,984 million or 27% if compared with the previous year.

- ✓ **Reserves**: The Company's proven reserves at December 31st, 2019 reached 10,013 Mm^3 of oil equivalent, down 1.5% with regard to December 31st, 2018. At December 31st, 2019 these reserves were made up 14% by oil and liquid fuels and 86% by natural gas.

- ✓ **Investments in production and exploration activities**: Investments for the year ended December 31st, 2019 reached US$181.4 million, 12.9% higher than the previous year, which were concentrated in Development (80.3%) and Exploration (19.7%) activities.

  Accumulated investment during the last 24 months has reached US$342.0 million, reflecting the solid growth vision of the Company.

- ✓ **Production:** In 2019, annual production of oil, natural gas, LPG and gasoline reached 2,344.1 Mm^3 of oil equivalent, showing a 24.5% increase with regard to the previous year production. Liquid hydrocarbons represented 15.7% and natural gas 84.3%.

III. Investments of CGC in other companies

CGC is a leading independent energy company which operates in Argentina engaged in oil and gas exploration, development and production, and to a lesser extent LPG (*upstream* business). The Company has an important portfolio of exploration and/or production areas in two Argentine basins, having currently its main operations located in the Province of Santa Cruz, south of the country. In addition to its *upstream* business, the Company has investments where it has the joint control or significant influence over a network of pipelines in the north and center of Argentina (*midstream* business).

Upstream

CGC has investments in oil and gas fields over twelve areas of the Austral basin and one area of the Noroeste basin. The Company's areas cover a total of 7.6 million of gross acres and 5.5 million of net acres. In Argentina, production, exploration and development activities are performed through 29 exploitation concessions and 3 exploration permits granted by the National Government and the provincial governments of Argentina. CGC performs these activities by itself or through temporary union of companies, operating all its oil and gas fields in the Austral basin.

Midstream

CGC indirectly owns 28.23% of Transportadora de Gas del Norte S.A. (**TGN**); 39.99% of both GasAndes Argentina and GasAndes Chile, the operators of the GasAndes gas pipeline in Argentina and Chile, respectively; and 15.78% of Transportadora de Gas del Mercosur S.A. (**TGM**).

Although the intention of the Company is to focus on the *upstream* activities, the Company plans keeping its existing investments in the *midstream* business, since it considers that they are supplementary to its *upstream* business.

Below there is a detail of the main investments in the upstream and midstream business:

Upstream

Country/Basin	Area	Participation %	Operator	Activity
ARGENTINA				
Austral	El Cerrito	100.00	CGC	Exploration and exploitation
	Dos Hermanos	100.00		
	Campo Boleadoras	100.00		
	Campo Indio Este/El Cerrito	100.00		
	María Inés	100.00		
	Cóndor	100.00		
	La Maggie	100.00		
	Glencross	87.00		
	Estancia Chiripa	87.00		
	Tapi Aike	81.00		Exploration
	Paso Fuhr	50.00		
	Piedrabuena	100.00		
Noroeste	Aguaragüe	5.00	Tecpetrol S.A.	Exploration and exploitation

Midstream

Country	COMPANY	Direct and indirect participation %
ARGENTINA	Transportadora de Gas del Norte S.A.	28.23 (*)
	Gasoducto GasAndes Argentina S.A.	39.99
	Transportadora de Gas del Mercosur S.A.	15.77
CHILE	Gasoducto GasAndes S.A.	39.99

(*) 28.23% direct and indirect for its 50.00% investment in Gasinvest S.A.

IV. Changes in CGC Indicators

The table below presents the results of the Company by business segment. To this end, the results of the companies in which CGC does not have a controlling interest have been consolidated proportionately.

The amounts disclosed below are stated in the purchasing power of the currency at December 31st, 2019.

	Upstream		**NATURAL GAS TRANSPORTATION**		**TOTAL**	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**
Income from Sales (MM $)	27,242.0	30,880.7	4,844.9	5,459.1	32,086.9	36,339.8
Gross Margin (MM $)	10,092.0	11,875.1	2,447.4	2,603.7	12,539.4	14,478.8
Net Profit/Loss (MM $)	7,191.0	7,502.0	1,895.0	2,056.7	9,086.0	9,558.7
Oil Production (m^3/day) (1) (3)	894	1,009			894	1,009
Gas Production (Mm^3/day)	4,250	5,414			4,250	5,414
Oil Reserves (Mm^3) (1) (2) (3)	1,591 (a)	1,362 (b)			1,591 (a)	1,362 (b)
Gas Reserves (MMm^3) (2) (3)	8,574 (a)	8,651 (b)			8,574 (a)	8,651 (b)
Total Reserves (Mm^3 O.E.) (1) (2) (3)	10,165 (a)	10,013 (b)			10,165 (a)	10,013 (b)
Ratio Reserves/Years	5.4	4.3			5.4	4.3
Gas Transportation (MMm^3/day)	---	---	12.5	15.8	12.5	15.8

Grouped by line of business based on CGC´s interest in each of them
M = thousands; MM = Million; m^3 = cubic meters
O.E.: Oil Equivalent

(1) Includes LPG (liquefied petroleum gas) and gasoline.
(2) Includes only proven reserves.
(3) Includes only information on Argentina.
(b) Corresponds to reserves audited by DeGolyer and MacNaughton at 12.31.18, with the exception of areas not operated which correspond to reserves estimated by the Company at 12.31.18.
(b) Corresponds to reserves audited by DeGolyer and MacNaughton at 12.31.19, with the exception of areas not operated which correspond to reserves estimated by the Company at 12.31.19.

V. Activities and Business carried out by the Company

a) Upstream

Company exploration and production areas

In December 2019, the Company was ranked as the fifth gas producer in Argentina in terms of wellhead production, according to information published by the Argentine Institute of Oil & Gas (IAPG).

During 2019 the Company achieved its fourth consecutive year of production growth, principally in its operations in the Austral Basin.

The Company is the main operator of the Austral Basin, with 26 exploitation concessions and 3 exploration permits. The operations are concentrated in 25 productive fields. Furthermore, the Company participates in the Noroeste Basin in the Aguaragüe concession with a 5%.

The production operated by CGC in December 2019 amounted to 5.72 MMm^3/d of gas and 796 m^3/d of oil (including gas). The remaining proven and probable reserves at 12/31/2019 amounted to 10.4 billion of cubic meters of gas and 1.29 million of cubic meters of oil (including oils, gas and LPG).

Both the company’s production and reserves come from the areas located in the Austral Basin. It is also where the main activities are concentrated. In this basin, the Company's accumulated gas production increased 28% during 2019 compared with 2018. 1P gas reserve replacement was of 108% (reserves added in relation to reserves consumed during the year) while in the case of oil it was of 38%.

To develop new wells, the Company used two drilling rigs that drilled 42 wells in total, including 8 horizontal wells, 4 exploratory wells and the first underground storage well of the province of Santa Cruz. Furthermore, the Company also used in the Basin, a well finish and maintenance equipment, an hydraulic fracking set for well stimulation and a coiled tubing equipment. New surface facilities were built necessary for the discharge, compression and reconditioning of hydrocarbons for their sale.

Development and exploration campaigns

As it was mentioned before, a total of 42 wells were drilled, of which 32 (including 8 horizontal wells) corresponded to the “Programa de estimulo a las inversiones en desarrollos de producción de gas natural proveniente de reservorios no convencionales” that CGC joined in January 2018. These investments made corresponded to wells drilled in the Campo Indio Este - El Cerrito concession, that includes Campo Indio, El Cerrito, El Cerrito Oeste and El Puma fields.

Campo Indio

This field was developed in the 90s, where oil was produced in the Springhill formation at a depth of around 3,000 m.. After 2002 the gas development began in the Magallanes Inferior formation at a depth of 1,400 m. The first productive wells were in the western end of the field known as “conventional”. Since 2017 CGC has been developing the eastern zone classified as “unconventional” due to its low permeability. The characteristics of the reservoir in the eastern zone require stimulation techniques and horizontal drilling so as to improve well productivity. Other techniques, such as deviated boreholes from the same surface location and the monobore finishing of wells (using only one pipe) to streamline development costs are also applied. During 2019, 24 vertical/deviated wells and 8 horizontal wells were drilled.

El Cerrito Oeste

This gas field was discovered in 2017 with the drilling of the EC. A-1010 well. The productive formation is Magallanes Inferior, classified as “unconventional” for its low permeability. During 2018, four wells were drilled that helped outlines the reservoir area and added new reserves to be developed with 17 wells to be drilled. The collection facilities and pipelines to move this production were also developed. A gas treatment plant with a total capacity of 1,000 Mm3/d was finished. To place this gas production for sale through the Gral. San Martin Pipeline, operated by Gas del Sur S.A. (TGS), due to the low demand in the area, CGC developed an additional compression station in the DPP Boleadoras PM03 plant.

El Puma

In 2006, two exploratory wells that resulted unproductive were drilled. In 2018, after a new rescreening zing of the area, CGC decided to drill a third exploratory well that resulted in the discovery of a new field. In that same year, an advanced well and another exploratory well are drilled to explore another seismic fault. This new field has proved the existence of gas at three levels of the Anita Formation (between 1750 and 1850 mbbp) and at one level of the Magallanes Inferior Formation (1450 mbbp). The Anita Formation has varied oil and petrophysical characteristics while Magallanes has low permeability within the “unconventional” reservoir ranges. Significant reserves were also added which will be developed with other 6 additional wells. To move such production, CGC started the construction of a 8” pipeline of 12.5 km from El Puma to El Cerrito.

Activities in oil fields. Estancia Agua Fresca, María Inés Oeste and Barda de las Vegas

In the Ea. Agua Fresca field, which produces from the Anita Formation at 1,400 m deep, and has been developed since 2007, four wells were drilled, of which two produced oil with low flows. In turn, the directional well MIO-20d was drilled, resulting oil productive with high volumes of water, and the BLV-34 well which proved to have low volumes of water and remained under study.

Exploratory wells

The 2019 exploration campaign in the Austral basin included four exploratory wells, one drilled in association with Echo Energy, under a joint venture agreement.

El Cerrito Oeste x-3 well located in the "Campo Indio Este - El Cerrito" concession where an unconventional gas (tight gas) deposit with commercial flows was discovered within the Magallanes Formation in a new reservoir for the field.

Campo Boleadoras Sur x-1 in the “Campo Boleadoras” concession targeting the Springhill Formation, which found water in the reservoir and was abandoned.

El Cerrito Oeste x-9 well located in the "Campo Indio Este - El Cerrito" concession south of the El Cerrito Oeste gas accumulation. The well found a poor quality reservoir in the target unit of the Magallanes Inferior and could not test commercial flows of gas.

Campo La Mata x-1 well located in the Tapi Aike exploration concession, which operates CGC under a joint venture with Echo Energy. The well could prove the existence of gas in reservoirs of the Anita and Magallanes Inferior formations, although sustained and commercial gas flows were not achieved. The well is still under study for future trials.

Repair of wells

Well epairment work were madewith diferent targets. With the same equipment, 26 pulling works were carried out in different fields.

Stimulation

During 2019 the frac team carried out completion work on most of the wells drilled at Campo Indio, El Cerrito Oeste and El Puma. A total of 51 wells were stimulated, 9 of which were horizontal wells and 6 corresponded to re-fracturing in previously fractured reservoirs. Horizontal wells were completed with an open-hole packer system and sleeve activation balls. The coiled tubing equipment conducted the cleaning and induction of most of these wells.

Seismic Acquisition Campaign

Between January 15th and May 12th, 2019, three 3D seismic surveys were carried out comprising 1,542 km2. Seismic data cubes were recorded for Travesía de Arriba (725 km2) and Chiripa Oeste (412 km2) as part of the commitment for the first exploratory period in the Tapi Aike concession and for the Piedra Buena cube (405 km2) as part of the commitment for the second exploratory period of the Piedra Buena concession. Together with ENAP´s seismic survey at the El Turbio Este Concession, 2019 finished being the year in with more 3D seismic surveys carried out throughout the history of the basin.

Recordings were performed jointly with UGA S.A. using conventional (cabled-based), and nodal systems, in addition a simultaneous vibratory recording technique was tested. During 2019 the data surveyed was processed and it is currently at an interpretation stage.

Gas Underground Storage Project, Sur Río Chico Este

In September, CGC drilled SCH-10ig well to begin the pilot phase of the second gas underground storage project in Argentina and the first in the province of Santa Cruz. In addition, the Company began the construction of an injection plant related to the gas underground storage project in Sur Río Chico, and to the DPP plant in Barda Las Vegas field.

This project is intended to maintain production in the low demand seasons and inject it into higher quality reservoirs, that will allow a rapid production to supply during the high-demand seasons. The pilot hole discovered that the reservoir at the Springhill formation, that was water filled as a result of past field production, had good quality so as to begin injection tests and the development of a new gas pool that will be made up of cushion gas and working gas. CGC expects to inject approximately 1 MMm3/d of gas during 180 days, and to produce 2 MMm3/d of gas during 90 days a year.

On February 19th, 2020, due to the importance of the project, CGC and the Provincial Government, including the governor of Santa Cruz, inaugurated this new facility and began the injection process at a ceremony in which company employees expressed their satisfaction for the projections opening up with this initiative.

Activity in non-operated areas

Aguaragüe

During 2019, the CD-1018 well was drilled. Work began in November and it is expected to be concluded in March 2020. Drilling of the CD-1019 well was completed in October 30th, and medium-pressure gathering is being tested, with volumes of 45 Mm3/d for gas and 7m^3/day for oil. Low pressure gathering is under analysis.CD-1018 and CD-1019 were development wells drilled in the Campo Duran structure, within the Campo Duran - Madrejones exploitation area.

As part of the investment commitments, workover procedures were carried out in the SaAg.a-3 well to verify the unconventional gas potential of the Los Monos formation, but no successful results were obtained. The last development well of the campaign was drilled with the Tupambi formation as drilling target. At the date of this Annual Report it is at a testing stage.

The gas production forecast for 2020 was presented, with an estimated average production of 1,405 Mm3/d, while the expected accumulated production amounts to 515 MMm3. Average oil production has been estimated at 225m3/d, while accumulated production would be of 82 Mm3.

New operated area - Paso Fuhr

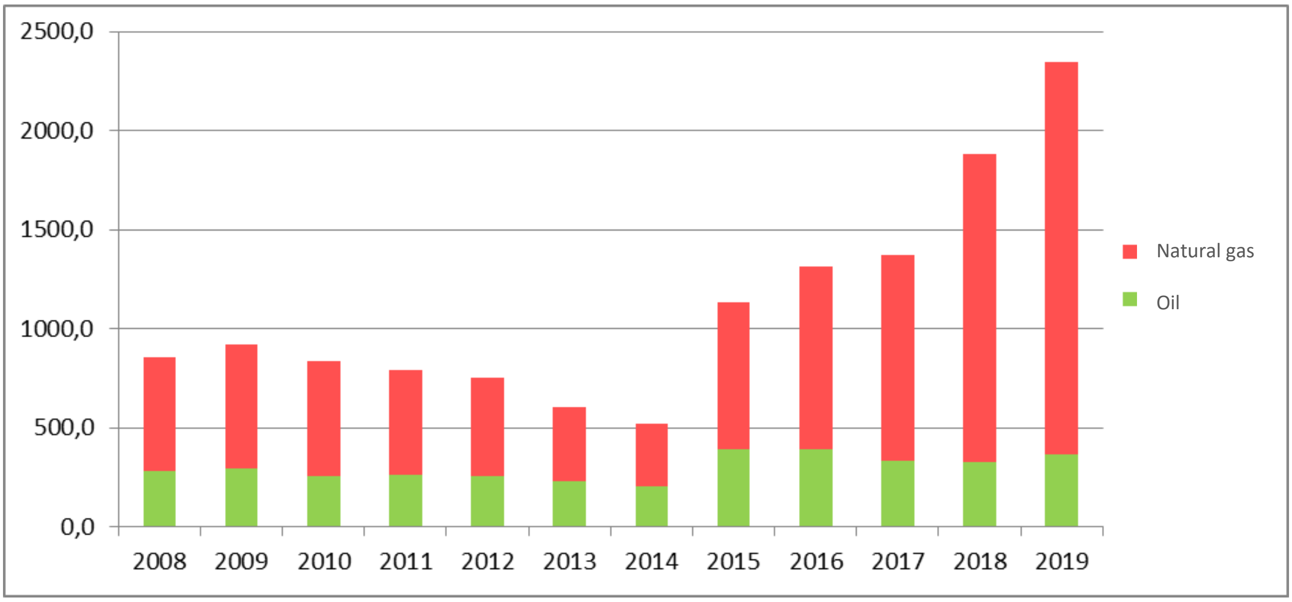
On February 28th, 2019, the Company was granted the Paso Fuhr area in the Austral Basin after presenting a joint bid together with YPF, in which CGC will be the operator. It is an area of 4,668 Km2, between El Cerrito Fracción 2 and La Paz concessions, both operated by CGC.

On May 7th, 2019, the contract was signed within the Tender No.2 Área Paso Fuhr second call, with the purpose of hydrocarbon exploration in that area, which will be operated by CGC. The exploratory target, will focus on the Magallanes, Springhill, and Palermo Aike formations and will be of an unconventional type. During the year 2019, the area was evaluated to develop 3D seismic survey.

Changes in Annual Production (Mm3 OE/Year)

In fiscal year 2019, total oil, natural gas, liquefied petroleum gas, and gasoline production reached 2,344.1 Mm3 of oil equivalent, reflecting a 24.5% increase with regard to the previous year's production. Liquid hydrocarbons accounted for 15.7% of this production, and natural gas represented 84.3%.

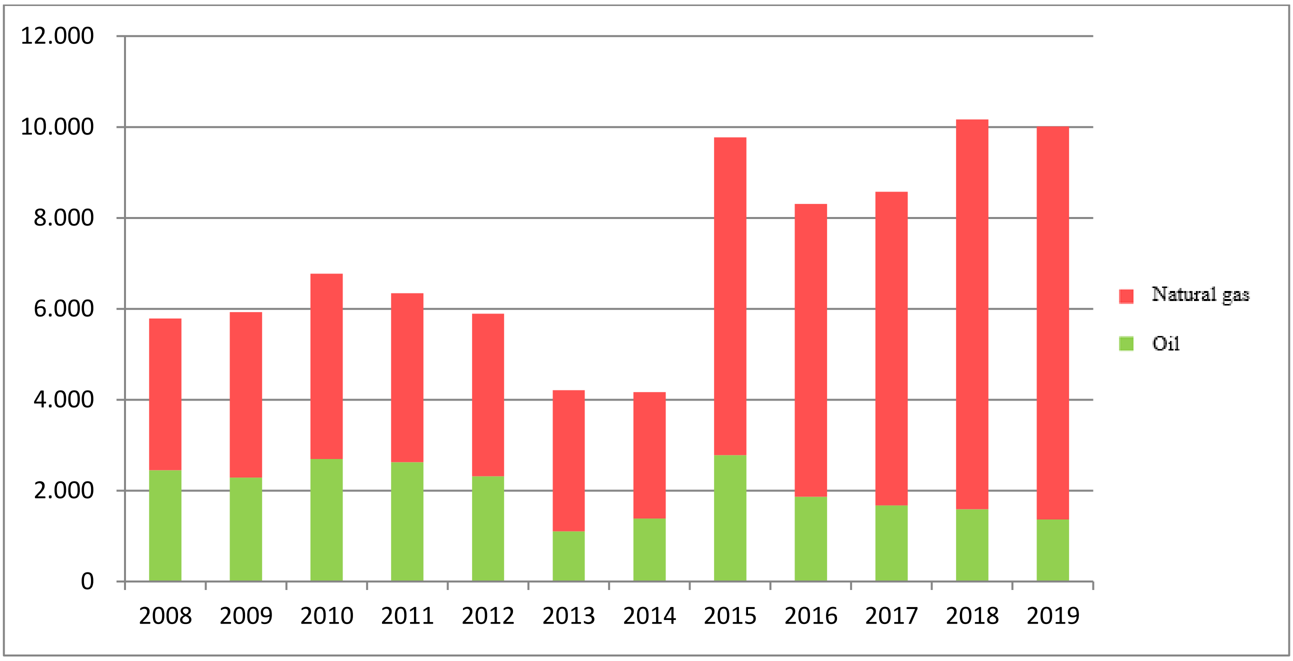
Annual Production (Mm3 OE/Year)



(1) Years 2008 to 2012 include production of the Onado area in Venezuela.

The Company´s proven reserves at December 31st, 2019 reached 10,013 Mm3 of oil equivalent. These reserves are made up by 14% oil and 86% natural gas.

Reserves (Mm3eq) (1)



(1) Years 2008 to 2012 include production of the Onado area in Venezuela.

b) NATURAL GAS TRANSPORTATION

Unlike other countries in the region, natural gas in Argentina is the dominant energy source for consumption and represents close to 50% of the energy matrix.

The Company indirectly owns 28.23% of Transportadora de Gas del Norte S.A. (TGN); 39.99% of GasAndes Argentina and GasAndes Chile, the operators of the GasAndes gas pipeline in Argentina and Chile, respectively; and 15.78% of Transportadora de Gas del Mercosur S.A. (TGM).

TGN - (28.23%)
CGC has an indirect 28.23% interest in TGN through its investment in Gasinvest S.A., in which it has a direct ownership of 50%. The other shareholder of Gasinvest is Tecpetrol International S.L.U. (50%). Gasinvest S.A. is the controlling shareholder in TGN, with 56.35% of the share capital of that company. Southern Cone Energy Holding Company Inc. is the second largest shareholder, with 23.54%. 20% of TGN's shares are publicly held, while 0.0565% is held by Tecpetrol Internacional S.L. The Company also directly holds a minority share of 0.0565% in TGN.
TGN is one of the two leading natural gas transportation companies operating in Argentina and holder of a license (the "License") to provide public natural gas transportation services. For such purposes, it was granted the exclusive right to operate the two gas pipelines owned by it in the north and central west regions of Argentina.

TGN's gas pipeline network is comprised of the Northern and Mid-West pipelines and has a total length of approximately 6,800 km and a delivery capacity of approximately 60 MMm3/d. TGN's network connects up to the "GasAndes" and "Norandino" pipelines built for transporting gas to the center and north of Chile, respectively; to the "Entrerriano" pipeline which transports gas to the province of Entre Ríos and the Uruguayan littoral; to the pipeline of Transportadora de Gas del Mercosur S.A.; and to the "Gasoducto del Noreste Argentino" (GNEA - Argentine Northeast gas pipeline).

The total length of the Northern pipeline is 4,550 km, including trunk pipelines and loops, with 12 compressor stations and an aggregate installed compression capacity of 204,620 hp. The diameter of the main line is 24 inches.

The total length of the Mid-West pipeline is 2,256 km, including branch lines and loops, with eight compressor stations having an aggregate installed compression capacity of 171,000 hp. The diameter of the main line is 30 inches throughout almost its total length.

The gas volume received and transported by TGN during 2019 reached 18,836 MMm3, in other words, an average of 51.6 MMm3/d, of which 27.8 MMm3/d corresponded to the Mid-West gas pipeline, 18.0 MMm3/d to the Northern gas pipeline, and 5.8 MMm3/d were received in the Province of Buenos Aires.

Maximum daily injection values at pipeline endpoints reached 33.8 MMm3/d at the Mid-West pipeline, and 25.1 MMm3/d at the Northern pipeline.

During the year 2019, gas exports through the Gas Andes and Norandino pipelines totalled 1,150 MMm3 and 10MMm3, respectively.

It is worth mentioning that during 2019 TGN was awarded the tender for the operation and maintenance of the GNEA called by IEASA. In this respect, as from September 2019 the provision of such service started. It comprises the operation of gas pipelines with a total length of 1,719 km., 73 metering and regulating stations, four new sections and approximately fifteen staff members. After the incorporation of this services contract, TGN became the largest gas pipeline operator in South America.

Regulatory aspects

In its capacity as provider of an essential public service, TGN is subject to state regulation as set forth in Law No. 24076, with ENARGAS acting as enforcement authority.

In March 2017, the Company entered into an Agreement for Updating its License (the "Comprehensive Agreement") which was ratified and came into effect with the issuance of Decree No. 251 dated March 27th, 2018. The renegotiation process conducted under the framework of Public Emergency Law No. 25561 was thus concluded. The provisions of the Comprehensive Agreement cover the contractual period beginning January 6th, 2002 to the expiration date of the License. Furthermore, the Comprehensive Agreement set the rules for conducting the five-yearly review of TGN's tariffs, which came into effect in March 2018 for the period 2017-2018.

In March 2018 ENARGAS approved the rate schedules resulting from the Integral Tariff Review (ITR) carried out by those authorities as from March 2016. The ITR establishes that between April 1st, 2017 and March 31st, 2022 the Company must execute a Mandatory Investment Plan (MIP) amounting to approximately $5.6 billion, which will be adjusted in proportion to the adjustment of TGN's rates. The Company is thus required to execute both the amount of committed investments and the work contemplated in the MIP.

The regulatory framework for the industry provides for the application of non-automatic adjustment mechanisms every six months based on the price variations in the economy in relation to the cost of the service, to ensure the economic and the financial sustainability and the quality of the service provided.

In September 2019, the Energy Secretariat issued Resolution 521/2019 (amended by Resolution 751/2019) deferring the six-month rate adjustment that should have been applied effective October 1st, 2019 until February 1st, 2020, and further established that the licensees would be compensated with the Mandatory Investment Plan review to the extent of the lower revenues derived from that measure. Consequently, between October and December 2019, the Company submitted to ENARGAS proposals adjusting the MIP for an amount of $459.2 million (at December 2016 currency).

On December 23rd, 2019, the Social Solidarity and Productive Reactivation Law was enacted granting the National Executive Branch powers to maintain unmodified natural gas tariffs under federal jurisdiction and to begin the renegotiation of the ITR or to conduct an extraordinary review, under the terms of the Gas Act, for a maximum period of up to 180 days, aiming at reducing the tariff burden on households, businesses and industries by 2020. In addition, the Executive Branch of the Government may intervene ENARGAS administratively for one year.

TGN believes that the resulting tariffs from any such processes will remain over time at values that will enable it to face the expenses and investments necessary for the operation and maintenance of the gas pipelines. However, TGN has stated that the result of the tariff renegotiation or review contemplated in the Solidarity Law may significantly differ from current estimates, and no results for the coming five-yearly review are anticipated.

TGN's Management is constantly monitoring the conditions described above so as to determine possible actions to be taken and identify the potential impacts on the Company's economic and financial position.

In 2019 TGN distributed cash dividends amounting to $3,164.7 million (amounts as of December 2019) as decided by the Shareholders' Meeting held in April 2019.

During the year ended December 31st, 2019, TGN recorded a net income of $4,255 million.

TGN's Assets amounted to $62,638 million and its Equity amounted to $42,934 million.

Gasoducto GasAndes (Argentina) S.A. and Gasoducto GasAndes S.A. (39.99%)

The Company has a direct 39.99% interest in both GasAndes Argentina and GasAndes Chile. GasAndes Argentina operates the Argentine section of the GasAndes gas pipeline, while GasAndes Chile operates the Chilean section of the pipeline. The main shareholder of GasAndes Argentina and GasAndes Chile is Aprovisionadora Global de Energía S.A., (formerly Metrogas (Chile) S.A.), with 47.1% of the share capital of each entity. The remaining 13.0% of GasAndes Argentina and GasAndes Chile is held by AES Gener S.A. The gas pipeline connects the district of La Mora, in the province of Mendoza, Argentina, with the city of Santiago de Chile, in Chile, and has a length of approximately 533 km, a diameter of 24", and a capacity of 10.8 M MMm3/d. The operating license for GasAndes Argentina expires in 2027 and may be extended for an additional 10 years, subject to the review and approval of the National Government. The operating concession for GasAndes Chile is for an unspecified period, subject to the review and approval of the Chilean government. GasAndes Argentina is operated by CGC on the basis of an operation and maintenance contract which is currently in force.

In 2004, following the growth in domestic demand for gas and the concurrent drop in production and reserves, the National Government took measures, which are still in effect, to ensure that the natural gas supply would be primarily allocated to meeting domestic demand. In this scenario, clients saw a decrease in gas exports, which generated uncertainty as to the enforceability of contracts. Carriers took different measures intended to renegotiate the terms of firm transportation contracts or to question the enforceability or the validity of certain contract terms. GasAndes has entered into long-term agreements for natural gas transportation with Gasvalpo S.A. and Metrogas S.A. (Chile), which will be in effect until June 2028 and April 2027, respectively. The latter agreement accounts for approximately 73% of GasAndes sales.

During fiscal year 2018 the gas supply deficit in Argentina was reduced and, consequently, in August 2018 the Energy Ministry established a new procedure for authorizing natural gas exports.

During 2019, GasAndes recorded variable but sustained transportation activity from Argentina to Chile, significantly increasing revenues from interruptible transportation, and authorized overrun services. It should be noted that no operating disruptions have taken place, considering all variable scenarios of transportation volumes, as a result of the volatility of the demand for thermoelectric generation in Chile, and of the supply, either as a result of the changes in Argentine domestic demand or in the maintenance program in TGN Gasoducto Centro Oeste, a pipeline related to GasAndes.

Regarding the outlook for operational and commercial activity and in the light of the increased natural gas production in Neuquén and Resolution 104/2018 of the Energy Ministry dated August 22nd, 2018 establishing the procedure to authorize natural gas exports, GasAndes Argentina has renewed and signed various interruptible transportation contracts with leading Argentine producers and traders for potential exports. Summer volumes amount to 4.5 million cubic meters/day, with peak volumes close to 8.0 million cubic meters/day. These volumes will decrease as from April, as a result of the hydroelectrical impact in Chile, and the beginning of the winter season in Argentina.

The 2020 goals will be essentially the same as those of the previous year, to keep the gas pipeline system operating safely and reliably, to comply with the ongoing contracts with our clients, adding new customers with the resuming of natural gas transportation from Argentina to certain combined cycle power plants in the V Region of Chile, and incorporate some industrial and distribution segments.

During the fiscal year 2019 the companies distributed cash dividends in line with the results recorded in 2018 as established by the Shareholders' Meetings held in 2019 worth $85.8 million, in the case of the Argentine company, and US$2.3 million in the case of the Chilean company.

In August 2019, the Board of Directors of GasAndes Argentina approved the payment in advance of dividends amounting to $454.9 million based on the financial statements of the Company at June 30th, 2019, subject to the final approval of the Shareholders' Ordinary Meeting to consider the accounting documentation corresponding to the year ended December 31st, 2019.

At the end of the fiscal year, the assets of GasAndes Argentina amounted to $2,512.5 million, and its equity amounted to $2,212.9 million. During the fiscal year ended December 31st, 2019, TGN recorded a net profit of $1,685.4 million, which resulted in a profit for CGC of $321.2 million.

In the case of the Chilean company, the assets amounted to US$43.5 million and its equity totaled US$23.9 million. During the fiscal year ended December 31st, 2019, TGN recorded a net profit of $8.1 million, which resulted in a profit for CGC of $156.5 million.

TGM (15.78%)

The Company has a 15.8% direct interest in TGM. The remaining shareholders in TGM are Tecpetrol Internacional S.L., Central Puerto S.A. y Total Gas y Electricidad Argentina S.A., with 31.5%, 20.0%, and 32.7% of the capital of TGM, respectively.
TGM operates the gas pipeline that transports natural gas from Aldea Brasilera, in the province of Entre Ríos, in Argentina, to Uruguaiana, in the Brazilian State of Río Grande do Sul, in Brazil. The gas pipeline has a length of approximately 437 km, with a 24” diameter and a carriage capacity of 15 MMm3/d. TGM’s operating concession expires in 2027 and may be extended for an additional 10 years, subject to the review and approval of the National Government.

As a result of the crisis in the energy sector due to the shortfall in the supply of natural gas and electricity, the Argentine government implemented measures that restricted gas exports and redirected the gas transportation capacity, until gas exports to Brazil ceased completely in mid-2008. This triggered litigation against YPF, for contract breach with reference to the “take or pay” contract for transporting 2.8 MMm3/d of natural gas signed in September 1998 between YPF and TGM. This contract, which was terminated by TGM in April 2009 due to YPF’s breach, represented 99.9% of the company’s revenue.

After various legal disputes, TGM and YPF entered into a Transactional Agreement in December 2017 establishing YPF’s obligation to pay compensation to TGM for a 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 could at that time or in the future have against YPF under the arbitration awards.

Additionally, TGM and YPF signed an interruptible export carriage agreement (STI).

Following the Transactional Agreement and the new STI contract, TGM has managed to rebuild its Equity and its Legal Reserve, and to settle its operational debts. Consequently, it is reasonable to expect that TGM will be able to provide the service in a safe manner and face its operating costs without any type of outside financing.

At December 31st, 2019, TGM’s assets amounted to $664.7 million, and its Equity amounted to$479.4 million.

In the year ended December 31st, 2019, TGM reported a net loss of $33.4 million.

VI. SALES MANAGEMENT

Oil and Gas Sales

CGC has increased its active role on the domestic and foreign markets both for crude oil and natural gas.

Oil sales

During 2019, 27% of oil sales went to refineries in the local market while the remaining 73% was exported, mainly to Chile, the Mexican Gulf coast, the United States and Rotterdam following the low season for local refining. As a result of this, YPF S.A. became the new domestic market supplier of María Inés oil. CGC´s oil sales in the local market were made through spot contracts for María Inés crude oil from the Austral basin, Medanito type from the Neuquén basin and Condensado (condensate) from the Northwestern basin. Prices were agreed with the refineries in relation with international prices, within the framework of current regulations and the terms of Decree No. 566/2019 by the end of the year.

In fiscal year 2019, oil export were closed through tenders, to show regularity and predictability to foreign markets. This selling modality offers 40,000 m3 of María Inés crude oil, the producers being CGC, ENAP Sipetrol S.A. and ROCH S.A., and 20,000 m3 of San Sebastián crude oil (owned by ROCH S.A.).

Liquefied Petroleum Gas (LPG) sales

In fiscal 2019, 64% of LPG sales went to export markets, with Chile as final destination. Pricing resulted from a formula based on the international quotes for propane and butane (Mont Belvieu). LPG sales on the local market followed the “Redes Propane Agreement” at a regulated and subsidized price and under “Programa Hogar C3” at regulated prices and on the spot market also, according to the export parity issued by the Energy Secretariat.

Natural Gas sales

Gas production sold by CGC derives from its participation in the fields in the Austral, Northwestern and Neuquina basins. The Company sells natural gas under forward and spot contracts and those negotiated on the MEGSA (“Mercado Electrónico de Gas S.A.”) to distributors, industries, compressed natural gas (CNG) stations, thermo-electric power plants (directly and through COMPAÑÍA ADMINISTRADORA DEL MERCADO MAYORISTA ELÉCTRICO SOCIEDAD ANÓNIMA “CAMMESA”), other traders and through export sales resumed in 2018.

Natural gas sales by volume: Natural gas produced and sold by the Company during the year 2019 reached 1,963 MMm3, up 422 MMm3 (or 27.38%) compared to volumes sold in the previous year.

Revenue segments: During 2019, approximately 35% of CGC's earnings came from electricity power plants, 26% from industrial users, 23% from service distribution licensees (Residential segment), 10% from exchange with Integración Energética Argentina S.A. ("IEASA"), 5% exports and 1% CNG.

Residential clients

On February 8th, 2019, the Energy Secretariat issued the Resolution No. 32/2019, whereby a public bid mechanism in the MEGSA was ordered for the provision of firm natural gas to the residential segment for a 12 months term as from April 1st, 2019 (the "Residential Bid").

Volumes for winter would be 2.5 times those for summer, the prices would be fixed in dollars in ascending order of price for each of the offers, but converted into pesos following the methodology developed by ENARGAS Resolution No. 72/2019, that established that the exchange rate for the first fifteen days of the months prior to the beginning of the tariff schedules should be considered. Therefore, for contract arising from the Bid, for gas delivered between April 2019 and September 2019 it was expected that the average exchange rate between March 1st and march 15th 2019 would be applied, and gas delivered as from October 2019, an adjustment, would consider the average exchange rate between September 1st and 15th, 2019.

The Residential Bid was made for the Neuquén and Austral basins on February 14th, 2019, entering into contracts for 14.26 million of daily cubic meters (on winter months), between 3.90 and 5.50 US$/MMBtu. The assigned average price was of 4.62 US$/MMBtu.

CGC participated in that Residential Bid winning contracts for summer volumes equal to 455,000m3/d (four hundred and five thousand daily cubic meters) with prices between 4.60 and 4.95 US$/MMBtu. In addition, CGC signed other agreements that took as reference the prices obtained in the Residential Bid.

On April 1st, 2019, the Energy Secretariat issued Resolution No. 148/2019, that ordered the ENARGAS to set an special 27% and 12% discount in the PIST price for April and May 2019 respectively, to be issued together with the new tariff schedules as from April 1st, 2019. The Government would bear the payment to the gas producers, of such differential costs, as an exception. Such difference was paid by the National Government.

On June 21st, 2019, the Energy Secretariat issued Resolution No. 336/2019 , whereby a benefit for residential users was established, providing for the payment deferral of 22% of all invoices issued between July and October 2019, with such deferral to be paid in 5 installments as from December 2019.The financial cost of such deferral was paid by the National Government.

During December 2019 and January 2020, CGC has collected the first two installments from the distributors. It is expected that the last installments be settled in April 2020. To date no interests due to the financial cost of such deferral has been collected.

On September 3rd, 2019, the Energy Secretariat through Resolution No. 521/2019 deferred until January 2020, the adjustment provided for by ENARGAS Resolution No. 72/2019 for the PIST price for the deliveries as from October 2019. Resolution No. 521/2019 of the Energy Secretariat then was amended by Resolution No. 791/2019, deferring the adjustment plan to February 1st, 2020. At the same time, Law No. 27541 on Social Solidarity and Productivity Recovery was passed providing for 180 day rate freeze period, on top of no exchange rate adjustments being in force to date by the ENARGAS through Resolution No. 72/2019. Consequently, for gas deliveries from October through December 2019, the average exchange rate between March 1st and March 15th, 2019 has been in force.

Gas exchange

In the Residential Bid, IEASA was ordered to supply the demand on the areas where subsidies to the residential gas consumption were applicable, as specified by Section 75 of the Law No. 25565 (corresponding to those areas where the residential price gas is lower). As part of this instruction, an exchange mechanism between volumes corresponding to Distrigas S.A. was established with volumes corresponding to IEASA from the Noroeste basin ("Gas exchange").

During 2019, 10% of the volume traded by CGC was under the methodology of Gas Exchange. These volumes accounted for 10% of CGC´s billing. The gas exchange mechanism enabled CGC to sell quantities corresponding to the distribution licensees in the Austral basin within and outside the gas transportation system, the latter (Distrigas) only physically connected to CGCs facilities. In the Noroeste Basin, providing for the discharge of production and reducing collection risk through IEASA for volumes traded outside the Gas Exchange while additionally positioning CGC in a basin where the demand for natural gas continues rising and offer is highly restricted due to the decline in local production, with subsequent beneficial business conditions.

Clients from the thermal power segment

On July 31st, 2018, the Ministry of Energy ordered the Under-secretariat of Electricity, through Section 1 of Resolution No. 46/2018, *"to adopt the necessary measures for CAMMESA to implement the competitive mechanisms to ensure the availability of the volumes of gas required for the generation of electricity."*

Such resolution also established new maximum prices for winter and summer for the volumes of natural gas to be purchased.

Interruptible bid

Through such instruction given under Resolution No. 46/2018, on December 27th, 2018 CAMMESA made, within the scope of MEGSA, a bid to acquire interruptible volumes for 2019 both for the buyer and for the seller. Such volumes awarded through the bid would be specified by CAMMESA in an increasing order of price, based on this comparative valuation, the pricing volumes placed in the Greater Buenos Aires delivery area considering the transportation cost from the respective productive basin. In the bid, 221.8MMm3/d were offered (two hundred twenty one million eight hundred thousand daily cubic meters) between 66% and 100% of the maximum prices.

CGC got assignments for 12.1MMm^3/d (twelve million one hundred thousand daily cubic meters) between the Tierra del Fuego, Santa Cruz, Chubut, Neuquén and Noroeste basins (in these last two cases as a trader). Based on these contracts for interruptible gas volumes, three hundred twenty thousand daily cubic meters (0.32 MMm^3/d), were sold and dispatched to CAMMESA during 2019.

Firm bid

On May 23th, 2019, CAMMESA made under MEGSAs´regulation a firm bid for the provision of 5.6MMm3 (five million six hundred thousand cubic meters) in the Tierra del Fuego basin.

The requested delivery conditions of volumes offered by CAMMESA were:

- June 2019 to May 2020 Term
- 100% daily Deliver or Pay
- 75% monthly Take or Pay
- June 2019 to May 2020 Term
- 60,000m3/d (sixty thousand daily cubic meters) flat and minimum volume to be offered
- Maximum price for June, July and August: 3,24 US$/MMBtu
- Maximum price for the remaining months: 2,20 US$/MMBtu

CGC was assigned a total of 1,348,000m3/d (one million three hundred forty eight thousand daily cubic meters) at maximum price.

Industrial clients

Along 2019 many agreements with industries were signed with annual and spot terms. Additionally, a 685,000m3/d contract (six hundred eighty five thousand daily cubic meters) was renewed for the May 2019-April 2021 period.

Gas exports to Chile

During 2019 the amount of exports to Methanex in the Austral basin and Colbún in Neuquina Basin, that started back in 2018, continued its consolidation.

The exported volumes to Methanex in 2019 were 84 MMm3, (eighty four million cubic meters) representing 5% of billing. The volumes accounted for 210% of those traded in the previous year.

The exported volumes by CGC to Colbún in 2019 were 14.2 MMm3 (fourteen million two hundred thousand cubic meters). In this case, all volumes were purchased in the Neuquina basin by CGC from third parties in its capacity as trader.

The volumes traded in the Neuquina basin, that were mainly directed to the export market, allowed CGC to supply additional gas quantities in the Austral Basin or do so in more advantageous business conditions.

On November 4th, 2019, CGC was granted the certificate to export to Methanex that extended to December 2020, the permit originally granted until May 2020.

CGC gas trader

By Resolution No. 104 of November 8th, 2017 of ENARGAS, CGC was granted the registration in the Registry of Traders and Trading Agreements of the ENARGAS. During 2019, this activity was performed in the Noroeste and Austral basins aimed at industrial and thermal generation clients and in Neuquina basin mainly for export purposes, but also for thermal generation, enhancing CGC operating production with such purchases, moreover increasing prices and generating margins in addition to those of CGCs main activity.

During 2019 gas volumes sold for export purposes amounted to forty million two hundred thousand cubic meters (40.2 MMm3), growing 3.6% more than the volumes traded in the previous year.

Acquisition and renewal of firm gas transportation capacity

On May 15th, 2019, TGS the gas carrier launched an open bid for firm transportation capacity (the “Bid”). TGS made offers for different capacities to be initiated as from May 2020 until May 2021.

Under the mentioned Bid, CGC extended its firm transportation capacity between Santa Cruz and Bahía Blanca for 116,000m3/d (one hundred and sixteen thousand daily cubic meters) for a 35 year term, beginning May 2020.

In addition, CGC acquired 80,000m3/d (eighty thousand daily cubic meters) for an 8 year term in the Santa Cruz-Chubut route as from May 2020, and 5,000m3/d (five thousand daily cubic meters) for a 7 year term (seven) in the Santa Cruz-Chubut route beginning May 2021.

The acquired transportation capacity ensures production discharge in an area with restricted interruptible capacity during most of the year.

VII. Social Development and Environment

Social Development

The social responsibility policy is a part of CGC's day-to-day activities and the essential aspects of this are the care for the environment and the integration with the various representatives of the society in which the Company operates. In recent years, focus has been placed in two programs centered in the City of Río Gallegos and its areas of influence.

CGC Community. This program, which was developed in the year 2017, arises out of the Company's interest to leave a footprint in the Río Gallegos community beyond business objectives. For this purpose CGC made an a strategic agreement with *Creer Hacer*, a firm engaged in connecting communities with the private sector, to develop synergies between the Company, its projects and the organizations and institutions that are a part of the society, contributing to the sustainable development of the population and its institutions in the areas of education, health, sport, and cultural and social promotion.

During 2019, various activities were developed through CGC Community, such as:

- **Barrio Abierto - April 2019.** Second Barrio Abierto (open neighborhood) in Río Gallegos, aimed at inspiring participants to take control of their lives with their own plans. In this way, it seeks to empower communities and promote personal development within the society to which they belong. A day-long meeting with testimonies, where social leaders share their stories and their aims in life with their neighbors. The event is co-organized by the Company, community organizations and neighbors.
- **Social Transformers Program:** It seeks to empower and develop leaders with a high social impact through leadership courses with 8 modules providing training in socio-emotional skills for people who seek to be agents of change. Each module is taught by professionals in leadership training. A total of 75 Río Gallegos citizens from different, social and trade union, backgrounds have participated in and concluded this program.

Barrios Unidos: A solidarity bonding program. These programs, with social nature, actively continue aiming at solidarity actions between volunteers, the company and the community. This solidarity create bonds and action networks with a special focus on the communities neighboring our fields.

Supplier development program (in Spanish PDP): This program that started in April 2017 aims at enhancing CGC's commitment with the local supply chain in the Austral Basin, thus reactivating the productive base of SMEs in the zone.

CGC believes in the need of developing its suppliers while supporting their growth both in scale and efficiency, and in quality to help make a more competitive industry. For this reason CGC develops the opportunity to have a comprehensive development plan.

The Program has a long-term vision, a local vision committed to the Austral Basin and a pro-active approach towards planning, management and efficient use of resources.

During 2017 the initial group of local firms was selected in order to learn about their background, diagnose their skills as local suppliers and understand their needs, and in 2018 the program began with the introduction of the project, followed by networking meetings and training modules.

On December 5th, 2019, the closing of activities for 2019 under the Supplier Development Program was held in Río Gallegos.
The main lines for the Program, defined in conjunction with the suppliers, are:

- **Networking:** Boost the ties between entrepreneurs, CGC and other parties to build common agendas, organizing workshops to align shared problems, plans of activities and communication.
- **Training:** A plan of Activities / Seminars on daily issues: Costs, Processes, strategic planning, decision-making, conflict resolution, negotiation, crisis management, safety, etc.
- **Consulting:** Proposals to improve management according to the needs of the participants.
- **Human Capital:** Activities with a focus on education, with the support of CGC and suppliers, to reinforce the local technical school and university. Build up knowledge networks.
- **Trade unions:** Work together to develop a common agenda and involvement in training activities.

Work together to develop a common agenda and involvement in training activities. During 2019, CGC continued to strengthen its ties with interest groups in the spheres described below, among others.

- **Vessel Marjory Glen: historical reference and value enhancement**
  On December 6th, 2019, a ceremony was held for the inauguration of Vessel Marjory Glen, a historical reference and value enhancement project, in a location close to our Punta Loyola Terminal. This project is jointly conducted by CGC and Corredor Americano S.A.

  Thus, the city of Río Gallegos now has a renewed historical and recreational landmark. Under an approach characterized by great flexibility and entrepreneurship, a set of seven concrete benches using the same dies habitually used to build wellhead cellar structures and pillars were manufactured in our workshops.

  In addition, when Yacimientos Carboníferos Río Turbio (YCRT) and Vialidad Nacional learned about the project, they became immediately interested and contributed machinery working hours and materials from the quarry to build an access road.
  Thanks to an exceptional commitment and teamwork, this objective was completed in only three weeks, thus strengthening our ties.

- **CGC opens its doors to students in technical schools in Santa Cruz**
  Through a series of technical presentation followed by a guided tour to our Gas Treatment Plant in Barda Las Vegas and a productive well, CGC received 250 students from five Technical Schools in the Province of Santa Cruz.

  The event highlighted the professionalism of our engineers during the technical lectures, the vocation of our supervisors during the guided tours through our facilities, and the logistics effort associated with this initiative, considering the geographical extension of Santa Cruz.

Through these actions, CGC contributes to providing vocational orientation to students in the Province of Santa Cruz to allow them to project their talent.

- **Supervised practices program**
  During 2019 CGC received the top academic graduates from the **Technical Schools in the Province of Santa Cruz** as part of its **Internship Program.**
  These practices, which will continue in 2020, are intended to provide outstanding students with their first experience in our industry, while leveraging their development in a dynamic company that has a positive impact in the region, as it is the case of **CGC**.

- **Agreement with Universidad Tecnológica Nacional (UTN) for hydrocarbon research**
  In July 2019, CGC and the Regional School of Santa Cruz of the UTN signed a collaboration agreement relating to hydrocarbons research.

  This type of agreement is of high relevance for the University, as it involves applied research having an impact both on scientific expertise and regional development. It is implemented under the framework of the Oil Biomarkers Characterization and Environmental Stability Project in the Province of Santa Cruz.

  As part of this synergistic approach, the UTN will receive oil samples for analysis within the framework of a doctoral thesis. One of the purposes of this agreement is to establish biomarker profiles for each field, studying the microbial composition and defining the distinctive features of each sample through a joint analysis of biomarkers and microbial populations, using multivariate statistics.

  At CGC, we celebrate this agreement with one of the leading Argentine school as well as one of the most prestigious in Latin America.

Environmental Development

Safety, Environment and Health (SAS)

CGC aims at preserving the physical integrity of its staff, contractors and other interested parties, and assure suitable environmental protection. This commitment is necessarily tied to the responsible execution of safe operations.

We comply with the prevailing legislation on Quality, Health, Safety and the Environment in the jurisdictions in which we carry out our activities, and with other key industry practices adopted voluntarily. We are responsible in our use of natural resources, waste generation, energy consumption, as well as in the emissions we generate, and the impact we may have on populations, biodiversity and cultural assets.

We use a management program based on measurable objectives and targets and a vision of progressive improvement. In all cases, we perform risk assessments of our projects, control audits and emergency response plans.

During 2019, various preventive methodologies were followed (such as risk assessments, audits, process quality management and SAS preventive observations) to reduce the rate of incidents that might affect persons, facilities and the environment.

We complied with all applicable regulations in each jurisdiction, and we worked on procedures, contingency plans, training and drill programs, environment monitoring and impact studies for the Company to safely perform its activities in a process of continuous improvement.

We continued working on actions such as:

- Closed circuit for drilling muds and treatment of the obtained products so as to minimize the use of fresh water sources.
- Treatment of waste and final disposal in line with applicable environmental legislation.
- Characterization and remediation of underground aquifers.
- Reduction of the environmental footprint caused by the use of directional drilling and multiple location techniques.
- Reconstruction of facilities after drilling and reconstruction of the extracted flora.
- Suitable handling and treatment of hazardous and oil waste resulting from the activity in line with the local regulations in force and best industry practices.
- Ongoing environmental management to ensure the clean up of any existing liabilities.
- Labor risk control and management for employees and contractors.
- Health control over workers follow-up actions and prevention of diseases and health conditions.
- Follow-up of the integrity of our facilities and the risks inherent in new projects.
- Availability of contingency elements for immediate health assistance and operating accidents.

VIII. Financing

The financial strategy consists in maintaining a conservative leverage ratio and maturities in line with investment cycles so as to ensure the necessary cashflow generation for the development and exploration of hydrocarbons in accordance with the long-term strategy of the company.

New syndicated loan

On May 22nd, 2019, the Company signed a syndicated loan agreement with Citibank N.A. as administrative agent, the Citibank N.A. Branch, incorporated in the Argentine Republic, as organizer, Argentine disbursement agent and lender, Banco de Galicia Buenos Aires S.A.U., Industrial and Commercial Bank of China (Argentina) S.A. and Banco Santander Río S.A., as organizers and lenders for US$75,000,000. The purpose of the transaction was avoid any principal maturities, to cancel short-term debts for US$48,550,000 and strengthen the Company´s liquidity position in a highly volatile year.

The Syndicated Loan accrues interest at an annual nominal rate of 9.50%, payable on a quarterly basis. In the case the loans should be assigned to foreign persons, such loans would accrue interest at an annual floating rate equivalent to LIBOR plus 5.50%, at the assignee's choice.

The loan will be amortized in five equal, quarterly and consecutive installments payable as from May 21st, 2020, with the last installment falling due on May 21st, 2021.

Early and partial redemption of Class 10 Corporate bonds in May and July 2019

On May 7th, 2019, in view of the terms provided for in the “Mandatory early redemption” section under the “Terms and Conditions” of the pricing supplement corresponding to the Class 10 Corporate bonds, the Company made an early repayment amounting to US$5,041,607 to restore the Minimum Value Ratio (RMV) to the level of 1.75x, ratio that had been under such threshold for 10 consecutive business days as from April 22nd, 2019, triggering the beginning of the obligatory repayment period.

On July 12th, 2019, principal for US$10,849,400 was repaid with available funds (see Note 21 to the Financial Statements).

Early and partial repayment of Class 10 Corporate bonds and consent solicitation in September 2019

In September, as a result of a volatility of the foreign exchange rate and the drop in the value of Argentine assets after the PASO elections, the Minimum Value Ratio was affected again, thus it was necessary to make a significant early repayment to restore the ratio to the number required.

Following this event, on September 12th, 2019, a Consent Solicitation was formally launched mainly to protect the Company’s liquidity, reducing the necessary prepayment amount and to modify the Minimum Value Ratio required for the future.

The Terms and Conditions amendment considers the following points:

- Reduction of the amount to be prepaid: a total amount to be prepaid was agreed for US$20 million, of which CGC had to contribute only US$15.6 million from its own funds. When the ratio hit its lowest value, the required redemption amounted to more than US$40 million.

- Change to the repayment schedule: Six quarterly installments of US$5 million as from April 2020, with the remaining amount to be paid on July 2021.
- Reduction of the Minimum Value Ratio: the ratio is reduced to 0.65x until the first installment, followed by an incremental schedule in line with the principal amortization schedule.
- Change in the Interest Period: following the interest payment on January 2020, the interest payment changed to a quarterly basis in line with the new principal amortization schedule.
- Change of payment address: following the consent approval, Class 10 Corporate bonds (principal and interest) will be paid outside Argentina, regardless of the existence of exchange regulatory restrictions.

Finally, on September 19th, the Consent was accepted by finished 100% of the holders.

Issuance of Class 12, 13 and 14 Corporate Bonds

On March 5th, 2020 the Company issued under the Frequent Issuer No. 8 program three series of corporate bonds in the local market:

- Class 12 Corporate bonds: in US dollars for a total amount of US$15,310,245, out to 15 months and accruing an annual fixed rate of 9.00%;
- Class 13 corporate bonds stated in US dollars and payable in pesos at the applicable exchange rate for a total amount of US$14,343,535, out to 15 months and accruing an annual fixed rate of 8.50%; and
- Class 14 corporate bonds, stated in Argentine pesos and payable in pesos, for a total amount of AR$314,608,906, out to 12 months and accruing a floating rate that will be equal to (i) the applicable interest rate (private Badlar rate), plus (ii) the cut-off margin (500 basis points).

The funds obtained through the issuance of such corporate bonds aimed at refinancing liabilities, as well as investment in exploitation and exploration of hydrocarbons in the Austral Basin and finance the Company's working capital.

The Company's financial objectives for the year 2020 are to enhance the capital structure, decrease the financial costs and the search for additional sources of financing to ensure the adequate funds to cover working capital needs, the expected investment plan and comply with the financial obligations.

IX. Summary of the equity, income and cash flow structure of the Company

(In millions of pesos)

The financial statements are disclosed following the criteria adopted by the National Securities Commission as regards application of IFRS. The International Accounting Standards 29 "Financial reporting on hyperinflationary economies" ("IAS 29"); therefore, the financial statements of the Company at December 31st, 2019, including prior year amounts, were restated to consider changes in the purchasing power of the Argentine currency at that date.

As a result, the amounts disclosed below are stated in the purchasing power of the currency at December 31st, 2019.

Equity structure

	2019	2018
Non-current assets	40,171.1	35,476.6
Current assets	15,529.2	15,031.8
Total assets	**55,700.3**	**50,508.4**
Non-current liabilities	27,028.2	25,019.9
Current liabilities	9,452.4	10,331.8
Total liabilities	**36,480.6**	**35,351.7**
Total equity	**19,219.7**	**15,156.7**
Total liabilities and shareholders' equity	**55,700.3**	**50,508.4**

Breakdown of income/loss

	2019	2018
Net sales	30,880.7	27,432.9
Cost of sales	(19,005.7)	(17,150.1)
Gross income/loss	**11,875.0**	**10,282.8**
Selling expenses	(994.2)	(747.4)
Administrative expenses	(1,580.2)	(1,221.4)
Exploration expenses	(934.1)	(535.7)
Other operating income and expenses	(864.3)	(580.8)
Operating income	**7,502.2**	**7,197.5**
Proceeds from investments valued with the equity method	3,818.4	1,549.0
Financial results, net	(4,845.1)	(7,962.1)
Income (loss) before taxes	**6,475.5**	**784.4**
Income tax	(1,779.8)	(53.7)
Net income for the period	**4,695.7**	**730.7**
Income/loss for the year attributable to:		
Company shareholders	4,695.7	730.7

Changes in cash flows

	2019	2018
Cash flows at the beginning of year	1,589.6	523.6
Net cash provided by operations	17,247.0	8,671.6
Net cash flows used in investment activities	(9,711.7)	(8,618.4)
Net cash flows (used in) provided by financing activities	(4,621.8)	273.5
Financial results generated by cash	(788.4)	739.3
Cash flows at year end	**3,714.7**	**1,589.6**

X. ANALYSIS OF INCOME/LOSS, EQUITY POSITION AND CASH FLOWS

P&L

Revenues for the year under analysis amounted to $30,880.7 million, accounting for an increase of 13% compared with the prior year, mainly due to (i) the significant increase in the production of unconventional gas, which was followed by an increase in the incentives accrued within the framework of Resolution 46-E/2017 and (ii) partially offset by a decrease in sale prices.

Revenues from gas sales decreased $1,427.1 million compared with 2018, due to the reduction in average prices which was partially offset by higher amounts sold. Gas deliveries increased 396.38 million m^3 compared with 2018, accounting for 22.4% (11.84% of own production and 10.61% as trader). Average sale prices (without considering the incentives program) decreased 25.64% compared with the previous year.

Revenues from oil sales increased $1,464.3 million compared with 2018 due to the higher volumes delivered, which was partially offset by a decrease in the average prices. Crude oil deliveries increased 79,799 m^3 compared with 2018, accounting for 27.9%. Average sale prices decreased 2.65% compared with the previous year.

The cost of sales amounted to $19,005.7 million in 2019, accounting for an increase of 10.8% compared with the $17,150 million recorded in 2018, the increase in operating costs is mainly explained by the higher amortization expenses resulting from the increased level of capital expenditures, made during the year for the development of the Campo Indio Este-El Cerrito area fields.

The gross profit for the year 2019 reached $11,875.0 million, $1,592.2 million higher than the one recorded in 2018, with a 38.5% sales margin in 2019 and 37.5% in the previous year.

The gross margin increased 15% compared with the previous year due to a higher growth in sale than in costs

Administrative expenses increased by $359.0 million in 2019, or 29%, compared with the previous year. The most significant increases correspond to i) Salaries and social security charges which increased $104.5 million, resulting mainly from new recruiting and salary adjustments granted, mainly as compensation for inflation, ii) higher charges for fees and compensation for services, which increased $203,3 million.

Selling expenses for 2019 increased by $246.8 million, or 33% compared with the previous year due to higher export duties as a result of growing crude oil and gas exports in 2019 compared with 2018, slightly offset by lower charges for turnover tax.

Exploration expenses for 2019 amounted to $934.1 million due to the $916.5 million decrease in net assets in the Angostura areas, that were assigned in October 2019 and the decrease in investments in unproductive drilling and seismic survey in the Tapi Aike and Mata Amarilla areas. Exploration expenses for 2018 amounted to $535.7 million mainly due to the decrease in investments in unproductive drilling and seismic survey in the Angostura and Mata Amarilla areas.

The Other Operating Income & Expenses line recorded losses for $864.3 million in 2019 and losses for $580.8 million in the comparative year due to the impairment of certain production and development assets of the Austral basin (UGE Dos Hermanos and UGE La Maggie).

EBITDA for the year 2019 increased to $18,700.3 million (see Note 6 to the Financial Statements), 27% higher than 2018.

The Results from Investments valued under the equity method showed a total gain of $3,818.4 in fiscal year 2019 and a gain of $1,549.0 million in the comparative period. The variation of $2,269.4 million is mainly due to (i) income from higher investment in TGN, TGM and Gasinvest for $2,030.9 due to the transactional agreement which put an end to the conflict in the litigation “CGC and others / R.P.M. Gas S.A. ordinary” described in Note 30 to the financial statements.

The net financial result for the fiscal year ended December 31st, 2019 recorded a loss of $4,845.1 million, $3,117.0 million lower than the one recorded in 2018, mainly generated by the lower impact of foreign exchange differences arising from foreign currency indebtedness. In 2019 and 2018, the peso was depreciated by 59 % and 102 %, respectively, against the US dollar.

The income tax charge for 2019 amounted to $1,779.8 million, $1,726.1 million more than the charge for 2018, which reached $53.7 million. That increase is mainly due to higher deferred income tax.

Net income for the year amounted to $4,695.7 million for the year ended December 31st, 2019, 543% higher than the $730.7 million recorded in fiscal year 2018. The change is mainly due to a higher gross margin for larger sale volumes of gas from unconventional reservoirs, higher proceeds from investments in associated companies and a lower financial burden.

Balance sheet		**2019**	**2018**
Liquidity	(a)	1.64	1.45
Solvency	(b)	0.53	0.43
Immobilized assets	(c)	0.72	0.70
Profitability	(d)	0.44	0.06

Comparative ratios

(a) Current assets to current liabilities
(b) Shareholders’ equity/ Total liabilities
(c) Non-current assets to total assets
(d) Income/Average Equity

At December 31st, 2019, Company assets amounted to $55,700.3 million, which against liabilities for $36,480.6 million, determined a shareholders’ equity of $19,219.7 million.

Total assets increased by $5,191.9 billion compared with the previous fiscal year. This variation was mainly driven by:

i) an increase of $3,008 million in the Fixed Assets line (P, P&E), mainly due to the net effect of additions and disposals ($11,257 million), more capital expenditures were made under the Investment Plan carried out during this year related to the drilling campaign executed in the Austral Basin and depreciation & amortization recorded during the current year for $7,293 million, as a result of higher investments and the increase in the Company´s production levels. In 2019 the allowance for impairment of non-financial assets increased by $956.
ii) An increase of $2,054.3 million in the Investments in associated companies line mainly due to the higher interest in TGN, TGM and Gasinvest due to the transactional agreement which put an end to the conflict in the litigation "CGC and others against/ R.P.M. Gas S.A. ordinary", whereby CGC increased its shareholding in TGN, Gasinvest and TGM by 22.4%, 22.4% and 44.7% respectively.

Total liabilities grew by $1,128.9 million, driven mainly by variations in the following lines:

i) Increase of debts for leasing for $1,085 million, as from January 1st, 2019 the Company started to apply the IFRS 16 on leases (see Note 28 to the Financial Statements).
ii) An increase of $1,779.8 million in the deferred tax liabilities mainly due to the adjustment for inflation applied for tax purposes as from fiscal year 2019.

Cash flows

During fiscal year 2019, cash generated by operating activities reached $17,247.0 million, reflecting a 99% increase with regard to the previous year. This increase of $8,575.4 million was due to the increase in EBITDA and a reduction in working capital, where it should be highlighted the collection of US$23.4 million for Gas Program Bonds, derived from credits for incentives to gas production existing at December 31st, 2018.

Operating cash generated was allocated to cash flows from investment activities, which totaled $9,711.7 million in 2019, recording an increase of $1,093.3 million compared with the previous year, accounting for an approximate increase of 13%.

In 2019 net cash flows from financing activities accounted for funds used in for $3,785.5 million. Net debt relief amounted to $1,313.2 million and interest for $2,472.3 million were paid.

At December 31st, 2019, the cash and cash equivalent position amounted to $3,714.7 million, reaching a liquidity ratio of 1.64. The financial debt at that date was mostly US dollar denominated and reached US$25,956 million.

XI. Outlook

In 2019 the Company recorded four years of consecutive growth in production. At a national level it posted a consolidated position as fifth gas producer and fourteenth oil and gas producer, according to the information published by the Argentine Oil and Gas Institute.

In 2019, the Company made aa significant capital expenditure campaign, working with two drilling rigs drilling a total of 42 wells, of which 8 are horizontal wells, 4 exploratory wells and the first underground storage well ever made in the province of Santa Cruz, accounting for a total of approximately US$180 million.

There is a great deal of uncertainty about Argentina's economic context in view of the recent economic instability. In August 2019, the Argentine government adopted a series of economic measures that discouraged production and led to a temporary decrease in activity, redefining investment projects for the coming year. The above mentioned current period of uncertainty remains due to the lack of clear signals to date by the government as to which the official energy policy will be.

In this context, CGC believes that the Government will define future conditions in the short term, with clear rules to make the industry more predictable. In this sense, CGC estimates to execute in 2020 an investment plan for a total cost of approximately US$100 million, including seismic survey and exploratory well drilling in the Tapi Aike and Paso Fuhr areas.

In general terms, CGC expects to continue growing in the Province of Santa Cruz, consolidating a gas production profile, which has already led to the opening of the international market with exports to Chile. In 2020 the Company expects to continue the growth in gas production exported to Chile.

In the long term, the company will continue working on new discoveries through the ongoing exploration. There is significant potential, the exploratory upside of the Austral basin is huge and with a potential similar to that of the Neuquina basin, but mostly underdeveloped and not fully explored.

In terms of financing, the Company’s efforts remain focused on the enhancement of its financing structure, as well as on the search for additional sources of financing in line with its investment objectives.

XII. Proposal for allocation of income

Fiscal year 2019 recorded a profit of $4,695.7 million. Retained earnings totaled $5,345.9 at December 31st, 2019. In view of the above, the Board of Directors recommend the Shareholders to allocate the above retained earnings for the maintenance of working capital and future dividends.

XIII. Directors and Supervisory committee fees

On December 31st, 2019, for the duties carried out during the year $87.0 million were allocated as Board compensation, as well as $0.8 million allocated to the Supervisory' Committee. Such fees should be approved by the Shareholders' Meeting discussing this Annual Report and the pertinent Financial Statements.

City of Buenos Aires, March 9th, 2020

BOARD OF DIRECTORS

Eduardo Hugo Antranik Eurnekian
President

“Free translation from the original in Spanish for publication in Argentina”

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

Financial statements for the fiscal year ended December 31, 2019 (presented in comparative format)

“Free translation from the original in Spanish for publication in Argentina”

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

FINANCIAL STATEMENTS FOR THE FISCAL YEAR COMMENCED JANUARY 1, 2019 AND ENDED DECEMBER 31, 2019

Contents

GLOSSARY

Term	Definition
AFIP	Federal Administration of Public Revenue
ARS/ $	Argentine peso
Bbl	Barrel
BRENT	Benchmark oil price in the European market
BTU	British Thermal Unit
CAMMESA	Compañía Administradora del Mercado Eléctrico Mayorista S.A.
CNV	National Securities Commission
ENARGAS	National Regulatory Entity for Gas
ENARSA/IEASA	Integración Energética Argentina S.A. (Formerly, Energía Argentina S.A.)
FACPCE	Argentine Federation of Professional Councils in Economic Sciences
GAA	Gasoducto Gasandes (Argentina) S.A
GAC	Gasoducto Gasandes S.A. (Chile)
IESC	Energy Institute of Santa Cruz
IGJ	Legal Entities Regulator
IPIM	Domestic WPI
VAT	Value added tax
m3	Cubic meter
MBTU	Millions of BTUs
MEM	Wholesale Electricity Market
MINEM	Ministry of Energy and Mining
Mm3	Thousands of cubic meters
MMm3	Millions of cubic meters
Mtn	Thousands of tons
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
ONs	Negotiable obligations
PEN	National Executive Branch
RTI	Integral Tariff Review
SEE	Secretariat of Electric Energy
SGE	Secretariat of Energy
TGN	Transportadora de Gas del Norte S.A.
TGM	Transportadora de Gas del Mercosur S.A.
WACC	Weighted Average Cost of Capital
Tn	Ton
USD	United States dollar
CGU	Cash Generating Unit
UTE	Joint Venture
V/N	Par value
WTI	West Texas Intermediate (benchmark oil price in the US market)

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

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

FINANCIAL STATEMENTS

for the fiscal year ended December 31, 2019

(presented in comparative format)

“Free translation from the original in Spanish for publication in Argentina”

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.

Legal address: Bonpland 1745 – City of Buenos Aires, Argentina

FISCAL YEAR No. 100

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

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 Legal Entities Regulator:	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 capital stock and votes: 70.00% (1)

CAPITAL STATUS (2)- In pesos -

	Subscribed, issued and paid-up 12/31/2019
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 Financial Statements
(2) Note 15 to the Financial Statements

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND DECEMBER 31, 2018

(In thousands of pesos)

	Note	12.31.2019	12.31.2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	24,043,061	21,034,778
Investments in associates	9	13,791,150	11,736,864
Other investments	13.a)	618,670	-
Right of use assets	28	1,041,870	-
Other receivables	10	392,058	2,164,378
Trade receivables	12	284,250	540,670
Total Non-Current Assets		**40,171,059**	**35,476,690**
CURRENT ASSETS			
Inventories	11	1,094,310	1,309,781
Other receivables	10	3,848,859	4,241,405
Trade receivables	12	4,729,847	7,388,109
Investment at amortized cost	13.a)	1.338.505	-
Investment at fair Value	13.b)	303.123	502,857
Cash and cash equivalents	14	4,214,590	1,589,587
Total Current Assets		**15,529,234**	**15,031,739**
TOTAL ASSETS		**55,700,293**	**50,508,429**
EQUITY			
Share capital	15	399,138	399,138
Capital adjustment		2,115,289	2,115,289
Reserves	16	6,089,438	587,233
Retained earnings	17.a	5.345.911	5,740,839
Other comprehensive income	17.b	5,269,914	6,314,223
TOTAL EQUITY		**19.219.690**	**15,156,722**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions for legal claims and other proceedings	18	95,493	87,008
Other provisions	19	2,570,395	2,113,271
Deferred tax liabilities	27	2,429,857	650,093
Tax payables	20	9,687	39,429
Financial debts	21	21,466,069	22,130,129
Leases liabilities	28	456,706	-
Total Non-Current Liabilities		**27,028,207**	**25,019,930**
CURRENT LIABILITIES			
Other provisions	19	1,405	2,383
Other debts	22	153,866	218,104
Tax payables	20	130,267	313,307
Salaries and social security contributions		286,019	368,987
Leases liabilities	28	628,345	-
Financial debts	21	4,489,967	3,894,605
Trade payables	23	3,762,527	5,534,391
Total Current Liabilities		**9,452,396**	**10,331,777**
TOTAL LIABILITIES		**36,480,603**	**35,351,707**
TOTAL EQUITY AND LIABILITIES		**55,700,293**	**50,508,429**

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

COMPAÑÍA GENERAL DE COMBUSTIBLES S.A.
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of pesos)

	Note	12.31.2019	12.31.2018
Revenue	24 a)	30,880,748	27,432,896
Cost of revenue	24 b)	(19,005,654)	(17,150,078)
Gross profit		**11,875,094**	**10,282,818**
Selling expenses	24 c)	(994,227)	(747,412)
Administrative expenses	24 d)	(1,580,206)	(1,221,378)
Exploration expenses	24 e)	(934,145)	(535,732)
Other operating income and (expenses), net	24 f)	(864,323)	(580,782)
Operating income		**7,502,193**	**7,197,514**
Result of investments in associates	24 g)	3,818,382	1,548,962
Financial income	24 h)	92,190	73,101
Financial costs	24 h)	(2,579,276)	(2,363,458)
Hyperinflation effect	24 h)	(1,434,550)	(198,773)
Other financial results	24 h)	(923,492)	(5,473,025)
Income before taxes		**6,475,447**	**784,321**
Income tax	27	(1,779,764)	(53,660)
Income for the year		**4,695,683**	**730,661**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified in the Statement of Income			
Asset revaluation reserve	3.2.3.3)	(485,354)	5,333,438
Items to be reclassified in the Statement of Income			
Financial statement translation difference	3.2.11)	91,273	724,826
Total other comprehensive income for the year, net of taxes		**(394,081)**	**6,058,264**
Total comprehensive income for the year - Income		**4,301,602**	**6,788,925**
Basic and diluted earnings per share	25	**11.765**	**1.831**

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

COMPAÑÍA GENERAL DE COMBUSTIBLES S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of pesos)

	Share capital (Note 15)	Capital adjustment	Legal reserve (Note 16)	Optional reserve (Note 16) (1)	Other (Note 16)	Other comprehensive income		Retained earnings (Note 17.a)	Total Equity
						Asset revaluation reserve (Note 3.2.3.3)	Currency translation difference		
Balances as of December 31, 2017	**399,138**	**2,115,289**	**49,577**	**2,110,447**	**(489,041)**	**-**	**255,959**	**4,160,602**	**8,601,971**
Resolution of the Ordinary General Meeting of Shareholders dated April 27, 2018: - Appropriation of retained earnings	-	-	-	(849,576)	-	-	-	849,576	-
Resolution of the Ordinary General Meeting of Shareholders dated August 1, 2018: - Distribution of dividends among the shareholders	-	-	-	(234,174)	-	-	-	-	(234,174)
Net income for the year	-	-	-	-	-	-	-	730,661	730,661
Other comprehensive income for the year	-	-	-	-	-	5,333,438	724,826	-	6,058,264
Balances as of December 31, 2018	**399,138**	**2,115,289**	**49,577**	**1,026,697**	**(489,041)**	**5,333,438**	**980,785**	**5,740,839**	**15,156,722**
Resolution of the General Ordinary Meeting of Shareholders dated April 10, 2019: - Appropriation of retained earnings and distribution of dividends among the shareholders	-	-	453,309	4,559,855	489,041	-	-	(5,740,839)	(238,634)
Net income for the year	-	-	-	-	-	-	-	4,695,683	4, 695,683
Reversal of asset revaluation reserve	-	-	-	-	-	(650,228)	-	650,228	-
Other comprehensive income for the year	-	-	-	-	-	(485,354)	91,273	-	(394,081)
Balances as of December 31, 2019	**399,138**	**2,115,289**	**502,886**	**5,586,552**	**-**	**4,197,856**	**1,072,058**	**5,345,911**	**19,219,690**

(1) For maintenance of working capital and future dividends

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

“Free translation from the original in Spanish for publication in Argentina”

COMPAÑÍA GENERAL DE COMBUSTIBLES S.A.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of pesos)

	Note	12.31.2019	12.31.2018
Cash flows from operating activities			
Net income/(loss) for the year		4,695,683	730,661
Adjustments to arrive at net cash flows from operating activities:			
Depreciation of property, plant and equipment	8	7,293,162	5,654,715
Write off of property, plant and equipment	8	936,037	551,632
Depreciation of right of use assets	28	515,479	-
Result of investments in associates	24 g)	(3,818,382)	(1,548,962)
Financial results, net	24 h)	3,326,008	7,480,696
Non-financial asset impairment allowance	24 f)	1,032,896	278,961
Increase in allowances for receivables, net	24 f)	20,491	322,173
Increase in provision for legal claims and other proceedings, net	24 f)	38,934	38,762
Gas imbalance charges	24 b)	(7,698)	(17,408)
Income accrued for incentives, net of collections	24 a)	(2,432,537)	(3,380,486)
Gain/(loss) on the assignment of oil production areas	24 f)	(59,378)	102,376
Hyperinflation effect		1,434,550	198,773
Accrued income tax	27	1,779,764	53,660
Changes in operating assets and liabilities:			
Receivables		1,406,465	(5,269,646)
Inventory		215,471	(228,210)
Non-financial debts		1,054,419	3,836,938
Income tax paid		(184,327)	(133,079)
Net cash flows provided by operating activities		**17,247,037**	**8,671,556**
Net cash flows provided by investment activities			
Acquisition of property, plant and equipment	8	(10,965,145)	(9,114,905)
Decrease in investments in associates	9 b)	(104)	22,063
Changes in current investments		92,325	97,779
Dividends collected	9 b)	1,161,228	376,703
Net cash flows used in investment activities		**(9,711,696)**	**(8,618,360)**
Net cash flows provided by financing activities			
Dividends distributed among the shareholders		(238,634)	(234,174)
Lease payments	28	(597,662)	
Interest paid on financial debts	21	(2,472,328)	(1,941,835)
Financial debts settled	21	(7,083,911)	(4,734,479)
Financial debts incurred	21	5,770,697	7,184,012
Net cash flows (used in) provided by financing activities		**(4,621,838)**	**273,524**
Net increase in cash, cash equivalents, and bank overdraft facilities		**2,913,503**	**326,720**
Cash, cash equivalents, and bank overdraft facilities at beginning of the year	14	1,589,587	523,555
Financial results generated by cash, cash equivalents, and bank overdraft facilities		(788,443)	739,312
Cash, cash equivalents and bank overdraft facilities at the end of the year	**14**	**3,714,647**	**1,589,587**
<u>**Changes not entailing movements of funds:**</u>			
Payments in the period of prior period acquisitions of property, plant and equipment	8	(167,501)	(57,318)
Capitalization of financial costs	8	20,971	109,730
Abandon cost of wellscapitalized in property, plant and equipment	8	1,374,806	861,803

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

COMPAÑIA GENERAL DE COMBUSTIBLES S.A.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

Index of Notes to the Financial Statements

NOTE 1 – GENERAL INFORMATION

1.1 - The Company and its control group

Compañía General de Combustibles S.A. (“CGC” or “the Company”, or jointly 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 carriage. Upstream activities are carried out both individually and through joint ventures, and gas carriage activities through Company associates.

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

1.2 – Economic environment in which the Company operates

The Company has been operating in a complex economic environment whose main variables have recently been affected by a strong volatility, both nationally and internationally.

The following circumstances occurred locally in 2019:

- GDP fell 2.5% year-on-year in the first nine months of 2019.
- Cumulative inflation between January 1, 2019 and December 31, 2019 was 53.8% (General Consumer Price Index).
- The significant peso devaluation since August has led to an unexpected withdrawal of deposits in dollars from the financial system, thereby eroding the Central Bank reserves, and to an increase in the reference interest rate, which during the year reached over 80%. At year end, the reference interest rate was close to 60%.

On December 10, 2019, a new national government administration took office. In view of these circumstances, the government decided to implement certain measures, which are summarized below:

- Set up of a regularization system for tax, social security and customs debts for micro, small and medium-sized enterprises.
- Suspension of the employers’ contributions rate unification schedule.
- Power to the National Executive Branch to determine mandatory minimum salary increases to workers in the private sector (with temporary exemption of the employer's and employees' contributions to the Argentine Integrated Social Security System of the salary increases resulting from this power or a collective bargaining.
- Suspension, for the financial years starting on or after 01/01/2021, inclusive, of the tax rate reduction stated by Law No. 27430, keeping the 30% rate and the 7% rate for the dividends for those years.
- Regarding the tax inflation adjustment, it was decided that the amount determined for the first and second year starting on or after January 1, 2019 has to be allocated as follows: 1/6 during those fiscal years and the remaining 5/6 in equal parts in the immediate next five fiscal years. Likewise, such provision does not prevent the calculation of the remaining thirds corresponding to previous years, calculated pursuant to the previous version of Section 194 of the Income Tax Law.
- Decree on the increase in the withholding tax on exports (except for hydrocarbons and mining) and in the Tax on Personal Assets.

- The Value Added Tax on basic food basket products was re-established and the variability of pension benefits was suspended.
- Control over fuel price.

This context of volatility and uncertainty still persists at the date of issuance of these Financial Statements. Company Management permanently monitors the performance of variables affecting its business, to define the course of action and identify the potential impact on its economic and financial position. The financial statements of the Company must be read in light of these circumstances.

Previously, the outgoing government took a series of short-term measures, which as of the date of these Financial Statements, are no longer in force, including the government implemented a control for fuel prices. On August 16, 2019, the government issued the Decree of Necessity and Urgency ("DNU") No. 566/19 that froze the price, among others, of diesel, naphtha and crude oil, at its value of 9 August 2019, taking a reference exchange rate of $ 45.19 per US dollar and a reference Brent price of US $ 59 / bbl. Through the DNU No. 601/2019 dated August 30, 2019, the exchange rate set by Decree No. 566/2019 was updated, establishing a reference exchange rate of $ 46.69 per US dollar. Subsequently, the Resolutions of the Energy Government Secretariat No. 557/2019 and 688/2019, published in the Official Gazette on September 19, 2019 and November 1, 2019, respectively, were sanctioned, which were gradually increased the exchange rate at $ 49.30 and US $ 51.77 per US dollar, respectively, as of the date of their respective publication.

The income from crude oil sales of the Company during the fiscal year ended on December 31, 2019, were affected by the pesification of the price in the local market of crude oil established by the aforementioned DNU No. 566/19 and its amendments.

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 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 carriage 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.

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.

Regulations on export duties for hydrocarbons

During the government of President Macri, Law No. 25,561 was not extended, leaving the export rights without effect as of January 6, 2017.

On September 4, 2018, the National Executive Branch issued Decree No 793/2018 establishing until December 31, 2020 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 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 as of 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.

On December 21, 2019, the National Congress sanctioned Law No. 27541 on Social Solidarity and Productive Reactivation, whereby a state of public, economic, financial, fiscal, administrative, social security, tariff, energy, health, and social emergency was declared until December 31, 2020 (the "Social Solidarity and Productive Reactivation Law"). Particularly, under section 52 of the Social Solidarity and Productive Reactivation Law, until December 31, 2021, the National Executive Branch is vested with authority to set export duties at a rate not to exceed thirty-three percent (33%) of the taxable price or the official FOB price. Export duty rates for hydrocarbons and mining shall not exceed eight percent (8%) of the taxable price or official FOB price. Notwithstanding the foregoing, section 54 prescribes, among other things, that Executive Decree No. 793/2018 shall remain in full force and effect.

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

On September 1, 2019, the National Executive Power issued Decree of Need and Urgency No. 609/2019 by which it temporarily established exchange controls ("DNU 609/2019"). In particular, DNU 609/2019 establishes, among others, the following measures: (i) reestablished, until December 31, 2019, the obligation of exporters to enter the country in foreign currency and / or trade in the market of changes, the counter value of exports of goods and services, under the conditions and terms established in the regulatory standards to be issued by the BCRA; and (ii) authorized the Central Bank of the Argentine Republic ("BCRA"), in the exercise of its powers, (a) to regulate access to the exchange market for the purchase of foreign currency and its transfer abroad; and (b) establish regulations that avoid practices and operations aimed at circumventing, through public titles or other instruments, the measures adopted in said decree.

On that same date, the BCRA issued Communication "A" 6770, which was then supplemented by various Communications and finally replaced by Communication "A" 6844 which, together with its supplementary and amending regulations, establishes the restated text of foreign exchange regulations.

On the other hand, on September 20, 2019, the National Executive Power issued Decree No. 661/2019 which requires the collection of the benefits to the previous export in Section X of the Customs Code will be subject to the Exporters have previously entered the country and / or negotiated the corresponding currencies in the MLC in accordance with the current regulation.

On December 27, 2019, the National Executive Branch issued Emergency Decree No. 91/2019 which, by modifying DNU 609/2019, established the obligation to bring in and settle in the exchange market the proceeds from the export of goods and services ("DNU 91/2019") on a permanent basis. On that same date, the BCRA issued Communication “A” 6854 whereby it was established that the exchange controls that were implemented by Communication “A” 6844 will remain valid beyond December 31, 2019. The main regulations in force are described below. On January 13, 2020, the BCRA issued Communication “A” 6862 that establishes the restated text of regulations relating to “Foreign transactions and exchange rates”.

Furthermore, in accordance with Communication “A” 6844, various provisions are established regarding the system for monitoring collections of exports of goods, exceptions to the obligation to bring in foreign currency, and permits relating to collection management, among other issues. Each exporter must appoint a financial institution responsible for following up shipping permits. The obligation to bring in and settle export collections relating to a shipping permit shall be considered fulfilled when the financial institution responsible for follow-up had verified compliance with the mechanisms established for that purpose in the regulations.

Finally, collections of exports of goods may be destined for the settlement of: (i) pre-financing and financing of exports granted or guaranteed by local financial institutions; (ii) foreign pre-financing and advances settled in the exchange market from September 2, 2019 and local pre-financing; (iii) foreign pre-financing and advances pending as of August 31, 2019 that were settled in the local exchange market; (iv) advances and pre-financing of foreign exports pending as of August 31, 2019 not settled in the local exchange market subject to the prior approval by the Central Bank; (v) foreign post-financing for discounts and/or assignments of export credits; (vi) post-financing from local financial institutions for discounts and/or assignments; (vii) financing from local financial institutions to foreign importers; and (viii) financial loans under contracts in force as of August 31, 2019 whose conditions provide for the fulfillment of the services through the application abroad of the flow of export funds in relation to which the exporter has requested their application to shipping permits registered with the customs service from September 2, 2019. The application of export collections to other financing will be subject to prior authorization from the BCRA.

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

On July 15, 2002 the Ex 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”).

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 December 31, 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 Subdistributors 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 Secretary, regulating Law No. 26020, in exercise of the Enforcement Authority.

As of December 31, 2019 and 2018, income for $ 101.9 million and $ 70.5 million, respectively, was registered from the line incentives of the caption Income in the 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 carriage 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. 59/2018 was issued, which approved the "transitional procedure for the administration of the office in the emergency executive committee" where the criteria to be adopted by industry subjects were established of natural gas in those cases where there is a crisis in the supply of priority gas demand and whose application was established from 06:00 on May 23, 2018 to 06:00 on October 1, 2018 (the "Transitional Procedure"). This period was successively extended until the winter period that begins on May 1, 2020.

Satisfaction of priority demand

Under the framework of the process of normalization of the energy sector, the MINEM summoned natural gas producers, among others, ENARSA and CGC, to establish the basic conditions that will serve as a framework for supply agreements executed for the distribution of natural gas by networks as from January 1, 2018. The MINEM stated that in view of the expiry of the extension period established through Law No. 27.200 for the public emergency declared in 2002, Law N° 24.076 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, the MINEM called natural gas producers, among others, ENARSA and CGC to subscribe the “Terms and Conditions for Natural Gas Supply to Gas Distributors by Networks” (“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 salient aspects of the Terms and Conditions include: (i) to guarantee a suitable supply of natural gas for distributors and, consequently, for the residential and commercial end consumers; (ii) guarantee the continuity of the gradual and progressive process of subsidy reduction under the framework of the process for the normalization of the natural gas market, comprised within the effectiveness of the Terms and Conditions referred to, which expire on December 31, 2019; (iii) to recognize the right to transfer the cost of gas purchases to the tariff paid by users and consumers; (iv) for the prices of gas for each basin over the following two years in Unites States dollars; and establishes that (v) ENARSA assumes the responsibility of covering the demand in areas reached by subsidies for residential consumption.

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. .

On November 15, 2018, the National Executive Branch issued Emergency Decree No. 1053/2018 (“DNU 1053/2018”) 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 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.

On August 15, 2018, ENARGAS issued Resolution No. 466/2019, which regulated the first paragraph of article 7 of DNU 1053/2018 and established the mechanism to settle the distributors' debts due to exchange rate differences (“ENARGAS Resolution 466/2019”). The Company adhered to the Mechanism to Settle Distributors' Debts due to Exchange Rate Differences and, as a result, it totally, fully, unconditionally and definitively waived its right to file administrative, arbitration or judicial claims of any nature and in any jurisdiction (be it local or international), and granted to the National Government absolute indemnity against the accumulated daily differences in accordance with the provisions of the first paragraph of article 7 of Decree No. 1053/18, as regulated by the NATIONAL GAS REGULATORY AUTHORITY by ENARGAS

Resolution No. 466/2019. Notwithstanding the foregoing, taking into account that the aforementioned system excluded the volumes delivered to the distributors as “Unaccounted For Natural Gas” and “Withheld Gas”, the Company stated that said items must be paid by the distributors and Integración Energética Argentina S.A. (“IEASA”) and, consequently, does not waive the right to seek collection of excluded volumes within the framework of the relevant supply agreements.

New maximum prices at the point of entry into the carriage 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 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.

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 Appendix 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 December 27, 2019, the Ministry of Productive Development issued Resolution No. 12/2019 which repeals, since December 30, 2019, Resolution No. 70/2018 issued by the former Government Secretariat of Energy and reinstates article 8 of Resolution No. 95/2013 of the former Ministry of Energy, thus delegating to Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima (CAMMESA) the supply of fuels to the thermal power plants of the Wholesale Electricity Market and of the Wholesale Electricity Market of the Tierra del Fuego System. Accordingly, since January 2020, CAMMESA may conduct auctions in MEGSA to supply the consumption of the thermal power plants of the Wholesale Electricity Market and the Wholesale Electricity Market of the Tierra del Fuego System.

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).

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) naphtha, (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

Incentive Program for Investments in Production Development of Natural Gas extracted from Unconventional Reservoirs

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 Appendix 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 and 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.

Resolution No. 38/2018, dated January 27, 2018, issued by the Secretariat for Oil & Gas Resources of the Ministry of Energy and Mining, approved the accession of Compañía General de Combustibles S.A. to the "Incentive Program for Investments in Natural Gas Production Developments from Unconventional Reservoirs" in its capacity as licensee of the operating concession over the area "Campo Indio Este-El Cerrito" located in the Province of Santa Cruz. This Resolution entitles CGC to receive compensation accrued by virtue of its adherence to the referred program as from January 2018 (the "Covered 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.

As of December 31, 2019 and 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 included in Income of the Statement of Comprehensive Income, for $ 7,686.0 and $ 4,680.5 million, respectively (see Note 24 a)).

Decree 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 $ 925.1 million. In June 2016 the Company received BONAR 2020 for an original nominal value of USD 15.7 million. As of December 31, 2019 and 2018, 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 $ 1,957 and $ 3,089 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 since 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.

NOTE 3 - BASIS FOR PRESENTATION, PREPARATION AND MEASURING UNIT

3.1.a) BASIS FOR PRESENTATION, PREPARATION AND MEASURING UNIT

These financial statements corresponding to the fiscal year ended December 31, 2019 are presented in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The CNV, by means of General Resolution No. 622/13, established the application of Technical Pronouncements No. 26 and 29 of the FACPCE, adopting International Financial Reporting Standards (IFRS), issued by the IASB, for entities included in the public offering regime of Law No. 17811 and its amendments, due either to their capital stock or negotiable obligations, or having requested listing authorization to be included in this 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.

These financial statements are stated in thousands of pesos ($), legal tender in Argentina, and were prepared based on the accounting records of CGC. They have been stated at historical cost, except for the revaluation of some financial assets and some non-current assets. $ or USD refer to thousands of $ or USD, respectively, unless otherwise expressly indicated. A hyphen (-) indicates that no information is reported.

The comparative information has been expressed in terms of the current unit of measurement as of December 31, 2019 in accordance with IAS 29 "Financial information in hyperinflationary economies". Certain non-significant figures have been reclassified as of December 31, 2018, which are disclosed in these financial statements for comparative purposes.

Unit of measurement

IAS 29 requires that the financial statements of an entity, whose functional currency is that of a high inflation economy, are expressed in terms of the unit of measurement current at the closing date of the reporting year, regardless of whether they are based on the historical cost method or on the current cost method. For this, in general terms, the inflation produced since the acquisition date or from the revaluation date, as appropriate, must be computed in the non-monetary items. These requirements also include comparative information in 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 highly inflationary as from July 1, 2018.

In turn, Law No. 27468, published in the Official Gazette on December 4, 2018, amended Section 10 of Law No. 23928 and its subsequent amendments, providing 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, does not apply to the financial statements, to which the provisions of Section 62 *in fine* of General Companies Law No. 19550 1984 restated text), as amended, shall 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 reporting. Therefore, under General Resolution 777/2018 (Official Gazette December 28, 2018), the 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.

In accordance with IAS 29, the Financial Statements of entities reporting in the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the date of the financial statements. 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 FACPCE and the price indexes published by the National Institute of Statistics and Census (INDEC). At the date of these Financial Statements, the year-on-year variation was 54%.

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 financial position date and equity items are restated by applying the corresponding index adjustments;
- All items in the statement of profit or loss 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 profit or loss within Financial results, under the caption “Gain or loss on exposure to changes in the purchasing power of the currency (Hyperinflation effect)”;
- All comparative figures are restated by applying the variation in the general price index until closing.

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.

These financial statements of CGC were approved for issuance by the Company's Board of Directors on March 9, 2020.

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, City of Buenos Aires.

3.2 - ACCOUNTING POLICIES

The main accounting policies used in the preparation of these financial statements are summarized below. Except as otherwise stated, these policies have been applied consistently in all periods reported.

3.2.1 Changes in accounting policies under IFRS

New mandatory standards, modifications and interpretations for years commenced on January 1, 2019 that have not been early adopted

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 mostly affects 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 Profit or Loss 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.

The Company applied IFRS 16 to the financial statements, which generated assets and liabilities as of January 1, 2019, as stated in Note 28 to these Financial Statements.

3.2.2 Participation in joint arrangements and associates

3.2.2.1) Participation in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control, i.e. 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, investments in joint arrangements are either joint operations or joint ventures, depending on the contractual rights and obligations of the parties. The Company has analyzed the nature of joint arrangements and determined that they fall within the scope of joint operations. As a result, the Company recognizes in its financial statements the assets, liabilities, revenue from ordinary activities and expenses relating to its participation in joint operations of the various consortia and joint ventures for hydrocarbon exploration and production. (See Note 29.c)

Additionally, as of December 31, 2019, the Company defined as a joint venture the interests in Gasinvest S.A., Transportadora de Gas del Norte S.A., Gasoducto Gasandes (Argentina) S.A., Gasoducto Gasandes S.A. (Chile) and Andes Operaciones y Servicios S.A. These holdings were valued following the equity method of associates detailed below.

3.2.2.2) Associates

Associates are all entities over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control), generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Company records its investments in associates using the equity method, except for the investment in Petronado S.A. (see Note 30. (4)). Under the equity method, the initial recognition of the investment in an associate is made at cost, including goodwill at the date of acquisition, if applicable. The carrying amount is increased or reduced to recognize the percentage of the Company's participation in the profits or losses of the associates and include said result in the Company's profits or losses. The investment in the associate will be accounted for, applying the equity method, from the moment it becomes an associate. On the acquisition date, the difference between the cost of the investment and the portion that corresponds to the investor in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities will be recorded in the results for the year. Therefore: (a) Goodwill related to the associate will be included in the carrying amount of the investment. However, the amortization of said goodwill is not allowed and, therefore, will not be included in the determination of the investor's participation in the results of the associate. (b) The excess that, over the cost of the investment, the investor's participation in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, will be excluded from the book value of the investment, and will be included as income in the determination of participation.

Unrealized gains 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 changed where necessary to ensure consistency with the policies adopted by the Company.

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 it carrying value and recognizes the resulting amount in the Statement of Comprehensive Income.

3.2.3 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 core assets valuation, 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 carriage 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 Gasoducto Gasandes (Argentina) S.A., Gasinvest S.A. and Transportadora de Gas del Norte S.A. to the interest of CGC, increased to $ 4,197,856 and $ 5,333,438 as of December 31, 2019 and 2018, respectively.

The revaluation made on December 31, 2019 had no impact on the investment in the associate Gasoducto Gasandes S.A. (Chile). As of December 31, 2018, the impairment in the associate Gasoducto Gasandes S.A. (Chile) was partly reversed, with an effect on CGC’s equity interest of $ 134,619. This reversal was accounted for in the Statement of Comprehensive Income under Result of 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 Retained Earning.

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.

Based on the measurement 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 as of December 31, 2019 and 2018:

	December 31, 2019		**December 31, 2018**	
	Asset revaluation reserve	**Result of investments in associates**	**Asset revaluation reserve**	**Result of investments in associates**
Gasinvest S.A.	3,916,588	-	5,107,521	-
Gasoducto GasAndes (Argentina) S.A.	273,237	-	215,481	-
Transportadora de Gas del Norte S.A.	8,031	-	10,436	-
Gasoducto GasAndes S.A. (Chile)	-	-	-	134,619
Total	**4,197,856**	**-**	**5,333,438**	**134,619**

3.2.4 <u>Foreign currency translation</u>

3.2.4.1 Functional and presentation currency

The functional currency is defined for each company in the Group. The functional currency is that used as the main currency in the Company’s transactions. Transactions performed in a currency other than the one defined as functional are considered as foreign currency transactions.

The functional and presentation currency of the Company is the Argentine peso.

Upon compliance with the conditions established in IAS 29 to consider Argentina as a hyperinflationary economy, these Financial Statements must be restated as indicated in Note 3.1.a)

3.2.4.2 Balances and transactions

Foreign currency transactions are converted into the functional currency at the exchange rate prevailing at the date of the transaction or valuation when the items are remeasured.

Foreign exchange gains or losses resulting from the settlement of these transactions or measurements at closing of the monetary assets and liabilities in foreign currency are recognized under the Statement of Comprehensive Income. Exchange gains or losses are disclosed in the Statement of Comprehensive Income under “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 shall be translated into the presentation currency at closing using the following procedures:

- assets and liabilities are translated at the exchange rate prevailing at closing;
- profits or losses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at exchange rate prevailing at the date of each transaction).
- capital and reserves are translated at the exchange rate prevailing at closing.

Gains/losses arising from the translation of functional currency into presentation currency are recognized under Other comprehensive income. When an investment in a subsidiary or associate is sold or disposed of, Other Comprehensive Income is reclassified, in whole or in part, to the Statement of Comprehensive Income as part of the gain or loss from the sale or disposition.

3.2.5 Property, plant and equipment

Property, plant and equipment (or fixed assets) is valued following the cost model. The acquisition cost restated in terms of the measuring unit current at the closing date of the reporting year is recognized less depreciation and any accumulated impairment loss.

In the case of works in progress the construction of which extends over substantial time until completion, financial costs relating to third-party funding are capitalized (net of the effects of inflation) until the asset built can be used. In the fiscal years ended December 31, 2019 and 2018, financial cost activations for $ 20,971 and $ 109,730 were recorded, 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 charged to income/loss as incurred. This means that exploration costs are temporarily capitalized until the results of the exploration efforts are evaluated so as 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 charged to income/loss 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 "Works in progress" until their completion. Once productive, these wells are reclassified to "Production facilities and wells" and depreciation begins; oil and gas production costs are charged to income/loss.

Subsequent expenses are incorporated as a cost component of these assets only if they are an improvement and/or extend the useful life and/or increase the production capacity of assets and/or it is probable that the asset generates an increase in net cash flows.

The costs of maintenance and repair that only restore production to its original level are charged to income/loss in the fiscal year they are incurred.

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. As counterpart, a liability is recognized for this item at the estimated value of the discounted sums payable. Changes in the measurement of existing liabilities arising from changes in the estimated schedule or amount of the outflow of resources required to settle the liability or in the discount rate are added to or deducted from the cost of the related asset. If the decrease in liabilities is higher than the asset book value, any such excess is recognized immediately in profit/loss for the period. (See Note 3.2.14.1).

III) Depreciation

Below is a detail of depreciation methods during the estimated useful life of assets:

i) The acquisition cost of property with proven reserves is depreciated 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, area by area, through the application of the ratio between the hydrocarbons produced and estimated developed and proven reserves.

Changes in the estimate of reserves are considered in the depreciation calculation as prospective.

iii) For assets whose service capacity is not directly related with the production of hydrocarbons, the linear estimated rates are applied based on the features of each asset. Rates applied are as follows:

Caption	**Rate %**
Furnitures 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 is recorded as profit or loss for the year in which they are determined.

Gain or loss from the sale of assets is calculated by comparing income obtained with the residual book value, restated in terms of the measuring unit current as of the transaction date. The resulting amount is later restated in terms of the measuring unit current at the closing date of the reporting period and recognized in the Statement of Comprehensive Income under "Other operating income and expenses".

IV) Impairment of property, plant and equipment

The value recorded of property, plant and equipment does not exceed their recoverable value.
When there are events or circumstances that indicate a potential impairment, an impairment test is run 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 signs of a possible value write-down. Events and signs 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, 2019 and 2018, $ 934,145 and $ 535,732 were allocated to exploration expenses, respectively.

- Property, plant and equipment (excluding exploration and evaluation costs): The Company's Management assesses their 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 to its recoverable value in case it exceeds such value. See note 5.c) about the determination of impairment test.

3.2.6 Inventories

Inventories comprise crude oil and materials. Inventories are stated at production and acquisition cost in terms of measuring unit current as of December 31, 2019. The cost is determined based on the weighted average 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 fair value is made at year end, charging to profits or loss the timely correction in value when they are overstated.

3.2.7 Financial Instruments

Recognition and measurement of financial assets and liabilities

Financial assets are recognized when an entity within the group is part of an agreement covering a financial instrument.

Financial assets and financial debts are initially valued at fair value. Transaction costs are directly attributable to the acquisition or issuance of financial assets or liabilities, other financial assets and liabilities at fair value through changes in profit or loss are added or subtracted from the fair value of financial assets or liabilities, as appropriate, at the time of 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 Statement of Income.

The Company classifies financial assets in the following categories: Those that are valued at amortized cost and those that must be measured at fair value. This classification depends on the business model followed by the Company to manage its financial assets and the contractual cash flow characteristics of its financial assets.

Financial assets at amortized cost

Financial assets are measured at amortized cost when they meet the following criteria:

i) they are held within a business model whose objective is to hold financial assets to collect their contractual cash flows, and

(ii) the contractual conditions of the financial asset give rise on specified dates to cash flows that are only collections of the principal and interest on the outstanding principal amount.

Financial assets measured at fair value through changes in profit or loss

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

Recognition and measurement

Purchases and sales of financial assets are recognized on the date of the transaction, which is the date on which the Group commits to the acquisition or sale of the asset. Financial assets at amortized cost are initially recognized at fair value plus those costs attributable to the transaction.

The assets held at fair value through profit or loss are initially recognized at fair value and the cost of the transaction is recognized in the Statement of Comprehensive Income. Financial assets are reversed when the right to receive the cash flows from the investments made has ceased or when they have been transferred and the Group has transferred substantially all the risks and benefits of ownership.

A gain or loss on a debt instrument that is consequently measured at fair value and is not part of a hedging transaction is recognized through changes in profits or loss and is disclosed in the Statement of Comprehensive Income under Net financial results at the time any such gain or loss occurs.

The gain or loss on a debt instrument that is valued at amortized cost and is not part of a hedging transaction is recognized through changes in profit or loss when the financial asset is written off or impaired and through the depreciation process using the amortization effective interest method.

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 may include signs that the debtors or group of debtors are experiencing significant financial difficulties, non-compliance or payment of principal and interest in arrears, the probability that they be 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 amount of the 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. The carrying value of the asset is written down and the amount of the loss is recognized in the income statement. 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 financial debts and trade payables) are measured accordingly at amortized cost using the effective interest method.

The effective interest method is a method used for calculating the amortized cost and allocate interest gains or losses in the appropriate period. The effective interest rate is the exact discount rate of the future cash flow discount (including all expenses paid or received to make up an integral part of the effective rate, transaction costs and other rewards or discounts) over the estimated period of the financial liability or (if appropriate) for a shorter period, to the book value upon initial recognition.

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 allowance for expected losses, if applicable.

An allowance for expected losses of trade receivables is set up when there is objective evidence that the Company may not collect all amounts due in accordance with their original maturity dates, based on legal reports, post-collection information, orders placed and the financial situation of the debtors.

The book value of the asset is reduced through the use of the allowance for expected losses, and the amount of losses is recognized in the Statement of Comprehensive Income along with the associated sales expenses. When a trade receivable is declared uncollectible, it is written off against expected losses. In the case of subsequent recoveries, they are recognized as a gain under Selling expenses in the Statement of Comprehensive Income.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

3.2.9 Other receivables and liabilities

Remaining receivables and debts have been initially valued at fair value and subsequently valued at amortized cost using the effective interest method, less the allowance for expected losses, if applicable.

In the case of credits to boost the production of hydrocarbons granted in favor of CGC, within the framework of the Oil and Gas programs created by the National Government, they are recognized as credits within Other Receivables from the inception of the right for CGC to collect the credit upon compliance with the requirements established in the programs, with a counterpart in gains under Revenue in the Statement of Comprehensive Income.

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, if any, are shown under Current liabilities - Financial debts in the Statement of Financial Position and for the purposes of the cash flow, they are shown under Cash and cash equivalents.

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

  Capital stock represents the capital issued, which is formed by contributions made by shareholders. Capital 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.

- Legal reserve

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

- Optional reserve

  It corresponds to the allocation made by the Company's Shareholders' Meeting, whereby an specific amount is allocated to set up a special reserve chiefly aimed at maintaining the Company's productive activities, which are focused on exploration and production of oil and gas, net of reversals for the payment of dividends. This reserve is stated in constant monetary units, according to the guidelines of Note 3.1.a).

- Other comprehensive income

  Other comprehensive income includes the exchange differences generated by the effect of translation into Argentine currency of the interests in related companies abroad and the reserve for revaluation of Midstream assets, detailed in Note 3.2. 3.3).

- Retained earnings

  It comprises unappropriated gains or accumulated losses, which if positive may be distributed by a decision of the Shareholders' Meeting as long as they are not subject to legal restrictions, such as that mentioned in the "Legal Reserve" paragraph.

  It comprises the result 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 unappropriated losses to be absorbed at year end to be considered by the Shareholders' Meeting, below is the order for offsetting then against balances that must be followed:

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

- Distribution of dividends

  Distribution of dividends among the shareholders 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 Company's owners on equity. As of December 31, 2019 there are no third-party equity interests other than the Company's owners.

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 funds received (net of transaction costs) and the redemption value is recognized in the 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 payment of liabilities 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

Tax charge for the year comprises current and deferred taxes. Taxes are charged to results, except when they refer to items recognized in other comprehensive income or directly in equity. In this case, income taxes are recognized in other comprehensive income or directly in equity, respectively.

Current income tax is calculated based on the laws approved or to be approved at the date of the financial statements in the countries in which the Company and its subsidiaries operate and generate taxable income. Management regularly assesses the positions on the tax returns regarding situations where the applicable tax regulation is subject to interpretation and, if necessary, establishes provisions based on the amounts payable to the tax authorities.

Deferred tax is recognized according to the liability method, for the temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, deferred tax is not recognized when it arises from the initial recognition of an asset or liability in a transaction other than a business combination, which, at the time of the transaction, does not affect the accounting result or tax gain or loss.

Deferred tax assets are recognized only to the extent that tax benefits are likely to be obtained in the future to be able to offset the temporary differences.

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset the amounts recognized and when deferred tax assets and liabilities derive from income tax payable to the tax authorities by the same entity, or different entities, which seek to settle the current tax assets and liabilities at their net amount.

3.2.13.2 Minimum notional income tax

The Company assesses minimum notional income tax by applying the effective tax rate of 1% to computable assets at closing. This tax complements income tax. The Company’s tax liability will agree with the higher of the two taxes. If in a fiscal year, however, minimum notional income tax obligation exceeds income tax liability, the surplus may be computable as a payment on account of income tax over the next ten fiscal years.

It is to be noted that according to section 76 of Law 27260, this tax was repealed effective January 1, 2019.

3.2.13.3 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: Acquisitions or investments made in the fiscal years beginning on or after January 1, 2018 will be index-adjusted based on the Domestic Wholesale Price Index (“IPC”, its acronym in Spanish) published by INDEC. This will increase the deductible depreciation and its computable cost in the event of a sale.

As of December 31, 2018, the parameters established by the Income Tax Law for the application of the tax inflation adjustment in Argentina were met, and, consequently, it was considered in the determination of income tax result. (current and deferred) of this exercise.

As indicated in Note 1 to these Financial Statements, on December 10, 2019, a newly-elected president took office, and Law No. 27541 on Social Solidarity and Productive Reactivation was enacted within the framework of the public emergency. Under this law, the Public Emergency was declared and the Income Tax Law was amended, as indicated below:

- Suspension, for the fiscal years starting on or after January 1, 2021, inclusive, of the tax rate reduction stated by Law No. 27430, keeping the 30% rate and the 7% rate for the dividends for those years.
- Regarding the tax inflation adjustment, it was decided that the amount determined for the first and second year starting on or after January 1, 2019 has to be allocated as follows: 1/6 during those fiscal years and the remaining 5/6 in equal parts in the immediate next five fiscal years. Likewise, such provision does not prevent the calculation of the remaining thirds corresponding to previous years, calculated pursuant to the previous version of Section 194 of the Income Tax Law.

The effect recognized as of December 31, 2018 relating to the application of the changes 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 profit of $ 42,513 (See Note 27).

3.2.14 Other provisions and allowances

3.2.14.1 Other provisions and allowances

Allowances and provisions are recognized when the Company has a present legal or constructive 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 has been reliably estimated.

The amount recorded as provisions is the best estimate of the resource outflow necessary to settle the present obligation, at the end of the reporting year, considering the pertinent risks and uncertainties.

When a provision is measured using the estimated cash outflow for settling the present obligation, the book value represents the present value of that cash flow.

Allowances and provisions recognized by the Company are:

- Asset retirement obligation and environmental remediation: for the calculation, the Company considered the plan for the retirement of wells until the end of the concession and valued them at retirement 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.

- Provision for 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 Aguaragüe area. 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).

3.2.14.2 Provisions for legal claims and other proceedings

The Company is a party to various complaints, legal claims and other proceedings arising in the normal course of its business. Liabilities for those complaints, legal claims and other proceedings cannot be accurately estimated. The Company analyzes the status of each contingency and assesses the potential financial exposure applying the criteria stated in the preceding paragraph, for which purpose it prepares the estimates with the assistance of legal counsel. Contingencies include pending legal proceedings or claims for eventual damages to third parties arisen in the development of activities as well as claims from third parties arising from interpretation of legislation.

The Company assesses the existence of additional expenses directly associated with the final resolution of each contingency, which are included in its valuation in the case its amount can be reasonably estimated. If the potential loss is not probable but reasonably possible, or it is probable but its amount cannot be estimated, the nature of the contingent liability and an estimate of the probability of occurrence is disclosed in note to the financial statements. Contingencies considered remote are not disclosed, unless they involve guarantees, in which case the nature of guarantees is included in note to the financial statements (see Note 18).

The Company considers that provisions recognized in the Statement of Comprehensive Income are adequate based on the information gathered as of the date of these Financial Statements.

3.2.15 Balances with related parties

Receivables and payables 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.

The income from the sale of goods and/or services is recorded at the time that the risks and benefits inherent to the property have been transferred or the provision has been made. Sales not invoiced at year-end are recognized based on estimates made by management, based on historical results, considering the type of customer, the type of transaction and the specific circumstances of each agreement.
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 collectibility has been reasonably ensured.

Income from the provision of services is recognized once the provision has been made.
The aforementioned income is recognized when each and every one of the following conditions is met:
- The entity transferred significant risks and benefits to the buyer;
- The amount of income was reliably measured;
- The entity is likely to receive the economic benefits associated with the transaction;
- The costs incurred or to be incurred, in relation to the transaction, were measured reliably.

The income from transactions between group companies and between business segments generate income, costs and results that are eliminated in the consolidation process.

Interest income is recognized using the effective interest rate method. They are recorded on a temporary basis, with reference to the outstanding capital and the applicable effective rate. These revenues are recognized whenever it is probable that the entity receives the economic benefits associated with the transaction and the amount of the transaction can be measured reliably.

Incomes revenue relating to oil and natural gas production activities, in which the Company has a joint participation with other producers, is recognized on the basis of the contractual participation that the Company has in each Joint Venture, irrespective of the actual allocation. Any imbalances between the actual and contractual allocation will give rise to the recognition of a debt or a receivable, based on the production allocated to the Company above or below the production resulting from its contractual participation in the Joint Venture. As of December 31, 2019 and 2018, the Company records liabilities for gas imbalance for an amount of $ 9,924 and $ 17,622, respectively, which correspond to 97.95 and 113.05 Mm3, respectively (Note 19).

IAS 20 - Accounting for Government Grants and Disclosure of Government Aid

Incentives for the production of natural gas from unconventional reservoirs are within the scope of IAS 20 "Accounting for Government Grants and Disclosure of Government Aid" because they consist of economic compensation related to income, for companies committed to making investments in natural gas production developments from unconventional reservoirs. Said incentive has been included in the item "Income" of the Statement of Comprehensive Income.

The aforementioned incentive is recognized in the result of the period on a systematic basis throughout the period where the necessary conditions for its recognition are materialized. The recognition of said income is made at its fair value when there is reasonable assurance that the incentive will be received and the established conditions are met.

Income from the provision of services is recognized once the provision has been made.

3.2.17 Segment reporting

Segment reporting is presented in a manner consistent with the internal reporting used by the Chief Operating Decision Maker (CODM) from the Board of Directors. The CODM together with the main managers are responsible for allocating resources and assessing the performance of operating segments. The operating segments are described in Note 6.

For management purposes, the Company analyzes the business based on the energy sector where it operates, mainly in "Upstream" and "Midstream" activities. Therefore, the Company identifies the following segments: "Oil and gas exploration and production" which includes oil and gas exploration and production and "Gas transportation", which includes the Group's permanent investments in the equity of gas transportation companies. Assets, liabilities and P&L of the 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 the IFRS 7, Financial Instruments: Information to be disclosed.

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 Company's Income/Loss and Equity are subject to changes in the rates of exchange of the currencies used. The currency with the highest exposure is USD. The Company's exposure to currencies other than USD is not significant. Significant depreciations of the Argentine peso, the Company's legal tender and functional currency, regarding USD, the currency to which the Company is exposed, can adversely affect on the Company.

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

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

	2019				2018	
	Class and amount of foreign currency (in thousands)		Exchange rate applicable $	Amount in Argentine currency (in thousands of pesos)	Amount in foreign currency	Amount in Argentine currency (in thousands of pesos)
CURRENT ASSETS						
Cash and cash equivalents	USD	64,733	59.69	3,863,911	18,614	1,073,762
Other investments						
Government securities	USD	27,070	59.69	1,615,802	-	-
Trade receivables						
Ordinary	USD	35,245	59.69	2,103,752	95,112	5,486,670
Other receivables						
Ordinary	USD	4,763	59.69	284,308	24,183	1,395,025
Total Current Assets				**7,867,773**		**7,955,457**
NON-CURRENT ASSETS						
Other investments						
Government securities	USD	10,365	59.69	618,670		-
Trade receivables						
Ordinary	USD	3,955	59,69	236,073	3,955	228,152
Other receivables		-	-	-		
Ordinary	USD	-	-		33,305	1,921,256
Related companies	USD	-	-	-	2,500	144,218
Total Non-Current Assets				**854,743**		**2,293,626**
TOTAL ASSETS				**8,722,516**		**10,249,083**
CURRENT LIABILITIES						
Trade payables	USD	39,469	59.89	2,363,780	76,264	4,422,921
Financial debts	USD	66,623	59.89	3,990,024	67,154	3,894,605
Total Current Liabilities				**6,353,804**		**8,317,526**
NON-CURRENT LIABILITIES						
Financial debts	USD	358,425	59.89	21,466,069	381,588	22,130,129
Total Non-Current Liabilities				**21,466,069**		**22,130,129**
TOTAL LIABILITIES				**27,819,873**		**30,447,655**
TOTAL				**(19,097,357)**		**(20,198,572)**

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

The Company does not use derivative instruments as hedge against foreign exchange fluctuations as of December 31, 2019.

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 closing.

	12.31.2019	**12.31.2018**
Net Asset (Liability) position in US dollars	(318,874)	(353,399)
Exchange rate at year-end	59.89	37.70
Effect of gain/(loss) on exposure to purchasing power parity		
Effect of sensitivity stated in pesos	(2.673.630))	(2.869.341)
Applied sensitivity	20%	20%

The sensitivity of comprehensive income and equity as of December 31, 2019 and 2018, 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 ($ 2.673.630) and ($ 2.869.341), 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.

As of December 31, 2019 and 2018, the Company had no futures or financial derivative contracts for commodity prices. On April 16, 2019, a put hedge instrument was arranged which covers the lower price of Oil Brent below USD 65/bbl in the international markets for the period from July 1, 2019 to December 31, 2019, for an amount of 603,840 bbl, paying a premium of USD 1.5 MM. On February 8, 2018, a put hedge instrument was arranged which covers the lower price of Oil Brent below USD 65/bbl in the international markets for the period from February 1, 2018 to October 31, 2018, for an amount of 691,883 bbl, paying a premium of USD 2.2 MM.

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 negotiable obligations, local financial loans and credit facilities from local banks. These loans are mainly used for working capital and investments. As regards 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.

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.

As of December 31, 2019 the Company's debt accruing interest at a floating rate amounted to $ 499,944. This debt was repaid on January 29, 2020 and as a result, the Company is not exposed to a significant cash flow risk arising from fluctuations in interest rates.

As of December 31, 2019 and 2018 almost the total of the financial liabilities accrued interest at a fixed rate.

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

	12.31.2019	**12.31.2018**
Fixed rate:		
US dollar stated in thousands of pesos	25,456,093	26,024,734
Subtotal fixed-rate loans	25,456,093	**26,024,734**
Variable rate:		
Argentine peso stated in thousands of pesos	499,943	-
Subtotal variable-rate loans	**499,943**	**-**
Total financial debts	**25,956,036**	**26,024,734**

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

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, 2019, 24% approximately of the Company's hydrocarbon sales revenue were generated by crude oil and the remaining 73% by natural gas and liquids.

As of December 31, 2019, the Company's trade receivables total $ 5,354,662, 90% of which are current and the remaining 10% are non-current and broken down as follows: a) nominal value of $ 20,426 - associated with a receivable with Camuzzi Gas del Sur S.A.; b) present value $ 547,774 - associated with a receivable with the natural gas distribution companies (Camuzzi Gas Pampeana S.A., Camuzzi Gas del Sur S.A, Integración Energética Argentina S.A., Naturgy Ban S.A. and Metrogas S.A.); and c) present value $ 250,407 - pre-insolvency proceeding claims. In both 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 bad debts 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 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 instrument with adequate liquidity.

The Company's Administration & Finance department invests cash surpluses in interest-bearing accounts, such as time deposits, mutual funds and negotiable obligations, 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
As of December 31, 2019			
Overdraft	499,943	-	-
Bank loans	2,715,748	1,786,408	-
Negotiable obligations	1,274,276	19,679,661	-
Total	**4,489,967**	**21,466,069**	**-**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
As of December 31, 2018			
Bank loans	3,449,988	165,285	-
Negotiable obligations	444,617	-	21,964,844
Total	**3,894,605**	**165,285**	**21,964,844**

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 debts) less cash and cash equivalents and current financial assets at fair value with a counterpart in 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.

As of December 31, 2019 and 2018, leverage ratios were the following:

	12.31.2019	**12.31.2018**
Total loans	25,956,036	26,024,734
Less: cash and cash equivalents	(4.214.590)	(1.589.587)
Net debt	21.741.446	24.435.147
Total principal	40.961.136	39.591.869
Leverage ratio	53,08%	61.70%

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: (Unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: data other than the quoted prices included in Level 1 observable for assets or liabilities, whether directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: data on assets and liabilities not based on information observable in the market (i.e. not observable information).

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 as of December 31, 2019 and 2018.

As of 12.31.2019	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents				
Mutual funds	202,597	-	-	202,597
Investments at fair values:				
Government securities	277,297	-	-	277,297
Publicly traded shares	25,826	-	-	25,826
Total current assets	**505,720**	**-**	**-**	**505,720**

As of 12.31.2018	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents				
Mutual funds	300,739	-	-	300,739
Investments at fair values:				
Government securities	471,522	-	-	471,522
Publicly traded shares	31,335	-	-	31,335
Total current assets	**803,596**	**-**	**-**	**803,596**

NOTE 5 - CRITICAL ACCOUNTING CRITERIA AND ESTIMATES

To prepare financial statements it is necessary to use estimates for certain assets, liabilities and other transactions. The Company uses assumptions and judgments which are reviewed on a regular basis; however, actual results may differ from the estimates made.

Estimates and judgments are constantly assessed and are based on the historical experience and other factors, included the expectations of future events considered reasonable according to the circumstances.

Below is a detail of the most significant estimates and assumptions:

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 estimate 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 reserve estimates as of December 31, 2019 were prepared by Company technical staff and the areas of Southern Basin in Argentina were audited by DeGolyer and MacNaughton (Note 33).

b) Asset abandonment obligation and provision for well plugging

Asset retirement and well plugging 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

To assess the recoverability of property, plant and equipment and investments in associates, CGC compares their book value with their recoverable value at closing, or more frequently, if there are signs of impairment.

For this purpose, assets are grouped into a CGU, provided that no individual asset generate cash flows that are independent of those generated by other assets or CGUs, all taking into account the regulatory, economic, operational and commercial conditions.

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, 7 CGU were defined:

a) El Cerrito
b) Dos Hermanos
c) Campo Boleadoras
d) Campo Indio
e) María Inés
f) Cóndor
g) La Maggie

In other basins of the Upstream segment, the UTE Aguaragüe has been defined in the Northwestern Basin.

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

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

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 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 carriage), 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.

In the fiscal year ended December 31, 2019 and 2018, an impairment loss was recognized for a total of $ 1,032,896 and $ 278,961, respectively. This is related to the Dos Hermanos, La Maggie, María Inés and Cóndor 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 book value of the assets and their value in use determined based on the estimated future cash flows discounted at an annual rate of 13.17%. The depreciation charge is included under Other operating income and expenses in the Statement of Comprehensive Income.

As of December 31, 2019, the balance of the impairment allowance of non-financial assets amounts to $ 1,618,520 ($ 662,581 in 2018) and includes: $ 319,545 ($ 585,624 in 2018) for the Dos Hermanos CGU, $ 610,250 ($ 76,957 in 2018) for the La Maggie CGU, $ 655,560 for the María Inés CGU and $ 33,165 for the Cóndor CGU.

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

d) Costs of exploration and evaluation

The Company accounts for its evaluation and exploration costs as detailed in Note 3.2.5.I).

Exploration and evaluation costs may include: license acquisition, geological and geophysical (i.e. seismic) studies, direct labor costs and drilling costs of exploratory wells. These balances are not subject to depreciation and/or amortization during the exploration and evaluation phase. Once the evaluation phase is completed, the assets are transferred to the oil and gas properties or charged to expenses (exploration costs) in the period in which the determination is made, depending on whether reserves have been found. All development costs are considered works in progress until they are completed and capitalized within the oil and gas properties and are subject to depreciation once they have been completed. Such costs may include the acquisition and installation of production facilities, development drilling costs (including dry wells, well services and seismic studies for development purposes), project-related engineering and property acquisition costs and proven reserve-related concessions.

e) Determination of the income tax charge and deferred taxes

The valuation of the income tax expense depends on various factors, including interpretations of tax treatments to transactions and/or events which are not expressly foreseen by the current tax law, as well as estimates as to the timing and payment of deferred taxes. In addition, current collections and payments of taxes may differ from these estimates in the future due to changes in the tax regulations and/or their interpretations, as well as to unforeseen future transactions that may have an impact on the Company's financial position for tax purposes.

f) Contingencies

The Company is a party to various complaints, legal claims and other proceedings arising in the normal course of its business. Liabilities for those complaints, legal claims and other proceedings cannot be accurately estimated. The Company analyzes the status of each contingency and assesses the potential financial exposure applying the criteria stated in Note 3.2.14.2, for which purpose it prepares the estimates with the assistance of legal counsel.

NOTE 6 – SEGMENT REPORTING

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 Company 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 and LPG;
- "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 reported segments.

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

Adjusted EBITDA is defined as the operating income of consolidated segments, excluding depreciation and impairment expenses of property, plant and equipment, expected losses for trade and other receivables, provisions for legal claims and other proceedings, income (loss) in the return of blocks and taxes on financial transactions, including the collection of dividends on investments in associates.

Total adjusted EBITDA is defined as the sum of the adjusted EBITDA of all segments.

The following table discloses information on the two reportable segments by the Company Management:

	As of 12.31.2019			
	Upstream	**Midstream**	**Central structure**	**TOTAL**
Revenue	30,880,748	-	-	30,880,748
Cost of revenue	(11,037,403)	-	-	(11,037,403)
Gross profit	**19,843,345**	**-**	**-**	**19,843,345**
Selling expenses	(994,227)	-	-	(994,227)
Central structure expenses	-	-	(1,538,058)	(1,538,058)
Other operating income and expenses	58,396	169,602	-	227,998
Adjusted EBITDA	**18,907,514**	**169,602**	**(1,538,058)**	**17,539,058**
Dry wells and unsuccessful studies	(934,145)	-	-	(934,145)
Non-financial asset impairment allowance	(1,032,896)	-	-	(1,032,896)
Other operating income and expenses	-	-	(59,425)	(59,425)
Depreciation and amortization (1)	(7,787,110)	-	(21,532)	(7,808,642)
Tax on bank credits and debits	(181,141)	-	(20,616)	(201,757)
Gains/losses on long-term investments	-	3,818,592	(210)	3,818,382
Subtotal	**8,972,222**	**3,988,194**	**(1,639,841)**	**11,320,575**
Financial income	-	-	92,190	92,190
Financial costs	-	-	(2,579,276)	(2,579,276)
Hyperinflation effect	-	-	(1,434,550)	(1,434,550)
Other financial results	-	-	(923,492)	(923,492)
Income before taxes	**8,972,222**	**3,988,194**	**(6,484,969)**	**6,475,447**
Income tax	(3,358,606)	(42,400)	1,621,242	(1,779,764)
Income/(Loss) for the year	**5,613,616**	**3,945,794**	**(4,863,727)**	**4,695,683**
Adjusted EBITDA				**17,539,058**
Dividends collected in this fiscal year (Note 9.b)				1,161,228
Adjusted EBITDA as per dividends collected				**18,700,286**

(1) By application of IFRS 16, depreciation charges include depreciation of the right of use assets for $ 515,479 in fiscal year 2019, effective since the fiscal year ended December 31, 2019. (See Note 28)

	2018			
	Upstream	Midstream	Central structure	TOTAL
Revenue	27,432,896	-	-	27,432,896
Cost of revenue	(11,353,449)	-	-	(11,353,449)
Gross profit	**16,079,447**	**-**	**-**	**16,079,447**
Selling expenses	(747,412)	-	-	(747,412)
Central structure expenses	-	-	(1,173,050)	(1,173,050)
Other operating income and expenses	(44,747)	224,861	-	180,114
Adjusted EBITDA	**15,287,288**	**224,861**	**(1,173,050)**	**14,339,099**
Exploration expenses	(535,732)	-	-	(535,732)
Other operating income and expenses	(121,001)	-	(360,934)	(481,935)
Depreciation and amortization	(5,628,321)	-	(26,395)	(5,654,716)
Non-financial asset impairment allowance	(278,961)	-	-	(278,961)
Tax on bank credits and debits	(168,308)	-	(21,933)	(190,241)
Gain on investments in associates	-	1,555,496	(6,534)	1,548,962
Subtotal	**8,554,965**	**1,780,357**	**(1,588,846)**	**8,746,476**
Financial income	-	-	73,101	73,101
Financial costs	-	-	(2,363,458)	(2,363,458)
Hyperinflation effect			(198,773)	(198,773)
Other financial results	-	-	(5,473,025)	(5,473,025)
Income before taxes	**8,554,965**	**1,780,357**	**(9,551,001)**	**784,321**
Income tax	(2,385,194)	(56,215)	2,387,749	(53,660)
Income/(Loss) for the year	**6,169,771**	**1,724,142**	**(7,163,252)**	**730,661**

Adjusted EBITDA	**14,339,099**
Dividends collected in this fiscal year (Note 9.b)	**376,703**
Adjusted EBITDA as per dividends collected	**14,715,802**

NOTE 7 - FINANCIAL INSTRUMENTS

Financial instruments by category

ASSETS	**12.31.2019**	**12.31.2018**
Financial assets at amortized cost:		
Other receivables	3,236,813	5,987,585
Trade receivables	5,014,097	7,928,779
Other investments	1,957,175	-
Cash and cash equivalents	4,011,993	1,288,848
Total	**14,220,078**	**15,205,212**
Financial assets at fair value:		
Cash and cash equivalents	202,597	300,739
Investments at fair values	303,123	502,857
Total	**505,720**	**803,596**

LIABILITIES		
Financial liabilities at amortized cost:		
Trade payables	3,762,527	5,534,391
Financial debts	25,956,036	26,024,734
Other debts, social security charges and taxes payable	439,885	587,091
Total	**30,158,448**	**32,146,216**

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

Changes in this caption are as follows:

Main account	Original values					Depreciation				Net book value	Net book value
	Value at the beginning of year	Additions	Transfers	Writen off (2)	Value at the end of the year	Accumulated at the beginning of the year	Deletions (2)	For the year	Accumulated at the end of the year	As of 12.31.2019	As of 12.31.2018
DEVELOPMENT AND PRODUCTION ASSETS											
Wells and production facilities	30,746,759	1,343,057	9,756,128	(8,646)	41,837,298	14,446,501	(7,613)	6,865,265	21,304,153	20,533,145	16,300,258
Other production-related assets	123,687	1,513	61,861	(4,197)	182,864	84,225	(4,397)	11,929	91,757	91,107	39,462
Mining property	5,996,667	-	-	-	5,996,667	4,072,825	-	394,256	4,467,081	1,529,586	1,923,842
Materials and spare parts	17,692	6	-	(16,906)	792	-	-	-	-	792	17,692
Works in progress (1)	1,821,090	8,902,468	(9,009,373)	(1,064)	1,713,121	-	-	-	-	1,713,121	1,821,090
Subtotal	**38,705,895**	**10,247,044**	**808,616**	**(30,813)**	**49,730,742**	**18,603,551**	**(12,010)**	**7,271,450**	**25,862,991**	**23,867,751**	**20,102,344**
EXPLORATION AND EVALUATION ASSETS	**1,535,015**	**1,814,027**	**(746,817)**	**(916,489)**	**1,685,736**	**-**	**-**	**-**	**-**	**1,685,736**	**1,535,015**
CENTRAL MANAGEMENT ASSETS	**278,757**	**132,350**	**(61,799)**	**(28,282)**	**324,026**	**218,757**	**(24,537)**	**21,712**	**215,932**	**108,094**	**60,000**
TOTAL AS OF 12.31.2019	**40,519,667**	**12,193,421**	**-**	**(972,584)**	**51,740,504**	**18,822,308**	**(36,547)**	**7,293,162**	**26,078,923**	**25,661,581**	
TOTAL AS OF 12.31.2018	**33,642,387**	**10,029,120**	**-**	**(3,151,843)**	**40,519,663**	**14,912,827**	**(1,745,234)**	**5,654,715**	**18,822,308**		**21,697,359**
Non-financial asset impairment allowance										**(1,618,520)**	**(662,581)**
TOTAL										**24,043,061**	**21,034,778**

(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, 2019, $ 20,971 was recorded for the capitalization of financial costs while in the fiscal year ended December 31, 2018 $ 109,730 were capitalized.

(2) In the fiscal year ended December 31, 2019 they include $ 916,489 as original value net of depreciation, written off due to the assignment of 100% of assets and liabilities relating to the Angostura area (See Note 29 b) (1).
The fiscal year ended December 31, 2018 includes: $ 566,205 as original value of depreciations, written off due to the assignment of 50% of La Maggie concession (see Note 29 a) (1)), and a total of $ 288,742 as original value net of depreciations, written off due to the termination of the agreement for Operation of extraction of hydrocarbons at risk for the Sarmiento area (see Note 29 b) (3)), a total of $ 299,219 for the return of the Mata Amarilla area (see Note 29 b) (2)) and $ 236,513 for investments that cannot be recovered in the Angostura area (see Note 29 b) (1)).

The changes in the allowance for non-financial assets impairment are as follows:

	12.31.2019	**12.31.2018**
Balance at the beginning of year	662,581	672,362
Increases (1)	1,032,896	278,961
Decreases (2)	(76,957)	-
Uses (3)	-	(288,742)
Balance at year end	**1,618,520**	**662,581**

(1) Charged to Other operating income and expenses, net
(2) Related to recovery in 2019 under the agreement to terminate the Joint Venture for the concessions to exploit Fractions C and D of the Santa Cruz I area and Laguna de los Capones area (“La Maggie”).
(3) Related to the write-off in 2018 due to the termination of the agreement for Operation of extraction of hydrocarbons at risk for the Sarmiento area.

NOTE 9 - INVESTMENTS IN ASSOCIATES

a) Below is a detail of the investments in associates as of December 31, 2019 and December 31, 2018:

Company	**12.31.2019**	**12.31.2018**
Investments in Associates		
Gasinvest S.A.	12,187,216	10,541,774
Gasoducto GasAndes Argentina S.A.	885,156	657,298
Gasoducto GasAndes S.A. (Chile)	569,639	416,273
Transportadora de Gas del Norte S.A.	24,429	21,043
Transportadora de Gas del Mercosur S.A.	75,623	55,897
Andes Operaciones y Servicios S.A. (Chile)	49,087	44,439
Inversiones en Controladas		
Compañía General de Combustibles Internacional Corp. (1)	-	140
Total investments	**13,791,150**	**11,736,864**

(1) The Company is not consolidated since it is a dormant company and does not held significant balances. The company is under liquidation.

b) Below are the changes in investments in associates as of December 31, 2019 and 2018:

	12.31.2019	**12.31.2018**
At the beginning of the year	11,736,864	4,571,835
Translation differences	91,273	724,826
Result of investments in associates	3,818,382	1,548,962
Asset revaluation reserve	(485,354)	5,333,438
Translation result	(34)	1,177
Dividends collected	(1,370,085)	(376,703)
Associates’ capital reduction	104	(22,063)
Withdrawal of goodwill (1)	-	(19,478)
Gain/(loss) on valuation at fair value of Petronado S.A. (2)	-	(25,130)
At year end	**13,791,150**	**11,736,864**

(1) Includes $ 1,161,228 and $ 376,703 of dividends received as of December 31, 2019 and 2018, respectively.
(2) Cancellation of goodwill (originated in the acquisition of stake in Gasoducto GasAndes SA (Chile) on October 7, 2014) when adopting, in 2018, fair values for the valuation of its essential assets of the associated Midstream companies.
(3) See Note 30 (4)

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

COMPANY	12.31.2019			
	Assets	**Liabilities**	**P&L**	**Revenue**
Gasinvest S.A.	12,188,957	1,741	792,835	-
Gasoducto GasAndes Argentina S.A.	1,004,996	119,840	321,210	574,476
Gasoducto GasAndes S.A. (Chile)	1,079,055	509,416	156,510	393,072
Andes Operaciones y Servicios S.A. (Chile)	72,444	23,357	1,975	82,609
Transportadora de Gas del Mercosur S.A.	104,862	29,238	(5,280)	18,246
Transportadora de Gas del Norte S.A.	35,641	11,212	4,982	10,123

COMPANY	12.31.2018			
	Assets	**Liabilities**	**P&L**	**Revenue**
Gasinvest S.A.	10,579,240	37,463	1,361,975	-
Gasoducto GasAndes Argentina S.A.	836,231	178,935	52,795	253,207
Gasoducto GasAndes S.A. (Chile)	933,014	516,740	137,302	280,276
Andes Operaciones y Servicios S.A. (Chile)	67,271	22,832	2,932	101,059
Transportadora de Gas del Mercosur S.A.	86,914	22,426	(2,201)	349
Transportadora de Gas del Norte S.A.	33,485	12,442	2,694	8,584
Compañía General de Combustibles Internacional Corp.	140	-	(678)	-

NOTE 10 - OTHER RECEIVABLES

The breakdown of other receivables is as follows:

	12.31.2019	**12.31.2018**
Non-current:		
Related parties (Note 26 a))	329,759	318,695
Minimum notional income tax	232,462	156,903
Income tax	72,019	-
Impuesto a los Debitos y Creditos	87,515	86,195
Receivables under the Incentive Program for Gas Injection (Note 2)	-	1,777,037
Echo Energy CDL OP Ltd 2)	-	144,218
Sundry	62	25
Allowance for expected losses	(329,759)	(318,695)
Total	**392,058**	**2,164,378**
Current:		
Receivables for incentives Resolution 419-E/2017	2,852,216	2,611,346
Receivables under the Incentive Program for Gas Injection (Note 2)	-	1,311,667
Receivables from the propane gas supply agreement	48,220	27,210
Receivables from export refunds from Patagonia ports	41,367	39,978
Related parties (Note 26 a))	223,726	10,908
Value added tax	357,808	30,482
Income tax	-	51,626
Other tax credits	152,605	3,135
Advances to suppliers	44,678	45,110
Expenses to be recovered	57,895	21,166
Prepaid insurance	26,942	8,848
Echo Energy CDL OP Ltd 2)	-	20,780
Trust Assets	262	391
Prepaid fees	29,813	35,508
Sundry	13,327	23,250
Total	**3,848,859**	**4,241,405**

Activity in the provision for expected losses is as follows:

	12.31.2019	12.31.2018
Non-Current		
Balance at the beginning of year	318,695	246,444
Restatement due to changes in the purchasing power parity	(111,525)	(79,528)
Increases (Decreases) (1)	122,589	151,779
Balance at year end	**329,759**	**318,695**

(1) $ 0 and $ 84,129 were charged to other operating income and expenses, and $ 122,589 and $ 67,650, to financial results in 2019 and 2018, respectively.

NOTE 11 - INVENTORIES

The breakdown of inventories is as follows:

	12.31.2019	12.31.2018
Oil and byproducts	243,788	684,240
Materials and spare parts	850,522	625,541
Total	**1,094,310**	**1,309,781**

NOTE 12 - TRADE RECEIVABLES

The breakdown of trade receivables is as follows:

	12.31.2019	12.31.2018
Non-Current		
Ordinary (1)	284,250	540,670
Bankruptcy proceedings	250,407	250,202
Less: Provision for expected losses	(250,407)	(250,202)
Total	**284,250**	**540,670**
Current		
Ordinary	4,820,005	7,495,281
Less: Provision for expected losses	(90,158)	(107,172)
Total	**4,729,847**	**7,388,109**

(1) See Note 4.1.2.

Activity in the provision for expected losses is as follows:

	12.31.2019	12.31.2018
Balance at the beginning of year	357,374	176,184
Restatement due to changes in the purchasing power parity	(125,061)	(56,854)
Increases (Note 24 f)) (1)	108,252	238,044
Balance at year end	**340,565**	**357,374**

(1) $ 20,491 and $ 238,044 were charged to other operating income and expenses, and $ 87,761 and $ 0, to financial results in 2019 and 2018, respectively.

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

As of December 31, 2019 and 2018, the amounts of trade receivables for $ 5,354,662 and $ 8,286,153, respectively, fully complied with contractual terms and their fair value did not significantly differ from book value.

The aging of these balances is as follows:

	12.31.2019	**12.31.2018**
Past due		
From 0 to 3 months	1,563,514	804,657
From 3 to 6 months	868,947	568,549
From 6 to 9 months	8,715	14,167
From 9 to 12 months	12,102	12,663
Over a year	69,341	80,342
To be due		
From 0 to 3 months	2,155,261	5,886,748
From 3 to 6 months	47,375	4,004
From 6 to 9 months	47,375	34,091
From 9 to 12 months	47,375	90,060
Over a year	534,657	790,872
Total	**5,354,662**	**8,286,153**

The book value of trade receivables is stated in the following currencies:

	12.31.2019	**12.31.2018**
Argentine peso	3,014,837	2,571,331
United States dollar	2,339,825	5,714,822
Total	**5,354,662**	**8,286,153**

NOTE 13 – INVESTMENTS AT AMORTIZED COST AND FAIR VALUE

The breakdown of other investments government securities at amortized cost is as follows:

	12.31.2019	**12.31.2018**
Non-Current:		
Government securities at amortized cost	618,670	-
Total	**618,670**	**-**
Current:		
Government securities at amortized cost (1)	1,338,505	-
Total	**1,338,505**	**-**

(1) BONDS UNDER NATURAL GAS PROGRAMS (see Note 2).

b) La composición de las inversiones a valor razonable es la siguiente:

	31.12.2019	31.12.2018
Inversiones a valor razonable corrientes:		
Publicly traded shares (1)	25,826	31,335
Government securities at fair value (2)	277.297	471.522
Total	**303.123**	**502.857**

(1) As of December 31, 2019, they include $ 20.120 shares of President Energy PLC (see Note 29 b (1))
(2) As of December 31, 2019 and 2018, they include Argentine Bonds denominated in US dollars (BONAR 2020 in USD) for a nominal value of USD 8,228,408 and USD 8,228,653, respectively, bearing interest at 8% and falling due in 2020, received as provided for by Decree No. 704/2016.

NOTE 14 - CASH AND CASH EQUIVALENTS

	12.31.2019	12.31.2018
Cash	529	514
Banks	4,011,464	1,288,334
Mutual funds (1)	202,597	300,739
Total	**4,214,590**	**1,589,587**

(1) As of December 31, 2019 and 2018 it is made up of 29,560,287 and 44,197,166 units of Alpha Pesos mutual fund, respectively.

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

	12.31.2019	12.31.2018
Cash and cash in banks	4,011,993	1,288,848
Mutual funds	202,597	300,739
Overdraft (Note 21)	(499,943)	-
Total	**3,714,647**	**1,589,587**

NOTE 15 - CAPITAL STOCK

Share capital

Share capital as of December 31, 2019 and 2018 amounted to $ 399,138 and had been fully subscribed, paid-up and registered. Capital is represented by 399,137,856 ordinary nominative non-endorsable shares of $1 face value each and entitled to one vote per share. The shareholders of Latin Exploration S.L.U. and Sociedad Comercial del Plata S.A. hold 70% and 30% of the capital stock and votes, respectively. Latin Exploration S.L.U. holds 279,396,499 shares and Sociedad Comercial del Plata S.A. holds 119,741,357 shares.

NOTE 16 - RESERVES

	Legal reserve	Optional reserve(1)	Other (2)	Total reserves
Balances as of December 31, 2017	**49,577**	**2,110,447**	**(489,041)**	**1,670,983**
General Shareholders’ Meeting held on April 27, 2018 (appropriation of retained earnings):	-	(849,576)	-	(849,576)
General Shareholders’ Meeting held on August 1, 2018 (distribution of dividends):	-	(234,174)	-	(234,174)
Balances as of December 31, 2018	**49,577**	**1,026,697**	**(489,041)**	**587,233**
General Shareholders’ Meeting held on April 10, 2019 (appropriation of retained earnings and distribution of dividends):	453,309	4,559,855	489,041	5,502,205
Balances as of December 31, 2019	**502,886**	**5,586,552**	**-**	**6,089,438**

(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 book value of the acquisition of Unitec Energy S.A. in 2015.

NOTE 17 - RETAINED EARNINGS AND OTHER COMPREHENSIVE INCOME

17.a) Retained earnings

	12.31.2019	12.31.2018
Balances as of December 31, 2017		**4,160,602**
General Shareholders’ Meeting held on April 27, 2018 (appropriation of retained earnings)		849,576
Profit/(loss) for the year		730,661
Balances as of December 31, 2018	**5,740,839**	**5,740,839**
General Shareholders’ Meeting held on April 10, 2019 (appropriation of retained earnings)	(5,740,839)	
Reversal of asset revaluation reserve	650,228	
Profit/(loss) for the year	4,695,683	
Balances as of December 31, 2019	**5,345,911**	

17.b) Other comprehensive income

	Asset revaluation reserve (Note 3.2.3)	**Currency translation difference**	**Total**
Balances as of December 31, 2017	**-**	**255,959**	**255,959**
Profit/loss on asset revaluation reserve	5,333,438	-	5,333,438
Foreign exchange gains/(losses)	-	724,826	724,826
Balances as of December 31, 2018	**5,333,438**	**980,785**	**6,314,223**
Reversal of asset revaluation reserve	(650,228)	-	(650,228)
Profit/loss on asset revaluation reserve	(485,354)	-	(485,354)
Foreign exchange gains/(losses)	-	91,273	91,273
Balances as of December 31, 2019	**4,197,856**	**1,072,058**	**5,269,914**

NOTE 18 - PROVISIONS FOR LEGAL CLAIMS AND OTHER 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.

The changes in the provisions for legal claims and other proceedings are as follows:

	12.31.2019	12.31.2018
Non-Current		
Balance at the beginning of year	87,008	74,243
Hyperinflation effect	(30,449)	(23,958)
Increases/(decreases) (1)	38,934	36,723
Balance at year end	**95,493**	**87,008**

(1) $ 38,934 and $ 38,762 were allocated to other operating income and expenses in 2019 and 2018, respectively; $ (1,057) were allocated to financial results, and ($ 982) were applied to other purposes in the period 2018.

NOTE 19 - OTHER PROVISIONS

The breakdown of other provisions is as follows:

	12.31.2019	12.31.2018
Non-current:		
For gas imbalance (Note 3.2.14.1)	8,519	15,262
Asset retirement obligation and provision for environmental remediation (3.2.14.1)	2,532,722	2,068,209
Sundry	29,154	29,800
Total	**2,570,395**	**2,113,271**

	12.31.2019	12.31.2018
Current:		
For gas imbalance (Note 3.2.14.1)	1,405	2,360
Reorganization trustees’ fees	-	23
Total	**1,405**	**2,383**

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

	Gas imbalance		**Asset abandonment obligation and provision for environmental remediation**	**Total**	
	Non-Current	**Current**	**Non-Current**	**Non-Current**	**Current**
Balance at the beginning of year	**15,262**	**2,360**	**2,068,209**	**2,083,471**	**2,360**
Increases charged to Assets (1)	-	-	1,374,806	1,374,806	-
Charged to income/(loss) (2)	(6,743)	(955)	-	(6,743)	(955)
Gain/(loss) on exposure to purchasing power parity	-	-	(533,811)	(533,811)	-
Present value/exchange difference (3)	-	-	(210,355)	(210,355)	-
Write-off due to assignment of Mata Amarilla area concession (4)	-	-	(13,447)	(13,447)	-
Write-off due to assignment of 50% of Angostura area concession (4)	-	-	(152,680)	(152,680)	-
Balance at year end	**8,519**	**1,405**	**2,532,722**	**2,541,241**	**1,405**

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

NOTE 20 - TAX PAYABLES

The breakdown of tax payables is as follows:

	12.31.2019	**12.31.2018**
Non-current:		
Payment plan, Section 32 Law No. 11683	7,105	34,355
Payment plan - AFIP General Resolution No. 3451	2,582	5,074
Total	**9,687**	**39,429**

	12.31.2019	**12.31.2018**
Current:		
Provision for turnover tax	4,940	5,275
Value added tax	-	101,468
Collection Gas surcharge, pursuant to Section 75 of Law No. 25565	37,844	52,825
Tax withholdings and collections	71,049	131,158
Payment plan, pursuant to Section 32 of Law No. 11683	15,228	19,944
Payment plan, pursuant to Law No. 26476	-	1,174
Payment plan - AFIP General Resolution No. 3451	716	938
Sundry	490	525
Total	**130,267**	**313,307**

NOTE 21 - FINANCIAL DEBTS

The breakdown of financial debts is as follows:

	12.31.2019	12.31.2018
Non-current:		
Bank loans	1,786,408	165,285
Negotiable obligations	19,679,661	21,964,844
Total	**21,466,069**	**22,130,129**
Current:		
Overdraft	499,943	-
Bank loans	2,715,748	3,449,988
Negotiable obligations	1,274,276	444,617
Total	**4,489,967**	**3,894,605**

Breakdown	December 31, 2019	December 31, 2018	Annual interest rate	Due date	Currency/
Financial liability					
NON-CURRENT					
Bank loans					
Syndicated bank loans (Note 21.c)	1,786,408	-	9.5%	2019-2021	US dollar
Santander	-	165,285	5.00%	2019-2020	US dollar
Subtotal	**1,786,408**	**165,285**			
Negotiable obligations					
ON – class A (Note 21.a)	17,951,610	17,346,904	9.50 %	2021	US dollar
ON – class 10 (Note 21.b)	1,728,051	4,617,940	9.70 %	2021	US dollar
Subtotal	**19,679,661**	**21,964,844**			
Total non-current assets	**21,466,069**	**22,130,129**			
CURRENT					
Bank loans					
Syndicated bank loans (Note 21.d)	-	840,038	6.25%	2018-2019	US dollar
Syndicated bank loans (Note 21.c)	2,715,748	-	9.5%	2019-2021	US dollar
Bank overdrafts	499,943	-	Badlar + 12%	-	Pesos
Itau	-	290,164	8.00%	2019	US dollar
Citibank	-	290,253	7.00%	2019	US dollar
ICBC	-	349,352	5.80%	2019	US dollar
Santander	-	499,388	5.00%	2019-2020	US dollar
Banco Macro S.A.	-	593,127	5.80%	2019	US dollar
Banco Macro S.A.	-	587,666	7.25%	2019	US dollar
Subtotal	**3,215,691**	**3,449,988**			
Negotiable obligations					
ON – class 10 (Note 21.b)	898,350	-	9.70 %	2021	US dollar
ON - accrued interest payable (Note 21.a and b)	375,926	444,617			US dollar
Subtotal	**1,274,276**	**444,617**			
Total current	**4,489,967**	**3,894,605**			
TOTAL	**25,956,036**	**26,024,734**			

The book value of financial debts approximates their fair value, with a difference of 0.67%.

The activity in financial debts as of December 31, 2019 and 2018 is shown below:

	12.31.2019	12.31.2018
Balance at the beginning	26,024,734	15,809,200
Overdraft, net	499,943	(3,074)
Accrued interest	2,668,940	2,492,592
Effect of exchange rate variations and gain/(loss) on changes in purchasing power parity	547,961	7,218,318
Loans obtained	5,770,697	7,184,012
Payments of principal	(7,083,911)	(4,734,479)
Interest payments	(2,472,328)	(1,941,835)
Balance at end of period	**25,956,036**	**26,024,734**

Negotiable obligations in force as of December 31, 2019

21.a) Class A Negotiable Obligation

On November 7, 2016, Class A Negotiable Obligations were issued and settled for USD 300,000,000, accruing interest at an annual fixed rate of 9.5% and maturing November 7, 2021. Interest is paid semi-annually, on May 7 and November 7.

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. At the date of issue of these Financial Statements, we have complied with the agreed upon restrictions.

21.b) Class 10 Negotiable Obligation

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%.

On September 10, 2018, May 7, 2019, July 12, 2019, September 10, 2019, September 20, 2019 and January 13, 2020, principal on Class 10 ON for USD 20,222.5, USD 5,041.6, USD 10,849.4, USD 4,360.0 and USD 15,640.0 was repaid in advance of capital, in compliance with the obligations set forth under the issuance terms and conditions.

Class 10 ON are without recourse to CGC and secured. 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 arising from the 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 (“Available Funds”). If, on any date of payment of interest, there are no Available Funds sufficient to pay compensatory interest in whole or in part, any surplus of Available Funds will be automatically capitalized on that Date of Payment of Interest. The Company’s obligation relating to payments under ONs will be exclusively limited to allocating Available Funds to the payment of principal, interest and other items due under ONs; the Company assumes no liability in case the Available Funds are not sufficient.

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 two contracts for the benefit of holders of negotiable obligations: (i) a share pledge contract of Gasinvet’s shares and (ii) a trust agreement, whose trust assets will be the Available Funds, which will be used by the trustee to make payments of principal, interest and other items under the ONs. 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.

Under the terms and conditions set out in relation to the issuance of these ONs 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 September 12, 2019, consent was obtained from the holders upon request for consent and the maturity dates for interest payments and principal amortization, and the definitions of the Minimum Ratio were changed. Interest will be payable in quarterly installments as from January 12, 2020. Principal amortization date was set in six installments, according to the following schedule: - five installments of USD 5,000.0 maturing on April 12, 2020, July 12, 2020, October 12, 2020, January 12, 2021 and April 12, 2021, and the last installment with the value pending amortization on July 12, 2021.

The residual value of the ONs as of December 31, 2019 amounted to US $ 43,886.5. On January 13, 2020, the Company prepaid US $ 986.9. After this amortization, the residual value amounted to US $ 42,899.6.

Bank loans

21.c) Syndicated loan for USD 75 million issued on May 23, 2019

The funds disbursed under the syndicated loan agreement for USD 75 million, signed with Citibank N.A. Branch based in Argentina, Banco de Galicia y Buenos Aires S.A.U., Industrial and Commercial Bank of China (Argentina) S.A. and Banco Santander Río S.A., as lenders, were received on May 23, 2019. The Branch of Citibank N.A. based in Argentina shall act as disbursement agent and Citibank N.A., as administrative agent. The loan shall accrue compensatory interest payable quarterly at a fixed nominal annual rate of 9.5%. If the loans are assigned to foreign persons, said loans may accrue interest at a variable annual rate equivalent to LIBOR plus 5.5%, at the assignee's choice. The loans may be amortized in five equal quarterly and consecutive installments, payable as from May 21, 2020.

21.d) Repayment of syndicated loan for USD 72 million entered into on February 20, 2017

On February 21, 2019, the Company repaid the last principal installment of the loan taken out on February 20, 2017 with Commercial Bank of China (Argentina) S.A. as administrative agent, for an amount of USD 72,000,000 and an annual fixed interest rate of 6.25%.

21.e) Frequent Issuer

On July 19, 2019, the Company shareholders approved an increase from USD 250,000,000 to USD 500 in the maximum amount to be issued under the frequent issuer regime. On July 24, 2019, the CNV Issuers Board authorized the Company to register with the Frequent Issuers Regime for the public offering of simple negotiable obligations, not convertible for shares, for an amount of up to USD 500 million. See Negotiable Obligation class 12, 13 and 14 issued under this program in note 32 – Subsequent Events.

NOTE 22 - OTHER DEBTS

The breakdown of other debts is as follows:

	12.31.2019	12.31.2018
Current:		
Oil and gas royalties	153,866	218,104
Total	**153,866**	**218,104**

NOTE 23 - TRADE PAYABLES

The breakdown of other debts is as follows:

	12.31.2019	12.31.2018
Current:		
Ordinary suppliers	2,079,455	2,819,020
Ordinary suppliers of joint ventures	256,543	104,835
Related parties (Note 26 a))	199,416	154,665
Invoices to be received	1,227,113	2,455,871
Total	**3,762,527**	**5,534,391**

NOTE 24 - BREAKDOWN OF MAIN INCOME STATEMENT CAPTIONS

a) Revenue

	12.31.2019	12.31.2018
Crude oil delivered	7,253,303	5,789,032
Gas	14,514,906	15,942,040
Other	1,324,660	950,725
Incentives (Note 2)	7,787,879	4,751,099
Total	**30,880,748**	**27,432,896**

b) Cost of revenue

	12.31.2019	12.31.2018
Stocks at the beginning of year	1,309,781	1,081,680
Purchases	3,398,328	3,751,909
Inventory consumption	(1,311,764)	(1,022,839)
Expenses allocable to cost of revenue (1)	16,703,619	14,649,109
Stocks at year end (Note 11)	(1,094,310)	(1,309,781)
Cost of revenue	**19,005,654**	**17,150,078**

(1) Expenses allocable to cost of revenue

	12.31.2019	12.31.2018
Fees and compensation for services	75,064	45,679
Outsourced services	3,182,622	3,763,831
Salaries, wages and social security contributions	466,977	502,018
Other expenses on personnel	47,996	52,749
Depreciation of property, plant and equipment	7,271,450	5,628,320
Depreciation right to use assets for leases	515,479	-
Taxes, duties and contributions	210,998	173,677
Fuel, gas and electricity	200,631	191,260
General insurance	67,700	56,949
Spare parts and repairs	1,004,224	786,760
Wells maintenance	596,057	371,654
Office expenses	163,318	163,382
Travel and per diem	-	231
Royalties, fee and easements	2,613,385	2,651,916
Gas imbalance	(7,698)	(17,408)
Environmental control	295,416	278,091
Total	**16,703,619**	**14,649,109**

c) Selling expenses

	12.31.2019	12.31.2018
Turnover tax	490,681	556,558
Export tax	503,546	190,854
Total	**994,227**	**747,412**

d) Administrative expenses

	12.31.2019	12.31.2018
Fees and compensation for services	546,900	343,529
Salaries, wages and social security contributions	652,040	547,539
Other expenses on personnel	40,939	22,786
Depreciation of property, plant and equipment	21,712	26,395
Taxes, duties and contributions	25,980	63,121
General insurance	8,228	16,935
Spare parts and repairs	83,892	62,190
Office expenses	54,578	34,214
Travel and per diem	35,579	28,770
Communications	11,124	11,322
Other	99,442	64,577
Total	**1,580,206**	**1,221,378**

e) Exploration expenses

	12.31.2019	12.31.2018
Geological and geophysical expenses (1)	14,081	236,513
Unsuccessful studies and wells (2)	920,064	299,219
Total	**934,145**	**535,732**

(1) As of December 31, 2019 it includes 14,081 of the Tapi Aike area and as of December 31, 2018 it includes 236,513 of the Angostura area (Note 29.b(1))
(2) As of December 31, 2019 it includes 916,489 of the Angostura area (Note 29.b(1)) and as of December 31, 2018 it includes 299,219 of the Mata Amarilla area (Note 29.b(2))

f) Other operating income and expenses, net

	12.31.2019	12.31.2018
Fees for services rendered	184,742	233,307
Outsourced services	(4,425)	(124,209)
Charge for impairment allowance for non-financial assets (Note 8)	(1,032,896)	(278,961)
Charge for allowance for other receivables (Note 10)	-	(84,129)
Charge for allowance for trade receivables (Note 12)	(20,491)	(238,044)
Charge for provision for legal claims and other proceedings (Note 18)	(38,934)	(38,762)
Turnover tax	(15,140)	(8,445)
Gain/(loss) on the assignment of oil production areas (Note 29)	59,378	(102,376)
Sundry	3,443	60,837
Total	**(864,323)**	**(580,782)**

g) Total result of investments in associates

Associate	12.31.2019	12.31.2018
Gasinvest S.A. (1)	3,312,530	1,361,974
Gasoducto GasAndes Argentina S.A.	321,210	52,795
Gasoducto GasAndes S.A. (Chile)	156,510	137,302
Andes Operaciones y Servicios S.A. (Chile)	1,975	2,932
Transportadora de Gas del Norte S.A. (1)	6,640	2,694
Transportadora de Gas del Mercosur S.A. (1)	19,727	(2,201)
Compañía General de Combustibles Chile Ltda.	-	(5.856)
Compañía General de Combustibles Internacional Corp.	(210)	(678)
Total	**3,818,382**	**1,548,962**

(1) It includes $ 2,029,130, $ 4,061, $ 18,082 of income for the change in holdings of Gasinvest S.A., Transportadora de Gas del Norte S.A. and Transportadora de Gas del Mercosur S.A., respectively, as reported in Note 30 (5)

h) Financial results

	12.31.2019	12.31.2018
Financial income		
Interest	92,190	73,101
Total	**92,190**	**73,101**
Financial costs		
Interest	(2,579,276)	(2,363,458)
Total	**(2,579,276)**	**(2,363,458)**
Hyperinflation effect		
Hyperinflation effect (Note 3.1.a)	(1,434,550)	(198,773)
Total	**(1,434,550)**	**(198,773)**
Other financial results		
Income from measurement of financial instruments at fair value	(52,411)	23,019
Exchange differences, net	(807,480)	(5,323,089)
Other financial expenses	(63,601)	(172,955)
Total	**(923,492)**	**(5,473,025)**

NOTE 25 - EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the income allocable to the holders 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 earnings per share are equal to the diluted earnings per share.

	12.31.2019	12.31.2018
Income allocable to the Company's shareholders	4,695,683	730,661
Weighted average number of ordinary outstanding shares	399,138	399,138
Basic and diluted earnings per share (pesos)	**11.765**	**1.831**

The Company does not have instruments with dilutive effect.

NOTE 26 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of December 31, 2019 and 2018, 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.

As of December 31, 2019 and 2018, Latin Exploration S.L.U. holds 70% of the shares and voting rights of Compañía General de Combustibles S.A. and Sociedad Comercial del Plata S.A. holds the remaining 30% (see Note 15 to these Financial Statements).

a) Balances with related parties as of December 31, 2019 and 2018 are included below:

	12.31.2019	12.31.2018
Other receivables		
Non-Current:		
Petronado S.A.	329,759	318,695
Total	**329,759**	**318,695**
Current:		
Gasinvest S.A.	208,860	-
Gasoducto GasAndes S.A. (Argentina)	14,866	10,908
Total	**223,726**	**10,908**
Trade payables		
Gasoducto Gas Andes S.A. (Argentina)	7,625	26,195
Corredor Americano S.A.	191,791	128,470
Total	**199,416**	**154,665**

b) The main transactions with related parties for the fiscal years ended December 31, 2019 and 2018 are detailed below:

Company	12.31.2019			
	Sale of services	**Interest earned**	**Dividends collected**	**Outsourced services**
Associated companies				
Transportadora de Gas del Norte S.A.	-	-	1,870	-
Gasinvest S.A.	-	-	888,444	-
Gasoducto GasAndes Argentina S.A.	78,055	-	216,280	9,737
Gasoducto GasAndes S.A. (Chile)	-	-	54,634	-
Other companies				
Corredor Americano S.A. (1)	-	-	-	1,328,315

Company	12.31.2018			
	Sale of services	**Interest earned**	**Dividends collected**	**Outsourced services**
Associated companies				
Transportadora de Gas del Norte S.A.	3,658		358	-
Gasoducto GasAndes Argentina S.A.	61,967	-	52,431	-
Gasoducto GasAndes S.A. (Chile)	-	-	56,270	-
Transportadora de Gas del Mercosur S.A.	-	548	267,644	-
Other companies				
Corredor Americano S.A. (1)	-	-	-	1,166,965

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

c) Accrued remunerations of key Company managerial staff, including the Board members and Vice Presidents who perform executive functions and are appointed by the Board of Directors, amounted to $ 568,292 and $ 414,532 in the fiscal years ended December 31, 2019 and 2018, 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 also for the recoverable tax losses.

The breakdown of the income tax included in the Statement of Income and the breakdown of deferred tax is the following:

	12.31.2019	12.31.2018
Income tax for the year		
Current tax – Loss	-	-
Deferred tax - (Loss)/Income	(1,779,764)	(53,660)
Total Income tax	**(1,779,764)**	**(53,660)**

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

	12.31.2019	12.31.2018
Deferred tax assets		
Provision for lawsuits	24,033	21,998
Provision for expected losses	167,581	169,017
Tax losses	63.844	824,059
Inventories	31,944	62,093
Other	-	51,956
Total deferred tax assets	**287,402**	**1,129,123**
Deferred tax liabilities		
Property, plant and equipment	(1,188,548)	(1,692,293)
Inflation tax adjustment deferred	(1,460,443)	-
Other	(68,268)	(86,923)
Total deferred tax liabilities	**(2,717,259)**	**(1,779,216)**
Total net deferred tax assets/(liabilities)	**(2,429,857)**	**(650,093)**

Net deferred liabilities:	**At the beginning**	**Account activity for the year**	**At year end**
Provision for lawsuits	21,998	2,035	24,033
Provision for expected losses	169,017	(1,436)	167,581
Inventories	62,093	(30,149)	31,944
Property, plant and equipment and intangible assets	(1,692,293)	503,745	(1,188,548)
Inflation tax adjustment deferred	-	(1,460,443)	(1,460,443)
Tax losses(*)	824,059	(760,215)	63,844
Other	(34,967)	(33,301)	(68,268)
Total	**(650,093)**	**(1,779,764)**	**(2,429,857)**

(*) 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 as of December 31, 2019 are as follows:

Date of generation	**Available through**	**Amount**
2018	2023	63,844
		63,844

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:

	12.31.2019	12.31.2018
Income before income tax	6,475,447	784,321
Effective tax rate applied to to P&L for the year	30%	30%
Subtotal	(1,942,634)	(235,296)
Effect of change in tax rate (Note 3.2.13.3)	-	42,513
Effect of permanent differences and provisions	162,870	139,123
Total income tax	**(1,779,764)**	**(53,660)**

NOTE 28 - LEASES

Effective January 1, 2019, the Company started to apply IFRS 16 Leases, but it has not restated the comparative information as permitted by the specific regulations on transition to IFRS.

In applying IFRS 16, the Company recognized lease payables that were measured at present value of payments of remaining leases, discounted at the incremental interest rate on the lease as of January 1, 2019. The interest rate applied to lease payables as of January 1, 2019 was 12%. As of December 31, 2019, the interest rate applied was 11%.

The Company leases production facilities and equipment. Contracts are usually entered into for a term of 1 to 4 years, with an extension option. The terms of the lease contracts are negotiated on an individual basis and contain various terms and conditions. Leases are recognized as a right-of-use asset and lease liability at the date on which the leased asset is available for use by the Company. The right-of-use asset is depreciated by the straight-line method over the useful life of the asset.

Payments of short-term leases (12 months or less) and leases of low-price assets are recognized in income under the straight-line method.

Detailed below are the effects of the adoption of the new policy and movements for the fiscal year ended December 31, 2019:

Right-of-use assets recognized as of January 1, 2019	**834,522**
Additions of right of use in fiscal year 2019	722,827
Depreciation of right-of-use assets in fiscal year 2019	(515,479)
Right-of-use assets recognized as of December 31, 2019	**1,041,870**
Lease payable as of January 1, 2019	**834,522**
Additions of right of use in fiscal year 2019	722,827
Lease payments	(597,662)
Effect of exchange difference in fiscal year 2019	94,273
Effect of discount at present value in fiscal year 2019	31,091
Lease payable as of December 31, 2019	**1,085,051**
Classification as of December 31, 2019	
Current lease payables	**628,345**
Non-current lease payables	**456,706**

NOTE 29 - PARTICIPATION IN OIL AND GAS FIELDS

The Company recognizes in its financial statements the assets, liabilities, revenue from ordinary activities and expenses relating to its participation in oil and gas exploration and exploitation Areas and Joint Operations covered by joint ventures for hydrocarbon exploration and production. As of December 31, 2019 and 2018 the financial statements and management reports of joint ventures at those dates were used. The table below shows the oil and gas exploration and exploitation areas where the Company has equity interests as of December 31, 2019 and 2018.

Basin	Area	Participation %		Operator	Term Until	Activity
Argentina						
Northwestern	Aguaragüe	5.00		Tecpetrol S.A.	2027	Exploration and exploitation
Austral	El Cerrito	100.00		CGC	2052	Exploration and exploitation
	Dos Hermanos	100.00		CGC	2027/2034/2037	Exploration and exploitation
	Campo Boleadoras	100.00		CGC	2027/2033/2034	Exploration and exploitation
	Campo Indio Este/El Cerrito	100.00		CGC	2028/2058	Exploration and exploitation
	María Inés	100.00		CGC	2027/2028	Exploration and exploitation
	Cóndor	100.00		CGC	2027	Exploration and exploitation
	La Maggie	100.00	a)(1).1)	CGC	2026/2027	Exploration and exploitation
	Glencross	87.00		CGC	2033	Exploitation
	Estancia Chiripa	87.00		CGC	2033	Exploitation
	Tapi Aike	81.00	a)(1).2)	CGC		Exploration
	Paso Fuhr	50.00	a)(2)	CGC		Exploration
	Piedrabuena	100.00		CGC		Exploration
	Mata Amarilla		b)(2)			
Neuquina	Angostura		b)(1)			
Venezuela	Campo Onado	26.004	a)(3)	Petronado S.A.	2026	Exploitation
Guatemala	A-9-96		a)(4)			

a) Situation in oil and gas areas

(1) On October 31, 2017, the Company and Echo Energy Plc. (“Echo Energy”) executed joint investment agreements for the exploration of four blocks in the Austral Basin in the Province of Santa Cruz. In light of these agreements, two joint ventures 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 joint operations in the Santa Cruz I Fractions C and D and Laguna de los Capones (“La Maggie”) areas, and joint venture “CGC S.A. - ECO ENERGY CDL OP LTD SUC.ARG. - TAPI AIKE” to develop joint operations in the Tapi Aike area.

On May 17, 2019, the Company and Echo Energy executed two agreements to amend the terms of the joint investment:

1) Agreement to terminate the Joint Venture for the concessions to exploit Fractions C and D of the Santa Cruz I area and Laguna de los Capones area (“La Maggie”). After investing USD 17.5 million in exploring La Maggie during the fiscal year 2018, Echo Energy has decided to not carry on with the Second Period of Obligations and returned to CGC 50% of the rights and obligations over the Blocks. Thus, CGC has assumed 100% of the interest in the blocks and waived its right to demand compliance with the rest of the investment obligations incumbent on Echo Energy. This agreement generated a loss in real terms of $ 89,010 and $ 121,001 in fiscal years 2019 and 2018, respectively,

2) Amendment to the Tapi Aike area farmout agreement. Echo Energy has reduced its interest in the block from 50% to 19% of the rights and obligations arising under the exploration permit of the Tapi Aike area and will pay with this amendment 19% of costs and investments under the basic exploration plan for the first exploratory period. CGC has assumed an 81% interest in the Tapi Aike area, whose exploration permit was granted to the Company under Decree No. 775, within the framework of Bid No. 01/17 of Instituto de Energía de Santa Cruz.

(2) On February 28, 2019, the Executive Branch of the Province of Santa Cruz awarded 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, with CGC as operator.

(3) 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)).

(4) Area A-9-96 (Guatemala) - On July 16, 2012, the Company assigned all of the rights and obligations of this area to Quattro Exploration & Production. The authorization of the assignment is pending approval by the Ministry of Energy and Mines.

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

b) Changes in oil and gas areas

(1) On October 18, 2019, the Company and President Energy PLC agreed the assignment of 100% of the assets and liabilities relating to the Angostura area. This assignment was approved by the Executive Branch of the Province of Río Negro in November 2019. The agreement is contingent upon compliance with certain conditions and the effective date of the assignment is November 1, 2019.

As of December 31, 2019, considering the terms of the agreement, $ 916,489 has been charged to Exploration expenses for the value of the net assets of the area, and $ 162,663 to Other operating income and expenses, for the recovery of provisions. As of December 31, 2018, a loss of $ 236,513 has been charged to exploration expenses for the unsuccessful geological and geophysical costs.

(2) On December 21, 2018, the Company presented to the IESC the waiver and total reversal of the exploration permit of Mata Amarilla, an area located in the Austral Basin, Province of Santa Cruz. As a result, investments made in that area in the amount of $ 299,219 were written off in fiscal year 2018.

(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 in fiscal year 2018.

(4) 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.

As of December 21, 2019 and 2018, ($ 14,275) and $ 18,625, respectively, were charged to Other operating income and expenses due to the effect of termination of the Concession.

c) <u>Relevant information</u>

The total figures of the statement of financial position relating to the Company's interests in joint operations as of December 31, 2019 and 2018 and the income statement figures for the fiscal years ended December 31, 2019 and 2018 are shown below:

	12.31.2019	12.31.2018
Non-current assets	979,741	364,381
Current assets	148,460	63,204
Total assets	**1,128,201**	**427,585**
Non-current liabilities	66,371	83,099
Current liabilities	257,165	105,454
Total liabilities	**323,536**	**188,553**

	12.31.2019	12.31.2018
Operating loss (*)	204,511	454,776
Net loss (*)	177,630	589,528

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

d) Investment commitments

As of December 31, 2019 the Company's participation in minimum commitments in these areas amounted to USD 347.6 million, USD 274 million of which correspond to the Condor, Campo Boleadoras y La Maggie of the concessions fractions A, B, C and D in Santa Cruz I area, Fractions A and B in Santa Cruz II area and Laguna de los Capones, USD 48 million in Tapi Aike area, USD 25 million in Paso Fuhr area and USD 0.6 million in Piedra Buena area.

NOTE 30 - SITUATION OF ASSOCIATES AND OTHER COMPANIES

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

Company	Ref.	Participation %	
		12.31.2019	12.31.2018
Associates			
Gasinvest S.A.	(1) (5)	50.0000	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)	0.0569	0.0465
Transportadora de Gas del Mercosur S.A.	(2) (5)	15.7747	10.8988
Other companies			
Petronado S.A. (Venezuela)	(4)	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 carriage capacity of the Company's gas pipeline, the Brazilian thermal power plant AES Uruguaiana Emprendimentos S.A. ("AES U").

On December 20, 2017, the Extraordinary Shareholders' Meeting of TGM resolved by a majority vote to execute a transactional agreement with YPF (the "Transactional Agreement"), which put an end to the conflict between the parties.

This agreement 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.

In December 2017, TGM and YPF entered into a carriage agreement under special conditions: the Interruptible Export Carriage Agreement ("STI"), effective December 29, 2017 and until December 28, 2027. In consideration thereof, YPF shall pay to the Company USD 32 for each thousand cubic meters transported. 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, 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.

(3) As shown in the financial statements of Transportadora Gas del Norte S.A. (TGN), on March 2017, TGN entered into an agreement with the National Executive Branch ("PEN") for the comprehensive renegotiation of the License (the "Comprehensive Agreement"), which was effective and entered in force with the Decree No. 251 as of March 27, 2018. In this way, the process of development renengotiation within the frameof the Public Emergency Law ("LEP") No. 25,561, was cocluded. The provisions for the Comprehensive Agreement cover the contractual period from January 6, 2002 to the end date of the License. Likewise, the Comprehensive Agreement established terms the rules to carry out the quinquennial review of TGN´s rates, which entered into force in March 2018 for the period 2017-2021.

In March 2018, ENARGAS approved the rate tables of the Comprehensive Rate Review (“RTI”) carried out by organism from March 2016. Likewise, the RTI establishes that between April 1, 2017 and 31 March 2022 TGN must execute a Mandatory Investment Plan ("PIO") for approximately $ 5.6 billion, an amount that will be adjusted in the same proportion as TGN's rates are adjusted. TGN is obliged to execute both the amount of investment committed, as well as the works foreseen in the PIO. The regulatory framework of the industry contemplates the application of semi-annual non-automatic rate review mechanisms due to the observed variations in the prices of the economy linked to service costs, in order to maintain the economic and financial sustainability of the provision and quality. of the service provided. In September 2019, the Ministry of Energy issued Resolution 521/2019 (modified by Resolution 751/2019), deferring the semi-annual rate adjustment that should have been applied from October 1, 2019, until February 1 of 2020, and also ordered to compensate the licensees with the revision of the PIO in the exact incidence of the lower income derived from the measure. Therefore, between October and December 2019, TGN presented to ENARGAS proposals for the PIO readjustment in the amount of $ 459.2 million (expressed in December 2016 currency). On December 23, 2019, the Social Solidarity and Productive Reactivation Law was passed, which empowers the PEN to maintain the natural gas rates that are under federal jurisdiction and to initiate a renegotiation process of the current comprehensive tariff review or initiate a character review. extraordinary, in the terms of the Gas Law, for a maximum period of up to 180 days, leading to a reduction in the real tariff burden on homes, businesses and industries by 2020. Likewise, the PEN was empowered to intervene administratively ENARGAS for a term of one year.

TGN estimates that the rates resulting from any of these processes will be kept at constant values over time in order to meet the expenses and investments that the operation and maintenance of the gas pipelines will demand. However, it clarifies that the result of the renegotiation or rate review provided for in the Solidarity Law could differ significantly from current estimates, and no results are anticipated from the next five-year rate review.

TGN's Management permanently monitors the evolution of the aforementioned situations to determine the possible actions to be taken and to identify the possible impacts on TGN's equity and financial situation.

CGC's direct and indirect interest in TGN accounts for 28.23% and 23.07% as of December 31, 2019 and 2018, respectively.

(4) 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. 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 is Campo Onado. In August 2006, 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.

In view of the profound economic and political crisis Venezuela is facing, it is expected that in 2018 the volume of foreign currency offered and/or approved through the foreign exchange control system will decline even further. This is the reason why a loss for $ 25,130 was recognized in 2018 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.

The fair value as of December 31, 2019 and 2018 amounted to 0.

(5) In 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 to RPM Gas S.A. of the equity interests Petronas held in TGM and Gasinvest S.A. (companies where CGC, Tecpetrol and Petronas are shareholders, jointly with other companies).

In June 2013, the arbitral tribunal issued a final award declaring that the sale transaction between APHC and RPM GAS S.A. breached the shareholders’ agreement.

On July 11, 2014, CGC and Tecpetrol filed with 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.

The controversy was resolved eventually through an agreement between the parties. On October 29, 2019 the parties reached a settlement in the case captioned “CGC et al vs. R.P.M. Gas S.A., full proceeding”, thus bringing it to an end. Under the settlement agreement, RPM assigned and transfered to CGC 20,768,253 Class B shares in Gasinvest S.A., 45,713 Class B shares in TGN and 2,121,600 Class B shares in TGM. Additionally, a payment was agreed as compensation for the claims filed against RPM GAS S.A.

Considering the agreement reached October 29, 2019, CGC’s interest in Gasinvest S.A., TGN and TGM amounts to 50%, 0.0575% and 15.78% of capital and voting rights, respectively.

The results generated by the changes in ownership are detailed in note 24 g) (1). These results were generated by the application of the exchange policy of holdings reported in Note 3.2.2.2).

NOTE 31- SECURED AND RESTRICTED ASSETS AND OTHER SURETIES GRANTED

As of December 31, 2019 and 2018, there are no restricted assets in addition to those secured by pledge as detailed in Note 21.b).

The main commitments assumed by the Company through surety policies are:
- 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.
- Investment commitments assumed in exploration areas with the Energy Institute of the Province of Santa Cruz for USD 102 million; and
- Commitments assumed with the Ministry of Energy and Mining of the Nation for $ 3,669 million in the framework of Res No. 46-E / 2017 and its modifications.

NOTE 32 - SUBSEQUENT EVENTS

After December 31, 2019, no event, situation or circumstance not publicly known which affect or may significantly affect the Company's economic or financial position has occurred in addition to those mentioned in the Notes to these Financial Statements.

a) Underground Natural Gas Storage (“ASGN”): On February 19, 2020, the Company inaugurated the first underground Natural Gas Storage system in the Province of Santa Cruz for commercial use. The ASGN Project in Sur Río Chico, contemplates for its total realization an investment of 50 million dollars and will allow conserving natural gas in underground reservoirs located at great depth with numerous benefits. It is the second storage field in Argentina and will allow the gas produced by the Sur Rio Chico Project and not demanded, to be injected into the ASGN during the low demand season and extract it during the winter, when demand is greatest.

b) Class 12, 13 and 14 Negotiable Obligations: On March 6, 2020, the Company published the notice of results of the subscription of Class 12, 13 and 14 Negotiable Obligations for US $ 15,310, US $ 14,343 and $ 314,609. The issue and settlement date will be March 10, 2020 with an issue price of 100%. Class 12 and 13 ONs accrue interest at a fixed rate of 9.0% and 8.5% nominal annual, respectively, while Class 14 ONs accrue interest at a BADLAR rate plus a 5.0% nominal annual margin. Interest will be payable quarterly, and the principal will be paid at maturity. Class 12 and 13 ONs have an expiration date of June 10, 2021, while Class 14 ONs have an expiration date of March 10, 2021.

   The funds obtained from the issuance of the mentioned ONs are mainly destined to the refinancing of liabilities and also investments in hydrocarbon exploration and exploitation in the province of Santa Cruz (Austral Basin); and the integration of working capital.

NOTE 33 – OIL & GAS RESERVES

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

The following table shows the estimated proven oil reserves (including crude oil, condensate and natural gas liquids (NGL)) and natural gas as of December 31, 2019 (Note 5.a)):

	Developed proven reserves		Undeveloped proven reserves		Total Proven Reserves	
	Crude oil, condensed and LNG (a)	**Natural gas (b)**	**Crude oil, condensed and LNG (a)**	**Natural gas (b)**	**Crude oil, condensed and LNG (a)**	**Natural gas (b)**
Argentina	1,115	6,193	247	2,458	1,362	8,651
Total	**1,115**	**6,193**	**247**	**2,458**	**1,362**	**8,651**

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

ADDITIONAL INFORMATION ON THE NOTES TO THE FINANCIAL STATEMENTS

SECTION 12 - TITLE IV - CHAPTER III OF THE REGULAR INFORMATION SYSTEM OF THE NATIONAL SECURITIES COMMISSION

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

(In thousands of pesos)

1.a) The Company is not subject to any specific and significant legal systems that may imply any contingent decline or revival of profits as a result of said systems.

1.b) See Note 3 to the financial statements.

2) Receivables and payables - Classification as per their maturity

	Receivables		Debts	
	Current	**Non-Current**	**Current**	**Non-Current**
Assets				
Without stated term	61,581	-	-	-
With stated term				
Past due	2,432,461	-	-	-
To be due				
-Up to 3 months	4,785,071	-	4,962,000	-
-From 3 to 6 months	1,958,566	-	1,481,159	-
-From 6 to 9 months	495,384	-	1,189,660	-
-From 9 to 12 months	487,271	-	1,189,827	-
-From 1 to 2 years	-	1,004,230	-	21,474,015
-From 2 to 3 years	-	290,748	-	988
- More than 3 years	-	-	-	753
Total	**10,220,334**	**1,294,978**	**8,822,646**	**21,475,756**

3) Receivables and payables - Classification as per the financial effects of maintaining them

	Receivables		Debts	
	Current	**Non-Current**	**Current**	**Non-Current**
In local currency	2,352,561	440,235	2,468,842	9,687
In foreign currency	7,867,773	854,743	6,353,804	21,466,069
Total	**10,220,334**	**1,294,978**	**8,822,646**	**21,475,756**
Interest-bearing	561,248	284,250	4,505,912	21,475,756
Non-interest bearing	9,659,086	1,010,728	4,316,734	-
Total	**10,220,334**	**1,294,978**	**8,822,646**	**21,475,756**

4) Intercompany equity interests have been disclosed in Note 30 to the Financial Statements.

The breakdown of debit and credit balances by company is disclosed in Note 26.a to the Financial Statements, and their classification according to maturity and the financial effects of maintaining them are as follows:

- Classification according to maturity:

	Current	Non-Current
Assets		
With stated term		
Past due		
Petronado S.A.	-	329,759
To be due		
-Up to 3 months		
Gasinvest S.A.	208,860	
Gasoducto Gas Andes Argentina S.A.	14,866	-
Total	**223,726**	**329,759**
Liabilities		
With stated term		
To be due		
-Up to 3 months		
Corredor Americano S.A.	191,791	-
Gasoducto Gas Andes Argentina S.A.	7,625	-
Total	**199,416**	**-**

- Classification as per the financial effects of maintaining them:

	Debit balance	
	Current	**Non-Current**
In local currency		
Gasoducto Gas Andes Argentina S.A.	14,866	-
Total in local currency	14,866	
In foreign currency		
Gasinvest S.A.	208,860	
Petronado S.A.	-	329,759
Total in foreign currency	208,860	329,759
Total	**223,726**	**329,759**
	Credit balance	
	Current	**Non-Current**
In local currency		
Gasoducto Gas Andes Argentina S.A.	7,625	-
Corredor Americano S.A.	191,791	-
	199,416	**-**
	Debit balance	
	Current	**Non-Current**
Non-interest bearing		
Gasoducto Gas Andes Argentina S.A.	14,866	-
Gasinvest S.A.	208,860	
Petronado S.A.	-	329,759
Total	**223,726**	**329,759**

	Credit balance	
	Current	**Non-Current**
Non-interest bearing		
Corredor Americano S.A.	191,791	-
Gasoducto Gas Andes Argentina S.A.	7,625	-
Total	**199,416**	**-**

5) In this fiscal year, there were no trade receivables or loans to directors, members of the Supervisory Committee or their relatives up to the second degree inclusive.

6) It is the Company’s policy to take physical counts on a revolving basis on various dates during the fiscal year, for its inventories of the oil, gas, petrochemical and refining activities.

   There are no significant inventories that have been idle for more than one year and not covered by a provision.

7) There are no interests in other companies above the limits set by Section 31 of Law No. 19550, as stated in paragraph 12 of Appendix I – chapter XXIII – book 7 of General Resolution No. 368/01 of the CNV.

8) Recoverable value considered for inventories and property, plant and equipment was as follows:

   For inventories corresponding to the oil, gas, refining, distribution and petrochemical activities, and for the other assets, the net realizable value was considered, understood as the sales price less direct costs to sell. In the cases in which market values were not available, the Company used its own assessments.

   For property, plant and equipment, it was determined as described in Note 3.2.5 to the Financial Statements.

9) Insurance policies effective at the end of the year are as follows:

Insured assets	**Covered risk**	**Insured amount in thousands of dollars**
Equipment, facilities and pipelines used for exploitation and carriage (including crude oil stock in Punta Loyola Port).	Material damage	533,368
Damages to third parties caused by the Company's activities or by the equipment, facilities and pipelines used for exploration and production	Third-party liability on shore	20,000
	Civil liability: Port terminal operator	15,000
Civil Liability	Directors	10,000
Wells	Control, redrilling, spills	13,000
Technical insurance	Computer equipment	496
Industrial policy	Buenos Aires and Río Gallegos offices	3,915
Vehicles	Third-party liability and damages	3,080

Current risks were considered as sufficiently covered by the insurance policies taken out.

10.a) The Company has recorded provisions, as it is a party to various complaints, legal claims and other proceedings arising in the normal course of its business. Liabilities for those complaints, legal claims and other proceedings cannot be accurately estimated. The Company analyzes the status of each contingency and assesses the potential financial exposure, for which purpose it prepares the estimates with the assistance of legal counsel. They do not exceed 2% of equity.

10.b) There are no other contingent situations whose probability of occurrence has not been considered remote and whose impact on equity has not been recorded in these Financial Statements.

11) There are no irrevocable advances on account of future subscriptions.

12) There are no unpaid cumulative dividends on preferred shares.

13) The Company has no restriction on the distribution of dividends from the issuance of Class A Negotiable Obligations and the issuance of bank loans, as reported in Note 21 to the financial statements.

“Free translation from the original in Spanish for publication in Argentina”

SUPERVISORY COMMITTEE´S REPORT

To the Shareholders of
Compañía General de Combustibles S.A.

In our capacity as members of the Syndics' Committee of Compañía General de Combustibles S.A., as called for by the General Companies Law and regulatory provisions on accounting information of the Buenos Aires Stock Exchange, we have examined the documents detailed in section I below, with the scope mentioned in section II. The preparation and issuance of the documents mentioned are the responsibility of the Company's Board of Directors in the exercise of its exclusive functions. Our responsibility is to report on those documents based on the work performed with the scope mentioned in section II.

I) DOCUMENTS REVIEWED

a) Statement of financial position as of December 31, 2019.

b) Statement of comprehensive income for the year ended December 31, 2019.

c) Statement of changes in equity for the year ended December 31, 2019.

d) Statement of cash flow for the year ended December 31, 2019.

e) Notes to the Financial Statements at of December 31, 2019.

f) Overview and Additional Information on the Notes to the Financial Statements as of December 31, 2019, as required by Section 1, paragraph b.2), of Chapter I, Title IV of the National Securities Commission regulations (N.T. 2013) and by article 12 of Chapter III, Title IV of the National Securities Commission regulations (N.T. 2013), respectively.

g) Inventory as of December 31, 2019

h) Annual Report of the Board of Directors for the fiscal year ended December 31, 2019.

II) SCOPE OF THE EXAMINATION

Our examination was carried out in accordance with standards applicable to syndics as established by Technical Pronouncement No. 15 of the Argentine Federation of Professional Councils in Economic Sciences. Those standards require that the examination of the financial statements be performed in accordance with current auditing standards established by Technical Pronouncement No. 32 of the Argentine Federation of Professional Councils in Economic Sciences, and includes verifying the consistency of the documents examined with the information on corporate decisions, as disclosed in minutes, and the conformity of those decisions with the law and by-laws insofar as concerns formal and documentary aspects.

To perform our professional work on the documents detailed in items a) through e) of chapter I, we have performed a review of the audit conducted by the external auditors, Price Waterhouse & Co. S.R.L., who issued their report in accordance with auditing standards established under Technical Pronouncement No. 32 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) on March 9, 2020. Our task included the planning of the audit, the nature, scope and timeliness of the procedures applied and the conclusions of the audit performed by those auditors.

An audit requires that the auditor plan and perform the work to obtain reasonable assurance that the financial statements are free of material misstatements or significant errors. An audit includes examining, on a selective test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the application of the International Financial Reporting Standards, the significant estimates made by the Company Board of Directors and the overall financial statement presentation. It is not the responsibility of the Syndics' Committee to perform any control over the management, so the examination did not cover the business decisions and criteria regarding the different areas of the Company, as such matters are the exclusive responsibility of the Board of Directors.

In relation to the Annual Report prepared by the Board of Directors, the Overview required by article 1, paragraph b.2), of Chapter I, Title IV of the National Securities Commission regulations (N.T. 2013), and the Additional Information on the Notes to the Financial Statements as of December 31, 2019, as required by article 12 of Chapter III, Title IV of the National Securities Commission regulations (N.T. 2013), we have confirmed that all of these documents have the information required under General Companies Law No. 19550, article 1, paragraph b.2), of Chapter I, Title IV of the National Securities Commission regulations (N.T. 2013), and by Section 12 of Chapter III, Title IV of the National Securities Commission regulations (N.T. 2013), with all the assertions on the economic environment in which the Company has operated, the corporate management and future events, all of them included in those documents, falling under the exclusive responsibility of the Company’s Board of Directors. In addition, we have verified that insofar as concerns matters within our competence, the numerical data contained in the above-mentioned documents arise from the Company’s accounting records or other relevant documentation.

III) OPINION

a) In our opinion, the financial statements mentioned in the first paragraph present fairly, in all material respects, the financial position of Compañía General de Combustibles S.A. and its subsidiaries as of December 31, 2019, its comprehensive income and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

b) The Annual Report prepared by the Board of Directors, the Overview required by article 1, paragraph b.2), of Chapter I, Title IV of the National Securities Commission regulations (N.T. 2013), and the Additional Information on the Notes to the Financial Statements as of December 31, 2019, as required by article 12 of Chapter III, Title IV of the National Securities Commission regulations (N.T. 2013) have, respectively, the information required under General Companies Law, article 1, paragraph b.2), of Chapter I, Title IV of the National Securities Commission regulations (N.T. 2013), and by Section 12 of Chapter III, Title IV of the National Securities Commission regulations (N.T. 2013), with all the assertions on the economic environment in which the Company has operated, the corporate management and future events, all of them mentioned in those documents, falling under the exclusive responsibility of the Board of Directors. We have verified that insofar as concerns matters within our competence, the numerical data contained in the above-mentioned documents match the Company’s accounting records or other relevant documentation.

c) The financial statement figures mentioned in items a) to e) of section I of this report arise from the Company's accounting records transcribed to the rubricated books. The financial statements and information described in items a) to h) of section I of this report have also been transcribed to the Inventory and Balance Sheet book.

IV) ADDITIONAL INFORMATION REQUIRED BY GENERAL RESOLUTION No. 340/99 OF THE NATIONAL SECURITIES COMMISSION

In compliance with the provisions of General Resolution No. 340/99 of the National Securities Commission, we report that:

a) the accounting policies used in preparing the Financial Statements mentioned in items a) to e) of section I are in accordance with International Financial Reporting Standards; and

b) the external auditors have conducted their audit applying the auditing standards in effect, as established by Technical Pronouncement No. 32 of the Argentine Federation of Professional Councils in Economic Sciences. Those standards provide for the external auditor independence and objectivity in performing the audit of the financial statements.

V) ADDITIONAL INFORMATION REQUIRED BY CD RESOLUTION No. 77/2011 OF THE PROFESSIONAL COUNCIL IN ECONOMIC SCIENCES OF THE AUTONOMOUS CITY OF BUENOS AIRES

We have applied money laundering abatement and anti-terrorist financing procedures as set forth by CD Resolution No. 77/2011 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires.

VI) ADDITIONAL INFORMATION REQUIRED BY GENERAL RESOLUTION No. 606/12 OF THE NATIONAL SECURITIES COMMISSION

In compliance with the provisions of General Resolution No. 606/12 of the National Securities Commission, we report that the Annex to the Annual Report of the Board of Directors contains the information required by that resolution.

City of Buenos Aires, March 9, 2020

CARLOS OSCAR BIANCHI
For the Supervisory Committee

“Free translation from the original in Spanish for publication in Argentina”

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Compañía General de Combustibles S.A. (hereinafter the “Company"), including the statement of financial position as of December 31, 2019 and the statements of comprehensive income, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The balances and other information corresponding to the fiscal year 2018 are an integral part of the audited financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Board of Directors responsibility

The Board of Directors of the Company is responsible for the preparation and reasonable presentation of these 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 financial statements free of any material misstatements due to errors or irregularities.

Auditors' responsibility

Our responsibility is to express an opinion on the accompanying 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 financial statements free of significant inaccuracies due to errors or irregularities.

An audit involves performing procedures to obtain audit evidence about the amounts and other information disclosed in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the 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 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 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 financial statements mentioned in the first paragraph of this report present fairly, in all material respects, the financial position of Compañía General de Combustibles S.A. as of December 31, 2019, its statements of comprehensive income and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Report on compliance with current regulations

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

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

b) the financial statements of 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 overview and the additional information to the notes to the condensed interim financial statements required by article 12°, Chapter III, Title IV of the rules issued by the National Securities Commission, on which, as regards those matters that are within our field of competence, we have no observations to make;

d) as of December 31, 2019, 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 $ 24,190,952; none of which was claimable at that date;

e) as required by article 21, paragraph b), Chapter III, Section VI, Title II of the National Securities Commission, we report that total fees for auditing and related services invoiced to the Company during the fiscal year ended December 31, 2019 represent:

   e.1) 88% of the total fees for services invoiced to the Company for all items in that fiscal year;
   e.2) 71% of the total fees for services for auditing and related services invoiced to the Company, its parent companies, subsidiaries and related companies in that year;
   e.3) 51% of the total fees for services invoiced to the Company, its parent companies, subsidiaries and related companies for all items in that year;

f) we have applied the 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 9, 2020

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

Hernán Rodríguez Cancelo