FitchRatings

Compania General de Combustibles S.A.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Local Currency IDR	B-	Stable	Upgrade 3 Sep 2021
Long-Term IDR	B-	Stable	Upgrade 3 Sep 2021

Click here for full list of ratings

The ratings of CGC reflects the increased production, reserve base, and improved leverage and liquidity profile of the company following its acquisition of Sinopec Argentina. On a pro forma basis, CGC increased its production by 67% to 61,100boed. 1P reserves increased by 50% to 90Mmboe with a 1P reserve life of 4.0 years. Liquidity position increased by USD93.7 million with a proforma cash position of USD244.9 million. The rating case assumes the acquisition was financed mostly through debt with a USD100 million loan from Eurobanco Bank ltd. Fitch estimates CGC's gross leverage, defined as total debt to EBITDA for 2021 will be approximately 1.4x.

Key Rating Drivers

Weak Operating Environment: CGC's ratings reflect regulatory risk given strong government influence in the energy sectors. CGC operates in a highly strategic sector where the government plays a material role; this is further exacerbated by the implementation of capital controls, which has forced Argentine corporates to launch exchanges due to a lack of access to USD and poor financing conditions. Nevertheless, the energy sector is strategically important for the overall economy both as a contributor of economic growth, revenues (through taxes, royalties, and exports), and cost savings, replacing gas imports from Bolivia and LNG, which are more expensive than domestic gas. CGC is a major market participant and is vulnerable to government intervention.

Improved Production Profile: CGC's acquisition of Sinopec Argentina in June 2021 increases production by 67% reaching 61,100boed, which bodes well for its credit quality as it add operational diversification. The acquisition diversifies its production profile by adding production in San Jorge and Neuquina and Cuyo basins, which are prolific basins - the latter of which falls within the prolific Vaca Muerta basin on top of existing operations in the Austral basin. On a pro forma basis, as of end of June 2021, CGC is now the sixth largest gas producer, up from eighth, and fifth largest oil producer, up from 16th, in the country. CGC's 1P reserve base increased by 50% to 90mmboe, but its 1P reserve life remains unchanged at 4.6 years expected for 2021.

Strong Leverage Profile: CGC's gross leverage, defined as total debt to EBITDA, is expected to be 1.4x in 2021 and decrease to average 1.3x over the rated horizon, which assumes debt will be rolled over each year through 2024. Total debt to 1P is expected to be USD5.52boe in 2021, after the acquisition, an improvement from USD6.76boe in 2020. CGC has roughly USD119 million of debt maturing in 2021; the largest portion comprises of USD99.2 million outstanding of its November 2021 senior unsecured note that was not exchanged as part of its liability management exercise in 2020.

Applicable Criteria

Corporate Rating Criteria
Country-Specific Treatment of Recovery Ratings Criteria
Country Ceilings Criteria

Related Research

Fitch Rtgs: Latam Oil & Gas Full-Cycle Costs Below Brent and WTI
Latin American Comparative Statistics Book: 2021 (Excel)
Argentina's Capital Control Extension Pressures Corporates

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Fitch understands that CGC will be allowed under the capital controls to access the official FX window managed by the central bank of Argentina to repay the entire principal, and it reported USD244.9 million of cash and cash equivalents in 2Q21 comfortably covering the maturity. The rating case assumes that CGC will tap local markets to replenish its cash position and will maintain USD500 million of debt on its balance sheet over the rated horizon.

Stable Cash Flow Profile: CGC has reported positive FCF of USD25.6 million in 2020 and for both 1Q21 and 2Q21. The rating case estimates FCF will be USD150 million in 2021. Over the rated horizon, CGC is expected to be FCF positive, absent any extraordinary dividends, capex, or acquisitions. CGC cash flows are supported by contracted revenues under Res. 46, which expires in 2021, and Plan Gas 4 (PG4) through 2024. Fitch estimates the weighted average realized price for gas in 2021 will be USD4.23Mmbtu, and between 2022 through 2024, at least 35% of its total production is contracted under PG4 at a price of USD3.46Mmbtu.

Capital Controls Weakens Financial Flexibility: CGC has maintained an adequate liquidity profile. As of 2Q21, CGC reported USD244.9 million of cash on a consolidated basis covering all debt maturities in 2021 of USD119 million and remaining interest expense of USD20.0 million for 2021 by 1.7x. Fitch understands that CGC will be allowed under the capital control rules to access the official FX to repay the outstanding USD99.2 million of its November 2021 principal, as it exchanged more than 60% required under the capital rules in 2020. Over the ratings horizon, the Argentine capital control measures that require entities with assets abroad to first use those resources to service international obligations before turning to Argentina's official currency markets poses significant risks to corporates in Argentina including CGC, as they will have more of their cash flow deposited in Argentina rather than abroad. Nevertheless, CGC does not face any material maturities until 2025.

Financial Summary

Compania General de Combustibles S.A.				
(ARSth)	**Dec 2019**	**Dec 2020**	**Dec 2021F**	**Dec 2022F**
Gross Revenue	42,041,227	31,285,590	56,226,322	102,631,231
Operating EBITDAR Margin (%)	50.0	52.5	69.7	59.8
FFO Margin (%)	39.9	22.0	58.2	49.4
FFO Fixed Charge Coverage (x)	6.0	2.5	9.1	9.2
FFO Adjusted Leverage (x)	1.8	3.0	1.6	1.5

F – Forecast.
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

ompania General de Combustibles S.A. (CGC, B-/Stable) credit profile compares favorably to Argentine corporates Pampa Energia (B-/Stable) and Capex S.A. (CCC+/Stable), and to other small independent oil and gas companies in the region. The ratings of GeoPark Limited (B+/Stable), SierraCol Energy (B+/Stable), Gran Tierra Energy International Holdings Ltd. (GTE, CCC+), and Frontera Energy (B/Stable) are constrained to the 'B' category, given the inherent operational risks associated with small scale and low diversification of their oil and gas production profiles.

Compared to Argentine peers Pampa Energia and Capex, CGC's has a conservative leverage profile and strong liquidity that supports its debt maturity profile, that is not expected to be materially impacted by the capital controls, which limits Argentine corporates ability to repay hard-currency debt obligations. CGC is an energy company and its business profile compares mostly to Capex and Pampa's upstream business, but both Capex and Pampa are diversified energy companies that generate majority of cash flows from power generation, thus they are more exposed to CAMMESA. Both Pampa and CGC are leaders in Argentina in their respective business operations.

CGC produces both oil (33%) and gas (67%) exclusively in Argentina, which limits its ratings, its offtaker and impact of capital controls. Nonetheless, its pro forma production size compares favorably to other 'B'-rated oil and gas E&P producers, which will constrain its rating to the 'B' category. These peers include Canacol, Geopark, SierraCol, Gran Tierra Energy, and Frontera Energy. Over the rated horizon, Fitch expects that CGC's production will average 61,000boed, which is higher than all its peers, as SierraCol is expected to produce on average 36,000boed, Geopark and Frontera both of which are expected to be 45,000 bbld, GTE at 35,000boed, and Canacol at 45,000boed. CGC's 1P reserve life is expected to be 4.6 years, which is the lowest compared to peers, as Sierra Col's 1P reserve life is 6.3 years, Frontera at 6.2 years, Geopark at 7.4 years, GTE at 6.8 years, and Canacol at 6.3 years.

CGC's 2021 half-cycle production is expected to be USD20.0boe and full-cycle cost to be USD27.06boe. In line with GTE at USD20.2boe in 2021 and full-cycle cost to be USD38.4boe, but CGC is higher than SierraCol's half-cycle production cost of $13.70 bbl in 2020 and full-cycle cost was $26.60 bbl. Geopark, who is the lowest cost producer in the region at $13.60 bbl and $23.40 bbl, and Canacol at $10.72 bbl and $18.43 bbl, but better than Frontera's at $28.60bbl and $42.20 bbl. CGC's high cost of production is mostly attributed to a higher cost of capital of USD4.8boe, due its operating environment Argentina.

CGC has a strong capital structure with gross leverage, defined as total debt to be EBITDA, expected to be 1.9x in 2021 and total debt to 1P estimated to be USD5.52boe. This compares better to GTE's 3.1x gross leverage and total debt to 1P be USD10.11boe, Frontera at 2.3x and USD4.98 bbl, and Canacol at 2.2x and USD6.0boed. CGC is in line with SierraCol at a gross leverage that will average 1.0x over the rated horizon and a total debt to 1P of $5.68 bbl, Geopark gross leverage of 3.3x and 1P of $5.48 bbl.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

– Any further regulatory developments leading to a more independent market that is less reliant on support from the Argentine government could positively affect its collections and cash flow given the company's dependence on plan gas 4 subsidies paid by the government;

– Contracted exports with high quality off-takers with a long-term tenure with adequate legal protections to avoid interference from the federal government;

– Loosening of central bank capital controls rules allowing the company to strengthen its hard-currency cash balance;

Factors that could, individually or collectively, lead to negative rating action/downgrade:

– A downgrade of Argentina's country-ceiling ratings;

– Amendments to capital control rules which weakens the company's ability to access its capital and refinance debt;

– Significant delays in payments that negatively affect working capital, liquidity and leverage;

– Revision of existing contracts (PG4);

– Significant deterioration of credit metrics of total/EBITDA of 4.5x or more.

Liquidity and Debt Structure

Adequate Liquidity: CGC reported USD244.9 million in cash and cash equivalent in 2Q21. The company has a manageable debt maturity profile with USD119.8 million of debt due by YE 2021; the largest maturity is the USD99.2 million outstanding principal due November 2021, which is the portion of the USD300 million note that was not exchanged in 2020. Fitch understands that CGC will be allowed under the capital controls to access the official FX window managed by the central bank of Argentina to repay the entire principal. The rating case assumes that CGC will tap local markets to replenish its cash position and will maintain USD500 million of debt per annum on its balance sheet over the rated horizon..

ESG Considerations

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Liquidity and Debt Maturities

Compania General de Combustibles S.A. – Cash and Maturities Report

Liquidity Analysis	Original	Original
(USD Mil.)	**12/31/2020**	**6/30/2021**
Total Cash and Cash Equivalents	70	245
Short-Term Investments	19	31
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	**88**	**276**
Availability Under Committed Lines of Credit	0	0
Total Liquidity	**88**	**276**
LTM EBITDA After Associates and Minorities	246	251
LTM Free Cash Flow	26	37
Source: Fitch Ratings, Fitch Solutions		

Scheduled Debt Maturities	Original
(USD Mil.)	**12/31/2020**
2021	189
2022	20
2023	0
2024	0
2025	189
Thereafter	0
Total	**398**
Source: Fitch Ratings, Fitch Solutions	

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

Operations

- Oil and gas production to average 61,100 boe/d over the next four years;
- Res 46 expires in 2021;
- Average realized natural gas price of USD3.50mmBTU flat over the rated horizon under PG4;
- Average realized Brent price of USD63bbl in 2021, USD 55bbl in 2022, and USD53bbl long term.
- Capex annual average of USD155 million between 2020 and 2024;
- Lifting cost (COGS – D&A) of USD12.00boe flat from 2021-2024
- Selling expenses are USD1.10boe flat from 2022-2024
- SG&A expenses are USD 2.00boe flat from 2022-2024
- Exploration expense are USD 0.20boe flat from 2022-2024
- Other income expenses are USD1.00boe flat from 2024-2024
- Reserve replacement ratio of 105% per annum

Financial:

- Fitch Average and EOP ARS/USD exchange rates;
- Dividends received of USD25 million per annum 2021-2024;
- Dividends paid of USD10 million per annum 2021-2024
- Full repayment of USD99.2 million Nov. 21 principal;
- Debt outstanding remains flat at USD500 million per annum from 2021 through 2024
- Interest cost are 9% of total debt outstanding

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

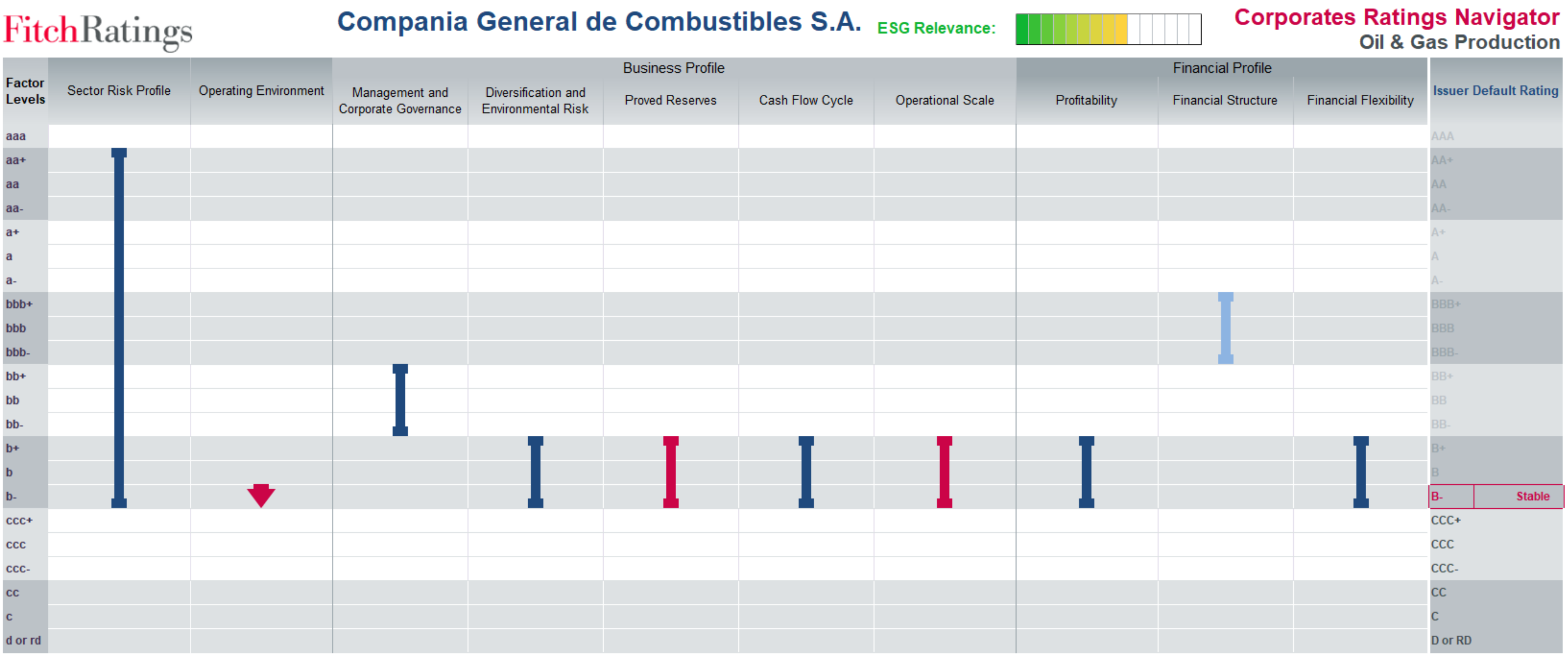
Financial Data

Compania General de Combustibles S.A.						
(USDth)	Historical			Forecast		
	Dec 2018	Dec 2019	Dec 2020	Dec 2021F	Dec 2022F	Dec 2023F
Summary Income Statement						
Gross Revenue	965,228	870,142	443,095	582,113	1,062,545	1,456,496
Revenue Growth (%)	244.6	53.3	-25.6	79.7	82.5	37.1
Operating EBITDA (Before Income from Associates)	452,206	434,839	232,786	405,524	635,774	855,617
Operating EBITDA Margin (%)	46.9	50.0	52.5	69.7	59.8	58.7
Operating EBITDAR	452,206	434,839	232,786	405,524	635,774	855,617
Operating EBITDAR Margin (%)	46.9	50.0	52.5	69.7	59.8	58.7
Operating EBIT	253,245	229,336	108,835	285,848	478,880	643,560
Operating EBIT Margin (%)	26.2	26.4	24.6	49.1	45.1	44.2
Gross Interest Expense	-83,158	-55,837	-46,488	-41,791	-64,306	-92,058
Pretax Income (Including Associate Income/Loss)	27,596	182,462	-6,450	253,995	414,574	551,503
Summary Balance Sheet						
Readily Available Cash and Equivalents	73,623	165,013	104,930	264,337	628,858	1,175,404
Total Debt with Equity Credit	923,356	731,376	473,766	591,495	872,432	1,177,744
Total Adjusted Debt with Equity Credit	923,356	731,376	473,766	591,495	872,432	1,177,744
Net Debt	849,733	566,362	368,835	327,158	243,573	2,340
Summary Cash Flow Statement						
Operating EBITDA	452,206	434,839	232,786	405,524	635,774	855,617
Cash Interest Paid	-68,324	-69,664	-62,759	-41,791	-64,306	-92,058
Cash Tax	-4,682	-5,194	-3,026	-50,799	-82,915	-110,301
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	13,254	32,720	13,595	25,774	36,839	51,594
Other Items Before FFO	51,028	-45,257	-83,159	0	0	0
Funds Flow from Operations	443,482	347,444	97,438	338,707	525,391	704,853
FFO Margin (%)	45.9	39.9	22.0	58.2	49.4	48.4
Change in Working Capital	-193,442	70,218	30,387	-52,343	-59,173	-48,522
Cash Flow from Operations (Fitch Defined)	250,040	417,662	127,825	286,365	466,218	656,331
Total Non-Operating/Nonrecurring Cash Flow	0	0	0			
Capex	-320,708	-308,970	-96,827			
Capital Intensity (Capex/Revenue) (%)	33.2	35.5	21.9			
Common Dividends	-8,239	-6,724	-4,938			
Free Cash Flow	-78,908	101,968	26,059			
Net Acquisitions and Divestitures	0	0	0			
Other Investing and Financing Cash Flow Items	30,229	-5,090	8,123	-180,254	-116,904	-42,930
Net Debt Proceeds	86,187	-37,003	-22,904	245,174	280,937	305,313
Net Equity Proceeds	0	0	0	0	0	0
Total Change in Cash	37,508	59,875	11,278	187,634	364,521	546,546
Leverage Ratios						
Total Net Debt with Equity Credit/Operating EBITDA (x)	1.8	1.2	1.5	0.8	0.4	0.0
Total Adjusted Debt/Operating EBITDAR (x)	2.0	1.6	1.9	1.4	1.3	1.3
Total Adjusted Net Debt/Operating EBITDAR (x)	1.8	1.2	1.5	0.8	0.4	0.0
Total Debt with Equity Credit/Operating EBITDA (x)	2.0	1.6	1.9	1.4	1.3	1.3
FFO Adjusted Leverage (x)	1.8	1.8	3.0	1.6	1.5	1.5
FFO Adjusted Net Leverage (x)	1.7	1.4	2.3	0.9	0.4	0.0
FFO Leverage (x)	1.8	1.8	3.0	1.6	1.5	1.5
FFO Net Leverage (x)	1.7	1.4	2.3	0.9	0.4	0.0
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	-328,948	-315,694	-101,766	-163,651	-265,730	-372,167

Free Cash Flow After Acquisitions and Divestitures	-78,908	101,968	26,059	122,713	200,488	284,164
Free Cash Flow Margin (After Net Acquisitions) (%)	-8.2	11.7	5.9	21.1	18.9	19.5
Coverage Ratios						
FFO Interest Coverage (x)	7.5	6.0	2.5	9.1	9.2	8.7
FFO Fixed Charge Coverage (x)	7.5	6.0	2.5	9.1	9.2	8.7
Operating EBITDAR/Interest Paid + Rents (x)	6.8	6.7	3.9	10.3	10.5	9.9
Operating EBITDA/Interest Paid (x)	6.8	6.7	3.9	10.3	10.5	9.9
Additional metrics						
CFO-Capex/Total Debt with Equity Credit (%)	-7.7	14.9	6.5	28.3	24.7	25.9
CFO-Capex/Total Net Debt with Equity Credit (%)	-8.3	19.2	8.4	51.2	88.4	13,025.7

Source: Fitch Ratings, Fitch Solutions.

Ratings Navigator



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Compania General de Combustibles S.A.

Corporates Ratings Navigator
Oil & Gas Production

Operating Environment

b	Economic Environment	b	Weak combination of countries where economic value is created and where assets are located.
b-	Financial Access	b	Weak combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	bb	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bb'.
b-			
ccc+			

Management and Corporate Governance

bbb-	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bb+	Governance Structure	bb	Board effectiveness questionable with few independent directors. "Key person" risk from dominant CEO or shareholder.
bb	Group Structure	bb	Complex group structure or non-transparent ownership structure. Related-party transactions exist but with reasonable economic rationale.
bb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
b+			

Diversification and Environmental Risk

bb-	Diversification	b	Upstream E&P companies with only a few projects. Vulnerable to price volatility, cost overruns, production delays or disruptions.
b+	Environmental Risk	bb	Above average exposure to environmental regulations and/or high remediation costs relative to projected cash flows.
b			
b-			
ccc+			

Proved Reserves

bb-	Reserve Base (boe)	b	<0.4 billion
b+			
b			
b-			
ccc+			

Cash Flow Cycle

bb-	Free Cash Flow	b	Negative across the cycle.
b+			
b			
b-			
ccc+			

Operational Scale

bb-	Production (thousand boe/day)	b	<75
b+			
b			
b-			
ccc+			

Profitability

bb-	FFO ($)	b	< $750 million
b+	Capex/CFO (%)	bb	Capex materially covered by cashflow from producing projects in most periods but with temporary deviation due to lumpy capex.
b			
b-			
ccc+			

Financial Structure

a-	FFO Leverage	bbb	2.8x
bbb+	FFO Net Leverage	bbb	2.5x
bbb	Total Debt With Equity Credit/Op. EBITDA	bbb	2.5x
bbb-			
bb+			

Financial Flexibility

bb-	Financial Discipline	b	No financial policy or track record of ignoring it. Opportunistic behavior.
b+	Liquidity		Liquidity ratio below 1.x. Overly reliant on one funding source.
b	FFO Interest Coverage	bb	5.0x
b-	FX Exposure	ccc	FX exposure dominant in impairing the issuer's ability to service debt in cash terms.
ccc+	Op. EBITDA/Interest Paid	bb	7.0x

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Credit-Relevant ESG Derivation

Compania General de Combustibles S.A. has 12 ESG potential rating drivers

- Emissions from OGP production
- Energy use in OGP operations
- Water management (e.g. usage levels, recycling capacity)
- Waste and material handling; operations proximity to environmentally sensitive areas
- Hydrocarbon reserves exposure to present/future regulation and environmental costs
- Operations proximity to areas of conflict or indigenous lands

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

Compania General de Combustibles S.A.

Corporates Ratings Navigator
Oil & Gas Production

Credit-Relevant ESG Derivation

Compania General de Combustibles S.A. has 12 ESG potential rating drivers

- Compania General de Combustibles S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- Compania General de Combustibles S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- Compania General de Combustibles S.A. has exposure to water management risk but this has very low impact on the rating.
- Compania General de Combustibles S.A. has exposure to waste and impact management risk but this has very low impact on the rating.
- Compania General de Combustibles S.A. has exposure to extreme weather events but this has very low impact on the rating.
- Compania General de Combustibles S.A. has exposure to land rights/conflicts risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	1	issues	2
	1	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from OGP production	Diversification and Environmental Risk; Profitability	5
Energy Management	3	Energy use in OGP operations	Diversification and Environmental Risk; Profitability	4
Water & Wastewater Management	3	Water management (e.g. usage levels, recycling capacity)	Diversification and Environmental Risk; Profitability	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Waste and material handling; operations proximity to environmentally sensitive areas	Diversification and Environmental Risk; Profitability	2
Exposure to Environmental Impacts	3	Hydrocarbon reserves exposure to present/future regulation and environmental costs	Diversification and Environmental Risk; Profitability; Financial Flexibility	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Operations proximity to areas of conflict or indigenous lands	Diversification and Environmental Risk; Profitability; Financial Flexibility	5
Customer Welfare - Fair Messaging, Privacy & Data Security	1	n.a.	n.a.	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Diversification and Environmental Risk; Profitability; Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects or operations that leads to delays and cost increases	Production Size; Profitability; Financial Structure; Financial Flexibility	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

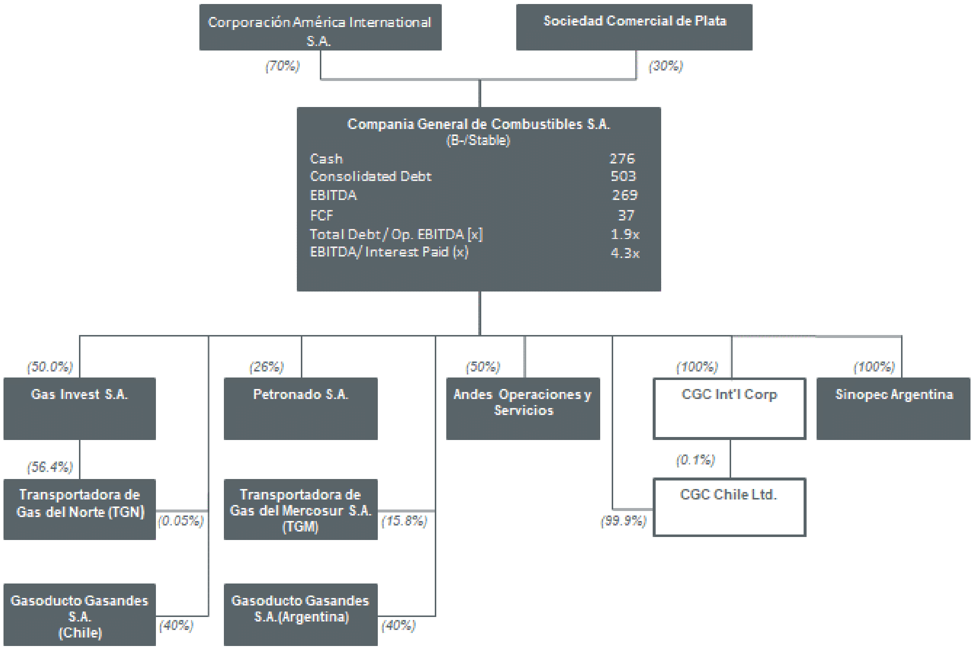
CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Organizational Structure — Compania General de Combustibles S.A.
($ Mil., As of Jun, 30 2021)



Consolidated

Source: Company reports, Fitch.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Gross Revenue (USDm)	Operating EBITDA Margin (%)	FFO Margin (%)	Operating EBITDA/Interest Paid (x)	Total Debt with Equity Credit/Operating EBITDA (x)
Compania General de Combustibles S.A.	B-						
	CCC	2020	443	52.5	22.0	3.9	1.9
	CCC	2019	870	50.0	39.9	6.7	1.6
	B	2018	965	46.9	45.9	6.8	2.0
Gran Tierra Energy International Holdings Ltd.	CCC+						
	CCC	2020	238	35.2	41.9	1.7	9.2
	B	2019	571	57.6	32.6	8.7	2.1
	B	2018	613	64.7	42.4	24.7	1.0
GeoPark Limited	B+						
	B+	2020	394	31.5	30.2	3.3	6.3
	B+	2019	629	50.1	33.8	10.8	1.4
	B+	2018	601	55.3	32.7	11.7	1.4
Frontera Energy Corporation	B						
	B	2020	649	19.8	-2.3	1.8	3.4
	B+	2019	1,384	35.2	34.5	13.7	0.7
	B+	2018	1,320	31.9	21.4	16.0	0.8

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

Fitch Adjustments and Reconciliation Table for Compania General de Combustibles S.A.

(ARS Thousand)	Notes and Formulas	Reported Values	Sum of Adjustments	Other Adjustments	Adjusted Values
12/31/2020					
Income Statement Summary					
Revenue		31,285,590			31,285,590
Operating EBITDAR		18,142,303	(1,705,983)	(1,705,983)	16,436,320
Operating EBITDAR After Associates and Minorities	(a)	19,102,232	(1,705,983)	(1,705,983)	17,396,249
Operating Lease Expense	(b)	0			0
Operating EBITDA	(c)	18,142,303	(1,705,983)	(1,705,983)	16,436,320
Operating EBITDA After Associates and Minorities	(d) = (a-b)	19,102,232	(1,705,983)	(1,705,983)	17,396,249
Operating EBIT	(e)	8,586,591	(902,087)	(902,087)	7,684,504
Debt and Cash Summary					
Total Debt with Equity Credit	(f)	33,451,126			33,451,126
Lease-Equivalent Debt	(g)	0			0
Other Off-Balance-Sheet Debt	(h)	0			0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	33,451,126			33,451,126
Readily Available Cash and Equivalents	(j)	7,408,803			7,408,803
Not Readily Available Cash and Equivalents		0			0
Cash Flow Summary					
Operating EBITDA After Associates and Minorities	(d) = (a-b)	19,102,232	(1,705,983)	(1,705,983)	17,396,249
Preferred Dividends (Paid)	(k)	0			0
Interest Received	(l)	141,468			141,468
Interest (Paid)	(m)	(4,431,214)			(4,431,214)
Cash Tax (Paid)		(213,646)			(213,646)
Other Items Before FFO		(6,013,049)			(6,013,049)
Funds from Operations (FFO)	(n)	8,585,791	(1,705,983)	(1,705,983)	6,879,808
Change in Working Capital (Fitch-Defined)		2,145,503			2,145,503
Cash Flow from Operations (CFO)	(o)	10,731,294	(1,705,983)	(1,705,983)	9,025,311
Non-Operating/Nonrecurring Cash Flow		0			0
Capital (Expenditures)	(p)	(6,836,682)			(6,836,682)
Common Dividends (Paid)		(348,676)			(348,676)
Free Cash Flow (FCF)		3,545,936	(1,705,983)	(1,705,983)	1,839,953
Gross Leverage (x)					
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	1.8			1.9
FFO Adjusted Leverage	(i/(n-m-l-k+b))	2.6			3.0
FFO Leverage	(i-g)/(n-m-l-k)	2.6			3.0
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	1.8			1.9
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	11.6%			6.5%
Net Leverage (x)					
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	1.4			1.5
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	2.0			2.3
FFO Net Leverage	(i-g-j)/(n-m-l-k)	2.0			2.3
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	1.4			1.5
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	15.0%			8.4%
Coverage (x)					
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	4.3			3.9
Operating EBITDA/Interest Paid[a]	d/(-m)	4.3			3.9
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	2.9			2.5
FFO Interest Coverage	(n-l-m-k)/(-m-k)	2.9			2.5

[a]EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, Compania General de Combustibles S.A.

Recovery Worksheet

KEY RECOVERY RATING ASSUMPTIONS

- Argentina is categorized as Group D per the Country Specific Treatment of Recovery, and thus the maximum RR that can be assigned is RR4 which implies a recovery 50%.

Recovery Analysis

Issuer Name	Compania General de Combustibles S.A.
Issuer Default Rating	CCC+
Sector	Energy (Oil and Gas)
Statement Date	6/30/2021
Currency	USD
Scale	Millions

Going Concern Enterprise Value	
Going Concern EBITDA	200
EBITDA Multiple (x)	4.0
Additional Value from Affiliates, Minority Interest, Other	-
Going Concern Enterprise Value	800

Liquidation Value (LV)	Book Value	Advance Rate (%)	Available to Creditors
Cash	245	0	-
Accounts Receivable	102	75	76
Inventory	46	50	23
Net Property, Plant and Equipment	316	50	158
$10boe per 1P	900	100	900
Additional Value from Affiliates, Minority Interest, Other	-	100	-
Total Liquidation Value			1,157

Enterprise Value for Claims Distribution	
Greater of Going Concern Enterprise or Liquidation Value	1,157
Less Administrative Claims	115.7
Total Enterprise Value	1,041

Distribution of Value

Priority	Amount	Concession Allocation	Value Recovered	Recovery (%)	Recovery Rating	Notching	Rating
Bridge Loan & Sr. Secured Loans	130	0	130	50	RR4	0	B-
Sr. Unsecured Notes	370	0	370	50	RR4	0	B-

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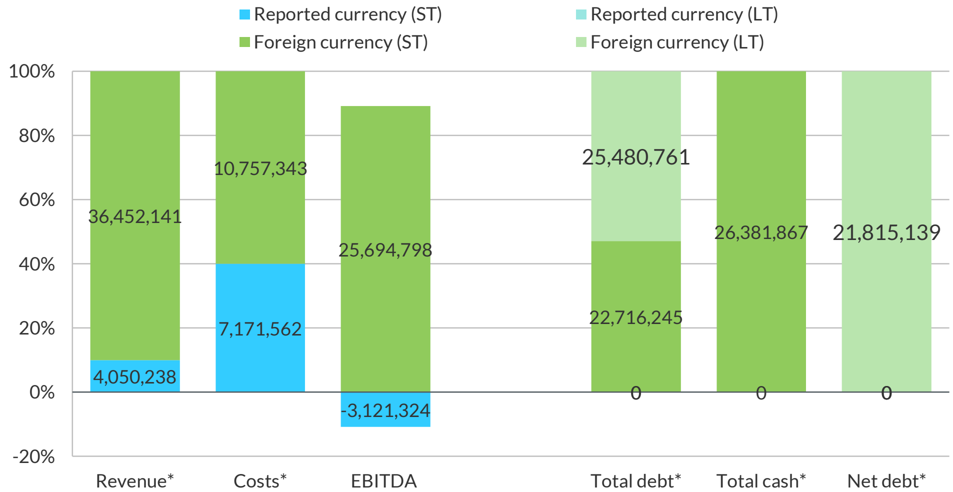
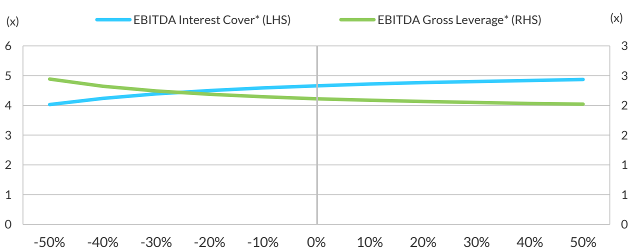
FX Screener

Fitch FX Screener
Compania General de Combustibles S.A.



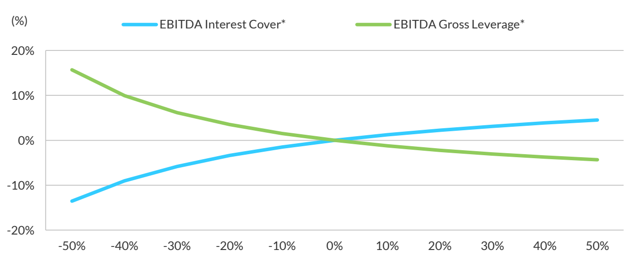
* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information
Source: Fitch Ratings

Fitch FX Screener - Foreign to Reported Currency Stress Test - Absolute Variation
#VALUE!



*EBITDA after Dividends to Associates and Minorities
Source: Fitch Ratings

Fitch FX Screener - Foreign to Reported Currency Stress Test - Relative Variation
#VALUE!



*EBITDA after Dividends to Associates and Minorities
Source: Fitch Ratings

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