



## Profertil Sociedad Anónima

Board of Directors' Annual Report  
Financial Statements as of December 31, 2018 and 2017  
Report of Independent Public Accountants.  
Statutory Audit Committee's Report

## GENERAL MANAGER'S LETTER

I am very pleased to greet you again and submit our Annual Report and Balance Sheet with Profertil's management results for 2018.

It was a year that will mark the history of our company for ever. Sustainability, diversity and inclusion were the leading characters in this cycle, which included highly positive aspects and challenges we must continue working with.

Undoubtedly, the main milestone of the year has been the historical agreement entered into with YPF Luz, which reaffirms us in our sustainability path. This 21-year agreement is the longest in the country's energy history. Thanks to it, by 2020, 60% of the Urea produced in our plant —this means, around 760,000 tons of fertilizer— will be made with renewable energies. In this way, around 50% of the national wheat and maize production will be fertilized with Urea produced with wind energy. YPF Luz will provide Profertil 185 gigawatts hour per year, which are equivalent to the consumption of 52,700 households. This highly positive news, had a huge local and national repercussion, and it strengthened Profertil's position as a cutting edge company in terms of sustainability, thanks to the work of each of the persons that build it daily.

As we duly informed, by the end of 2017 we started producing automotive grade urea solution: An urea based product that makes it possible to reduce the emission of greenhouse gases produced by diesel motors of heavy cargo and public transport vehicles. The novelty is that, since February, we are covering part of YPF needs for this product. In this way, we become the main supplier of the company that leads the market in terms of sales of this solution, which is fundamental for large size fleets.

Also, and accordingly, we started to conceive our Sustainability Report — issued for the seventh consecutive year in 2018 - bearing in mind the UN Sustainable Development Goals for 2030. Profertil, as part of the Global Compact, which is known as "the world's largest corporate sustainability initiative", adheres to these goals.

As regards maintenance, the plant turnaround performed this year was a success in terms of performance, goal accomplishment, safety and environmental care. Safety, as we know, is always a priority: we all have to get back home in good health, and that is the main focus of our daily work. For this reason, throughout the year we carried out an intensive program to reinforce safety culture in each site of the company. Likewise, we have reinforced our commitment with transparency in the communication of our actions. For this reason, and as in 2017 —when we cleaned our Ammonia Tank - , the plant turnaround had an agile and clear communication plan, through which the neighbors and all stakeholders got timely information to follow the work progress.

At the beginning of the year we had set out a goal to improve our client service efficiency. This resulted in a great job throughout the entire cycle, with about 15 concrete items that were developed, particularly, from logistics and commercial operation.

From the financial perspective, it is great news to mention that we continue reducing debts corresponding to big investment commitments made in the latest years. In this fiscal year, the net debt decreased 22%, reassuring us as a financially responsible company, which invests and honors its creditors.

The working climate this year was lived as it was: challenging for everybody, both as a team and as individuals. This was shown in the climate survey answered by our staff, where historic values for Profertil were obtained, with a Satisfaction rate of 93%, Climate of 80% and Engagement of 82%. These figures —highly remarkable in the context of national companies— state a strong growth and show Profertil as a good place to work in and develop.

Also, other internal studies were made to get a diagnosis on diversity and inclusion issues, which will undoubtedly set the pace of the work agenda in the next years: we believe that a diverse and inclusive work environment is the key for the future, so that every person finds here a context of respect, comradeship and growth that makes it possible to develop a professional career.

As regards community relationships, in addition to the multiple programs our company brings forth, and that set the trend for other companies in the sector, this year's milestone was receiving visitor number 40,000. These visitors are neighbors who came and met us, and with whom we had direct contact to tell them how we work and which is the purpose of our activity. Undoubtedly, this contributes to our big openness and transparency position in the eyes of our closest community.

All this deep, constant and responsible work makes it possible, also, to project further growth. In 2018, a feasibility study was performed to build a second Urea plant in our facilities in Ingeniero White. Shale gas reserves in our country open the door to the possibility of making true the dream Profertil was born with more than 18 years ago: by design, our plant is prepared to accommodate a second Ammonia and Urea production train. This will strengthen our mission: to lead the wholesale nitrogen fertilizer production and commercialization in the Southern Cone. The experience gained in almost two decades of work, in addition to Profertil's present facilities, allow us to expand our operation and add competitiveness to the present business. The feasibility study, completed positively and with the approval of the Board of Directors of the Company, is ready to move on to the next stages that will

make it possible, in the future, to duplicate our production capacity. We look forward to being able to give further news on this issue.

I invite you, then, to go over this issue of our Annual Report and Balance Sheet. It is a key document for our management, where we openly communicate our figures as well as the way we do things: professionally, honestly, transparently and committedly, as we have been doing them for more than 18 years.

**Eng. Daniel Pettarin**  
General Manager

## ANNUAL REPORT

*(Information not covered by the Independent's Auditor Report)*

### **To Profertil S.A. Shareholders:**

According to legal and statutory provisions we are pleased to submit for approval the annual report, inventory and general balance sheet to December 31, 2018, and the statements of income, changes in shareholders' equity and cash flows for the fiscal year completed by Sunday, December 31, 2018.

## Planning, Strategic Inputs and Management Control

### **Natural Gas Supply**

Profertil uses around 2,500 dam<sup>3</sup>/day of natural gas, coming from the Austral basin (about 600 dam<sup>3</sup>), the San Jorge Gulf (1,400 dam<sup>3</sup>) and the Neuquina basin (500 dam<sup>3</sup>). This supply is supported by uninterruptible supply agreements. Also, it has ensured firm transport of supply by means of long term contracts entered into with TGS, expiring close to 2048.

### **Electrical energy supply**

Annually, Profertil purchases from the market a total of 210 GWh through Cammesa (Electrical Wholesale Market Managing Company) and it self generates an average of about 5 MWh, which allow it not to consume from the national grid.

Also, our company has entered into an agreement with YPF Energía Eléctrica for the supply of renewable energy for 21 years, the longest so far for this type of contracts. The replacement rate of renewable energy with base energy is 12% (2018 and 2019) and will reach 60% as from 2020.

### **Raw water**

The level of Paso de las Piedras dam remained out of the alert level (above 160 meters above sea level) thanks to rainfall in the region, thus ensuring supply.

## Profertil Strategic Plan

The planned agenda of strategic analysis meetings was accomplished during the year, aimed at measuring and correcting the management of our actions with respect to our strategy.

## INDUSTRIAL OPERATIONS

In 2018, we produced more than one million tons of granulated urea. However, the expected results in terms of the Ammonia and Urea plants performance in the Bahia Blanca site were not met.

The Ammonia Plant operated with a reliability factor (real operating time vs foreseen) of 87.9%, while in the Urea Plant it was 90.7%. Due to inconveniences in stationary equipment that entailed a failure rate higher than foreseen, the above mentioned percentages were lower than in 2017.

Consequently, Ammonia production was 609,819 tons, against a planned value of 703,944 tons (i.e. 94,125 tons less) and Urea production was 1,014,935 tons compared to a budget volume of 1,176,869 tons (161,934 tons below).

The inconveniences above mentioned also had an impact on energy specific consumptions, and directly affected the site energy efficiency. In fact, the Ammonia Plant specific consumption (main energy consumer) was 43.5 MMBTU/t, against a planned value of 42 MMBT/t, i.e. 3.5% higher.

Also, one of the most important milestones of the year was the plant turnaround for equipment maintenance in June. This activity was a great challenge: it entailed executing a great number of tasks in a relatively short time frame. The result was very successful. The work was performed within the scheduled times, with neither safety nor environmental incidents recorded.

Among the main tasks performed, we should mention the full revision of the gas turbine (including the replacement of the turbine vanes of the gas generator), the replacement of packing in the absorbing column of the carbon dioxide separating unit, the change of heat exchangers that reached the end of their lifetime, the replacement of catalysts and the change of internals in the urea reactor and pipelines in the high pressure system.

Upon completion of the plant turnaround and after putting the site back in service, we were able to verify the benefits of the interventions made to the pieces of equipment: increase of electrical energy generated by the gas turbine; significant increase of the ammonia daily production; efficiency recovery of the heat exchange, process catalysts and compressors we worked on; increase of Urea reactor efficiency.

As regards human resources management, we continued with the training and development plan for operations personnel, with a 30% increase of hours. Accordingly, 9,522 hours of training and coaching were completed throughout 2018, distributed in specific activities for field operators, panel operators, contact engineers and supervisors. All the teaching of these knowledge included process theory and field practices.

In addition to the technical training, around 1,200 hours of emergency response training were completed, with a 10% increase of hours with respect to the previous year.

Also, “Safety Lead Actors” workshops were held for plant operators, aiming at reassuring proactive actions and encouraging incident reporting.

Following modern training and development standards, more than 50 videos were prepared on operative procedures, based on their corresponding written procedures. This material is part of the e-training plan for field and panel operators.

Customized “coaching” workshops were organized for supervisors, as part of the corporate leadership program.

In addition, the operative manuals were updated, including new tests for panel operators. The focus of this updates was in control logics.

Lastly, the “Fire control for primary reformer” system was developed in the process simulator, that will make it possible to test its start-up virtually, considering the new interlocks installed. Both panel operators and systems and process safety engineers were involved in this action.

As regards the company’s investment plan for 2018, the projects managed directly by the area were 139, amounting to about 20 million dollars. This figure also includes the investments related to the plant turnaround for facilities maintenance.

Due to budget or priority reasons, the original planning of some projects was canceled, postponed or modified throughout the year. The costs resulting from project modification, or from the execution of initiatives not included in the plan, were paid for with the budget assigned to various modifications or with the budget for canceled investments.

Also, a large number of activities were performed in the technical area related to process safety: new revalidation of the Ammonia Plant Hazop performed directly in the Meridium system; set up of the primary reformer overheating protection system, designed by Haldor Topsoe and published in the Annual Symposium of Ammonia Plants Safety (AIChE 2018), which became the new fire control standard for this type of plants; implementation of improvements in the control and safety system of the startup heater in the Ammonia plant (completion of the process to adjust to the more modern standard for this type of plants); and creation of a module to document the temporary repairs and changes that properly assess the risks before putting in place the intended modifications.

As regards asset maintenance management, performance indicators (accomplishment of monthly schedule, emergency hours and overtime, proactive maintenance and back log) show that Profertil performance can be compared to that of the best world class plants of its type.

Finally, at the beginning of the year, the new contract for maintenance labor service was started, which was awarded to a local company, with some innovations regarding the measurement of its management efficiency.

As part of the strategy revision and the maintenance plan, the optimization program tried to identify improvement opportunities. For this reason, the asset lifetime assessment procedure was analyzed, the storage and solid loading systems strategy were evaluated and the application degree of on condition monitoring techniques was compared, using the indicators normally used for this type of techniques. In parallel, training plans were added for employees about the technologies in use.

## COMMERCIAL

During 2018, the fertilizer domestic market reached 4.3 million tons, growing a 14% in volume with respect to the previous year and with a 24% evolution in the case of Urea. This progress is important if other external factors are considered: the severe drought that affected harvests, the reinstatement of withholdings to grain exports and the significant reduction of financing to the agricultural sector. However, the market hit a new sales record linked to the significant increase of nitrogen consumption in the main grasses (wheat, maize and barley).

In 2016 the market had recovered strongly, showing a leap over 46% in the fertilizer market, resulting from the change of economic and political expectations, and from specific measures that benefited the agricultural sector (peso devaluation, removal of export obstacles, removal of wheat, maize and sunflower export withholdings and a reduction for soybean).

As regards the agricultural campaign, grain production during the 2017/2018 cycle was **112.4 million tons** according to the data of the National Secretariat of Agribusiness. The 17.7% fall with respect to the previous cycle results from the above mentioned drought that, in turn, resulted in low yields and bad crop quality.

For 2018/2019 campaign, this Secretariat presented a forecast of 140 million tons of grain production. If achieved, it would be the largest in the Argentine history, with a 25% growth with respect to the previous one.

The chart attached shows the detail of these projections.

### Total forecast 18/19

Crop	Planting intention (h)	Production forecast (t)
Wheat	6.200.000	20.146.900
Barley	1.065.000	4.487.910
Maize	9.350.000	49.680.000
Sunflower	1.702.000	3.791.205
Soybean	17.500.000	54.250.000
Sorghum	770.000	3.747.475
Others *		4.030.300
<b>Total</b>		<b>140.133.790</b>

\* Others: oats, rye, canary seed, safflower, flax, rape, cotton, peanut, green peas, chickpeas, lentils and beans

Secretariat of Agribusiness

According to these estimations, a production of 54.25 million tons is foreseen for soybean, which is again the main crop. This represents a 44% growth against the 54.25 millions in the previous campaign, with a planting intention of 17.5 million tons of hectares.

For maize, the projection is 49.68 million tons with a planting intention of 9.35 million hectares.

In the case of wheat, a record harvest of 20.14 million tons is foreseen, with a planting intention of 6.2 million hectares, while barley presents a planting intention of 1.06 million hectares with a projection of 4.48 million tons.

Sunflower would present 3.7 million tons of production with 1.70 hectares of planting intention and sorghum, 3.74 million tons with 770,000 planted hectares.

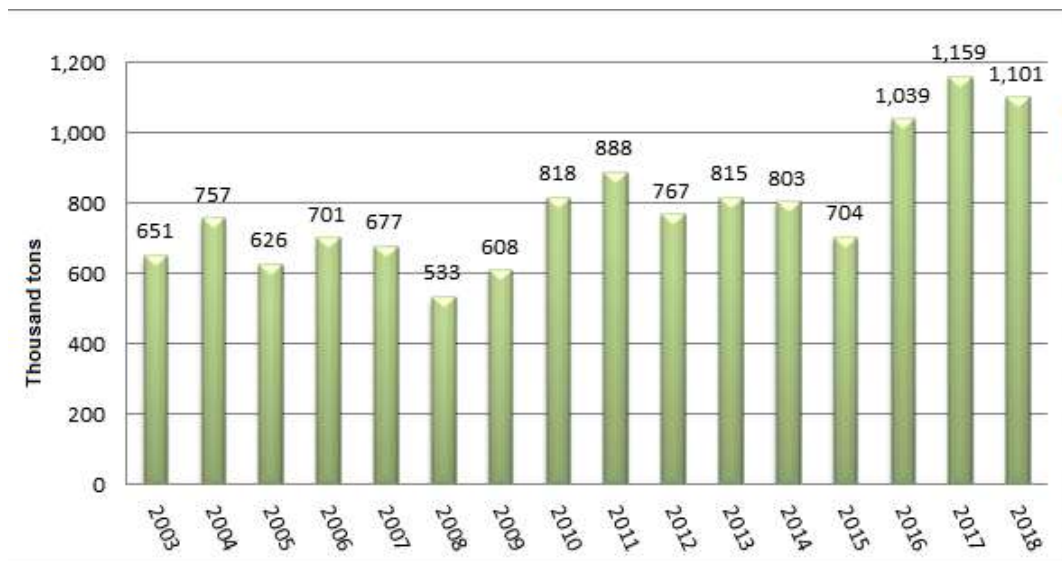
According to this information, a favorable scenario can be expected for the sector, with a volume recovery, which would be driven by an improvement of gross margins and by a more favorable currency exchange rate. Also, the impact of withholdings on planting decisions, fertilizer application and use of technology in general should be evaluated.

The main Profertil sales data during 2018 were the following:

- Total annual invoicing: USD 512 millions
- Urea annual invoicing: USD 345 millions, figure that represents 67% of the total.
- Local market urea annual invoicing: USD 330 millions, figure that represents 96% of urea sales.

As regards reference prices, the Arab Gulf (AG) FOBs averaged USD 275 by ton (19% above 2017 average) , with a floor of USD 226 by mid May and a maximum of USD 339.5 by mid October.

The next chart shows the evolution of Profertil’s urea domestic sales, which has represented about 80% of the urea market share for agriculture.

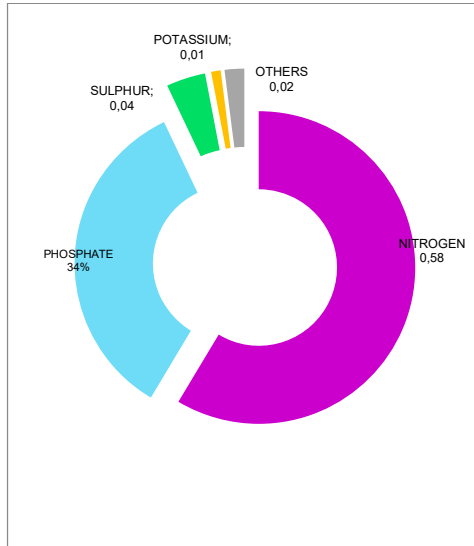


*Profertil Urea sales evolution in the Argentine market*

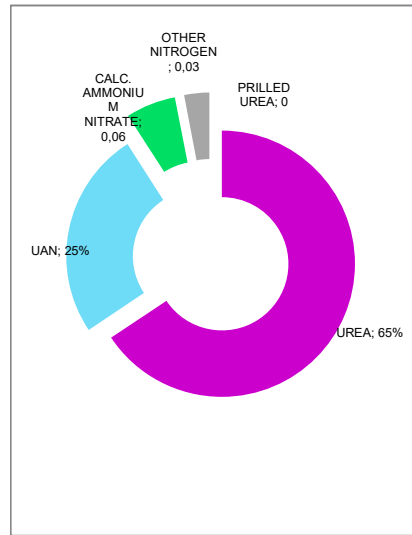
*Source: own preparation.*

As it can be seen in the following graphs, nitrogen fertilizers represented 58% of the total fertilizers used in the 2018 campaign. They increased their share to the detriment of phosphate fertilizers. Furthermore,

the most used nitrogen fertilizer was Granulated Urea, with 66% share in the category, followed by UAN (25%) and the rest of nitrogen fertilizers (which amounted to 9% in total).



Argentine market by fertilizer group.  
Source: Kleffmann.



Argentine market: nitrogen fertilizers  
Source: Kleffmann.

With respect to marketing actions, the Company has accomplished the Programa de Relacionamiento con Clientes 2018 (Client bonding program 2015). In this context, different promotional actions were executed: two Profertil Excelencia Técnico (Tandil and Melincué) aimed at training technical counselors of the Distributors network, and four pre-campaign meetings in the cities of Villa María, Mar del Plata, Bahía Blanca and Rosario.

As regards the Final Users Bonding Program, the MITs on surface solid fertilizers application (technical agronomic training) were organized, which took place in the cities of Pilar and Justiniano Pose (province of Córdoba) and Arribeños (province of Buenos Aires). Also, four “Mitings” were held with different distributors and in different areas. As part of the “Prosuelos” program, with the collaboration of HAB distributor, a workshop was organized in Villa María to spread the soil sampling practice and the interpretation of its results.

As regards attendance to third parties’ events, the following can be mentioned: “A Todo Trigo 2018” congress, Aapresid congress —platform for launching eNeTotal Plus—, the Argentine Soil Science Association Congress in Tucumán and the Provincial Soil Congress in Necochea, Buenos Aires. Also, during 2018, AgTech proposal was launched from the commercial department: different tests were performed together with nine distributors to use satellite images for crop monitoring and fertilizing decision making.

As regards market research, customer satisfaction surveys were made in 2018 in the Distributors, Retailers and National Accounts channels.

As regards logistics activity, during 2018 we dispatched 1,397,848 tons directly from the different terminals located in Bahía Blanca, Necochea and San Nicolás in the province of Buenos Aires and Puerto General San Martín in the Province of Santa Fe.



From Bahía Blanca, Urea and Ammonia ships were loaded destined to own storage facilities, the domestic market and exports, adding up a total of 593,891 tons. In addition, in our San Nicolas and Puerto General San Martín terminals, logistics services were rendered to third parties. This included ship unloading, liquid and solid fertilizer storage, mixing, bagging and dispatch of different fertilizers. We also offered land delivery services to clients, for a total of 265,066 tons by truck and 42,185 tons by train.

## **ADMINISTRATION AND FINANCES**

### **Determining factors of fiscal year statement**

Net income of fiscal year 2018 was \$ 654,929,722, exceeding the expectations in the budget approved for 2018. This has been possible due to the urea international price increases (around 20%), which absorbed the costs resulting from a lower plan performance and to the currency exchange rate increase (peso devaluation), partially solved by the coverage of the dollar futures contracts.

It should be mentioned that fiscal year 2018 is the first year the Corporation issues based on the International Financial Reporting Standards (IFRS).

The use of the IFRS, as issued by the International Accounting Standards Board (IASB), was decided by Technical Decision Number 26 (text in force) of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) and by Decision Number 7/2015 of the IGJ (Superintendence of Corporations) which accept the adoption thereof by partnerships controlling, controlled by, subsidiaries of or related to the company that publicly offers its shares or debt bonds.

### **Financial-economic indicators**

Next, we show the main Economic-Financial indicators, compared to those of the previous fiscal year.

Indicator	Calculation	2018	2017
Solvency	Net equity / Liabilities	0,92	0,88
Current liquidity	Current assets / Current liabilities	103,4 %	115,3%
Reason for freezing of assets or capital	Noncurrent assets / Assets	72,2 %	76,4%
Total and ordinary return of shareholder investment (ROE)	Net profit / Average net equity	6,0 %	10,6%
EBIT (million \$)	Earning before interests and taxes	3.052,3	1.208,3
ROCE	(EBIT - Income tax) / (Net equity + Financial debt)	10,5 %	14,1 %
Net margin	Net profit / Sales	4,0 %	14,9 %
Financial debt index	Financial debts / (Net equity + financial debts)	37,2 %	38,0 %

*Main economic-financial indicators 2017/2018.*

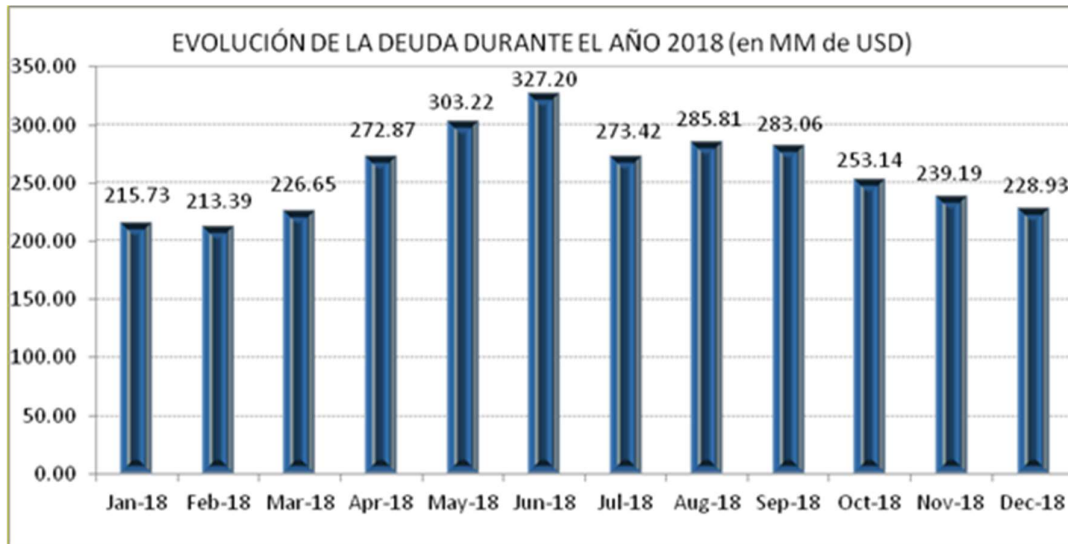
*Source: own preparation.*

### Financial situation

Profertil started period 2018 with a cash position of MM USD 11.6 and a financial debt net of interests and fees of MM USD 226.3. These values upon closing of fiscal year 2018 resulted in a cash position of MM USD 61.4 and a financial debt net of interests and fees of MM USD 228.9.

### Financial debt

During 2018, Profertil continued with its policy to maintain a sustainable debt structure, which allows ensuring the liquidity required to address investments and current expenses in the Company, maintaining its credit lines with local and international financial entities for about MM USD 400.0. The next chart shows the debt levels of the company and their evolution during 2018.



During the year, Profertil paid off the lien contract associated to the financial debt and ended the year with debt without guarantees established on company's assets. In spite of the adverse context, the debt with an international bank was paid, and based on its financial performance, Profertil obtained two loans to refinance the debt with more competitive rates. The average debt rate for 2018 was around 5% annual nominal.

In 2018, credit exposure accompanied sales development, according to the commercial policy and in agreement with the fertilizer market offer as regards terms and rates.->

The company's collection term remained within the expected times, with an average of 42 days.

We continued using alternative financing tools for the distribution segment, we delved into the use of rural credit cards with free days and we added agreements with banks for free access to credit lines in dollars for distributors. Also, we continued operating with grain financing through forward cereal contracts and discount for deferred payment checks.

The highest credit concentration was in the national accounts segment. As regards Distributors segment, the credit lines are divided among 180 clients, thus allowing Profertil S.A. to diversify risk.

## ENVIRONMENT, HEALTH AND SAFETY AND QUALITY

In 2018, the Bahía Blanca plant performed a maintenance plant turnaround during June. Regarding this action, the EH&S sector performed a remarkable role in communicating safety issues to all incoming contractor personnel, controlling access requirements and in the posterior control through inspection and maintenance, and made it possible to complete the tasks scheduled with neither personal accidents nor environmental incidents.

Also, a prior communication of the tasks to be performed was made to the authorities (CTE, CCyM, Programa APELL and OPDS), Ingeniero White neighbors, the companies in the industrial complex, several NGO and the Consorcio General del Puerto de Bahía Blanca, as well as to the companies that operate in the port.

Same as last year, and continuing with the "Training and crediting of technical competences related to Environment, Health, and Safety", all personnel was duly trained according to the legal requirement set forth in Decision SRT 905/15.

As regards Safety Sheets of the products commercialized by Profertil (Dec. SRT 801/15), the databases were unified so that the information provided is only one, both in hard and electronic copies.

Regarding occupational health, all periodic checks were made involving light, noises, vibrations and chemical components in the work environment. We also continued with the MDEA monitoring.

In 2018, considering own personnel and contractors, the organization recorded a total of 1,640,212 worked hours in the year, with LTI (number of lost time incidents for every 200,000 hours worked) and TRI (number of total accidents for every 200,000 hours worked) global index of 0.12. In this context, there was only one LTI and nine first aids events, showing a remarkable improvement when compared to 2017 performance.

Throughout the year, the "Safety Lead Actors" workshop was completed for Production-Industrial Operations and for Puerto General San Martín and San Nicolás Terminals.

Among the remarkable environmental facts, the gas effluent discharge permits granted by the Organismo Provincial Para el Desarrollo Sostenible (OPDS) were renewed, both in Bahía Blanca and San Nicolás Terminal. The first one was issued on June 4 and the second one, on July 25, with a validity of two years.

Within the normal tasks of the sector, we accomplished the provisions in the scheme that sets the environmental control program conditions established by the competent authorities. These include measurements in emission fix points (stacks), air quality, liquid effluent pouring, underground water monitoring and solid and semisolid waste final disposal. With these measurements, Profertil meets the requirements in the regulations in force and evidences an environmentally sustainable operation, both in Bahía Blanca site and in the terminals.

Audits were performed to all treatment and final disposal centers where Profertil sends its waste to: Ecoplant of the Municipality of Bahía Blanca in General Cerri (recyclable urban solid wastes), sanitary landfill of Bahía Blanca (urban solid wastes) and the IPES plant safety landfill (special wastes).

Regarding the Management integrated system, the annual activity cycle was completed: EH&S legal accomplishment audits, internal audits, revision by Managers and external surveillance audits, under ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001 standards. The auditing agency was Bureau Veritas. The scope of the audits included the production and commercialization of granulated urea and anhydrous ammonia and fertilizer storage, custom mixes and bagging services.

In 2018, Profertil participated actively in the program "Environment Responsible Care" managed by the Cámara de Industrias Químicas y Petroquímicas de la República Argentina (CIQyP), attending the meetings scheduled and performing the self-assessments of the seven codes and submitting performance indicators. With these data, the CIQyP prepares reports about the sector it represents.

In addition, on days November 12, 13 and 14 the biannual PCRMA audit was made by Det Norske Veritas (DNV). The audit result was 9.6 out of 10 points. The next audit will be performed in 2020.

As regards emergency response, the Plant Emergency Response Teams Training Program was completed, together with the Industrial Operations training sector, maintaining the standard applied in previous years. Also, the number of training sessions performed was exceeded with respect to sessions planned (146 against 90). This program includes the drills performed both in Bahía Blanca complex and in the Quequén, San Nicolás and Puerto General San Martín terminals.

Regarding road emergencies, we continued updating emergency response plans for transportation companies and clients, together with Logistics. An update survey of the geo-referenced system (Ecofile) for road emergency response was made.

Within the APELL process, we continued participating in the emergency response and risk analysis committees.

## INSTITUTIONAL RELATIONSHIPS

In order to strengthen the ties between our company and the different external audiences we interact with, Profertil's Institutional Management Model aims at generating communication channels that contribute to relationships based on trust and mutual respect with clients, vendors, neighbors, public authorities, business and agricultural organizations, civil associations, different NGO and mass media, among others.

### **Image Management**

In order to position itself within the agribusiness sector as a sustainable company, committed with production, good practices and the development of the communities where it operates.

Profertil performs a thorough job to manage its institutional image.

#### *Content production*

During 2018, the focus was centered in the new publicity campaign called #ElOrigen (The origin), a 100% local production that proposes a retrospective path from a family table to soil. The material transmits the importance to fertilize the soil to generate food and its axis is the proud of living in #latierradelalimento (the land of food).

The campaign included three publicity spots and a digital strategy with concrete actions in each social media of the company since it was launched.

Also, the campaign was completed with "Punto Profertil", by means of which more than 7,000 neighbors of the city received their "Kits for food creators". These kits contained seeds, urea and instructions, so that each person could fertilize the land at home and generate his/her own food. In this way, TV ads presented the path from the table to land, and Punto Profertil invited each person to perform his/her own path from land to the table.

In line with this, alternative material was prepared related to general environmental care, in order to add and spread environmental issues related to Profertil communication.

#### *YPF Luz agreement coverage*

The coverage of the YPF Luz agreement was the biggest impact press action in the Company's history, by means of which Profertil was positioned in the national agenda.

As it was an unprecedented sustainable action in the city, a large scale strategy was executed, which entailed direct contact with local journalists and national mass media, press conferences, newsletters and graphic ads and diverse specific actions in the social media.

### **External Communications Program**

In terms of external communication, Profertil tries to strengthen the relationships with its audiences by providing relevant information about the company.

#### *Sustainability Report*

The Sustainability Report was issued for the seventh consecutive year, under the GRI G4 (*Global Reporting Initiative*) guidelines. The new report also meant a substantial change regarding contents, as the focus was in the UN Sustainable Development Goals, especially on those Profertil contributes to with its work. As always, this was aligned with the qualitative and quantitative indicators of period 2017.

The new issue had an innovative format, which included the creation of a fully navigable web site, conceived especially for the user. There was also a printed version summarizing the 2017 milestones in a high impact infography.

Finally, the launching was accompanied by an ad hoc campaign in the social media with specific information for each network.

The 2017 Sustainability Report received an award from the Foro Ecu mico Social as best social report of Argentine companies.

#### *Plant Visits Program*

#### *Sustainability Report*

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#### *Crisis communication*

Starting from the positive results obtained with the communication strategy prepared for the Ammonia Tank inspection and cleaning project in 2017, crisis communication focus in 2018 was in prevention, facing the plant turnaround in June.

The communication plan consisted of providing information on safety, environment and sustainability issues to the main key actors identified: community, authorities, mass media and intermediate institutions, with very positive results. The different audiences gladly received the information provided, stating the path, with transparent and timely communications, as Profertil has made since its beginnings.

#### *Digital communication. Web and social networks*

During 2018, we continued reinforcing the digital communication strategy by means of specific network campaigns.

The objective that oriented each of the actions conceived for Profertil digital ecosystem entailed increasing the number of followers, views and *likes* in Facebook, Instagram and YouTube. We also aimed at reaching increasingly more specific audiences in Twitter, namely agricultural institutions, authorities, journalists and mass media.

#### **Corporate Social Responsibility (CSR) Program and Sustainability**

Under its Corporate Social Responsibility Program and in line with Profertil's social commitment, the community development initiatives continued in 2018 with educational, cultural, health, sports and public welfare institutions and organizations.

#### *Creciendo en Comunidad (Growing in community) Program*

Creciendo en Comunidad (Growing in Community) is consolidated in its seventh year, training leaders of Ingeniero White social organizations to fulfill long term community projects.

Since the beginning of the program, 73 neighbors have participated, who are members of 20 institutions.

#### *Creciendo en Comunidad - Project Board*

During 2018, the Project Board continued working in the second stage to enhance Ingeniero White amphitheater, to have an impact on the 11,000 inhabitants of Ingeniero White.

Twelve institutions are involved in this initiative coming from the Growing in community Program.

#### *Huerta (Vegetable Garden) Program*

This program, aimed at organizing workshops for teachers in Bahía Blanca and its surrounding area, reached more than 1,700 students through 59 teachers trained in the three workshops organized in 2018.

#### *Profertil art workshop*

The purpose of the program, which has been executed consecutively since 2007, is to facilitate access to the art experience to children and adults of the neighboring sector. During 2018, 50 students attended the free workshops taught in two organizations in Ingeniero White.

## HUMAN RESOURCES

In 2018, Human Resources management focused on the following strategic axes: organizational development, internal communications and work climate, policies and practices, labor relations and compliance.

Under the annual corporate training framework, a leaders meeting was held with all levels of supervision of the company. The topic addressed aimed at developing conversational skills and hard conversations. Likewise, the employees who took over leadership positions participated in team leading programs at renown educational institutions.

With the focus in privileging personal development, 46% of vacancies for permanent positions were filled with internal candidates in 2018, thus providing career opportunities to Profertil employees through internal mobility. Considering Profertil contractor companies personnel that filled permanent vacancies, the internal mobility indicator amounts to 63%.

In compliance with the Succession Plan annual process, the Steering Committee updated and identified development actions for the successor group. During 2018, the actions foreseen in the plan were implemented.

The annual compliance plan included the Foreign Corrupt Practices Act training, during which, 160 employees in positions defined as critical, completed a virtual training to credit the course "Fraud prevention, corruption and money laundering." Also, a training was held about Criminal liability of legal persons Act (Number 27401). Also, all employees underwent an annual certification in the Ethical Code of Conduct through a multimedia platform.

In the Internal Communication and Work Climate Management axis, the actions defined in the Communication and Work Climate Annual Plan were executed, with the goals to stimulate the sense of belonging and engagement of employees and to increase the circulation of information through formal channels.

In addition to the communication of internal news (promotions, additions, indicators, celebrations plant news, etc.), specific actions were carried out such as two corporate communication meetings by the General Manager, and the internal magazine *Todos Nosotros* was published.

A new climate and engagement survey was made, with 231 responses (83% participation). The favorable results obtained in the three dimensions the tool consists of are: satisfaction 93%, climate 80% and engagement 82%. The results obtained in the satisfaction and climate indexes are the highest since this type of studies were started in 2004.

Regarding climate management initiatives, gender issue was addressed in Profertil through *focus groups* that made it possible to analyze the present situation of diversity and inclusion. The five *focus groups* organized were attended by 50 employees from all areas and positions. As from the results, the following purposes were defined:



- To ensure a work space free of any type of discrimination, either by gender, sexual orientation, age, nationality, religion, etc. We are people and that is why we are valuable.
- To hold dialog as the tool par excellence that makes it possible for us to reach agreements and promote listening among those who think different. It is enriching to broaden points of view.
- To value ideas and thoughts for their own value and not considering the issuer.
- To become aware of the fact that diverse teams achieve better results.

In order to have a space where employees can delve deeper in the company's management, be multiplying agents and favor the statement of issues that have an impact on climate, an "Open Dialogs" meeting was held.

Also, the so called "Synergy" training program was started, an initiative based on internal facilitators teaching workshops to other workmates on topics they master. The goals of this program are to take advantage of internal talents, to generate satisfying experiences, different to routine work, to sponsor interdepartmental relationships and to promote the work site as a personal development space. The workshops addressed diverse topics: ranging from acquiring productivity tools to knowing the purchase process. Eight workshops were taught, to more than 100 employees.

To celebrate the year closing, a meeting was organized in December with the participation of more than 180 employees.

For the second consecutive year, the Professionalizing Practices were performed during October and November. This initiative aims at creating ties with the community, detecting young talents for future hiring and collaborating in the education of the future graduates, allowing them to acquire knowledge and experience additional to their academic training. In this opportunity, they were attended by 13 students of the last year of the technical secondary school number 1 ARA General Belgrano of Ingeniero White. The activities performed by the students were distributed in 200 practice hours in the Industrial Operations department.

At Profertil we value work and family balance, so we promote practices to favor it. To this end, we continued with the active participation in the Family and Company Conciliation Center (CONFyE, in Spanish) of the IAE business school.

In Occupational Health, in agreement with the Medical Service Annual Program, 211 employees underwent periodical medical examinations. Ten female employees underwent preventive gynecologic studies. Also, a flu vaccination campaign was organized with the participation of 114 employees. It was also available for employee's families, and 148 relatives got the vaccine. Finally, the medical service continued designing and spreading the health newsletter to address general interest topics.

Health on line training session included: tobacco effects on health, HIV, abuse drugs, CPR and first aids, health life and cardiovascular prevention.

Also, eight Automated External Defibrillators were installed in the Bahía Blanca plant, one in Puerto General San Martín, one in Puerto San Nicolás and one in Buenos Aires offices. Workshop training sessions were organized so that the employees can operate them, including AEDs, CPR and first aids. 221 employees got involved.

In November, the second blood and bone marrow donation campaign for the Hospital Municipal de Agudos Dr. Leónidas Lucero was organized. This time, twenty employees voluntarily donated blood in the Company's facilities.

Under the implementation of the addiction prevention and control policy, a pilot test was made during the plant turnaround, in which 137 random alcohol controls were made, with zero tolerance, to Profertil, contractors and third parties employees. Also, in October, more than 200 employees attended alcohol and drug talks that were conducted by specialists. In December, drug random monitoring started.

Regarding labor relationships, we worked jointly with members of the Board and the Internal Committee of Sindicato de Químicos y Petroquímicos (Chemical and Petrochemical trade union) to renew the collective bargaining agreement that will be valid for 5 years. It was entered into in December and will be the basis for the renewal of the agreements in force with the contractor companies' personnel under the SPIQPyA, in 2019.

Likewise, as in previous years, the Union and Companies in Bahía Blanca Petrochemical Complex jointly agreed on an annual salary negotiation that encompasses both own personnel of said companies and all contractors providing normal and usual services framed within agreements in force.

The IT area was internally reorganized and own personnel was included for computer security and infrastructure management in place of the outsourced service. As regards the computer platform, we continued working in diverse improvements, both at application functional level and in computer infrastructure and security.

In this context, a new electronic packing slip application was added to manage material exit from Profertil. A new functionality was also developed in the SAP commercial management module to manage the fertilizer loan subprocess between companies and, also, improvements were made to the module to manage capacity assignment of other sale products to transporters. In the RINO (Registro de Instrucciones y Novedades Operativas- Operative instructions and news record) application, a module was implemented to record temporary changes (RGT).

Also, the Digital Payslip tool was implemented, which allows all employees to download their payslip in electronic format. For this purpose, we had an own portal designed with user limited access.

As regards computer security, we continued working with user awareness and new policies were added in the computers to reinforce security in the company's computer network. In addition, we worked in an IT service continuity plan to be used in case of contingency.

At infrastructure level, progress was made with a new phase of the notebook exchange plan, the telephone switch panel in Buenos Aires was replaced and communication infrastructure pieces of

equipment were renewed (switches and routers). Also, the Solution Manager tool, which is used to manage CAS (Centro de Atención de Sistemas - IT help desk) tickets and to deal with management of change of applications, was upgraded.

## **ACKNOWLEDGEMENTS**

Lastly, Profertil wishes to thank all personnel for their assistance during the present fiscal year, the shareholders for their collaboration, and banks and vendors in general for their support.

Buenos Aires, March 15, 2019.

THE BOARD OF DIRECTORS

English translation of the report originally issued in Spanish, except for the omission of certain disclosures related to formal legal and regulatory requirements for reporting in Argentina and the addition of the last paragraph – See Note 9

## **Report of Independent Public Accountants**

To the Chairman and Board of Directors of

### **PROFERTIL S.A.**

Legal address: Alicia Moreau de Justo 740 – 3rd floor, Off. 306  
Buenos Aires City, Argentina

### **1. Identification of financial statements subject to audit**

We have audited the accompanying financial statements of PROFERTIL S.A. (hereinafter, referred to as PROFERTIL S.A. or the "Company"), which comprise the balance sheet as of December 31, 2018, and the statement of income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information included in notes 1 to 9 and Exhibits A, F, G, H and I.

The amounts and other information corresponding to the fiscal year ended December 31, 2017 are an integral part of the financial statements referred to above and are intended to be read only in relation to the amounts and other information of the current fiscal year.

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

The Company's Board of Directors is responsible for the preparation and fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles in Argentina, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements.

### **3. Auditors' responsibility**

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with Argentine auditing standards established in the Technical Resolution No. 37 issued by the Argentine Federation of Professional Councils in Economic Sciences. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### **4. Opinion**

In our opinion, the accompanying financial statements referred to in the first paragraph of section 1 of this report present fairly, in all material respects, the financial position of Profertil S.A. as of December 31, 2018, and the results of its operations, changes in its shareholder's equity and its cash flows for the year then ended, in accordance with Argentine accounting professional standards.

#### **5. Emphasis of matter paragraph**

We want to emphasize that as the Board of Directors of the Company stated in note 2.a. the Financial Statements mentioned in the first paragraph of chapter 1 of this report have been prepared in accordance with IFRS. We draw attention to Note 28 of the Financial Statements, which describes the effects of the application of this new accounting base. Our opinion is not modified in respect of this matter.

#### **6. English translation of the statutory financial statements**

This report and the financial statements referred to in section 1 of this report have been translated into English for the convenience of English-speaking readers. As further explained in Note 9 to the accompanying financial statements, the financial statements are the English translation of those originally prepared by the Company in Spanish and presented in accordance with Argentine professional standards. The effects of the differences between Argentine professional standards and the generally accepted accounting principles in the countries in which the financial statements are to be used have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations, shareholders' equity or cash flows in accordance with generally accepted accounting principles in the countries of users of the financial statements, other than in Argentina.

Buenos Aires City, Argentina

March 15, 2019

Deloitte & Co. S.A.  
C.P.C.E.C.A.B.A. T° 1 - F° 3

**Guillermo D. Cohen**  
Socio  
Contador Público U.B.A.  
C.P.C.E.C.A.B.A. T° 233 - F° 73

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English translation of the financial statements originally issued in Spanish, except for the addition of Note 9 in the English translation

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## **PROFERTIL S.A.**

Alicia Moreau de Justo 740 - 3<sup>rd</sup> floor, off. 306 - Buenos Aires City.

### **FISCAL YEARS NUMBER 22 AND 21 BEGINNING ON JANUARY 1, 2018 AND 2017**

#### **FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017**

(The financial statements as of December 31, 2018 and 2017 are unaudited)

Principal business of the Company: construction, operation and management of a nitrogen fertilizer producing plant; production, storage, distribution and sale at a wholesale level of fertilizers; purchase and sale of other fertilizer products; supply of services to third parties using the industrial, port and treatment of effluents installations of the Company (Note 1).

Registration date with the Public Commerce Register: February 19, 1997.

Registration number with the Inspección General de Justicia (governmental regulatory agency of corporations) ("IGJ"): 1,630,629.

Duration of the Company: through December 27, 2095.

Last amendment to the bylaws: January 9, 2006.

#### **CAPITAL STRUCTURE AS OF DECEMBER 31, 2018**

(expressed in Argentine pesos)

	<b>Issued, registered, subscribed and paid- in (Note 22)</b>
Common, nominative, nonendorsable shares with a face value of \$1 and one vote per share	
Class "A"	391,291,320
Class "B"	391,291,320
	<hr/> <hr/> 782,582,640

HORACIO FEDERICO VELLER  
Presidente

**PROFERTIL S.A.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018 AND COMPARATIVES**  
(Amounts expressed in millions of Argentine Pesos - Nota 2.b.1)

	Notes	31/12/2018	31/12/2017	01/01/2017
<b>ASSETS</b>				
<b>Noncurrent Assets</b>				
Property, plant and equipment	5	21,301,744,744	10,598,087,131	9,059,772,760
Right-to-use asset	6	843,275,813	430,442,627	377,928,049
Other receivables	8	260,769,384	312,765,558	708,401,830
<b>Total noncurrent assets</b>		<b>22,405,789,941</b>	<b>11,341,295,316</b>	<b>10,146,102,639</b>
<b>Current Assets</b>				
Inventories	7	1,656,420,432	780,191,713	529,865,503
Other receivables	8	1,264,833,593	1,311,777,194	798,676,786
Trade receivables	9	3,127,565,097	1,202,507,409	829,071,461
Investment in financial assets	10	2,151,035,712	170,441,829	301,819,526
Cash and cash equivalents	11	156,125,865	46,045,873	43,167,944
<b>Total current assets</b>		<b>8,355,980,699</b>	<b>3,510,964,018</b>	<b>2,502,601,220</b>
<b>TOTAL ASSETS</b>		<b>30,761,770,640</b>	<b>14,852,259,334</b>	<b>12,648,703,859</b>
<b>SHAREHOLDERS' EQUITY</b>				
Shareholders' contributions		782,582,640	782,582,640	782,582,640
Retained earnings		14,011,167,666	6,159,925,805	4,072,250,640
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>14,793,750,306</b>	<b>6,942,508,445</b>	<b>4,854,833,280</b>
<b>LIABILITIES</b>				
<b>Noncurrent Liabilities</b>				
Deferred income tax liabilities	12	4,643,092,570	2,049,218,702	2,130,622,560
Loans	13	2,256,000,023	2,362,073,000	2,957,140,344
Other liabilities	15	943,242,746	453,505,276	375,877,006
<b>Total noncurrent liabilities</b>		<b>7,842,335,339</b>	<b>4,864,796,978</b>	<b>5,463,639,910</b>
<b>Current Liabilities</b>				
Taxes payable	14	11,692,104	8,935,379	38,225,563
Salaries and social security		86,869,341	59,595,900	46,614,712
Dividends payable		-	188,226,929	189,877,723
Other liabilities	15	51,778,018	2,686,347	2,051,043
Loans	13	6,507,649,853	1,894,531,534	1,357,965,656
Accounts payable	16	1,467,695,679	890,977,822	695,495,972
<b>Total current liabilities</b>		<b>8,125,684,995</b>	<b>3,044,953,911</b>	<b>2,330,230,669</b>
<b>TOTAL LIABILITIES</b>		<b>15,968,020,334</b>	<b>7,909,750,889</b>	<b>7,793,870,579</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>30,761,770,640</b>	<b>14,852,259,334</b>	<b>12,648,703,859</b>

Accompanying notes are an integral part of financial statements

**PROFERTIL S.A.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND COMPARATIVES**

(Amounts expressed in millions of Argentine Pesos - Nota 2.b.1)

	<u>Notas</u>	<u>2018</u>	<u>2017</u>
Revenues	17	16,287,995,948	7,713,820,411
Costs	18	(10,400,453,879)	(5,107,267,599)
Other operating expenses	19	(1,249,747,485)	(216,897,924)
<b>Gross profit</b>		<b><u>4,637,794,584</u></b>	<b><u>2,389,654,888</u></b>
Selling expenses	19	(1,122,260,021)	(790,633,355)
Administrative expenses	19	(439,132,260)	(327,378,012)
Financial income and holding gains, net	21	(1,816,931,161)	(430,573,816)
Other expenses, net	20	(24,136,402)	(63,392,225)
<b>Net profit before income tax</b>		<b><u>1,235,334,740</u></b>	<b><u>777,677,480</u></b>
Income tax	12	(580,405,018)	375,176,054
<b>Net profit for the year</b>		<b><u>654,929,722</u></b>	<b><u>1,152,853,534</u></b>
<b><u>Other comprehensive income</u></b>			
translation differences <sup>(1)</sup>	2.b.12)	7,256,312,139	934,821,631
<b>Total other comprehensive income for the year</b>		<b><u>7,256,312,139</u></b>	<b><u>934,821,631</u></b>
<b>Total comprehensive result of the year</b>		<b><u>7,911,241,861</u></b>	<b><u>2,087,675,165</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of the Company		654,929,722	1,152,853,534
<b>Total net profit of the year</b>		<b><u>654,929,722</u></b>	<b><u>1,152,853,534</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Shareholders of the Company		7,911,241,861	2,087,675,165
<b>Total comprehensive income for the year</b>		<b><u>7,911,241,861</u></b>	<b><u>2,087,675,165</u></b>

<sup>(1)</sup> It has no tax effect.

Accompanying notes are an integral part of financial statements



**PROFERTIL S.A.****STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 AND COMPARATIVES**

(Amount expressed in Argentine pesos – Note 2.b.1)

	Shareholders' contributions	Retained earnings				Total	Total
		Subscribed capital	Legal reserve	Facultative reserve	Other comprehensive income		
<b>Balance at the beginning of the fiscal year 2017</b>	782,582,640	156,516,528	18,967,274	-	3,896,766,838 <sup>(1)</sup>	4,072,250,640	4,854,833,280
As decided by the Shareholders' Meeting:							
- Constitution of facultative reserve	-	-	94,135,930	-	(94,135,930)	-	-
Net profit	-	-	-	-	1,152,853,534	1,152,853,534	1,152,853,534
Other comprehensive income	-	-	-	934,821,631	-	934,821,631	934,821,631
<b>Balance at the end of fiscal year 2017</b>	782,582,640	156,516,528	113,103,204	934,821,631	4,955,484,442	6,159,925,805	6,942,508,445
As decided by the Shareholders' Meeting:							
- Constitution of facultative reserve	-	-	543,059,767	-	(543,059,767)	-	-
- Dividends in cash	-	-	-	-	(60,000,000)	(60,000,000)	(60,000,000)
Net profit	-	-	-	-	654,929,722	654,929,722	654,929,722
Other comprehensive income	-	-	-	7,256,312,139	-	7,256,312,139	7,256,312,139
<b>Balance at the end of fiscal year 2018</b>	782,582,640	156,516,528	656,162,971	8,191,133,770	5,007,354,397	14,011,167,666	14,793,750,306

<sup>(1)</sup> Includes 3,802,630,908 of IFRS Adoption Result that will be imputed by the next Shareholder's meeting to a special reserve (Note 2.b.12).

Accompanying notes are an integral part of financial statements

HORACIO FEDERICO VELLER  
Presidente

**PROFERTIL S.A.****STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(Amount expressed in Argentine pesos, Nota 2.b.1)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities :</b>		
<b>Net income for the year</b>	654,929,722	1,152,853,534
<b>Adjustments to reconcile net income (loss) for the year to net cash flows provided by operating activities:</b>		
Accrued income tax expense	580,405,018	(375,176,054)
Residual Value of the derecognition of property, plant and equipment	235,692,122	336,126,754
Depreciation of property, plan and equipment	646,691,662	377,016,314
Depreciation of right-to-use assets	20,035,870	11,819,031
Financial restatement in Leasings	44,246,000	25,339,659
<b>Changes in assets and liabilities:</b>		
Changes in assets and liabilities:	(562,365,214)	(272,318,636)
Other receivables	2,205,132	(152,050,915)
Inventories	(275,957,564)	(161,762,124)
Accounts payable	152,307,955	148,833,128
Salaries and social security	27,273,439	12,981,188
Taxes payable	2,756,726	(29,290,185)
Other liabilities	46,235,966	-
Leasing's expenses	(24,222,253)	(14,262,212)
Interests and others <sup>(2)</sup>	68,334,521	(4,579,003)
Exchange differences and others	1,876,806,838	140,551,135
<b>Net cash flows provided by operating activities</b>	<b><u>3,495,375,940</u></b>	<b><u>1,196,081,614</u></b>
<b>Cash flows used in investing activities</b>		
Investments non cash equivalent	(407,765,695)	22,713,417
Increase of fixed assets	(815,799,253)	(532,715,691)
<b>Net cash flows used in investing activities</b>	<b><u>(1,223,564,948)</u></b>	<b><u>(510,002,274)</u></b>
<b>Cash flows used in financing activities</b>		
Dividends paid	(250,000,000)	-
Loans obtained	4,317,776,450	3,015,639,250
Payments of loans	(5,246,007,925)	(3,850,757,473)
<b>Net cash flows used in financing activities</b>	<b><u>(1,178,231,475)</u></b>	<b><u>(835,118,223)</u></b>
<b>Increment in cash and equivalents <sup>(1)</sup></b>	2.b.15) 1,093,579,517	(149,038,883)
<b>Effects produced by the Exchange rate's variation in cash</b>	589,328,663	43,252,532
<b>Cash and equivalents at the beginning of year <sup>(1)</sup></b>	2.b.15) 216,487,702	322,274,053
<b>Cash and equivalents at the end of year <sup>(1)</sup></b>	<b><u>1,899,395,882</u></b>	<b><u>216,487,702</u></b>

<sup>(1)</sup> Cash and Investments with an original maturity of less than three months (Nota 2.b.15).<sup>(2)</sup> Include 328.469.863 and 292.980.886 corresponding to interest payments for the years ended December 31, 2018 and 2017, respectively.

Accompanying notes are an integral part of financial statements

## 1. BACKGROUND AND BUSINESS OF THE COMPANY

PROFERTIL SOCIEDAD ANONIMA ("PROFERTIL" or "the Company") was incorporated on December 27, 1996 and was registered with the IGJ on February 19, 1997, being its corporate objective the construction, operation and management of a nitrogen fertilizer producer plant; production, storage, distribution and sale at a wholesale level of fertilizers; purchase and sale of other fertilizer products; supply of services to third parties using the industrial, port and treatment of effluents installations of the Company.

The Company started its commercial operations on October 1, 1999, as a consequence of the purchase of Agrium Fertilizers S.A.'s operations.

During the first four-month period of 2001, the Contractor Snampro-Techint completed the performance tests for the fertilizers complex, and PROFERTIL assumed operational control during the month of April of such year. In June 2001, the Contractor handed over PROFERTIL the possession, custody and control of the complex, thus complex operation began to be supervised by the Company's own personnel,

Profertil has developed a plant expansion and energy saving project, which was launched during October 2015. With this project the production plant located at Ingeniero White produces a 10% more reaching daily productions of 3,950 Tn/d of granulated urea and 2,360 Tn/d of ammonia, using less natural gas per ton of urea and reducing total water consumption and electric energy required by the complex.

As a result of the aforementioned project and certain improvements introduced in the production plant, during the first quarter of 2016 the Company has reviewed the useful life of the fertilizer production plant and has decided, effective January 2016, to extend its useful life for a total of 50 years counted as from the date of commencement of operations in the year 2001.

The plant has, after the above mentioned plant expansion, a production capacity of approximately 1,440,000 tons of granulated urea per year.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.a. Basis of preparation

These financial statements as of December 31, 2018 are the first that the Company have prepared with conformity of the International Financial Reporting Standards ("IFRS").

The adoption of IFRS, as issued by the International Accounting Standards Board ("IASB"), was resolved by Technical Resolution No. 26 (ordered text) of the Argentine Federation of Professional Councils of Economic Sciences ("FACPCE") and by Resolution 7/2015 of the IGJ that admit their adoption by controlling, controlled, subsidiary or related companies in which they make a public offering of their shares or debt securities.

Note 28 to these financial statements includes a breakdown of the criteria adopted in the transition to IFRS and the reconciliations of equity and results, in accordance with the provisions of the Technical Resolution No. 26 mentioned above.

The amounts and other information corresponding to the fiscal year ended in December 31, 2017 and January 1, 2017 (the latter is the date of transition to IFRS) are an integral part of the aforementioned financial statements and are intended to be read only in relation to those financial statements.

#### Financial statements' approval

These financial statements were approved by the Board of Directors' meeting and authorized to be issued on March 15, 2019.

#### Current and Noncurrent classification

The presentation in the statement of financial position makes a distinction between current and noncurrent assets and liabilities, according to the activities operating cycle. Current assets and liabilities include assets and liabilities, which are realized or settled within the 12-month period from the end of the fiscal year.

All other assets and liabilities are classified as noncurrent. Current and deferred tax assets and liabilities (payable income tax) are presented separately from each other and from other assets and liabilities, as current and noncurrent, as applicable.

#### Fiscal year-end

The Company's fiscal year begins on January 1 and ends on December 31, each year.

#### Use of estimates

The preparation of financial statements at a certain date requires the Management to make estimates and assessments affecting the amount of assets and liabilities recorded, contingent assets and liabilities disclosed at such date, as well as income and expenses recorded during the period. Future results might differ from the estimates and assessments made on the date of preparation of these consolidated financial statements.

The description of any significant estimates and accounting judgments made by Management in applying the accounting policies, as well as the key estimates and areas with greater degree of complexity which require more critical judgments, are disclosed in Note 2.b.19.

### **2.b. Significant Accounting Policies**

#### **2.b.1) Functional and reporting currency and tax effect on Other comprehensive income**

##### Functional currency

Profertil, based on parameters set out in IAS 21 "The effects of change in foreign exchange rates", has defined the U.S. dollar as its functional currency. Consequently, non-monetary cost-based measured assets and liabilities, as well as income or expenses, are remeasured into functional currency by applying the exchange rate prevailing at the date of the transaction.

Transactions in currencies other than the functional currency of the Company are deemed to be "foreign currency transactions" and are remeasured into functional currency by applying the exchange rate prevailing at the date of the transaction (or, for practical reasons and when exchange rates do not fluctuate significantly, the average exchange rate for each month). At the end of each year or at the time of payment, the balances of monetary assets and liabilities in currencies other than the functional currency are measured at the exchange rate prevailing at such date and the exchange differences arising from such measurement are recognized as "Net financial results" in the consolidated statement of comprehensive income for the year in which they arise.

##### Presentation currency

According to I.G.J. General Resolution N° 7/2015, the Company must present its financial statements in pesos. Therefore, the financial statements prepared in the Company's functional currency are translated into the presentation currency, as per the following procedures:

- Assets and liabilities of each of the balance sheets presented are translated using the exchange rate on the balance sheet closing date;
- Items of the consolidated statement of comprehensive income are translated using the exchange rate at the time the transactions were generated (or, for practical reasons, and provided the exchange rate has not changed significantly, using each month's average exchange rate);
- All translation differences resulting from the foregoing are recognized under "Other Comprehensive Income" in the statement of comprehensive income.

### Tax effect on Other Comprehensive Income

Results included in Other Comprehensive Income in connection with translation differences of Profertil's financial statements into its presentation currency (Pesos), have no effect on the income tax or in the deferred tax since at the time they were generated, the relevant transactions did not make any impact on net income or taxable income.

## **2.b.2) Financial instruments**

### **Financial Assets**

#### Classification

In accordance with IFRS 9 "Financial instruments", Profertil classifies its financial assets into two categories:

- Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following criteria are met: (i) the objective of the Company's business model is to hold the assets to collect the contractual cash flow, and (ii) the contractual terms only require specific dates for payment of principal and interest.

In addition, and for assets that meet the above conditions, IFRS 9 contemplates the option of designating, at the time of the initial recognition, an asset as measured at its fair value, if doing so would eliminate or significantly reduce the valuation or recognition inconsistency that could arise in the event that the valuation of the assets and liabilities or the recognition of profit or losses resulting therefrom be carried out on different bases. The Group has not designated a financial asset at fair value by using this option.

As of the closing date of these consolidated financial statements, the Company's financial assets at amortized cost include certain elements of cash and cash equivalents, trade receivables and other receivables.

- Financial assets at fair value through profit or loss

If either of the two criteria above are not met, the financial asset is classified as an asset measured "at fair value through profit or loss".

As of the closing date of these consolidated financial statements, the Group's financial assets at fair value through profit or loss include mutual funds and public securities.

#### Recognition and measurement

Purchases and sales of financial assets are recognized on the date on which the Company commits to purchase or sell the assets. Financial assets are recognized when the rights to receive cash flows from the investments and the risks and rewards of ownership have expired or have been transferred.

Financial assets at amortized cost are initially recognized at fair value plus transaction costs. These assets accrue interest based on the effective interest rate method.

Financial assets at their fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as an expense in the statement of comprehensive income. They are subsequently valued at fair value. Changes in fair values and results from sales of financial assets at fair value through profit or loss are recorded in "Net financial results" in the statement of comprehensive income.

In general, the Company uses the transaction price to ascertain the fair value of a financial instrument on initial recognition. In other cases, the Company records a gain or loss on initial recognition only if the fair value of the financial instrument can be supported by other comparable and observable market transactions for the same type of instrument or if it is based in a technical valuation that only inputs observable market information. Unrecognized gains or losses on initial recognition of a financial asset are recognized later on, only to the extent they arise from a change in the factors (including time) that market participants would consider upon setting the price.

Gains/losses on debt instruments measured at amortized cost and not included for hedging purposes are charged to income when the financial assets are derecognized or an impairment loss is recognized and during the amortization

process using the effective interest rate method. The Company reclassifies all investments on debt instruments only when its business model for managing those assets changes.

#### Impairment of financial assets

At the closing date, and in every fiscal year the Company assess if objective evidence of impairment in financial assets or group of financial assets have been identified. The impairment is only recognize if the company discover objective evidence of value loss as a consequence of one or more events that take place after the initial recognition of the asset and if the mentioned above impairment can be measured reliably.

The impairment evidence include indications of financial difficulty in debtors or group of debtors, payments defaults or payments delay in capital or interests, the possibility of debtor bankruptcy and evidence of decrease in the estimated future cash flows.

The devaluation amount is measured as the difference between the carrying value of the asset and the present value of the estimated future cash flows (excluding future credit losses not incurred) discounted by the original effective interest rate of the financial asset. The carrying value of the asset is reduced and the amount of the loss is recognized in the income statement. As a practical methodology, the Company can measure the depreciation based on the fair value of an instrument, using the market value. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related to an event that occurred after the original impairment, the reversal of the impairment loss is recognized in the statement of comprehensive income.

#### Offsetting financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **Financial liabilities**

Financial liabilities are initially recognized at their fair value less the transaction costs incurred. Because the Company does not have financial liabilities whose characteristics require the recognition at their fair value, according to IFRS, after their initial recognition, financial liabilities are measured at amortized cost. Any difference between the financing received (net of transaction costs) and the repayment value is recognized in the consolidated statement of comprehensive income over the life of the related debt instrument, using the effective interest rate method.

The Company eliminates a financial liability from its statement of financial position when the obligation has been canceled or has expired.

At the closing of these financial statements, the Company's financial liabilities at amortized cost include accounts payable, other liabilities and loans.

Financial liabilities measured at fair value through profit or loss are then recorded at fair value, recognizing any gain or loss arising from the revaluation in the statement of income and other comprehensive income. The net gain or loss recognized in results is shown in the line "Financial results, net" of the individual statement of income and other comprehensive income.

#### **2.b.3) Inventories**

Inventories are valued at the lower value between their cost and their net realizable value. Cost includes acquisition costs (less trade discount, rebates and other similar items), transformation and other costs, which have been incurred when bringing the inventory to its present location and condition. The net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

Costs are allocated in proportion to the selling price of the related products (isomargen method) due to the difficulty for distributing the production costs to each product. Raw materials and other inventory are valued at their acquisition cost.

The Company assesses the net realizable value of the inventories at the end of each year and recognizes in profit or loss in the consolidated statement of comprehensive income the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories' net realizable value because of changes in economic circumstances, the amount of a write-down is reversed.

#### **2.b.4) Property, plant and equipment**

##### General criteria

Property, plant and equipment are valued at their acquisition cost, plus all the costs directly related to the location of such assets for their intended use, considering the deemed cost criteria adopted by the Company in the transition to IFRS.

The major reconditioning works, which allow to recover the service capacity to achieve their continuous use, are capitalized and depreciated by the straight-line method until the next major reconditioning work.

The costs of renewals, betterments and enhancements that extend the useful life of properties and/or improve their service capacity are capitalized. As property, plant and equipment are retired, the related cost and accumulated depreciation are derecognized.

Repair, conservation and ordinary maintenance expenses are recognized in the statement of comprehensive income as incurred.

These assets are reviewed for impairment at least once a year, or whenever there are indicators that the assets may have become impaired, as detailed in Note 2.b.6.

##### Depreciation

Property, plant and equipment, are depreciated using the straight-line method, over the years of estimated useful life of the assets, as follows:

	<u>Years of Estimated Useful Life</u>
Furniture, fixtures and installations	10
Computer equipment, communications, software	3
Vehicles, other equipments	5
Fertilizer complex <sup>(1)</sup>	50

(1) Corresponds to the years of useful life from the change in useful life carried out by the Company in the year 2016, as mentioned in this note

Land is classified separately from the buildings or facilities that may be located on it and is deemed to have an indefinite useful life. Therefore, it is not depreciated.

The Company reviews annually the estimated useful life of each class of assets. As a result of the mentioned project in note 1 and of certain improvements introduced in the production plant, during the first quarter of 2016 the Company has reviewed the useful life of the fertilizer production plant and decided, effective on 1 January 2016, extend its useful life to a total of 50 years from the date of the beginning of operations, in 2001.

#### **2.b.5) Provisions and contingent liabilities**

The Company makes a distinction between:

##### i. Provisions

Represent legal or assumed obligations arising from past events, the settlement of which is expected to give rise to an outflow of resources and which amount and timing are uncertain. Provisions are recognized when the liability or obligation-giving rise to an indemnity or payment arises, to the extent that its amount can be reliably estimated and that the obligation to settle is probable or certain. Provisions include both obligations whose occurrence does not depend on future events; as well as obligations that are probable and can be reasonably estimated whose realization depends on the occurrence of future events that are out of the control of the Company (such as provisions for contingencies).

ii. Contingent liabilities

Represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, or present obligations arising from past events, the amount of which cannot be estimated reliably or whose settlement is not likely to give rise to an outflow of resources embodying future economic benefits. Contingent liabilities are not recognized in the financial statements, but rather are disclosed to the extent they are significant, as required by IAS 37, "Provisions, contingent liabilities and contingent assets".

Provisions are calculated at the present value of the estimated cash flows to pay the obligation, applying a pre-tax rate that reflects market assessments of the time value of money and the specific risks of that obligation. The increase in the provision due to the time passed is recognized in the statement of comprehensive income. As of December 31, 2018 and 2017 and January 1, 2016, the Company did not have significant provisions recorded.

When a contract qualifies as onerous, the related unavoidable liabilities are recognized in the consolidated financial statements as provisions, net of the expected benefits.

**2.b.6) Impairment of property, plant and equipment and intangible assets**

To evaluate the impairment of property, plant and equipment, the Company compares their carrying value with their recoverable amount at the end of each year, or more frequently, if there are indicators that the carrying value of an asset may not be recoverable.

In order to assess impairment, assets are grouped into CGU, whereas the assets do not generate cash flows that are independent of those generated by other assets or CGU, considering regulatory, economic, operational and commercial conditions. Considering the above mentioned, the Company's assets were grouped into one CGU, which groups the plants, the pipeline and the storage and transport facilities.

This aggregation is the best reflection of how the Company currently makes its assets management decisions for the generation of independent cash flows.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a rate that reflects the weighted average cost of capital employed for the Company.

If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount, and an impairment loss is recognized in the statement of comprehensive income.

Any impairment loss is allocated to the assets comprising the CGU on a pro-rata basis based on their carrying amount. Consequently, the basis for future depreciation or amortization will take into account the reduction in the value of the asset as a result of any accumulated impairment losses.

Upon the occurrence of new events or changes in existing circumstances, which prove that an impairment loss previously recognized could have disappeared or decreased, a new estimate of the recoverable amount of the corresponding asset is calculated to determine whether a reversal of the impairment losses recognized in previous periods needs to be made.

In the event of a reversal, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined in case no impairment loss had been recognized for the asset (or the CGU) in the past.

**2.b.7) Methodology used in the estimation of recoverable amounts**

The methodology used to estimate the recoverable amount of property, plant and equipment consists of using the higher of: i) the calculation of the value in use, based on expected future cash flows from the use of such assets, discounted at a rate that reflects the weighted average cost of capital, and, if available, ii) the price that would be received in a regular transaction between market participants to sell the asset as of the date of these consolidated financial statements, less the disposal costs of such assets.



In the assessment of the value in use, cash flow forecasts based on the best estimate of income and expense available for each CGU using sector inputs, past results and future expectations of business evolution and market development are utilized. The most sensitive aspects included in the cash flows used in all the CGU are the purchase and sale prices of hydrocarbons (including applicable gas distribution fees), outstanding regulations, and estimates of cost increases, personnel costs and investments.

Cash flows are estimated on the basis of projected sales trends, contribution margins by unit, fixed costs and investment flows, in line with the expectations regarding the specific strategic plans of each business. However, cash inflows and outflows relating to planned restructurings or productivity enhancements are not considered. The projections' evaluation horizon is 10 years, considering annual rent for the last period, based on the long useful life of these CGU assets.

The reference prices considered are based on a combination of market prices available in those markets where the Company operates, also taking into consideration specific circumstances that could affect different products the Company commercializes and management's estimations and judgments.

## **2.b.8) Employee benefit plans and share-based payments**

### **i. i) Retirement plan**

Effective July 1, 2012, the Company has established a defined contribution retirement plan that provides benefits for each employee who elects to join the plan. Each plan member will pay a percentage his monthly compensation, and the Company will pay an amount equal to that contributed by each member.

The plan members will receive from the Company the contributed funds before retirement only in the case of voluntary termination under certain circumstances or dismissal without cause and, additionally, in case of death or incapacity. The Company has the right to discontinue this plan at any time, without incurring termination costs.

## **2.b.9) Revenue recognition**

The Company obtains its income principally by selling urea, ammonia and other resale fertilizers, and additionally from logistical services, such as storage, receiving and shipping products, among others.

The Company sells the abovementioned products in the local market and additionally exports urea and ammonia mainly to Brazil and Chile.

The prices of products sold in the local market are determined based on the prices in international markets, adapting them to the variables that impact the different segments in the local market. Most of the operations are collected within 30 days after delivery (also invoice date).

The prices of the exported products are determined according to the reference prices of the international markets and, depending on the commercial conditions, are generally cash sold.

Additionally, in the San Nicolás and Puerto General San Martín offices, logistics services are provided to third parties consisting in shipping, storage of liquid and solid fertilizers, and the mixing, bagging and dispatch of different fertilizers. We also offer delivery services to customer storehouses by land.

### General criteria of revenue recognition

Profertil registers its income according to IFRS 15, whose obligation begins as of January 1, 2018. According to this norm, the company's income when or as the entity satisfies its obligations. An obligation is considered done when the control of the underlying goods are transferred to the client. Control means the ability to practice the use and obtain the benefits of the goods. Revenue is recorded based on the agreement established with the client and excludes amounts collected for benefit of third parties. Profertil recognizes revenue when it transfers control of the goods or services to the customer.

Revenues derived from the commercialization of the abovementioned products and services are measured at the fair value established with the the client and are recorded when the product or service is transferred or provided to the

client. For this purpose, they must achieve the following criteria: there is an agreement with the client, the price is fixed or determinable, the service was provided and the collection is reasonably assured.

Income related to product sales (urea, ammonia and other resale products)

These revenues are recognized first as a performance obligation satisfied at a moment in time, according to the product delivery, and then the income is recognized separately in accordance with the terms agreed with the client. The Company has no other performance obligations once the product has been made available and dispatched. The Company's Management has assessed that performance obligations are met at a point in time, given that the entity transfers control of the asset to the client, along with the risks and benefits inherent to that ownership. The consideration is determined contractually based on its agreed sales prices.

Revenue is recognized when the control of the product is transferred to the client. The transfer of the control occurs in accordance with what is described below:

- Exports (urea and ammonia): the transfer of control occurs with the dispatch of the product to the cargo ship designated by the customer for export under the FOB clause.
- Local market (urea, ammonia and other resale products): the transfer of control occurs with the dispatch of the product in the local market in the location or transport specified and agreed with the client.

Revenue related to services

These revenues are recognized first as a performance obligation satisfied at a moment in time, and then the revenues are registered in accordance with the terms agreed with the client. The Company has no other performance obligations once the provision of the service has been completed during the month. The Company's Management has assessed that performance obligations are met at a point in time, given that the entity transfers control of the asset to the client, along with the risks and benefits inherent to that ownership. The consideration is determined contractually based on its agreed sales prices.

Interest income

Interest income is recognized based on returns calculated using the effective interest rate method.

**2.b.10) Leases**

Profertil decided on the early application of IFRS 16, which is mandatory for years beginning on or after January 1, 2019.

Under IFRS 16, the Company identifies the lease under the control model, distinguishing between leases and service contracts based on the identification or not of an asset controlled by the entity. It is understood that there is control if the entity has (i) the right to obtain substantially all the economic benefits of the use of the identified asset; and (ii) the right to direct the use of the asset.

The Company recognizes a right to use the asset for those assets that qualify as a lease and a lease liability at the start date, except in the case of short-term leases or when the value of the asset that is the object of the contract is not significant. The right to use and the liabilities of the assets identified in the lease contracts and also includes an estimate of the costs to be incurred for the dismantling, removal of the element and rehabilitation of the place on which it sits or to leave it in the conditions required by the contract

The right to use the asset is initially measured at cost and subsequently at cost less the corresponding accumulated depreciation and impairment losses of the asset, adjusted by any remeasurement of the associated liability.

The lease liability is initially measured at the present value of the pending future payments. Subsequently, the liability is adjusted for accrued interest and payments made, as well as for the impact of changes in the lease, among others. Regarding the obligations for dismantling, removal of the element and rehabilitation of the place, at the closing date of

each fiscal year Management makes an estimate of the costs to incur, based on a study carried out by technical personnel based on the various laws and regulations applicable.

### **2.b.11) Taxes and withholdings**

#### Income tax and tax on minimum presumed income

The Company recognizes income tax applying the deferred tax method, which considers the effect of temporary differences between the carrying amount of an asset or a liability and its tax base and the tax loss carryforwards and other tax credits, which may be used to offset future taxable income, at the statutory rate then in force, at the time of its use or reversion.

According to the amendments introduced by the Argentine Tax Reform Law No. 27,430 published in the Official Gazette on December 29, 2017, the general tax rate is reduced from 35% for fiscal years 2016 y 2017 to 30% for fiscal years 2018 and 2019 and to 25% from year 2020.

The net deferred tax liability as of December 31, 2018 was measured considering the rates of 30% or 25%, according to the date on which the temporary difference is expected to be reversed or used. The effect of the application of the new rates is disclosed separately in the income tax note (Note 12).

Additionally, upon the determination of taxable profit on minimum presumed income is calculated by applying the current 1% tax rate to taxable assets as of the end of each year. This tax supplements income tax. The tax liability will coincide with the higher of the determination of tax on minimum presumed income and the Company's tax liability related to income tax, calculated applying the current income tax rate to taxable income for the year. However, if the tax on minimum presumed income exceeds income tax during one tax year, such excess may be computed as prepayment of any income tax excess over the tax on minimum presumed income that may be generated in the next ten years.

On July 22, 2016, Law N ° 27,260 was published, which establishes the derogation of the minimum presumed income tax for the periods beginning on or after January 1, 2019.

In accordance with Law No. 25,063, the dividends distributed, in cash or in kind, in excess of the accumulated tax profits, will be subject to a withholding tax of 35% in concept of income tax as a single and definitive payment. . However, according to Law No. 27,430 of tax reform mentioned above, this tax is eliminated for the profits generated as of 2018.

Finally, Law No. 27,430 of Tax Reform also established, among other issues, a withholding on the dividends of 7% for the profits accrued in the periods beginning on or after January 1, 2018, and 13% from of 2020.

### **2.b.12) Shareholders' equity accounts**

Shareholders' equity accounts have been valued in accordance with accounting principles in effect as of the transition date. The accounting transactions that affect shareholders' equity accounts were accounted for in accordance with the decisions taken by the Shareholders' meetings, and legal standards or regulations.

#### Subscribed capital stock

Consists of the shareholders' contributions represented by shares and includes the outstanding shares at face value. The subscribed capital account has remained at its historical value and the adjustment required previous Argentine GAAP (Generally Accepted Accounting Principles) to state this account in constant Pesos is disclosed in the "Adjustments to contributions" account.

#### Legal reserve

In accordance with the provisions of LGS, the Company has to appropriate to the legal reserve no less than 5% of the algebraic sum of net income and transfers from other comprehensive income to retained earnings and accumulated losses from previous years, until such reserve reaches 20% of the subscribed capital plus adjustment to contributions. As of December 31, 2018, the legal reserve has been fully integrated.

Facultative reserve

Corresponds to the allocation made by the Company's Shareholders' meeting, whereby a specific amount is transferred to the reserve for future dividends or other specific target considered by them.

Other comprehensive income

Includes income and expenses recognized directly in equity accounts and the transfer of such items from equity accounts to the income statement of the year or to retained earnings, as defined by IFRS.

The evolution of the item is detailed below:

	<u>Conversion differences</u>	<u>Total</u>
<b>Balance at January 1st, 2017</b>	-	-
Net profit for the year	934,821,631	934,821,631
<b>Balance at December 31st, 2017</b>	934,821,631	934,821,631
Net profit for the year	7,256,312,139	7,254,583,839
<b>Balance at December 31st, 2018</b>	8,191,133,770	8,189,405,470

Retained earnings

Includes accumulated gains or losses without a specific appropriation that being positive can be distributed upon the decision of the Shareholders' meeting, while not subject to legal restrictions. Additionally, it includes the net income of previous years that was not distributed, the amounts transferred from other comprehensive income and adjustments to income of previous years produced by the application of accounting standards.

Imputation of the effect from the initial application of IFRS

In accordance with the provisions of General Resolution N ° 7/2015 of the IGJ, the effect of the initial application of the IFRS initially registered against the income statement not assigned according to the regulations in force, shall be charged to a special reserve for the next Shareholders' Meeting that deals with the financial statements for the year ended December 31, 2018.

According to the aforementioned regulation, such reserve can not be disinfected to make distributions in cash or in kind and may only be discharged for capitalization or to absorb possible negative balances from the "Unassigned Results" account. As a result, the accumulated results as of December 31, 2018 are restricted to 3,802,630,908.

**2.b.13) Derivative financial instruments and hedge transactions**

During the year ended December 31, 2018, the Company entered into forward purchase transactions of US dollars.

As of December 31, 2018, the Company has subscribed contracts for the forward purchase of US dollars for an amount of US \$ 80,000,000 acquired at an agreed average exchange rate of 41.65 which expire in January and February 2019. As of December 31, 2018, these contracts are valued at their fair value. The average exchange rate estimated at December 31, 2018 for the aforementioned contracts is 40.22.

The gain from the different positions generated and settled and the changes in the current value of the contracts subscribed at the end of the fiscal year ended on December 31, 2018 is 299,165,231 and is included in the "Other financial results" caption. "Financial results, net" in the income statement.

Forward contracts are guaranteed for an amount of 475,778,495, comprised of 407,765,695 in shares of mutual funds and 68,012,800 in bank deposits.

Likewise, as of December 31, 2018, the Company has recognized a financial liability corresponding to the market value of said financial instruments at that date for an amount of 46,235,966, which is included in Other liabilities in the balance sheet. On the line other liabilities for exchange rate futures.

#### 2.b.14) Trade receivables and other receivables

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

A provision for bad debt is created when there is objective evidence that the Company will not be able to collect all the amounts owed in the original terms of said credits. The significant financial difficulties of the debtor, the probability that the debtor will declare bankruptcy or there is a default or delay in payments, are considered as uncollectibility indicators.

The carrying amount of the assets is reduced through the use of the provision account, and the amount of the loss is recognized in the statement of comprehensive income within "Selling expenses", as well as subsequent recoveries.

#### 2.b.15) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquidity investments with original maturities of three months or less. They do not include bank overdrafts. The detail is explained below:

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
- Cash and banks	156,125,865	46,045,873	43,167,944
- Mutual funds	674,807,613 <sup>(1)</sup>	169,630,750	279,106,109
- Bonds	14,053,151	-	-
- Term deposits	-	811,079	-
- Other short term investments	1,054,409,253	-	-
	<u>1,899,395,882</u>	<u>216,487,702</u>	<u>322,274,053</u>

<sup>(1)</sup> Excluded 407,765,695 as collateral for the purchase of forward dollar arranged by the Company.

#### 2.b.16) Dividends distribution

Dividends payable by the Company are recognized as liabilities in the period in which they are approved.

#### 2.b.17) Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the top authority decision-maker, who is the person responsible for allocating resources and assessing the performance of the operating segments.

The Company has identified a single operating segment that groups the plants and the storage and transport facilities.

#### 2.b.18) New standards issued

As mentioned in note 2.a., these financial statements as of December 31, 2018 are the first that the Company issues prepared on the basis of IFRS.

Note 28 to these financial statements includes a breakdown of the criteria adopted in the transition to IFRS and the reconciliations of equity and results, in accordance with the provisions of Technical Resolution No. 26 mentioned above.

Profertil has adopted all new and revised standards and interpretations, issued by the IASB, that are relevant to its operations and of mandatory effective application as of December 31, 2018. The new and revised standards and

interpretations previously mentioned that have had an impact on those present financial statements as of December 31, 2018 are described below:

IFRS 15 addresses the principles for recognizing income and establishes the requirements for reporting the nature, quantity, timing, uncertainty of income and cash flows arising from contracts with customers and introduces a 5-step approach to income recognition. The basic principle implies the recognition of the income that represents the transfer of goods or services to customers at an amount that reflects the consideration of the right that the entity expects to have in exchange for those goods or services. A much more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 16 defines a lease as a contract, or part of a contract, that transfers the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. Under this standard, lessees must recognize a lease liability that reflects future lease payments and an "asset for right of use" for lease agreements. This is a significant change compared to IAS 17 whereby tenants must distinguish between a financial lease (on the balance sheet) and an operating lease (off-balance sheet). IFRS 16 contains an optional exemption for lessees in the case of short-term leases and leases when the underlying asset is of low value.

The Company has applied IFRS 15 and IFRS 16 in accordance with the fully retrospective transitory approach, using for IFRS 16 the practical resources of IFRS 16. C3 under which the Company is not required to re-evaluate if a contract is, or contains, a lease at the date of initial application and, instead, the Company may apply this Standard for contracts that were previously identified as leases by applying IAS 17 Leases and IFRIC 4 by determining whether an Arrangement contains a Lease, and not to apply this rule to contracts not previously identified as containing a lease that applies IAS 17 and IAS 4.

In addition to providing more extensive disclosures about the Company's income transactions in accordance with IFRS 15, the adoption of the standards and interpretations or amendments thereto mentioned in the preceding paragraphs did not have a significant impact on the Company's consolidated financial statements. From and for the years ended December 31, 2017 and 2016.

Due to the adoption of IFRS 16, the Company has recognized under the lease agreement at the date of transition to IFRS (Note 28) a right to use the asset and the associated lease liability (recognized in other liabilities of the balance sheet), except in the case of short-term leases or when the value of the asset that is the object of the contract is not significant (Notes 6 and 15).

#### IFRS 9 – Financial instruments

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

The Company implemented the requirements for the measurement and classification of financial assets and liabilities and the de-recognition of financial instruments. Additionally, the Company has implemented, as of January 1, 2018, the requirements related to the impairment of financial assets and hedge accounting, as described below:

- Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") and not just credit losses incurred, as is the case of IAS 39. Applies to financial assets classified at amortized cost, instruments of debt measured at fair value through changes in other comprehensive income, contractual assets under IFRS 15 Revenue from contracts with customers, accounts receivable from leases, loan commitments and certain financial guarantee contracts. Based on the evaluations carried out to date, the Company's Management considers that the application of the ECL model of IFRS 9 has not had a significant impact on its financial statements.

The effects of the initial application of the requirements for impairment of financial assets of IFRS 9 have not been significant and, consequently, the information presented for comparative purposes and the results accumulated at the beginning have not been modified.

- Hedge accounting

IFRS 9 introduces a new hedge accounting model, with the objective of aligning accounting more closely with companies' risk management activities and establishing a more principles-based approach. The new approach will make it possible to better reflect the risk management activities in the financial statements, allowing more elements to be eligible as hedged items: non-financial risk component, net positions and aggregate exposures (ie a combination of an exposure not derivative and a derivative).

As of December 31, 2018 and 2017, the Company has not entered into hedge derivative contracts.

#### **New issued standards not adopted to date**

The Company did not adopt the IFRS issued as detailed below, given that its application is not required or have not been adopted by the FACPCE at the end of the fiscal year ended on December 31, 2018:

IFRIC 22	Transactions in foreign currency and prepaid consideration <sup>(1)</sup>
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and his associate or joint venture <sup>(5)</sup>
Amendments to IFRS IFRIC 23	Annual improvements to the cycle of IFRS 2014-2016 <sup>(1)</sup>
Amendments to IFRS 9	Uncertainty about the treatment of income tax <sup>(1)</sup>
Amendments to NIC 20 IFRS 17	Prepaid functions with negative compensation <sup>(1)</sup>
Amendments to NIC 19	Long-term interests in associated companies and joint ventures <sup>(1)</sup>
Amendments to IFRS IFRS 3 clarification	Insurance contracts <sup>(4)</sup>
Amendments to IAS 1 and IAS 8	Modification, reduction or liquidation of the plan <sup>(1)</sup>
Conceptual framework	Annual improvements to the cycle of IFRS 2015-2017 <sup>(1)</sup>
	Definition of a business <sup>(3)</sup>
	Definition of Material <sup>(2)</sup>
	Revised conceptual framework for financial information <sup>(3)</sup>

- (1) Effective for fiscal years beginning on or after January 1, 2019, with early application permitted
- (2) Effective for fiscal years beginning on or after January 1, 2020, with early application permitted.
- (3) Effective for fiscal years beginning on or after January 1, 2020.
- (4) Effective for fiscal years beginning on or after January 1, 2021.
- (5) Effective date deferred indefinitely.

- Amendments of IFRS 9 - The characteristics of advance payment with negative compensation are an unintended consequence of the notion of 'reasonable additional compensation'. The amendments allow financial assets with a prepayment option that could result in the option holder receiving early termination compensation to meet the SPPI condition if the specified criteria are met.

This amendment will be effective for the fiscal years beginning on or after January 1, 2019 and may be early applied.

- Amendments of IFRS 28: The long-term interests in associates and joint ventures clarify that IFRS 9, including its impairment requirements, is applied to long-term interests in associates and joint ventures that are part of the net investment of an entity in these investees. When applying IFRS 9 to long-term interests, an entity does not take into account the adjustments to its carrying amount required by IAS 28.

This amendment will be effective for the fiscal years beginning on or after January 1, 2019 and may be early applied.

- IFRIC 22 (Foreign Currency Transactions and Advance Consideration) clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. When an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each

payment or receipt.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. Entities may apply the Interpretation retrospectively or prospectively. The specific transition provisions apply to the prospective application. The Company will this interpretation prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognized on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

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

IAS 28 and IFRS 10 have been modified to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognized to the extent that the investor's interest is not related to the associate or joint venture.
- Gains or losses on subsequent transactions involving assets that constitute a business between an investor and its associate or joint venture must be recognized in their entirety in the investor's financial statements.

In December 2015, the IASB postponed the effective date of these modifications indefinitely pending the outcome of its research project on the accounting method of equity. The early application of these modifications is still allowed.

- IFRIC 23 - Uncertainty about the treatment of income tax clarifies the accounting of uncertainties in income taxes. The interpretation should be applied to the determination of the taxable profit (tax loss), the tax bases, the unused tax losses, the unused tax credits and the tax rates, when there is uncertainty about the income tax treatments according to the IAS 12

The main aspects clarified by the interpretation are:

- a) Whether tax treatments should be considered collectively

An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

- b) Assumptions for taxation authorities' examinations

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

- c) Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

- d) Effect of changes in facts and circumstances



An entity has to reassess its judgements and estimates if facts and circumstances change.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

- Amendments to IAS 19 Amendment, reduction or liquidation state that (i) if a modification, reduction or liquidation of the plan occurs, it is now mandatory that the current service cost and the net interest for the period subsequent to the new measurement be determined using the assumptions used for the new measurement; and (ii) in addition, amendments have been included to clarify the effect of an amendment, reduction or liquidation of the plan on the requirements with respect to the asset ceiling.

An entity applies amendments to amendments, reductions or liquidations of the plan that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Early application is allowed, but must be disclosed.

- The Annual Cycle of Improvements to IFRS 2015-2017 modified the following four standards:
  - IAS 12 Income Taxes;
  - IAS 23 Borrowing costs;
  - IFRS 3 Business combinations; and
  - IFRS 11 Joint Arrangements

All amendments are effective for annual periods beginning on or after January 1, 2019, and early application is permitted.

*- IAS 12 Income Taxes*

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

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

*IAS 23 Borrowing costs*

The amendment to this standard clarifies that, if any specific loan remains unpaid after the related eligible asset is ready for its intended use or for sale, that loan becomes part of the funds that the entity took as generic loans.

An entity shall apply those modifications to borrowing costs incurred on or after the beginning of the annual period over which the entity first applies those modifications.

*IFRS 3 Business combinations*

The amendments to IFRS 3 clarify that when an entity obtains control of a company that is a joint operation, it applies the requirements for a business combination achieved in stages, including the re-measurement of its previously held interest (PHI) in the operation. Joint at fair value. The IPM that will be remeasured includes any assets, liabilities and goodwill unrecognized related to the joint operation.

An entity shall apply those modifications to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019.

### *IFRS 11 Joint Arrangements*

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

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

- The IASB has issued 'Definition of a business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The modifications to the Definition of a business (Amendments to IFRS 3) are modifications to Appendix A Defined terms, the application guide and illustrative examples of IFRS 3 only. This contemplates:
  - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
  - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
  - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
  - Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

- The IASB has issued 'Material Definition (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'significant' and to align the definition used in the Conceptual Framework and the standards themselves.

The amendments are effective for annual reporting periods that begin on or after January 1, 2020. Earlier application is permitted.

- The International Accounting Standards Board (IASB) has published a revised version of the "Conceptual Framework for Financial Information". It includes the revised definitions of an asset and a liability, as well as new guidelines on measurement and de-recognition, presentation and disclosure. The new Conceptual Framework does not constitute a substantial revision of the current Conceptual Framework. Instead, the IASB focused on issues that were not yet covered or that showed obvious shortcomings that needed to be addressed

The Conceptual Framework does not have an established effective date and the Council will begin to use it immediately.

### References to the conceptual framework

Along with the revised Conceptual Framework, the IASB has also issued Amendments to the References to the Conceptual Framework in IFRS. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, CIIFRS 12, CIIFRS 19, CIIFRS 20, CIIFRS 22 and SIC-32. Not all amendments, however, update those pronouncements with respect to the references and citations of the framework to refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they refer to (the IASC framework adopted by the IASB in 2001, the 2010 IASB framework or the revised 2018 framework) or to

indicate that the definitions in the standard have it has not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they are actually updates, are effective for annual periods beginning on or after January 1, 2020.

At the date of issuance of these individual financial statements, the Company is evaluating the impact that the adoption of the aforementioned standards, which will be effective as of January 1, 2019 or later, will have on the consolidated financial statements of the Company. It is not possible to provide a reasonable estimate of the potential effect until a detailed review has been completed. The Company will not adopt any of these rules or modifications in advance from its effective date and the Company will use the transition provisions included in each standard or amendment.

#### **2.b.19) Critical accounting estimates and judgments**

In the application of the Company's accounting policies described above in Note 2, the Management of the Company have made judgments, estimates and assumptions regarding the values of the assets and liabilities whose measurements are not feasible to obtain from other sources. Estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual future results may differ from the estimates and evaluations made at the date of preparation of these financial statements.

Revisions to accounting estimates are recognized in the year in which the revision is made and in the current and future years if the revision affects both the current year and subsequent years.

The following are the critical accounting estimates and judgments that the Management of the Company have used in the application process of the accounting criteria:

- Impairment of property, plant and equipment value: as mentioned in Note 2.b.6), periodically the Company evaluates the book value of property, plant and equipment in order to determine whether there is an indication of impairment loss. In order to estimate the recoverable values, the Management and the Management of the Company make assumptions and judgments regarding future prices, production levels, production costs, future demand, regulatory conditions and other factors.

- Costs to be incurred for the dismantling, removal of elements and rehabilitation of the place (lease agreements): at the closing date of each year, the Management makes an estimate of the costs for obligations for the dismantling, removal of element and rehabilitation of the place, based on a study carried out by technical personnel based on the various current provincial and national laws and regulations. The costs are estimated considering these laws and regulations, as they have been historically interpreted and applied. Future changes in the legislation or the manner in which future regulations are administered could significantly affect the estimate of the associated liability.

- Provisions for litigation and other contingencies: the final cost of the settlement of complaints, claims and litigation may vary due to estimates based on different interpretations of the rules, opinions and final assessments of the amount of damages. Therefore, any variation in circumstances related to this type of contingencies could have a significant effect on the amount of the provision for contingencies.

- Determination of the functional currency: The Company has determined the US dollar as its functional currency. The Management of the Company applies professional judgment in the determination of its functional currency. The judgment is made mainly with respect to the currency that influences and determines the sale prices, labor costs, materials, investments and other costs, as well as the financing and collections derived from its operating activities.

- Useful life of property, plant and equipment: The Company estimates the useful life of its property, plant and equipment, based on the technology of the corresponding assets and their type and characteristics of use and projections of the economic use of the plants and the future provisioning of natural gas.

In addition, the Company generally estimates the recoverable value of property, plant and equipment based on their economic value, calculated as the discounted future expected cash flows generated by each asset or group of assets under evaluation, considering their estimated useful life.

### 3. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to various financial risks: market risks (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company develops and guides all the necessary capacities so that the relevant risks are identified, measured, managed and controlled for an adequate management of the risk-opportunity binomial aligned with its strategic objectives.

#### Market risk

The market risk to which the Company is exposed consists of the possibility that the valuation of financial assets or liabilities as well as certain expected cash flows could be negatively affected by changes in interest rates, in exchange rates or before the volatility of the prices of the products that the Company buy and sell.

The following is a description of the mentioned risks as well as a detail of the magnitude to which the Company is exposed, and an analysis of sensitivity to possible changes in each of the relevant market variables.

#### Exchange rate risk

The value of those financial assets and liabilities denominated in a currency other than the functional currency of the Company are exposed to changes in the exchange rate. Given that the functional currency of the Company is the US dollar, the currency that generates the greatest exposure in terms of effects on results is the Argentine peso (the legal currency in Argentina).

The Company does not use derivative financial instruments as hedge against fluctuations in the exchange rate.

On the other hand, related to the functional currency of the Company and considering the conversion process, fluctuations in the exchange rate in relation to the value of financial assets and liabilities in pesos have no effect on other results.

The balances at the end of each year of financial assets and liabilities denominated (in Argentine pesos) are the following:

	<u>31-12-2018</u>	<u>31-12-2017</u>
Financial assets	2,660,530,509	1,680,493,744
Financial liabilities	<u>(659,188,890)</u>	<u>(447,674,693)</u>
Exchange rate exposure	<u>2,001,341,619</u>	<u>1,232,819,051</u>

The following table provides a detail of the effect that a change of 10% in the exchange rates corresponding to the peso against the dollar would have on the results of the Company, related to the exposure of its financial assets and liabilities denominated in pesos as of December 31, 2018:

	<u>Increase (+) / decrease (-) in the exchange rate of the peso against the dollar</u>	<u>Profit (Loss) for the year ended December 31, 2018</u>
Effect on pre-tax result corresponding to financial assets and liabilities	+10%	174,057,223
	-10%	(174,057,223)

#### Interest rate risk

The Company is exposed to risks associated with fluctuations in interest rates to a different extent, according to the different types of maturities and currencies in which a loan has been taken or the cash has been invested.

Regarding financial assets, in addition to loans of a commercial nature, which have a low exposure to interest rate risk, there are included, mainly: overnight placements in current accounts denominated in dollars abroad, government bonds

and participations in mutual funds, as well as "money market" investments, or short-term fixed income investments. Liquid instruments that the Company uses to place surpluses in the framework of a conservative treasury management. The immediate availability of these instruments mitigates the impact of the movements that interest rates may experience.

Historically, the Company's strategy to cover interest rate risk has been based on the atomization of financial counterparties, the diversification of the instruments and fundamentally the maturity dates, considering for said portfolio the different levels of interest throughout the year. the curve of rates in pesos or dollars and the amounts based on future expectations regarding the behavior of said variables, and the expected time of future disbursements corresponding to the expenditures to be financed.

The Company does not use derivative financial instruments to hedge the risks associated with interest rates.

Variations in interest rates may affect the interest income or expense of financial assets and liabilities referenced at a variable interest rate; likewise, they can modify the fair value of financial assets and liabilities that accrue a fixed interest rate.

The following is a detail of the financial assets and liabilities that accrue interest as of December 31, 2018, depending on the type of applicable rate:

	<b>Financial assets<sup>(1)</sup></b>	<b>Financial liabilities<sup>(2)</sup></b>
Fixed interest rate	1,068,462,404	6,186,670,639
Variable interest rate	-	3,572,000,000
Total	<u>1,068,462,404</u>	<u>9,758,670,639</u>

(1) Includes only temporary investments. It does not include credits of a commercial nature which mostly do not accrue interest.

(2) Does not include liabilities of a commercial nature, which for the most part do not accrue interest.

#### **Other price risks**

The prices of the products sold by the Company are affected by the volatility of the products in the international reference markets, affecting the margins and the results of operations.

Likewise, the Company is exposed to the own price risk of investments in financial instruments (public securities and mutual funds used during the current year), which were classified in the statement of financial position as "at fair value with changes in results".

The Company permanently monitors the evolution of the prices of its products and those of its financial instruments to detect significant movements and manage its operations.

The following table provides a detail of the effect that a variation of 10% in the prices of investments in financial instruments would have on the results of the Company as of December 31, 2018:

	<b>Increase (+) / decrease (-) in the prices of investments in financial instruments</b>	<b>Profit (Loss) for the year ended December 31, 2018</b>
Effect on the result before taxes	10%	(109,662,646)
	-10%	(109,662,646)

Also, as mentioned in note 2.b.13) as of December 31, 2018, the Company has subscribed contracts for the forward purchase of US dollars for an amount of US \$ 80,000,000 acquired at an exchange rate agreed average of 41.65 which expire in January and February 2019. The average exchange rate estimated at December 31, 2018 for the aforementioned contracts is 40.22.

The following table gives a detail of the effect that a variation of 10% would have on the prices of the contracts subscribed for exchange futures as of December 31, 2018 in the results of the Company as of December 31, 2018:

	<b>Increase (+) / decrease (-) in the prices of exchange futures contracts</b>	<b>Profit (Loss) for the year ended December 31, 2018</b>
Effect on the result before taxes	10% -10%	371,760,000 (371,760,000)

### Liquidity risk

The liquidity risk is associated with the inability to have the necessary funds to meet the obligations in the short term as well as in the medium and long term.

As mentioned in previous sections, the Company intends that the maturity profile of its debt be adapted to its capacity to generate cash flows to cancel it as well as taking into account the need to finance the projected expenditures for each year. As of December 31, 2018, the liquidity availabilities reach 2,307,161,577, considering cash for 156,125,865 and other liquid financial assets for 2,151,035,712.

The expiration dates of the financial assets and liabilities existing as of December 31, 2018 are analyzed in the attached tables:

	<b>December 31, 2018</b>						<b>Total</b>
	<b>Maturity</b>						
	<b>From 0 to 1 year</b>	<b>From 1 to 2 years</b>	<b>From 2 to 3 years</b>	<b>From 3 to 4 years</b>	<b>From 4 to 5 years</b>	<b>More than 5 years</b>	
<b>Financial assets</b>							
Accounts receivables	3,127,565,097	-	-	-	-	-	3,127,565,097
Investments in financial assets	<u>2,151,035,712</u>	-	-	-	-	-	<u>2,151,035,712</u>
	<u>5,278,600,809</u>	-	-	-	-	-	<u>5,278,600,809</u>
<b>Financial liabilities</b>							
Other liabilities	51,778,018	6,148,209	5,029,396	5,358,223	5,708,550	920,998,368	995,020,764
Loans	6,507,649,853	1,880,000,023	376,000,000	-	-	-	8,763,649,876
Accounts payables <sup>(1)</sup>	1,467,695,679	-	-	-	-	-	1,467,695,679
	<u>8,027,123,550</u>	<u>1,886,148,232</u>	<u>381,029,396</u>	<u>5,358,223</u>	<u>5,708,550</u>	<u>920,998,368</u>	<u>11,226,366,319</u>

(1) The amounts shown correspond to the contractual cash flows undiscounted, since the discounted values do not differ significantly from the nominal values.

### Credit risk

Credit risk is defined as the possibility that a third party does not comply with its contractual obligations, thereby causing losses for the Company.

Such risk in the Company is measured and controlled by client or third party individually. The Company has its own systems for the permanent credit assessment of all its debtors and the determination of risk limits by third parties, aligned with best practices, using both internal background linked to them, as well as external data sources.

The Company's financial instruments that are potentially subject to credit concentration risk consist mainly of the balances of cash and cash equivalents, sales credits and other credits. The Company invests its temporary cash surpluses in highly liquid placements in financial institutions in Argentina and abroad with a high credit rating.

Provisions for doubtful receivables are determined based on the following criteria:

- The debt maturity.
- The analysis of the client's ability to repay the credit granted, also considering special situations such as the existence of insolvency proceedings, bankruptcy, payment arrears and the existence of guarantees, among others.

The maximum exposure to the Company's credit risk as of December 31, 2018, distinguishing by type of financial instrument and without discounting the amounts covered by guarantees and other mechanisms mentioned below, is detailed below:

	<b>Maximum exposure as of December 31, 2018</b>
Cash and banks	156.125.865
Other financial assets	5.290.403.972

Considering the maximum exposure to the risk of other financial assets depending on the concentration of counterparties, the loans with related companies represent approximately 30, with no other customers individually representing more than 7% of the company's income.

The following is an opening of financial assets due as of December 31, 2018:

	<u>Current accounts receivables</u>
Expired with less than three months	578,080,567
Expired between 3 and 6 months	1,296,072
Expired with more than 6 months	20,031,250
	<u>599,407,889</u>

As of such date, the Company has a provision for doubtful accounts for sales of 11,803,163.

### Capital management

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

### 4. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables show the financial assets and liabilities by financial instrument category and a reconciliation with the line shown in the statement of financial position, as applicable. Because the items "Credits for sales", "Other credits", "Accounts payable", "Loans" and "Other liabilities" contain both financial instruments and non-financial assets or liabilities (such as tax credits and credits and liabilities in species, among others), the reconciliation is shown in the columns "Non-financial assets" and "Non-financial liabilities".

	<u>31-12-2018</u>				
<u>Financial assets</u>	<u>Financial assets at amortized cost</u>	<u>Financial assets at fair value with changes in results</u>	<u>Subtotal financial assets</u>	<u>Non-financial assets</u>	<u>Total</u>
Other receivables	-	-	-	1,525,602,977	1,525,602,977
Accounts receivable <sup>1)</sup>	3,139,368,260	-	3,139,368,260	-	3,139,368,260
Investments in financial assets	-	2,151,035,712	2,151,035,712	-	2,151,035,712
Cash and banks	156,125,865	-	156,125,865	-	156,125,865
	<u>3,295,494,125</u>	<u>2,151,035,712</u>	<u>5,446,529,837</u>	<u>1,525,602,977</u>	<u>6,972,132,814</u>

	<u>31-12-2017</u>				
<u>Financial assets</u>	<u>Financial assets at amortized cost</u>	<u>Financial assets at fair value with changes in results</u>	<u>Subtotal financial assets</u>	<u>Non-financial assets</u>	<u>Total</u>
Other receivables	33,542	-	33,542	1,624,509,210	1,624,542,752
Accounts receivable <sup>1)</sup>	1,208,345,894	-	1,208,345,894	-	1,208,345,894
Investments in financial assets	-	170,441,829	170,441,829	-	170,441,829
Cash and banks	46,045,873	-	46,045,873	-	46,045,873
	<u>1,254,425,309</u>	<u>170,441,829</u>	<u>1,424,867,138</u>	<u>1,624,509,210</u>	<u>3,049,376,348</u>

01-01-2017

	Financial assets at amortized cost	Financial assets at fair value with changes in results	Subtotal financial assets	Non-financial assets	Total
<b>Financial assets</b>					
Other receivables	33,834	-	33,834	1,507,044,782	1,507,078,616
Accounts receivable <sup>(1)</sup>	834,043,859	-	834,043,859	-	834,043,859
Investments in financial assets	-	301,819,526	301,819,526	-	301,819,526
Cash and banks	43,167,944	-	43,167,944	-	43,167,944
	<u>877,245,637</u>	<u>301,819,526</u>	<u>1,179,065,163</u>	<u>1,507,044,782</u>	<u>2,686,109,945</u>

(1) Does not include the provision for other doubtful receivables.

31-12-2018

	Financial liabilities at amortized cost	Financial liabilities at fair value with changes in results	Subtotal financial liabilities	Non-financial liabilities	Total
<b>Financial liabilities</b>					
Other payables	948,784,798	46,235,966	995,020,764	-	995,020,764
Loans	8,763,649,876	-	8,763,649,876	-	8,763,649,876
Accounts payable	1,467,695,679	-	1,467,695,679	-	1,467,695,679
	<u>11,180,130,353</u>	<u>46,235,966</u>	<u>11,226,366,319</u>		<u>11,226,366,319</u>

31-12-2017

	Financial liabilities at amortized cost	Financial liabilities at fair value with changes in results	Subtotal financial liabilities	Non-financial liabilities	Total
<b>Financial liabilities</b>					
Other payables	456,191,623	-	456,191,623	-	456,191,623
Loans	4,256,604,534	-	4,256,604,534	-	4,256,604,534
Accounts payable	890,977,822	-	890,977,822	-	890,977,822
	<u>5,603,773,979</u>	<u>-</u>	<u>5,603,773,979</u>	<u>-</u>	<u>5,603,773,979</u>

01-01-2017

	Financial liabilities at amortized cost	Financial liabilities at fair value with changes in results	Subtotal financial liabilities	Non-financial liabilities	Total
<b>Financial liabilities</b>					
Other payables	377,928,049	-	377,928,049	-	377,928,049
Loans	4,315,106,000	-	4,315,106,000	-	4,315,106,000
Accounts payable	695,495,972	-	695,495,972	-	695,495,972
	<u>5,388,530,021</u>	<u>-</u>	<u>5,388,530,021</u>	<u>-</u>	<u>5,388,530,021</u>

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

31-12-2018

	Assets / Financial liabilities at amortized cost	Assets / Financial liabilities at fair value with changes in results	Total
Earned interests	48,523,254	-	48,523,254
Lost interests and others	(582,042,753)	-	(582,042,753)
Exchange differences, net	(1,860,691,468)	-	(1,860,691,468)
Financial updates for leases		(44,246,000)	(44,246,000)
Result from valuation at fair value of financial assets with changes in results	-	322,360,575	322,360,575
Results by derivative financial instruments	-	299,165,231	299,165,231
	<u>(2,394,210,967)</u>	<u>577,279,806</u>	<u>(1,816,931,161)</u>



	31-12-2017		
	Assets / Financial liabilities at amortized cost	Assets / Financial liabilities at fair value with changes in results	Total
Lost interests, and others	(357,377,966)	-	(357,377,966)
Exchange differences, net	(150,254,507)	-	(150,254,507)
Financial updates for leases	-	(25,339,659)	(25,339,659)
Result from valuation at fair value of financial assets with changes in results	-	102,398,316	102,398,316
	(507,632,473)	77,058,657	(430,573,816)

#### Determination of fair value

IFRS 9 defines the fair value of financial instruments as the amount for which an asset may be exchanged or a financial liability may be canceled, between independent parties, duly informed and with the intention of carrying out the transaction. All financial instruments recognized at fair value are assigned to one of the levels of valuation hierarchy defined by IFRS. This valuation hierarchy comprises three levels.

In the case of level 1, the valuation is based on quoted prices without adjusting in active markets for identical assets or liabilities that the Company can take as reference at the closing date of the year. A market is considered active if the transactions are carried out with certain frequency and there is sufficient information of prices in permanent form. Because a quoted price in an active market is the most reliable indicator of fair value, it should always be used, if available. The financial instruments that the Company has assigned to this level include investments in publicly traded mutual funds and public securities.

In the case of level 2, the fair value is determined using valuation methods based on observable information in the market directly and indirectly. If the financial instrument has a determined term, the data for the valuation must be observable during the whole of that period. The Company has not valued financial instruments according to this category.

In the case of level 3, the Company uses valuation techniques that are not based on observable information in the market. This is only allowed to the extent that such information is not available. The data incorporated reflects the estimates that any market participant would take into account to fix the prices. The society uses the best available information, including internal data. The Company has not valued financial instruments according to this category.

The following tables present the financial assets and liabilities of the Company that are measured at fair value as of December 31, 2018 and 2017 and January 1, 2017 and their allocation to the fair value hierarchy:

Financial assets	31-12-2018			Total
	Level 1	Level 2	Level 3	
Investments in financial assets:				
Current:				
- Mutual funds	1,082,573,308	-	-	1,082,573,308
- Government securities	14,053,151	-	-	14,053,151
- Other temporary placements	1,054,409,253	-	-	1,054,409,253
	2,151,035,712	-	-	2,151,035,712

Financial assets	31-12-2017			Total
	Level 1	Level 2	Level 3	
Investments in financial assets:				
Current:				
- Mutual funds	169,630,750	-	-	169,630,750
- Fixed deposits	811,079	-	-	811,079
	170,441,829	-	-	170,441,829

<b>Financial assets</b>	<b>01-01-2017</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Investments in financial assets:				
Current				
- Mutual funds	279,106,109	-	-	279,106,109
- Other temporary placements	22,713,417			22,713,417
	<u>301,819,526</u>	<u>-</u>	<u>-</u>	<u>301,819,526</u>

<b>Financial liabilities</b>	<b>31-12-2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Other liabilities				
Current:				
-Exchange rate futures contracts	46,235,966	-	-	46,235,966
	<u>46,235,966</u>	<u>-</u>	<u>-</u>	<u>46,235,966</u>

The Company's policy is to recognize transfers between the different categories of the valuation hierarchy at the time they occur or when there are changes in the circumstances that cause the transfer. During the years ended December 31, 2018 and 2017, there have been no transfers between the different hierarchies used to determine the fair value of the Company's financial instruments.

Fair value of financial assets and financial liabilities measured at amortized cost

Except for the Company's loans as of December 31, 2018, the fair value of the rest of the financial assets and liabilities measured at amortized cost do not differ significantly from their book value

	<b>31-12-2018</b>		<b>31-12-2017</b>	
	<b>Nominal value</b>	<b>Fair value</b>	<b>Nominal value</b>	<b>Fair value</b>
Financial liabilities				
Maintained at amortized cost				
Loans	8,763,649,876	8,295,128,275	4,256,604,534	4,127,425,765

**PROPERTY, PLANT AND EQUIPMENT**

The evolution of the Company's property, plant and equipment for the years ended December 31, 2018 and 2017 is as follows:

	Land	furniture and office supplies	Vehicles	Computing equipment	Communications	Software	Other equipment	Facilities	Construction in progress	Fertilizer complex	Materials and spare parts	Total
Cost	66,743,693	9,415,391	13,850,734	14,641,815	10,129,981	295,871,844	79,128,340	1,258,503,460	126,228,390	13,308,705,696	360,361,050	15,543,580,394
Accumulated depreciation	-	(9,415,391)	(10,701,457)	(14,641,815)	(10,063,168)	(211,081,828)	(74,072,101)	(390,797,590)	-	(5,763,034,284)	-	(6,483,807,634)
<b>Balance as of January 1, 2017</b>	<b>66,743,693</b>	<b>-</b>	<b>3,149,277</b>	<b>-</b>	<b>66,813</b>	<b>84,790,016</b>	<b>5,056,239</b>	<b>867,705,870</b>	<b>126,228,390</b>	<b>7,545,671,412</b>	<b>360,361,050</b>	<b>9,059,772,760</b>
Costs												
Increases	-	-	3,292,783	3,994,917	370,920	5,033,326	-	-	354,228,534	34,395,755	131,399,456	532,715,691
Transfers	-	-	-	-	2,673,656	4,566,188	1,314,996	1,938,525	(126,242,229)	115,748,864	-	-
Transition effects	11,625,369	1,639,969	2,840,242	3,282,190	2,184,338	52,702,841	13,884,941	219,205,234	46,296,235	2,433,267,947	87,025,018	2,873,954,324
Decreases and reclassifications	-	-	(1,367,394)	-	(421,350)	(1,028,477)	-	(169,173)	-	(252,902,458)	(81,906,399)	(337,795,251)
Accumulated depreciation												
Increases	-	-	(2,291,590)	(1,360,399)	(770,090)	(55,144,630)	(2,592,546)	(64,579,223)	-	(250,277,836)	-	(377,016,314)
Transition effects	-	(1,639,969)	(1,925,932)	(2,634,204)	(1,704,384)	(40,372,263)	(13,095,150)	(72,376,320)	-	(1,021,464,354)	-	(1,155,212,576)
Decreases and reclassifications	-	-	1,255,287	-	413,210	-	-	-	-	-	-	1,668,497
Cost	78,369,062	11,055,360	18,616,365	21,918,922	14,937,545	357,145,722	94,328,277	1,479,478,046	400,510,930	15,639,215,804	496,879,125	18,612,455,158
Accumulated depreciation	-	(11,055,360)	(13,663,692)	(18,636,418)	(12,124,432)	(306,598,721)	(89,759,797)	(527,753,133)	-	(7,034,776,474)	-	(8,014,368,027)
<b>Balance as of December 31, 2017</b>	<b>78,369,062</b>	<b>-</b>	<b>4,952,673</b>	<b>3,282,504</b>	<b>2,813,113</b>	<b>50,547,001</b>	<b>4,568,480</b>	<b>951,724,913</b>	<b>400,510,930</b>	<b>8,604,439,330</b>	<b>496,879,125</b>	<b>10,598,087,131</b>
Costs												
Increases	-	-	6,560,501	2,390,367	-	5,849,079	1,871,126	-	605,968,801	83,176,709	109,982,670	815,799,253
Transfers	-	-	-	-	-	10,540,034	8,946,803	-	(846,495,818)	827,008,981	-	-
Transition effects	80,062,937	11,294,311	20,185,109	23,795,891	15,227,964	371,532,625	98,481,626	1,511,455,611	555,422,609	15,977,438,119	509,067,130	19,173,963,932
Decreases and reclassifications	-	-	(4,056,109)	-	(51,674)	(225,963)	(74,884)	-	-	(285,048,616)	(97,736,983)	(387,194,229)
Accumulated depreciation												
Increases	-	-	(3,893,790)	(3,180,292)	(1,756,208)	(57,686,878)	(3,482,182)	(101,499,883)	-	(475,192,429)	-	(646,691,662)
Transition effects	-	(11,294,311)	(12,924,466)	(19,992,591)	(12,990,745)	(339,497,878)	(92,949,980)	(574,597,058)	-	(7,339,474,759)	-	(8,403,721,788)
Decreases and reclassifications	-	-	3,785,447	-	-	-	-	-	-	147,716,660	-	151,502,107
Cost	158,431,999	22,349,671	41,305,866	48,105,180	30,113,835	744,841,497	203,552,948	2,990,933,657	715,406,522	32,241,790,997	1,018,191,942	38,215,024,114
Accumulated depreciation	-	(22,349,671)	(26,696,501)	(41,809,301)	(26,871,385)	(703,783,477)	(186,191,959)	(1,203,850,074)	-	(14,701,727,002)	-	(16,913,279,370)
<b>Balance as of December 31, 2018</b>	<b>158,431,999</b>	<b>-</b>	<b>14,609,365</b>	<b>6,295,879</b>	<b>3,242,450</b>	<b>41,058,020</b>	<b>17,360,989</b>	<b>1,787,083,583</b>	<b>715,406,522</b>	<b>17,540,063,995</b>	<b>1,018,191,942</b>	<b>21,301,744,744</b>

**6. INTANGIBLE**

Cost	<u>377,928,049</u>
<b>Balance as of January 1, 2017</b>	<u><u>377,928,049</u></u>
<u>Cost</u>	
Transition effects	65,827,240
<u>Amortization</u>	
Increases	(11,819,031)
Transition effects	(1,493,631)
Cost	443,755,289
Accumulated depreciation	<u>(13,312,662)</u>
<b>Balance as of December 31, 2017</b>	<u><u>430,442,627</u></u>
<u>Cost</u>	
Increases	-
Efectos de conversión	453,346,654
Decreases and reclassifications	-
<u>Amortization</u>	
Increases	(20,035,870)
Transition effects	(20,477,598)
Decreases and reclassifications	-
Cost	897,101,943
Accumulated depreciation	<u>(53,826,130)</u>
<b>Balance as of December 31, 2018</b>	<u><u>843,275,813</u></u>

**7. INVENTORIES**

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
Finished goods	1,440,864,985	692,073,704	459,159,814
Materials	184,682,664	74,403,447	57,727,581
Goods loans	<u>30,872,783</u>	<u>13,714,562</u>	<u>12,978,108</u>
	<u>1,656,420,432</u>	<u>780,191,713</u>	<u>529,865,503</u>

**8. OTHER RECEIVABLES**

	<u>31-12-2018</u>		<u>31-12-2017</u>		<u>01-01-2017</u>	
	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>
Value-added tax	-	500,361,326	45,025,031	621,469,252	131,432,273	590,555,053
Refunds on exports	-	-	-	52,017	-	3,317,276
Deposits in guarantee	-	52,903,556	106,699,078	104,706	76,770,683	-
Minimum presumed income tax	90,870,518	-	91,547,254	-	76,697,407	-
Income tax	34,810,672	-	34,676,867	-	-	-
Advances and withholdings of income tax	-	554,835,744	-	554,693,495	362,865,029	65,046,647
Tax on gross income	79,089,014	14,321,495	-	-	-	-
Advance of gross income tax	-	-	-	52,031,775	-	20,651,400
Prepaid expenses	-	67,867,067	-	33,212,202	60,636,438	36,570,220
Advances to suppliers	55,999,180	40,300,631	34,817,328	31,375,153	-	71,251,171
Related parties (Note 26)	-	-	-	33,542	-	33,834
Miscellaneous	-	<u>34,243,774</u>	-	<u>18,805,052</u>	-	<u>11,251,185</u>
	<u>260,769,384</u>	<u>1,264,833,593</u>	<u>312,765,558</u>	<u>1,311,777,194</u>	<u>708,401,830</u>	<u>798,676,786</u>

**9. TRADE RECEIVABLES**

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
Accounts receivables	2,133,023,544	777,584,022	615,626,257
Related parties (Note 26)	1,006,344,716	430,761,872	218,417,602
Provision for other doubtful receivables	<u>(11,803,163)</u>	<u>(5,838,485)</u>	<u>(4,972,398)</u>
	<u>3,127,565,097</u>	<u>1,202,507,409</u>	<u>829,071,461</u>

**10. INVESTMENTS IN FINANCIAL ASSETS**

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
- Mutual funds <sup>(1)</sup>	1,082,573,308	169,630,750	279,106,109
- Government securities <sup>(2)</sup>	14,053,151	-	-
- Fixed deposits	-	811,079	-
- Other temporary placements	<u>1,054,409,253<sup>(3)</sup></u>	<u>-</u>	<u>22,713,417<sup>(4)</sup></u>
	<u>2,151,035,712</u>	<u>170,441,829</u>	<u>301,819,526</u>

<sup>(1)</sup> Corresponds to investments with an agreed maturity of less than three months. As of December 31, 2018 includes 407.765.695 as a guarantee for the forward purchase of dollar transactions arranged by the Company.

<sup>(2)</sup> Corresponds to Treasury Bills in pesos at 4% with due date 31/01/19 for a nominal value of 14.131.000.

<sup>(3)</sup> Corresponds to short-term deposits in foreign banks.

<sup>(4)</sup> Corresponds to the Appraisal investment portfolio, which mainly contains fixed income bonds in dollars that accrue interest at nominal annual rates between 0.125% and 6.2%.

**11. CASH AND BANKS**

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
Cash and banks	156,125,865	46,045,873	43,167,944
	<u>156,125,865</u>	<u>46,045,873</u>	<u>43,167,944</u>

**12. INCOME TAX**

The calculation of the accrued charge for the income tax for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Current income tax	(96,734,645)	(34,586,781)
Deferred tax	<u>(483,670,373)</u>	<u>409,762,835</u>
	<u>(580,405,018)</u>	<u>375,176,054</u>

The reconciliation between the charge to results for income tax corresponding to the years ended December 31, 2018 and 2017 and the one that would result from applying the current tax rate on the net result before income tax that arises from the states of individual comprehensive results of each fiscal year, is as follows:

	<u>2018</u>	<u>2017</u>
Result before income tax	1,235,334,740	777,677,480
Current tax rate	30%	35%
Current tax rate applied before income tax	(370,600,422)	(272,187,118)
Modification effect of taxes tax reform Law 27,430 (1)	-	722,730,921
Difference by functional currency and others	<u>(209,804,596)</u>	<u>(75,367,749)</u>
(Charge) Income gains for income tax	<u>(580,405,018)</u>	<u>375,176,054</u>

<sup>(1)</sup> See note 2.b.11).

Also, the composition of deferred tax as of December 31, 2018 and 2017 and January 1, 2017 is as follows:

	31-12-2018	31-12-2017	01-01-2017
Deferred tax assets			
Tax losses	-	-	271,539,040
Miscellaneous	300,000	2,387,976	139,270
<b>Total deferred tax assets</b>	<b>300,000</b>	<b>2,387,976</b>	<b>271,678,310</b>
Deferred tax liabilities			
Property and materials	(4,610,802,459)	(2,048,643,500)	(2,402,300,870)
Miscellaneous	(32,590,111)	(2,963,178)	-
<b>Total deferred tax liability</b>	<b>(4,643,392,570)</b>	<b>(2,051,606,678)</b>	<b>(2,402,300,870)</b>
<b>Total net deferred tax liability</b>	<b>(4,643,092,570)</b>	<b>(2,049,218,702)</b>	<b>(2,130,622,560)</b>

### 13. LOANS

	<i>Interest rate <sup>(1)</sup></i>	31-12-2018		31-12-2017		01-01-2017	
		Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
Bank debts	(2)	2,256,000,023	6,507,649,853	2,362,073,000	1,894,531,534	2,957,140,344	1,357,965,656
		<b>2,256,000,023</b>	<b>6,507,649,853</b>	<b>2,362,073,000</b>	<b>1,894,531,534</b>	<b>2,957,140,344</b>	<b>1,357,965,656</b>

(1) Annual interest rates in effect as of December 31, 2018.

(2) As of December 31, 2018 includes 5,057,200,000 that accrue interest at annual nominal rates between 1.25% and 6%, 402,320,000 accrue LIBOR annual interest plus 1.25%, 537,680,000 accrue interest an annual LIBOR interest plus 1.70%, 752,000,000 accrue LIBOR annual interest plus 2.25%, 752,000,000 accrue LIBOR annual interest plus 3%, 564,000,000 accrue annual LIBOR interest plus 5.25% and 564,000,000 accrue LIBOR annual interest plus 5.75%.

#### Evolution of loans and reconciliation of liabilities arising from financing activities:

	2018	2017
Balances at the beginning of the year	4,256,604,534	4,315,106,000
<u>Cash flows from financing activities</u>		
From loans	4,317,776,450	3,015,639,250
Payments of capital	(5,246,007,925)	(3,850,757,473)
	<b>(928,231,475)</b>	<b>(835,118,223)</b>
<u>Other changes:</u>		
Accrued interest	396,804,384	288,401,883
Payments of interest	(328,469,863)	(292,980,886)
Difference of change and by conversion, net and others	5,366,942,296	781,195,760
	5,435,276,817	776,616,757
Balances at the end of the period	<b>8,763,649,876</b>	<b>4,256,604,534</b>

Loans generally contain commitments and default events common to contracts of this nature, which include, among others, limitations regarding the creation of liens on the assets of the Company and compliance with certain financial commitments related mainly to leverage ratios, liquidity and indebtedness of the Company.

Additionally, in relation of certain loans, certain guarantees have been granted, such as a pledge guarantee on certain equipment of the plant, the fiduciary assignment in guarantee of the rights of the Company with respect to eventual sales to certain customers and the creation of a credit account reservation.

**14. FISCAL CHARGES**

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
Withholding of income tax	-	793,717	12,787,046
Withholdings from added-value tax	11,692,104	8,141,662	25,438,517
	<u>11,692,104</u>	<u>8,935,379</u>	<u>38,225,563</u>

**15. OTHER LIABILITIES**

	<u>31-12-2018</u>		<u>31-12-2017</u>		<u>01-01-2017</u>	
	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current
Leases	422,257,592	5,542,052	211,612,931	2,686,347	182,509,858	2,051,043
Impairment provision	520,985,154	-	241,892,345	-	193,367,148	-
Other liabilities for exchange rate futures	-	46,235,966	-	-	-	-
	<u>943,242,746</u>	<u>51,778,018</u>	<u>453,505,276</u>	<u>2,686,347</u>	<u>375,877,006</u>	<u>2,051,043</u>

The evolution of the lease liability and the provision for decommissioning is as follows:

	Leases	Impairment provision	Total
<b>Balances as of January 1, 2017</b>	<b>184,560,900</b>	<b>193,367,149</b>	<b>377,928,049</b>
Transition effects	31,851,450	35,334,677	67,186,127
Financial actualizations	12,149,159	13,190,500	25,339,659
Lease payments	(14,262,212)	-	(14,262,212)
<b>Balances as of December 31, 2017</b>	<b>214,299,297</b>	<b>241,892,326</b>	<b>456,191,623</b>
Transition effects	217,388,340	255,181,088	472,569,428
Intangible increases	-	-	-
Financial actualizations	20,334,260	23,911,740	44,246,000
Lease payments	(24,222,253)	-	(24,222,253)
<b>Balances as of December 31, 2018</b>	<b>427,799,644</b>	<b>520,985,154</b>	<b>948,784,798</b>

**16. ACCOUNT PAYABLES**

	<u>31-12-2018</u>	<u>31-12-2017</u>	<u>01-01-2017</u>
Suppliers	927,978,549	595,682,209	495,694,980
Related parties (Note 26)	388,015,332	203,428,334	150,336,204
Advancements of clients	151,701,798	91,867,279	49,464,788
	<u>1,467,695,679</u>	<u>890,977,822</u>	<u>695,495,972</u>

**17. REVENUE**

	<u>2018</u>	<u>2017</u>
<u>Sales by product type</u>		
Urea		
- Local market	9,826,844,086	5,673,443,953
- Exports	288,635,350	162,528,968
Ammonia		
- Local market	226,377,342	125,589,807
- Exports	225,754,704	62,049,852
Other resale products		
- Local market	4,774,265,474	1,149,887,263
<u>Grain sales</u>	1,041,003,799	601,695,477
<u>Services:</u>		
Untying	111,459,217	37,117,711
Storage	85,088,752	45,654,639
Shipping	58,297,866	24,252,529
Other services	18,595,998	10,573,751
Gross income tax	(359,289,299)	(182,006,484)
Export rights and refunds	(9,037,341)	3,032,945
	<u>16,287,995,948</u>	<u>7,713,820,411</u>

**18. COSTS**

	<u>2018</u>	<u>2017</u>
Inventories at the beginning of the year (1)	705,788,266	472,137,922
Purchases	5,027,221,946	1,403,768,076
Cost for services	83,972,312	39,094,763
Production costs (Note 19)	5,454,937,968	3,809,491,019
Conversion difference	600,271,155	88,564,085
Inventories at year-end (1)	<u>(1,471,737,768)</u>	<u>(705,788,266)</u>
	<u>10,400,453,879</u>	<u>5,107,267,599</u>

<sup>(1)</sup> Net of materials.

**19. EXPENSES BY NATURE**

The Company presents the statement of comprehensive income, classifying the expenses according to their function as part of the lines "Production costs", "Administration expenses" and "Selling expenses". The following is the additional information required to disclose the nature of the expenses and their relationship with the function within the Company for the years ended December 31, 2018 and 2017:

Account	<u>2018</u>				Total
	<u>Production costs</u>	<u>Sales expenses</u>	<u>Management expenses</u>	<u>Other operative expenses</u>	
Payroll	190,276,501	70,080,550	146,298,808	49,021,153	455,677,012
Other staff expenses	11,014,284	10,961,075	22,775,505	4,386,286	49,137,150
Social contributions	45,222,313	13,984,170	24,975,128	7,849,546	92,031,157
Taxes, fees and contributions	5,005,805	146,089,199	1,049,315	4,761,558	156,905,877
Rentals and common expenses	1,171,944	5,543,331	5,415,204	178,762	12,309,241
Office expenses	9,381,380	16,512,252	22,295,543	6,891,229	55,080,404
Travel expenses	388,895	2,496,760	3,810,354	731,018	7,427,027
Handling and storage	523,209	176,324,407	-	523,198	177,370,814
Transport and freight	-	368,320,945	-	-	368,320,945
Internal transfers	380,669,562	-	-	-	380,669,562
Fees and compensation for services	6,223,859	27,062,998	26,930,049	2,811,854	63,028,760
Hiring	47,745,719	57,470,850	85,899,151	31,343,655	222,459,375
Depreciation of property, plant and equipment	360,192,484	103,256,244	64,812,585	118,430,349	646,691,662
Amortization intangible	10,682,108	3,612,298	-	5,741,464	20,035,870
Insurance	56,971,853	12,556,423	1,170,625	15,351,216	86,050,117
Communication expenses	1,843,214	4,065,453	5,685,951	579,861	12,174,479
Forecasts	-	40,371,463	1,145,136	-	41,516,599
Publicity and marketing	177,685	3,379,687	19,632,723	74,782	23,264,877
Materials and supplies	12,252,844	5,879,910	710,202	6,512,948	25,355,904
Gas, energy and others	4,137,012,417	-	-	921,364,013	5,058,376,430
Maintenance and repairs	176,482,882	49,303,749	1,116,743	72,738,670	299,642,044
Miscellaneous	1,699,010	4,988,257	5,409,238	455,923	12,552,428
Total 2018	<u>5,454,937,968</u>	<u>1,122,260,021</u>	<u>439,132,260</u>	<u>1,249,747,485</u>	<u>8,266,077,734</u>



Account	2017				
	Production costs	Sales expenses	Management expenses	Other operative expenses	Total
Payroll	138,355,898	48,726,447	107,806,695	34,391,019	329,280,059
Other staff expenses	2,690,912	8,038,472	15,102,696	8,282,814	34,114,894
Social contributions	32,641,481	10,639,388	18,291,507	7,455,902	69,028,278
Taxes, fees and contributions	4,023,742	88,089,267	733,476	1,535,637	94,382,122
Rentals and common expenses	1,527,168	4,473,526	2,924,821	95,192	9,020,707
Office expenses	11,488,499	10,447,265	6,927,212	(2,659,825)	26,203,151
Travel expenses	53,591	1,607,723	2,142,599	734,088	4,538,001
Handling and storage	1,561,608	123,481,099	-	(720,964)	124,321,743
Transport and freight	-	294,837,717	-	-	294,837,717
Internal transfers	407,182,547	-	-	-	407,182,547
Fees and compensation for services	46,157	259,033	15,061,603	167,575	15,534,368
Hiring	204,038,959	87,681,445	63,417,721	(5,188,400)	349,949,725
Depreciation of property, plant and equipment	220,806,114	62,495,509	76,552,060	17,162,629	377,016,312
Amortization rights of use	9,441,157	2,481,665	-	(103,792)	11,819,030
Insurance	52,473,984	8,607,822	1,137,596	(2,521,874)	59,697,528
Communication expenses	2,840,048	2,681,855	3,833,993	(823,646)	8,532,250
Publicity and propaganda	671,337	1,650,455	9,575,337	(476,893)	11,420,236
Materials and supplies	817,094	-	-	174,990	992,084
Gas, energy and others	2,677,666,179	-	-	161,231,607	2,838,897,786
Maintenance and repairs	39,117,936	6,929,946	2,119,135	(1,849,849)	46,317,168
Miscellaneous	2,046,608	27,504,721	1,751,561	11,714	31,314,604
<b>Total 2017</b>	<b>3,809,491,019</b>	<b>790,633,355</b>	<b>327,378,012</b>	<b>216,897,924</b>	<b>5,144,400,310</b>

## 20. OTHER INCOME AND EXPENSES, NET

	2018	2017
Tax on bank debits and credits	(149,161,439)	(87,094,594)
Miscellaneous	125,025,037	23,702,369
	<u>(24,136,402)</u>	<u>(63,392,225)</u>

## 21. FINANCIAL RESULTS, NET

	2018	2017
<u>Financial income</u>		
Exchange differences	431,531,132	179,339,552
Interests and others, net	48,523,254	-
<b>Total financial income</b>	<u>480,054,386</u>	<u>179,339,552</u>
<u>Financial cost</u>		
Exchange differences	(2,292,222,600)	(329,594,059)
Financial updates for leases	(44,246,000)	(25,339,659)
Interests and others, net	(582,042,753)	(357,377,966)
<b>Total financial costs</b>	<u>(2,918,511,353)</u>	<u>(712,311,684)</u>
<u>Other financial results</u>		
Results for valuation at fair value of financial assets with changes in results	322,360,575	102,398,316
Results by derivative financial instruments	299,165,231	-
<b>Total other financial results</b>	<u>621,525,806</u>	<u>102,398,316</u>
<b>Total financial results, net</b>	<u>(1,816,931,161)</u>	<u>(430,573,816)</u>

## 22. EQUITY

The nominal capital of the Company as of December 31, 2018 amounts to 782,582,640 represented by 782,582,640 common shares and one vote per share, nominative non-endorsable, with a par value of \$ 1. Which is issued, registered, subscribed and integrated.

The participation of the partners in the capital of the Company as of December 31, 2018 is as follows:

YPF S.A.	50%
Agrium Holdco Spain S.L. <sup>(1)</sup>	50%
	<hr style="width: 100%; border: 0.5px solid black;"/>
	100%

<sup>(1)</sup> Agrium Inc., a company controlled by 10706957 Canada Inc, holds 100% of the shares of Agrium Holdco Spain S.L.

## 23. CONTINGENT ASSETS AND LIABILITIES

### a. Resolutions of the National Regulatory Entity of Gas ("ENARGAS") on additional charges for natural gas rates

During 2008, the National Executive Power promulgated Decree No. 2067/2008, which created a trust fund to finance natural gas imports by the National Government to guarantee domestic demand in Argentina. Contributions to the fund were carried out through charges applicable to users of transportation and natural gas distribution companies, among others.

During the last quarter of 2011, Resolutions No. 1982/2011 and 1991/2011 of the ENARGAS ("National Regulatory Entity of Gas"), which regulated Decree No. 2067/08, established a tariff increase of up to ten times ("Additional tariff charges") on the original charge for certain users of the natural gas transportation and distribution system, including Profertil, for natural gas consumption made as of December 1, 2011.

The Company has filed an administrative appeal called improper claim (direct challenge before the administration of the acts of general scope) before the ENARGAS and a presentation to the National Executive Power, under the opinion that, given the nature of the Company's business and your long-term natural gas purchase agreements must be exempt from the aforementioned resolutions. On December 22, 2011, the Company filed an injunction before the national courts, which was granted on December 29, 2011, in order to suspend the effects of these resolutions until the final resolution of the improper claim mentioned above presented in administrative headquarters.

Additionally, on June 15, 2012, the Company initiated an ordinary action before the National Court of First Instance in Federal Administrative Litigation in order to ensure the rights of the Company before a possible unfavorable resolution of the administrative appeal mentioned in the paragraph preceding. The action filed was based on the fact that both the Decree and the aforementioned Resolutions, for which the additional charge is being applied, are illegitimate because they suffer from manifest defects in their essential elements, and at the same time they violate the rights protected in the National Constitution of equality, legality, due process and defense, and are contrary to the right of property and the guarantee of reasonableness.

In that sense, the impact of the additional tariff charges on the average of the last four fiscal years ended on December 31, 2015, 2014, 2013 and 2012 (previous years before the application of the additional tariff charges was revoked as described later in this note) represents approximately 39% of purchases of natural gas (the main raw material for the production of urea) and approximately 92% of the net profit for the year.

The additional tariff charges until June 30, 2016 were shown in Schedule H and accrued as natural gas was consumed, and the amounts accumulated for this concept were recognized in the commercial debts account of the balance sheet.

As of the date of issuance of these financial statements, the filing made at the administrative headquarters is pending resolution.

The Law N ° 26.784 of the General Budget of the National Administration for the Fiscal Year 2013 (the "Budget Law"), sanctioned in November 2012, incorporated the regime created by Decree N ° 2067/08 within the provisions of the Law No. 26,095. In addition, during the year ended December 31, 2013, court decisions were initiated by other market

players that provided new evidence to evaluate the accounting treatment of the additional tariff charges until the Budget Law came into effect. As a result, as of December 31, 2013, the Company reversed 305,876,018 corresponding to the additional charges accrued until the year ended December 31, 2012, considering that until that date the aforementioned Decree was contrary to the principle of legal reserve. In tax matters and that recently the Budget Law granted the necessary legal backing to said tariff charges.

Subsequently, at the end of the year ended on December 31, 2014 and after that date, two new resolutions of the Supreme Court of Justice of the Nation and the Federal Chamber of the Province of Salta were heard regarding judicial cases initiated by others. Market actors that threw new elements of judgment to evaluate the accounting treatment of the additional charges until the entry into force of the Budget Law. Both resolutions ruled in favor of ENARGAS, but in the opinion of the legal advisors of the Company, they do not necessarily apply in the same way to the judicial proposal made by the Company.

Additionally, during March 2016, the Ministry of Energy and Mining sanctioned Resolution 28/2016 by means of which it instructed ENARGAS to annul the application of the additional tariff charges as of April 1, 2016.

Subsequently, certain presentations made by third parties questioned both Resolution 28/2016 as well as Resolution 31/2016 (which established an integral adjustment to the tariff for public transport and gas distribution services) and federal courts had invalidated those resolutions, from which the CSJN resolved that said resolutions were not applicable to residential users.

According to the external legal advisors of the Company, this new Resolution 28/2016 has provided new evidence for the evaluation of the accounting treatment of the additional tariff charges for the period between the enactment of the Budget Law (January 2013 to March 2016), and an eventual claim for payment of the additional tariff charges until March 2016 has ceased to be probable and has become possible.

As a result of this, the Management of the Company, in consultation with said legal advisors, considers that this new evidence provides additional grounds to support the position of the Company in the ordinary action before the National Court of First Instance in Contentious Administrative Matters mentioned above, and therefore it is possible that the Company obtains a favorable resolution in the actions of declaration of unconstitutionality presented before the National Courts on the basis of their confiscation and lack of reasonableness, the defects in the motivation of the contested resolutions and the violation of the right defense.

## **24. CONTRACTUAL COMMITMENTS**

### **a. Land use concession contract**

In October 1997, the Company executed a Concession for Use agreement with the Consortium managing the Bahía Blanca Port (administrator of such port) covering an area of about 636,000 square meters in the so-called Cangrejales zone of Bahía Blanca Port, Buenos Aires Province, in which the complex was developed. The term of the contract is thirty five years as from January 2001, date on which the commercial production began. This contract can be renewed twice, at the expiration of the initial term and of the following term, in each case for thirty five years. The contract stipulates the payment of a monthly fee payable in US dollars during the entire contractual term.

The main revocation causes provided by the Concession for Use agreement are: (a) lack of payment for three consecutive months, provided demand of payment has been sent to the concessionaire, (b) noncompliance with the works undertaken for the concession area, (c) total or partial abandonment or full or partial lack of activity for a period exceeding two years once the facility has become commercially active without justified cause and with no evidence of intention to restart activities, provided the concessionaire has been notified, (d) the Company's bankruptcy and (e) by mutual agreement.

On October 29, 2009 the Undersecretariat of Port Activities granted a permit to use Profertil on the 875 m2 property and the No. 1 Galpon located in zone II and on the property of approximately 29,118 m2 located in zone III of the jurisdiction of San Nicolas for a period of 10 years for which you must pay a monthly fee.

**b. Contracts for the supply and transport of natural gas and electric power**

The Company has agreements to purchase natural gas to ensure the supply for the operation of the plant until 2020, for which purchase and delivery commitments of approximately 2,500,000 cubic meters per day are established.

Additionally, it maintains gas transportation contracts for the supply necessary for the operation of the plant for a period agreed until the year 2050.

Likewise, the Company acquires an approximate total of 210 GWh from the market annually through Cammesa (Electricity Wholesale Market Administrator Company).

On September 20, 2018, Profertil entered into a contract with YPF for 20 years for the purchase of wind power from the commercial authorization of the supply agreed on November 1, 2018 from the Manantiales Behr wind farm and additionally from February 2020 the Los Teros wind farm. The Company has agreed on a tariff in dollars and established an amount of committed minimum renewable energy of 185,000 Mw per year.

**25. MAIN REGULATIONS AND OTHERS**

**Requirements of I.G.J. (Inspección General de Justicia)**

General Resolution N° 7/2015 of I.G.J.

In accordance with the provisions of article 309 of the aforementioned resolution, the notes to the financial statements that set forth the information requested by the Resolution in the form of Annexes are detailed below.

Fixed assets	Note 5 Property, plant and equipment
Other investments	Note 4 Financial instruments by category
Forecasts	Note 8 Other receivables
Cost of goods sold and services provided	Note 18 Costs
Assets and liabilities in foreign currency	Note 27 Assets and liabilities in currencies other than the peso
Information required by article 64, section I, subsection b), of Law No. 19,550	Note 19 Expenses by nature

## 26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company conducts transactions and transactions with related parties within the general market conditions, which are part of the Company's habitual operation in terms of its purpose and conditions.

The detailed information in the following tables shows the balances with related parties as of December 31, 2018 and 2017 and January 1, 2017, as well as the operations with them for the years ended December 31, 2018 and 2017.

	31-12-2018		31-12-2017			01-01-2017				
	Account Receivables	Account Payables	Account Receivables	Other receivables	Account Payables	Dividens payable	Account Receivables	Other receivables	Account Payables	Dividens payable
YPF S.A.	466,567,041	334,534,416	230,479,480	33,542	189,302,087	94,113,465	101,574,048	33,834	98,412,737	94,938,862
Agrium Holdco Spain S.L. <sup>(1)</sup>	539,777,675	-	-	-	-	94,113,464	-	-	-	94,938,861
Nutrien Ag Solutions Argentina S.A. <sup>(1)</sup>	-	46,433,631	200,282,392	-	752,790	-	116,843,554	-	49,370,373	-
Ysur S.A. <sup>(2)</sup>	-	-	-	-	-	-	-	-	585,597	-
MetroEnergía S.A. <sup>(2)</sup>	-	7,047,285	-	-	13,373,457	-	-	-	1,967,497	-
	1,006,344,716	388,015,332	430,761,872	33,542	203,428,334	188,226,929	218,417,602	33,834	150,336,204	189,877,723

	2018			2017		
	Net sales	Shopping and services	Other net operating results	Net sales	Shopping and services	Other net operating results
YPF S.A.	1,933,694,809	2,772,829,525	-	882,414,465	731,155,573	-
Nutrien Ag Solutions Argentina S.A. <sup>(1)</sup>	2,625,761,733	-	-	1,158,104,284	-	-
MetroEnergía S.A. <sup>(2)</sup>	-	-	-	-	188,642,287	-
YPF Tecnología <sup>(2)</sup>	-	-	-	-	49,035	-
	4,559,456,542	2,772,829,525	-	2,040,518,749	919,846,895	-

<sup>(1)</sup> Related party of Agrium Inc.

<sup>(2)</sup> Related party of YPF S.A.

## 27. ASSEST AND LIABILITIES IN FOREIGN CURRENCY

Rubro	31/12/2018			31/12/2017			01/01/2017		
	Class and amount of the currency other than the peso	Exchange rate (1)	Total (in pesos)	Class and amount of the currency other than the peso	Exchange rate (1)	Total (in pesos)	Class and amount of the currency other than the peso	Exchange rate (1)	Total (in pesos)
<b>Noncurrent assets</b>									
Other credits	-		-	US\$ 5,736,818	18.599	106,699,078	US\$ 4,846,634	15.84	76,770,683
Total non-current assets			-			106,699,078			76,770,683
<b>Current asset</b>									
Cash or cash equivalents	US\$ 2,273,064	37.60	85,467,207	US\$ 814,261	18.599	15,144,440	US\$ 1,093,410	15.84	17,319,614
Investments	US\$ 28,009,067	37.60	1,053,140,930	US\$ 1,094,129	18.599	20,349,705	US\$ 1,438,468	15.84	22,785,333
Credits by sells	US\$ 80,715,862	37.60	3,034,916,442	US\$ 63,002,868	18.599	1,171,790,342	US\$ 8,992,370	15.84	142,439,141
Other credits	US\$ 3,358,366	37.60	126,274,563	US\$ 2,637,806	18.599	49,060,554	US\$ 2,238,616	15.84	35,459,677
Total current assets			4,299,799,142			1,256,345,041			218,003,765
Total assets			4,299,799,142			1,363,044,119			294,774,448
<b>Noncurrent liabilities</b>									
Other passives	US\$ 25,086,243	37.60	943,242,746	US\$ 24,383,315	18.599	453,505,276	US\$ 23,729,609	15.84	375,877,006
	US\$ 60,000,000	37.60	2,256,000,023	US\$ 127,000,000	18.599	2,362,073,000	US\$ 76,250,000	15.84	1,207,800,000
Loans			3,199,242,769			2,815,578,276			1,583,677,006
Total non-current liabilities									
<b>Current liabilities</b>									
Debts to pay	US\$ 20,970,569	37.60	788,493,402	US\$ 23,834,783	18.599	443,303,129	US\$ 9,378,974	15.84	148,562,948
	€ 465,413	43.00135	20,013,387	-	-	-	€ 55,204	16.6978	921,785
	US\$ 1,377,075	37.60	51,778,018	US\$ 144,435	18.599	2,686,347	US\$ 129,485	15.84	2,051,043
Other passives	US\$ 173,075,792	37.60	6,507,649,853	US\$ 101,862,011	18.599	1,894,531,534	US\$ 79,488,336	15.84	1,259,095,242
Loans			7,367,934,660			2,340,521,010			1,410,631,018
Total current liabilities			10,567,177,429			5,156,099,286			2,994,308,024

(1) Exchange rate according to Banco Nación Argentina.

## 28. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND PREVIOUS ACCOUNTING STANDARDS APPLIED BY THE COMPANY

As mentioned in Note 2.a, the use of IFRS adopted by the FACPCE as approved by the IASB was resolved by Technical Resolutions No. 26 and 29 of the FACPCE and the Rules of the I.G.J. IFRS are of optional application for companies that do not make public offer of their shares or debentures. Given that the Company has defined adopting IFRSs in the current financial year, these financial statements as of December 31, 2018 are the first that the Company issues prepared on the basis of said standards.

Below is a reconciliation between the equity determined in accordance with the previous accounting standards applied in the preparation of the financial statements as of December 31 and January 1, 2017 (date of transition to IFRS) and the equity that had been determined from IFRS have been applied to the aforementioned dates, as required by the respective professional standards.

		<b>31-12-2017</b>	<b>01-01-2017</b>
Net worth according to previous accounting standards		1,655,262,139	1,052,202,372
Property, plant and equipment	(1.a)	7,177,331,624	5,889,792,161
Inventories	(1.b)	(7,821,766)	20,627,618
Leases	(2)	(25,748,996)	-
Income tax	(3)	(1,866,650,916)	(2,130,622,560)
Others		10,136,360	22,833,689
Net worth according to IFRS		<u>6,942,508,445</u>	<u>4,854,833,280</u>

Likewise, a reconciliation is presented between the net result for the year ended on December 31, 2017 determined in accordance with the previous accounting standards applied, and the total integral result of the same fiscal year that would have been determined if the IFRS had been applied:

		<b>31-12-2017</b>
Net income for the year according to previous accounting standards		603,059,767
Property, plant and equipment	(1.a)	(245,525,569)
Inventories	(1.b)	183,601,631
Exchange differences and holding results	(1.c)	44,135,437
Amortization right to use	(2)	388,278
Financial updates of lease liabilities	(2)	(25,339,659)
Income tax	(3)	592,533,649
Net income for the year according to IFRS		<u>1,152,853,534</u>
Other comprehensive result of the period	(1.d)	934,821,631
Total comprehensive income for the year under IFRS		<u>2,087,675,165</u>

(1) Functional currency:

Under the previous Accounting Principles, the financial statements were presented in pesos (reporting currency) recognizing the changes in the purchasing power of the currency in accordance with the provisions established in RT N° 6 and N° 17, with the modifications introduced by RT No. 39 and by Interpretation No. 8, standards issued by the FACPCE and approved by the CPCE-CABA. Transactions in foreign currency were recorded in pesos at the exchange rate in effect at the date of the transaction. Exchange differences arising from monetary items in foreign currency were recognized in the results for the year.

Under IFRS the company must define its functional currency, which may differ from the reporting currency, requiring it to be defined according to the criteria established by IAS 21, "Effects of Variations in Exchange Rates of the Foreign Currency". Based on the provisions of the aforementioned regulation, the Management has defined the dollar as functional currency for Profertil. Based on this, net equity as of January 1 and December 31, 2017, prepared according to previous accounting principles, have been remeasured in dollars in accordance with the procedure established in IAS 21 and IFRS 1, with the objective of generating the accounting information as if it had been carried in the functional currency.

According to the established procedure, monetary assets and liabilities are remeasured at the closing exchange rate. The non-monetary items, which are measured in terms of historical cost, as well as the results, are remeasured using the exchange rate of the date of the transaction. The results of the remeasurement to dollar of monetary assets and liabilities other than the dollar are recognized in the result of the year in which they are generated. Additionally, in accordance with the provisions of General Resolution No. 7/2015 of the IGJ, the Company must present its financial statements in pesos, therefore, the amounts obtained from the aforementioned process must be converted into pesos, in accordance to the criteria established in IAS 21. According to the same, the assets and liabilities will be converted to the presentation currency at the closing exchange rate, the results will be converted at the exchange rate of the date of each transaction (or, for practical reasons and, when the exchange rates do not fluctuate significantly, at the average exchange rate of each month), and the resulting conversion differences will be recognized in Other Comprehensive Results.

(1.a) In accordance with the aforementioned methodology, the Company has proceeded to value its assets in its functional currency at January 1 and December 31, 2017 and has subsequently converted them to pesos at those dates. Based on this valuation, the value of the assets of use have been increased by an amount of 5,889,792,161 and 7,177,331,624 as of January 1 and December 31, 2017, respectively. Likewise, said valuation has impacted a higher charge for depreciation of fixed assets in the year ended December 31, 2017 for an amount of 245,525,569.

(1.b) According to the methodology established by the Company for the valuation of inventories under IFRS, they are valued at the lower value between cost and net realizable value. This method has implied an increase in the valuation of inventories for an amount of 20,627,618 as of January 1, 2017 and a decrease of 7,821,766 as of December 31, 2017, respectively, with the corresponding impact on the cost of sales.

(1.c) Corresponds mainly to the adjustment of the amount of the result for the exchange difference between the previous accounting standards and IFRS, mainly as a consequence of the adjustments resulting from the application of the dollar functional currency, as defined by the IFRS explained above. .

(1.d) Corresponds mainly to the exchange difference resulting from the conversion process to presentation currency pesos by the Company, as a consequence of the application of the dollar functional currency, as defined by the IFRS explained above.

(2) Leases:

Profertil decided the early application of IFRS 16, which is mandatory for years beginning on or after January 1, 2019. According to this standard, the Company recognizes at the beginning of the lease contract a right to use the asset and the liability for associated lease (recognized in other liabilities of the balance sheet), except in the case of short-term leases or when the value of the asset that is the object of the contract is not significant (Notes 2.b.10, 6 and 15).

Under previous accounting principles, this type of leases were considered operative with imputation of the monthly installments to the result of the exercise.

(3) Income tax:

Corresponds to the effect on income tax in accordance with IAS 12, as a result of the valuation differences mentioned in the preceding sections.

Additionally, the adoption of IFRS has not had a significant impact on the cash flow of the Company.

Likewise, as a result of the adoption of IFRS, the form and content of the financial statements and their notes have been adapted, contemplating and expanding certain exposures required by the regulations adopted.

## **29. SUBSEQUENT EVENTS**

The financial statements as of December 31, 2018, have been approved by the Board of Director's meeting and authorized to be issued on March 15, 2019, and will be considered in the shareholders' meeting.



**PROFERTIL S.A.**

**Financial Statements as of December 31, 2018 and comparatives**

**RATIFICATION OF LITHOGRAPHED FIRMS**

We hereby ratify the signatures that are lithographed in the above pages from the page No. 1 to No. 43.

HORACIO FEDERICO VELLER  
President

## REPORT OF THE SUPERVISORY COMMITTEE

To the Shareholders of  
**Profertil S.A.:**

Of our consideration:

1. In accordance with the provisions of subsection 5 of article N ° 294 of Law N ° 19,550 and current provisions, we have performed the work mentioned in the following paragraph in relation to the statement of financial position as of December 31, 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ending on that date. These documents are the responsibility of the Board of Directors of the Company in the exercise of its exclusive functions. Our responsibility is to inform about these documents based on the work mentioned in the following paragraph.
2. Our work on the financial statements mentioned in the first paragraph consisted of verifying the congruence of the significant information contained in those statements with the information of the corporate decisions set forth in the minutes, and the adequacy of said decisions to the law and the bylaws, with regard to its formal and documentary aspects. In order to carry out this work, we have taken into account the financial statements report of the external auditors Deloitte & Co. S.A. dated March 15, 2019, issued in accordance with the International Financial Reporting Standards (IFRS). We have not carried out any management control and, therefore, we have not evaluated the criteria and business decisions of administration, financing, commercialization and production, given that these matters are the exclusive responsibility of the Board of Directors of the Company. We believe that our work and the report of the external auditors provide us with a reasonable basis to base our report.
3. In our opinion, the financial statements mentioned in the first paragraph present reasonably in all material respects the financial situation of Profertil S.A. as of December 31, 2018, as well as its comprehensive income, changes in its net equity and cash flow for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS).
4. We also inform, in compliance with current legal provisions, that:
  - a) The accompanying financial statements are included in the Inventory and Balance Sheets book and arise from accounting records that, in their formal aspects, have been carried out in accordance with the legal provisions in force.
  - b) We have reviewed the Board's Report, about which we have nothing to observe regarding our competence.
  - c) We have received evidence of compliance with article N ° 76 of General Resolution N ° 7/2015 of the General Inspectorate of Justice, in relation to the guarantees of the directors, referred to in article N ° 256 of Law N ° 19,550.
  - d) In the exercise of control of legality that concerns us, we have applied during the year the procedures described in article N ° 294 of Law N ° 19,550, which we consider necessary according to the circumstances, not having observations to make in this regard .

Ciudad Autónoma de Buenos Aires, March 15, 2019.

By Supervisory Committee

Oscar Alberto Oroná  
Trustee  
Attorney U.B.  
C.P.A.C.F. T° 9 - F° 987